



Standards Committee MINUTES Meeting 29: 26 & 27 November 2007

Present:

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

FLO SU: Andreas Kratz, Dorothee Jung, Ricardo Guimaraes, Rob van Hout, Kate Kilpatrick, Ingrid Madlmair, Juliane Reinecke, Maria Rus; *FLO PBU:* Karimah Hudda (partly), Tatiana Mateluna (partly); *FLO-Cert:* Ronald Koepke (partly), Felipe Carrera (partly), Ruth Fernández (partly); *FSCU:* Verónica Pérez (partly)

Disclaimer:

The FLO Standards Committee (SC) 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.

Item 1 – Approval agenda and SC Minutes meeting September 2007

Approval of SC minutes

SC members will receive a Track-Change version of the draft SC minutes, before the minutes are finally approved by the Chair of the SC or the Vice-Chair. If SC members disagree with how SU has dealt with SC comments, members have to wait until the next SC meeting to raise concerns.

Decision:

Agenda and SC Minutes are approved

Item 2 Generic Trade Standard and product-specific standard amendments

Introduction:

The Generic Trade Standard (GTS) development project that started end of 2005 has undergone two rounds of public stakeholder consultation. The SC discussed each draft and provided guidance for the amendment of the GTS.

The SC is asked to discuss and pre-approve the third draft Generic Trade Standard (GTS), to ensure that during the consultation process SU is able to focus on the adaptation of the product trade standards based on the pre-approved GTS version. SU will carry out a round of public consultation specifically on the adapted product trade standards. Among the major topics discussed was the scope of the standard, the standard section on traceability and the issue of private exporters.

Decision:

The SC pre-approves the GTS based on amendment of the standard according to the guidance provided during the discussion.

This pre-approval constitutes a general approval of the SC to the standards draft, acknowledging that the GTS may need to be amended based on the results of the product trade standards consultation.

The SC will take a final decision on the GTS once the revised product standards have been consulted upon and are presented to the SC.

File name:	<i>Approved SC minutes November 2007.doc</i>	1/7
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



With regards to private exporters the SC flagged that when a FOB minimum price exists for a product, private exporters should not be allowed to export below this price. The SU will investigate the implications of this proposed rule.

A two-year transition period was recommended for implementation of traceability.

Communication to the Board:

Certifier

The SC confirmed that the function of the Fairtrade payer is a key element of the GTS and therefore the payment of Fairtrade price and Fairtrade premium needs to be inspected and certified.

The SC asks the Board to clarify who is granted the right to certify against the GTS, specifically on the function of Fairtrade payers (e.g. having the double function of being a FT importer as well as FT licensee). Is FLO Cert the sole certification body or can LI's control of importer/licensees be seen as certification against Fairtrade Standards?

Private exporters

SC members draw attention to the fact that private exporters do not have to adhere to hired labour standards whereas exporting SPOs have to comply with the labour standards as set out in the SPO standard. The Board is asked for strategic guidance and for prioritization of SU work on this matter (also to be prioritized within the supply chain standard debate). This issue was flagged during both discussions of GTS and SPO by individual SC members.

Exporter entrance requirements (e.g. a letter of support from an SPO) should be included in the consultation on the coffee-specific trade standard.

Item 3 Coffee Price: Discuss results consultation and take a decision on price proposal

Background:

The purpose of the discussion is for the SC to take decisions on the coffee price review and to make recommendations to the FLO Board. The Board should ratify the decisions during its November meeting. Following the SC meeting, SU Director and SC Chair will attend the Board Meeting in New York where they will present the SC decisions on coffee prices on 30 November 2007.

At the SC in September, SU presented the analysis of the Cost of Sustainable Production, the FT market study and a number of price proposals. The SC decided on one price proposal and requested SU to start a consultation with all coffee stakeholders as soon as possible. A consultation document, containing an executive summary of the July and September SC reports, the price proposal and a questionnaire was sent to all producers and importers individually. LIs were asked to interview licensees and to share their findings with FLO. A consultative workshop with Latin American producers and the CLAC was organized on 10 October 2007.

On 1 November, after 1 month of consultations, FLO began analyzing all the results and based on the collected information drafted a number of recommendations, which it presented in the SC paper for the November meeting.

In November FLO SU organized a meeting with representatives of 9 LIs to discuss the findings and the SU recommendations. In the same month the Coffee Advisory Group also discussed the proposals during its teleconference.

Decisions (based on the quoted SU recommendations):

SU Recommendation: FLO should start monitoring COSP of FT coffee immediately and carry out price reviews every 2 to 3 years. It is advised that monitoring of COSP is done with support from an independent organisation to enhance credibility.

SC Decision:

File name:	<i>Approved SC minutes November 2007.doc</i>	2/7
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



➤ SC does not fully support the recommendation. FLO should start monitoring COSP as soon as possible and review prices on a regular basis, but there is no need for an external organisation to enhance credibility. FLO is itself an independent organisation, which is safeguarded – like in the coffee process – by procedures that emphasise objectivity, transparency and multi-stakeholder input & evaluation.

SU Recommendation: It is recommended that a long-term coffee advisory panel should be created, where producers meet importers and roasters to discuss issues related to price, trade and FT markets. The panel, which will require funding, should advise FLO on technical questions related to the FT coffee business, so that the FLO SC and Board can take more informed decisions in future.

SC Decision:

- The Panel should not be seen as a decision-making panel, but more as a technical advisory body.
- It is recommend that FLO has a coffee expert in house, who coordinates, amongst other things, the work of the Advisory Panel.
- Jerónimo Pruijn will help SU to draft a ToR for the Advisory Panel.

SU recommended not taking a decision on prices only, but also to act on a number of concerns that were raised by participants of the coffee price consultation.

SC Decision:

- The SC decided to focus on what can be decided now (i.e. prices and implementation date) and to recommend to the Board areas that they need to pay serious attention to for the future. It was not considered realistic to link the price recommendations to the wider systemic issues (see below).

SU Recommendation: Increase Arabica prices (washed and unwashed) by an average of not more than 5 cents for all regions

SC Decision:

- 5 out of 6 SC members favour a price increase for Arabica coffee.
- A majority of the SC opt for a cautious increase taking into account market realities.
- Majority of SC supports raising minimum price to 125 US cents/ lb globally for washed Arabica (average increase of 5 cents: 4 cents in Central America, Africa and Asia; 6 cents in South America and the Caribbean). SC accepts SU recommendation to increase unwashed coffees with 5 cents (from 115 to 120 US cents/ lb)

SU recommendation: Implement the new prices on 1 October 2008

SC Decision:

- SC acknowledges that traders need some time to prepare for a price change and that many contracts are already signed for 2007/ 2008 harvest. The majority of the SC agrees that October 2008 is too late, as producers in Southern hemisphere start harvesting coffee in June 2008. SC decides to implement new prices in 1 June 2008.

SU Recommendation: Communicate the price decision immediately after the FLO Board meeting on 30 November 2007. Details supporting the price decision should be communicated several weeks later.

SC Decision:

- SC agrees that the price decision should be communicated immediately.
- FLO should communicate to all stakeholders that FLO carries out price reviews periodically and that the new minimum prices will be valid until June 2010.

SU recommendation: Keep the FT minimum prices for Robusta coffees (washed and unwashed) unchanged.

SC Decision:

- All SC members agree that the FT minimum price for Robusta coffees should be unchanged.

File name:	Approved SC minutes November 2007.doc	3/7
Status:	Public	
Sender:	FLO Standards Unit	



SU Recommendation: Inform consumers, retailers and licensees about differences between FT and other certification schemes

SC Decision:

- LIs, producers and traders expect an information campaign to the public. FLO together with producers should provide LIs with material/ support. Focus should not be on differences between labels, but on the merits of Fairtrade.
- SC recommends that the board supports these efforts.

SU Recommendation: Lower the costs of the FT Labelling system for producers and for traders/ licensees

SC Decision:

- The SC flags to the Board that the coffee price consultation affirms the view that the FT system is too expensive

SU Recommendation: Improve the quality of FT coffee

SC Decision:

- The SC decided that standards are not the best tool to improve quality. A coordinated approach is necessary by the FLO system.

SU Recommendation: Provide evidence that the FT minimum price is not cost-covering

SC Decision:

- The SC is not convinced that more evidence needs to be provided. FLO already sent out the paper that shows that current prices are not cost-covering. FLO will start monitoring COSP, but should now focus on the communication side.

SU Recommendation: Ensure FLO is receiving the necessary support to deal with a number of issues that impede the functioning of the FT Model for coffee (Ex Works prices; pricing model that responds better to fluctuations in the currency; Signing of contracts and fixing prices; misbehaviour and unfair practices in the supply chain; Increase supply of FT coffee, especially organic-certified FT coffee; Definitions for different types of coffee)

SC Decision:

- SC confirmed that these issues are important and would like to flag to the Board that FLO needs to deal with these issues urgently.

Further actions:

- SC members have the opportunity to comment on a draft press release. FLO Board will be asked to finalize the draft press release.
- SC agrees that the SC paper November 2007 should stay confidential. An executive summary could be made available to interested parties.

Item 4 Small Producer organizations

The third draft generic standard for Small Producer Organisations' (SPO) was presented to the SC for discussion and approval. Requirements relating to the small producer definition and organisational requirements (1.2.1.1. and 1.2.1.2) were discussed but deferred from decision making until results from the Strategic Review and strategic guidance from the following FLO Board meeting is received.

File name:	<i>Approved SC minutes November 2007.doc</i>	4/7
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



Decisions:

- The SC agreed to amend a number of SPO standards requirements, based on which a final draft SPO standard will be created. The formal approval of the final draft including revisions based on the outcome of the Strategic Review is planned for the next SC meeting.
- The SC does not request further public consultation, but is requesting the final draft to be send to the SC one month prior to discussion to allow for internal discussion with members’ constituencies where seen necessary.
- The creation of indicators to measure progress requirements is still outstanding (SU project for generic standards in 2008). Special attention needs to be given to make progress requirements of the labour condition section feasible for SPOs to implement.

Summary of agreed amendments:

Section 1.3 Democracy, Participation, Transparency

- 1.3.2.4: SC agreed to remove the requirement

Section 2.1 Premium Use

- The SC agreed to reword the intent to better reflect the concept of Fairtrade Premium as a tool for investment in the socio-economic development of the organisation and farmer’s community, based on transparent and democratic decision making. With regards to the guidance on Premium use a reference to limit cash payments was discussed. It was agreed that cash payments should be made only in exceptional circumstances (based on the organisations understanding of what an exceptional circumstance is) and these exceptions documented by the organisation to provide SU with information on the use of the Fairtrade Premium. Based on an analysis of this information the SC will consider whether it is necessary to change the Fairtrade Premium concept.

Section 2.2 Trading ability

- 2.2.1.1: SC agreed to remove the requirement.

Section 4 Labour conditions

- SC agrees to the FLO Cert interpretation of “significant amount of workers” according to national labour law.
- At member level the SC agrees that the focus of compliance is on permanent workers, but that seasonal/ temporary workers needs are covered by the employment policy of the organisation (4.1).
- Shareholders of processing facilities: the SC agreed to that application of the labour standards should focus on workers producing the FT product and where the organisation has 75% or more shares.

4.3 Child labour

The SC agrees to further refine the guidance on child labour (4.3.1.3.) so as to proactively promote schooling. It also needs to be specified that child work within the framework of the standard can only take place when supervised/ guided by a family member.

4.5 Conditions of Employment

- 4.5.2.3 Agreed to remove.

Communication to the Board:

- Part of the SC reiterated that it is not fair that private processors/ exporters do not have to follow standards on labour conditions when at the same time SPOs have to adhere to labour standards.
- Individual SC members stated that there is a need for Fairtrade as a system to involve producers more proactively in consultation processes and for FLO to provide institutional support for the producer networks.

File name:	<i>Approved SC minutes November 2007.doc</i>	5/7
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



- On Small Producer definition and organisational benchmarks: SC is waiting for political/strategic guidance.

Item 5.1 News from FLO eV

No decisions were taken

Item 5.2 News from SU

No decisions were taken

Item 5.3 News from the SC

No decisions were taken

Item 5.4 News from FLO Cert

No decisions were taken

Item 6 Prohibited Material List (PML)

Background:

Producers and inspectors informed FLO Cert about cases in which current PML leads to high risk of numerous producer de-certification. FLO Cert, after analysis of the issues, presented 3 cases to the SC.

Decision:

Upon request of FLO Cert, the SC decided to grant three new exceptions for certain prohibited materials in specified products and in some countries. Current rules on exceptions apply:

- The use of Paraquat in tea from Sri Lanka is exceptionally allowed under specific conditions (conditions are explained in the PML).
- The use of Paraquat in sugar from Belize is exceptionally allowed under specific conditions (conditions are explained in the PML).
- The use of Methidathion in citrus from South Africa is exceptionally allowed under specific conditions (conditions are explained in the PML).

Item 7 Rooibos Price Review

Background:

After 3 rounds of consultation the SU presented to the Standards Committee a price proposal for Rooibos.

Decisions:

Recommendation 6.1

- The majority of the SC agrees to leave the scope open to both HL and SPOs.

Recommendation 6.2

- The majority of the SC accepts the price recommendation.

Recommendation 6.3

- The SC approves the wording of this recommendation. The SC recommends that the product-specific trade standards look at having one effective FOB min price which includes premium.

Recommendation 6.4

File name:	<i>Approved SC minutes November 2007.doc</i>	6/7
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	



- The SC agrees that the decisions be implemented ASAP given FLO-Cert's information.

Others:

- The SC requested that a summary of the arguments and data in the paper be presented as part of a public Q&A to support communication of the decisions.
- The SC began to discuss whether Rooibos should be moved from the Tea standard to the Herbs and Spices standard (without impacting the producer scope). This discussion was not completed so no decision on this was taken.

Item 8 Cashew pricing

Decisions:

- The SC agrees that research into new pricing method for cashew nuts should continue. The research would investigate the possibility of quality differentials. Max Havelaar NL will work out the issues outlined in the cashew paper and how these can be taken forward.

Item 9 Any other issues

The SC requests a regular update from FLO Policy and PBU to the SC for the next meetings.

Planning next meeting:

Confirmed:

- 26th and 27th of February 2008 (starting at 9am)

Tentative:

- 3 and 4 June 2008
- 9 and 10 September 2008
- 2 and 3 December 2008

Item 10: Indian Cotton Price

Introduction:

Due to the devaluation of the USD relative to the Indian Rupee (INR), the FT minimum price paid for Indian cotton producers has fallen dramatically below the INR level intended when the price was set. The SC was asked to give guidance on an exceptional measure to compensate the loss incurred by Indian cotton producers. The SU proposed two options: either (a) a quick and immediate measure: to amend the FT price for India to the INR price that was originally intended when the prices were set by FLO, or (b) to work on an exchange rate policy that could be applied generally.

Decision:

The SC agrees on a quick-fix to readjust the Indian cotton price as per the following mechanism: the USD Minimum Price is maintained, and the INR equivalent value at the time of price setting (September 2004) is introduced. Whichever is the higher of these two prices shall be used as the minimum price, i.e. in the event that the INR/USD exchange rate fell below its rate at the time of price setting, the INR value would apply.

The Indian cotton case is to be treated as an exception which is not intended to be replicated for other price readjustments. Given that other products might be similarly affected by the dollar depreciation, the SC approved the SU's proposal to investigate approaches for defining a general policy to be applied to other products.

File name:	<i>Approved SC minutes November 2007.doc</i>	7/7
Status:	<i>Public</i>	
Sender:	<i>FLO Standards Unit</i>	