



Present:

SC members: Charlotte Opal (chair), Ian Finlayson (vice-chair), Joe Osman, Alex Yeboah-Afari, Fenny Eshuis, Jerónimo Pruijn, Phil Wells

Chair of the FLO Board: Barbara Fiorito

FLO SU: Andreas Kratz, Dorothee Jung, Ricardo Guimaraes, Rob van Hout, Kate Kilpatrick, Fabienne Yver, Ingrid Madlmair, Juliane Reinecke, Maria Rus; *FLO FCSU:* Simon Hunt (item 2.1, 6); *FLO PBU:* Robin Roth (item 5), Matthias Kuhlmann (item 6) Guillermo Denaux (item 5); Karimah Hudda (item 4) *FLO-Cert:* Frank Brinkschneider (item 7), Ronald Koepke (item 5 –7), Ruediger Meyer (item 7), Bronwyn Page-Shipp (item 7.1); *FTF UK:* John Arnold (item 4, 5) Richard Anstead (item 4)

Disclaimer:

The FLO Standards Committee aims to reach consensus, but decisions may not always reflect the opinions of all people.

The section to introduce the topic (background information) has been written by the Standards Unit and may not have been discussed by the SC in full. Sections listing action points are an outcome of discussions of the SC but are not part of the decisions made.

Standards Committee MINUTES Meeting 28: 18 and 19 September 2007

Item 2.1 News from FLO eV

Decisions:

The SC will be consulted with on the strategic review. SC agrees not to raise individual concerns, but will focus specifically on SC related issues and come with one common statement. Charlotte will coordinate this.

Currently only the Chair of the SC gives input on the SU workplan. All agree that other SC members also comment on the SU budget/ workplan. Charlotte will coordinate this.

Item 2.2 News from SU

SC ToR for Observers

Decisions:

SC approve the SC ToR for Observers, taking into account the following comments:

- Agenda informs the chair about observers and by approving the agenda the Chair agrees to their participation. This should be clarified in the SC ToR.
- Point 5 of the ToR on Observers should state “with the approval of the Chair”
- Point 7 of the ToR on Observers should be deleted. Point 10 should include that for any reason the SC can ask an observer to leave. Also FLO Board member are not a SC member, so SC could ask the Board member to leave if it is needed, like other observers. If the Board does not agree with this procedure then it should recommend another procedure.
- SC agrees to delete the introductory note of the section re observers.

SU project updates (GES, Rooibos and GTS)

Decisions:

SUD will discuss with Chair SC if Rooibos goes on the agenda for November – and how to proceed if it does not

File name:	<i>Approved SC Minutes September 2007.doc</i>	1/6
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



The strategic review on the environmental objectives of FT implies a need to postpone the review of the environmental standards. The SC agrees to extend the current standards, which means that e.g. progress requirements will not yet be implemented next year. The SC agrees to extend the validity of the current GES to the end of 2008. The intent of the SC is to have a vote on the GES in mid 2008 for a new standard to be implemented in January 2009.

2.3 News from the Standards Committee

Meeting dates 2008

Not discussed (SUD will consult with SC via email on meeting dates in 2008)

Confidentiality of papers

Decisions:

SC agrees that the level of confidentiality should be indicated on the front page of each SC paper.

SU will clarify the procedures on confidentiality in the ToR. One should be able to challenge the confidentiality status. Furthermore, SU can ask the SC to clarify if they think the paper should be treated confidentially.

Item 3 Second draft Small Producer Organisations (SPO) standard: discuss section 4 on labour standards and possibly other issues as identified by the SC

Background:

The standards review project on the Generic Fairtrade Standards for Small Producers' Organisations (SPO) is in its final stages and is planned to be presented to the SC November meeting for decision taking.

A final public consultation round on the second draft version of the revised is currently ongoing.

The focus of the discussion of content at the SC is on the section 4 of the SPO standard on the labour conditions for workers within the SPO.

The SC also discusses the further planning of the project in terms of timelines of the current consultation process and involvement of producer networks, based on the request of a SC member to extent the consultation period.

Decisions:

By majority the SC agrees not to extend the consultation period on the SPO standard, given that Producer Networks have been consulted throughout the past 18 months. The revised SPO standard, the results of the consultation process and the direction given by the SC in previous meetings will be presented to the SC November meeting.

The SC agreed to give additional individual comments on the draft standard in writing.

Item 4 Tea price review: decision-taking on tea price and related proposals

Decisions:

1. Minimum prices

- The SC discussed the option of having no minimum prices for tea, but agreed that the Board intention is that prices should be set if at all possible.

- Approved regional and country specific prices for conventional CTC tea and conventional orthodox fannings and dust. It was agreed not to set for organic or leaf teas at this stage.

File name:	<i>Approved SC Minutes September 2007.doc</i>	2/6
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



- Minimum prices for conventional CTC and orthodox fannings and dust were approved as specified in the table below. The decision on setting of auction prices for some origins was delegated to the Standards Unit Director.

Region/Country	For conventional CTC teas and conventional orthodox fannings and dust ONLY
	FOB Prices
East Africa ex. Malawi, Rwanda	1.50 *auction price to be defined
Rwanda	1.70 *auction price to be defined
Malawi	1.20 *auction price to be defined
Africa other	1.20
Sri Lanka	2.00
North India	2.00
South India	1.40
Nilgiris	1.75
China	1.20
Asia Other	1.40
Americas	1.20

2. Sustainability Margin

- For conventional CTC tea and conventional orthodox fannings and dust a \$0.10/kg SM is approved for Hired Labour situations only.
- For all HL producers the buyer deducts \$0.10/kg from the HL Premium and pays this directly to the Estate to support costs of production and Fairtrade compliance. The payment should be communicated as an earmarked part of the total Premium. (vote 4 in favour, 1 against, 2 abstentions).
- For all SFOs the SC approved not to earmark a specific amount of premium money in the standards but to communicate to the producers that the Premium can be used to support costs of production and for FT certification and compliance depending on the decision of the General Assembly.

3. Fairtrade Premium (including the SM)

- \$0.50 for CTC/Fannings and Dust and \$1.10 for Leaf/ Broken. Majority vote (5 in favour, 1 abstention, 1 counter proposal, equivalent of current Euro premium in USD).

4. Trade rules

- Auction rules: The SC agreed to follow the recommended approach
- Retroactive certification: the SC decided in consensus to phase out systematic retroactive certification and agreed to the proposed standard wording, FLO Cert policy and fee structure.

5. Implementation and Monitoring

- The SC agrees to implement the new prices and rules as soon as possible
- The SC asks the SU to closely monitor the implementation of the prices, in particular regarding market share of producers. In case the new prices have a negative effect on producers the SU is asked to respond fast.
- Special attention also needs to be taken in monitoring the impacts of the trade rules.

File name:	<i>Approved SC Minutes September 2007.doc</i>	3/6
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



- After six months of implementation (in 1 year's time) the SC asks to receive a first monitoring report in case problems with the new standards have been identified.

Item 5 Coffee price review: COSP report September 2007: discuss and approve price proposals to begin consultation

Background:

The intention of the meeting is to discuss and approve the price proposals in order to start a price consultation with all stakeholders.

In March 2007 the FLO Board decided, on recommendation of the SC (February 2007), that the FT premium and the Organic Differential should both be increased by 5 US\$-cents/lb (implemented in June 2007), but that further research on Cost of Sustainable Production (COSP) and a more thorough analysis of the different market situations was still needed. At the July meeting the SC accepted an amended timeline on advice from the Managing Director of FLO and the Chair of the FLO Board, and this allowed FLO Standards Unit (SU) to carry out a more in-depth analysis of the collected COSP figures 2007. The SU had also requested extra time, because when the July report was submitted, very little COSP data had been collected and therefore SU had not been able to make a price proposal. For the SC meeting in September FLO Standards Unit had prepared a "follow up paper", containing a detailed analysis of the COSP data provided by 21 producer groups, and a price proposal.

Decisions:

- Regarding the calculation of COSP, the SC agrees that certification costs should be calculated on the basis of FT sales and not on the total production. An average % could be used as a benchmark per type of product.
- SC agrees not to recommend any change in organic differentials during this price review. A review of the organic prices is not within the scope of this project. Still, a question about organic differentials could be included in the questionnaire to gather stakeholder opinions on this issue.
- Ex-works prices are to be taken out of the consultation. SC will see at the November meeting if a decision on Ex works prices can be taken on it.
- The SC agrees that there are enough arguments to start a consultation on price option (for Arabica) that is higher than the current FTMP.
- FLO SU presented 2 price options per type of coffee (Arabica and Robusta). The SC considered these price options, decided to consult on 1 price option only per type of coffee, and to slightly amend the proposed option for Arabica coffee.
- Washed Arabica Price Proposal: SC agreed (majority vote: 4 to 3) to consult on a price system based on regional price differentials instead of a 1 global price. The SC considered two options for Latin America: \$1.30 or \$1.25, and agreed (majority vote: 4 to 3) to propose \$1.30 USD/ lb. The SC considered two options for the rest of the world: \$1.25 and 1.21, and agreed (majority vote: 5 to 2) to propose a price of 1.25 USD/ lb.
- Washed Robusta Price Proposal: SC agreed unanimously to consult on the proposal to keep current price for Robusta coffee in all countries unchanged (1.05 USD/ lb)
- Regarding the consultation, it was decided that an executive summary of the September and July reports would be made public. The full document will be available on request. The SC will produce a justification document to explain the decision. The justification document will also be sent with the consultation papers. SU will prepare the executive summary, and draft the questions for consultation process.
- The consultation will start on 1 October and will last until 1 November.

File name:	<i>Approved SC Minutes September 2007.doc</i>	4/6
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



Further actions:

- SC Chair will write the SC communiqué (document explaining the decision)
- SC members send questions to SU staff by this week in order to include them in the consultation document.
- SU will write executive summaries of the SC papers.

Item 6 SC – Board relations

Background:

The intention of the discussion is to clarify the ToR of the SC and to present the paper, which is intended for approval by the Board, proposing a “Policy for ratification of decisions of the Standards Committee or Standards Unit”. For this purpose, the Chair of the Board was invited to discuss with the SC the relation between Board and SC.

Response of the Chair of the Board to proposed policy paper

Decisions:

With the exception of passive agreement outlined in 3.5 (“No feedback within 21 days (or within indicated consultation timelines) implies no risks have been identified.”), the Chair of the Board agrees with the proposed paper and will support it at the next Board meeting. The SC and Chair of the Board agree that improvements in communication between the two bodies are needed, and welcome the opportunity to work together and improve processes.

Procedure Board ratification of tea price decision

Decisions:

The SC will produce a summary explanation on the tea price decision and send it out after 2nd/3rd October 2007. Board should ratify SC decision by email.

Item 7.1 Presentation of Certification policy South Africa & termination of FLO country guidance document

Background:

In 2004 the National guidance doc was developed. It was necessary to develop this empowerment standard, to ensure implementation of national law re Black Empowerment. The new Cert policy contains the South Africa specific indicators for the Hired Labour standard, and should replace the current National Guidance Document. FLO Cert has consulted with many people in South Africa. Cert Cte has already approved the Cert policy and it has been valid since September 2007. The SC is asked to dissolve the National guidance Document.

Decisions:

SC did not have the chance to review the current National Guidance Document on South Africa (and its effect on decertification of certain groups), but SC does accept that FLO Cert’s interpretation of the relevant HL standards is correct and agrees that the National Guidance Document is replaced by the new Certification Policy on South Africa. SC would like to have been informed about the implications earlier.

SC would like SU to inform the LIs that the National Guidance Document has been replaced by a FLO-Cert policy and that some producer groups may be decertified because they were not willing to make the necessary investments to ensure compliance with the

File name:	<i>Approved SC Minutes September 2007.doc</i>	5/6
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



FLO policy on black empowerment. The de-certification of certain groups may have an impact on the supply chain.

Item 7.2 FLO Cert update

Not discussed

Item 7.3 New certification system

Background:

FLO Cert presents the New Certification System with the major changes it brings, such as the certification cycle of three years, the new inspection routine, the distinction between major and regular compliance criteria and the setting of clear timelines for progress compliance criteria.

The following discussion focussed on the SC concerns about the implications of the ISO 65 accreditation for producers, in particular in linking development to timelines.

Decision:

To enable the roll out of the New Certification System in 2008 the SC endorses FLO Cert's interpretation of progress standards to set timelines for public compliance criteria, on the basis that:

- Timelines for compliance criteria will be limited to either 3 or 6 years for the time being. The "6 years timeline" should get an asterix in all documents, stating that this timeline is *under review*; to not give readers/users the wrong impression that this is a final wisdom.
- Focus should be on having plans in place to achieve development, not having achieved development itself.
- The SU is delegated to set up a working group with FLO Cert participation to revise the concept of time-bound compliance criteria for progress standards and to investigate whether other possible indicators can be put in place to measure development.

Item 8 Any other issues

Planning next meeting

Confirmed: 26th and 27th of November

File name:	<i>Approved SC Minutes September 2007.doc</i>	6/6
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	