



Standards Committee MINUTES Meeting 31: 2 & 3 June 2008

Present:

SC members: Charlotte Opal (chair), Ian Finlayson (vice-chair), Joe Osman, Raja Menon, Fenny Eshuis, Jerónimo Pruijn
FLO SU: Andreas Kratz, Dorothee Jung, Ricardo Guimaraes, Rob van Hout, Kate Kilpatrick, Ingrid Madlmair, Nicolas Salliou, Margret Loeffen, Juan Isaza, Isabelle Fragniere, Paula Salazar; FLO PBU: Robin Roth (partly), Nadia Hourau-mwarou (item 9), Alex Assanvo (item 12) FLO Cert: Ruth Fernández (partly), Ruediger Meyer (partly); FLO QM: Andrea Richert (partly); FLO Licensing: Johnna Phillips (partly) MH CH: Markus Staub (item 9); FTF UK: John Arnold (partly), Jessica Gordon (partly), Sarah Dickinson (partly), Juergen Mueller (partly); Nabs Suma (item 10)

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 June 2008

Comments agenda and SC minutes

- If decision was made without voting then we can say it was a consensus and we do not need to say that it was by majority. If there is a vote: it should say what the vote was.
- CLAC is concerned that FLO's voting procedures might not be in line with the ISEAL code.. CLAC will write a letter to the FLO Board.
- The item on dried fruit standards was taken off the agenda, but will be discussed again in September.

Decision:

Agenda is approved.

Item 2 News items

Item 2.1 News from FLO Standards Unit

SU staff:

- New staff members: Juan Isaza and Margret Loeffen
- Transfer from SU to Policy Unit: Rob van Hout
- Staff leaving the SU: Ingrid Madlmair

Item 2.2 News from the SC

- Caroline Nkirote has left the SC. A new member from the African Producer group will need to be appointed to the SC.
- SC is concerned that in a very short time 2 members have stepped down after having participated to one meeting only. SC will discuss this issue in September 2008 to see how one can ensure that members do not have to leave the Committee so quickly
- Re-election of 1 LI seat: Charlotte Opal (TF USA) has been re-elected.

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Item 2.3 News from FLO PBU

- No decisions were taken

Item 2.4 News from FLO Policy

- No decisions were taken

Item 2.5 news from FLO eV

- No decisions were taken

Item 2.6 News from FLO Cert

- No decisions were taken

3.1 Standards Committee Terms of Reference

- Proposed change of the ToR refers to approval of the minutes. SC approves change, but wording needs to be clarified: 1st round for commenting and 2nd round for approval both last 7 days each.

3.2 Election of chair and vice-chair

- SC decided not to take a decision now, but to allow SC members more time to think about the positions of the chair and vice-chair. During the summer SUD will ask SC members whom to nominate and a decision will be taken before or at the next meeting. In the mean-time Charlotte Opal will remain the chair of the SC.

Item 4 Food prices

The SC draws attention to the issue of rising food prices and the fact that rising food prices affect standards and price development and review.

When developing new products the product rationale papers should take into account the country specific regulations of food crops and the impact on export products.

The SC expressed the need to communicate the Fairtrade Minimum Price concept again to producers and traders. The SU is asked to find an appropriate way of communicating and to follow up on the request. To inform the further debate on rising food prices the SC requested that FLO investigates which products trade close to the Fairtrade Minimum Price and which ones trade at prices well above the Fairtrade Minimum Price

Item 5 – Contract Production Compliance Criteria

SU introduced the background and process of developing the CC (Compliance Criteria), and emphasized the risk management perspective in the absence of revised CP (Contract production) standards.

The Committee noted the difficulty of commenting on the Compliance Criteria without seeing the indicators that will be applied alongside them.

Decision

- **Section 1.1:** The Committee felt that some of the proposed CC should be included as indicators. Agreed to find a different wording for ‘experience’, and to reduce the level of prescription in this section, but to keep some criteria relating to the commitment of the Promoting Body.
- **Section 1.2** Adoption of definitions from SPO standard: SU will remind FLO-Cert about consistency issues when the new SPO standards are implemented.

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- **Section 1.3:** Agreed that ODP (Organisation Development Plan) and formation of PEB (Producer Executive Body) shall remain as entry requirements. Some flexibility should be included in relation to formal activities such as minute taking and attendance sheets.

The SC February 2008 confirmed that they did not see the development of stand-alone contract production standards as a likely outcome of the review. However, the FLO Board May 2008 disagrees. The SC wishes to receive further information to better understand the opinion of the FLO Board.

Item 6 SPO standard

Introduction

The Standards Committee in its meeting in February approved the revised Generic Fairtrade Standards for Small Producers’ Organizations with minor changes. These minor changes and subsequent minor changes based on the following Board discussions are presented to the Standards Committee. The Standards Committee is asked to approve the revised standard except for clauses 1.2.1.2 and 1.2.1.4 of the new standard.

Clause 1.2.1.2 and 1.2.1.4 of the new Small Producers’ Organizations Standard (SPO) specify that the majority of the members of the organization must be small producers and that the majority of the Fairtrade sales must come from small producers. These requirements are the key clauses of section 1.2. “Members are Small Producers”. The Board requested the SU in its meeting in May to conduct an analysis of the potential impact of upgrading both requirements, both on current and future available supply and on the impact on the compliance of producers. Results of this analysis and Board feedback will be presented to the September SC meeting for final decision-taking on these clauses.

In a separate discussion the Standards Committee provides feedback on the Compliance Criteria draft of the new SPO standard as presented by FLO Cert. It was agreed that further feedback on the Compliance Criteria will be send to SU by email until end of July, in particular on section 4 that was not discussed during the meeting. The SC would like to receive an updated version of the Compliance Criteria for information.

The SC would like to be informed on how the small producer definition is translated into compliance criteria, also reflecting the intention of the definition that highly mechanized producers are not classified as small producers. Regarding section 1.3 the SC agreed that ODP (Organisation Development Plan) and formation of PEB (Producer Executive Body) shall remain as entry requirements → *vote*: 4 votes in favour, 2 opposed. Some flexibility should be included in relation to formal activities such as minute taking and attendance sheets.

Decision

The Standards Committee endorsed the latest minor changes of the revised SPO standard. This included all minor changes made based on SC guidance as well as minor editorial changes and revision of these changes based on Board guidance.

5 Standards Committee member vote in favour of approving the revised SPO standard (except the clauses on membership and volume percentage of small producers). 1 Standards Committee member votes against approval of the revised SPO standard. There are no abstentions.

Next Steps

July: SU undertakes impact analysis on small producer membership and product volume percentages and sends to the Board by end of July.

August: Board provides feedback until mid August

End of August: SU submits the analysis, feedback and recommendation to the Standards Committee for decision taking on clause 1.2.1.2 and 1.2.1.4

September 9/10: The SC decides on possible changes to 1.2.1.2 and 1.2.1.4

Sept 30/Oct 1st: The Board ratifies the SPO standard

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Implementation date: to be determined, tentatively January 1st 2009

Item 7: New Products I: Soya

This item was not discussed

Item 8 Price Methodology

8.1 - Update of Board decision and further process

- An update on the methodology projects and the pillars of the future pricing system (introduction of new products, price extensions, monitoring, price reviews) and the administrative tools and methodologies required for its implementation is presented.
- Proposals to be presented at the SC in September: Easy entrance procedure (test cases), exchange rate policy, new COSP format. To be presented at the end of the year: Alternatives to FTMP (requires more discussion with stakeholders), premium setting methodology, approach to by-products.

8.2 Fast-track procedure: Price extension for existing products

- Agree with principles for the application of price extensions. Stakeholders should back up complaints with information. The process when a request is denied needs to be clarified.
- Agreement to test out the generic proposal on the following products: limes from Dominican Republic, oranges from South Africa, pineapples for processing for Uganda and raisins for India and Chile. Agreement to include pineapples for processing from Swaziland.
- Price extension proposals resulting from the test cases should be presented for evaluation and approval of the SC at the next meeting in September.
- The SC approves the price for organic pineapples from Ghana presented by SU as the first *test case*.

Item 9 – Review of the Flower Trade Standards

Background:

The SC was asked to take decisions on the draft Trade Standard and the proposed FT Premiums. A premium research involving all stakeholders took place in early 2007 and a month-long consultation on a draft standard happened in April 2008.

The review focused on three key issues:

- A detailed product description to clarify the scope, the product groups and the composite rules;
- A new Fairtrade Premium level for all product groups;
- And the adaptation of the Flower and Plant standards to the draft Generic Trade Standard

Decisions:

Trade Standards

- The SC agrees to leave flowers and plants that have been harvested in the wild out of the scope of this standard. When certifiable applicants were to approach FLO Cert, further research into wild harvesting of flowers and plants is needed.
- The Trade Standards for Flowers and Plants should be open to pot plants in the finished stage only → vote : 4 in favour, 1 opposed, 1 abstaining

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- Trade Standards for Flowers and Plants should be open for decorative bulbs, seeds and trees. Further work is needed on the description of these product categories → *vote*: 5 in favour, 1 abstaining.
- The definitions of the product groups should stay in the standard, even if an identical premium is applied to all product groups. The final wording of the product groups is left to the SU.
- Composition rules for bouquets prepared at the Point of Sales (i.e. florists) are removed from the standard and left for the relevant LIs to decide → *vote*: 4 in favour, 2 abstentions
- The composition rule for bouquets prepared by producers or others in the chain (except florists) requires 100% of the ingredients to be Fairtrade-certified. The standard will include a clause indicating that producers may ask the certifier for an exception → *vote*: 3 in favour, 2 opposed, 1 abstention
- The exception may be granted when FT producers are not able to get access to FT cut foliage in their country. This exception should be limited to a maximum of two one-year periods.
- The product-specific requirement regarding contracts should include the 2 following modifications:
 - contracts must indicate estimated volumes
 - final purchase orders must be confirmed in writing
- The section ‘Sustaining Trade’ will include the following requirement: the importer commits to buying at least 75% of the contract when the retailer fulfils his order.
- The Generic Trade Standard on prefinancing will not apply to flowers and plants. An exception will be included in the product-specific standard. If in the future SPO of flowers and plants becomes FT-certified, the clause on prefinancing needs to be re-evaluated → *vote*:5 votes in favour, 1 abstention
- The proposed standard on payment terms is approved, which means that traders are required to pay within a period of 15 days after receipt of the documents transferring ownership → *vote*:5votes in favour, 1 abstention

FT Premium proposals

- A comparison between premium levels and license fees can be used as a check, but should not be the basis for defining the premium.
- At the meeting on 2 June 2008 the SC was unable to take a decision on the proposed FT premiums and instead asked SU to provide within 2 weeks time a new proposal with the rationale and premium levels according to 3 new categories: large-head roses, small-head roses and all other products.
- The follow-up paper included a comparison between the new proposal and the proposal to set the FT Premium at 10% for all products. The comparison included an analysis of the impact on premium revenues and on the rationale of the two premium systems.
- The in-between consultation led to the following outcome: With 5 votes in favour and 1 abstention the SC decided to set the FT Premium at 10% of the FOB price for all flowers and plants. The new premium will come into effect by 31 October 2008, a decision which will be announced as soon as possible. SC members raised concerns about the loss of premium income for producers who are supplying to the Swiss market and are currently receiving a higher FT Premium and about the fact that the change in the FT Premium might have a negative impact on sales (particularly in the UK).

Action points

- SU will be working with the Comms team and FTF UK on a public statement and an announcement of the decisions taken.
- While the new FT Premium will be implemented by 31 October 2008, the implementation date for the sections of the trade standard that are linked to the GTS, depend on the publication date of the GTS.

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Item 10 Generic Trade Standard

Introduction

The Generic Trade Standards (GTS) and the adapted Product Trade Standard were presented to the Standards Committee for decision taking, following Board approval of the decision taking process in May.

The GTS was already “pre-approved” by the SC in November 2007, after two rounds of public stakeholder consultation and based on guidance from the SC on the principles and content of the standard.

This enabled the Standards Unit to adapt the product-specific trade standard and consult on these with stakeholder during April and early May 2008.

Decision

The Standards Committee approved the Generic Trade Standards and revised Product Trade standards based on SU recommendations and minor changes as agreed during the discussion. 5 Standards Committee members approved the decision, 1 Standards Committee member abstained from voting.

SU will present results of further ongoing research work on specific trade requirements in the course of the next year for decision taking by the SC. Impact analysis of FOB prices also being applied as Fairtrade minimum price at private exporter level (for products where both farm-gate and FOB price exist) will be prioritized.

The Standards Committee reiterated the need to address the scope limitations of the Generic Trade Standard by asking the Board to prioritize future work on supply chain issues and on developing tools and mechanisms to align social standards for producer-exporter and private exporters.

Next Steps

July/ August 2008: FLO Cert develops Compliance Criteria.

Sept 2008: The SC gives feedback on the Compliance Criteria.

Sept/ Oct 2008: Board ratification of the GTS and Product Trade Standards

1 January 2009: Tentative implementation date of GTS and Product Trade Standards

Item 11 Draft Standard and Prices for Pulses

Introduction

A first PRP (Product Rational Paper) was presented in the last SC of February 2008 by the FTF UK. To be able to approve the PRP the SC said that the paper should not focus only on African producers, give global market information, respect FLO pricing methodology and would take into account the food security issue.

Decision making

The SC approved the new PRP document along with the draft product specific standards included in this document. After a discussion about the scope and the timeframe for the worldwide price setting, it has been agreed (→ vote: 5 votes in favour and 1 abstention) that prices for Eastern Africa would be soon approved directly by the SUD (Standard Unit Director) and this price will serve as a global default price upon time of publishing. Following further research, a price proposal for regions beyond East Africa must be presented before end of 2008, so that either the validity of the global price is extended or new regional prices are introduced.

Item 12: Cotton Price Review

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PSU and FTF presented the process and the outcome of the seed cotton price research. The objective of this research, carried out by FTF, was to review existing prices and to extend the scope to new countries, in order to respond to the growing demand. The process included the collection of COSP data from more than 80 producers, the analysis and consolidation of the data and formulation of 2 price options. Through an extensive consultation process, producers and traders gave their comments on the two options and on specific issues, which enabled the project team to put forward a price proposal. The SC approved the process.

The SC agreed with the idea of setting regional prices (and a country-price for Kyrgyzstan); they questioned why the price for Kyrgyzstan was not extended to Central Asia, accepted the argument that there was a lack of knowledge on the other countries of this region, where the production context is very specific.

The proposal for setting organic prices 20% higher than the conventional ones was accepted by the SC.

On the quality issue, the SC agreed to prices set for all varieties of cotton, with a 10% increase for the *Gossypium Barbadense* variety (PIMA), since it is a different type of cotton, more expensive to produce and with a much higher market value. Some SC members argued for a separate price for Peru, given that the cotton they produce is of superior quality, but it was finally decided to adopt a higher price for the PIMA species, (which is grown in Peru, but also in other countries).

The final prices approved by the SC (corresponding to the higher of the two price proposals submitted for consultation).are as follows:

	Currency	FT Min. Price EXW		Premium
Region	\$/€	Conv.	Organic	Premium
Central & South America	USD	0.61	0.73	0.08
Northern Africa	USD	0.58	0.70	0.08
Eastern Africa	USD	0.53	0.64	0.08
Western & Central Africa	EUR	0.42	0.50	0.05
South Asia	USD	0.57	0.68	0.08
Kyrgyzstan	EUR	0.46	0.55	0.05

The above table applies to the seed cotton of the Gossypium hirsutum species.

Prices for the Gossypium barbadense species are set 10% higher than the Gossypium hirsutum species.

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While the proposed prices were either in USD and EUR for each region (depending on what currency is usually used for trade), the SC argued for applying the same currency for all regions, to avoid competition between regions. Given the higher stability of the EUR (at least for the moment) and that many cotton-producing countries' currencies are pegged to the Euro, the SC decided (→ vote: 4 in favour and 2 opposed) to set all prices in EUR.

As an implementation date, the SC agreed to implement this price as soon as possible.

Item 13 New Products (III): Olive oil and olives

Introduction

Under the lead of the Fairtrade Foundation, a Category Extension Paper (CEP) was presented to the SC in order to include Olives and Olive Oil in the Nuts and Oilseeds standards. This CEP presented the rationale for including olives and olive oil to the scope of Fairtrade products as well as an overview of the producing regions, the market and the potential FT producers.

With the aim of setting regional prices, between March and May 2008, the price research was conducted in Western Asia (with a focus on Palestine) and Northern Africa (with a focus on Morocco). In Western Asia, the research was concluded by a successful consultation workshop held in Palestine in May 2008. The SC was therefore asked to approve the prices set for this region. For Northern Africa, additional research needed to be done before a full price proposal could be presented. This research being however close to completion, the SC was asked to delegate the final decision to the Standards Unit director. Regarding Latin America, the only identified producers were hired labour situations, so it was decided to leave this region out of the scope for the time being. At the SC meeting, SU was informed that also in Latin America exist Small Producer Organisations with interest in olives.

Decisions

The SC agreed unanimously to:

- Approve the CEP for olives and olive oil and that these products fall under the Nuts and Oilseeds standards.
- Approve the prices for Western Asia
- delegate to the SUD the price decision for North Africa

The SC also recommended the SU to consider the possibility of setting global prices – additional regions (Latin America) will have to be looked at and discussed at the next SC, in the framework of the new pricing “fast-track methodology”.

Item 14 New certification areas: Feasibility study Forest products

No decisions were taken

Item 15 Price review I: Cocoa

SU is carrying out a worldwide price review for cocoa beans and semi-processed cocoa products. SC members are asked for feedback on whether they consider the proposed approach and especially the consultation processes sufficient and appropriate.

SC guidance received:

- No objections to approach.
- Agreement that for semi-processed cocoa products, applying a pricing methodology other than setting FTMP is worth being investigated.

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Item 16 Price review II: Sugar

SU will carry out a worldwide sugar price review. The paper to the SC presents proposed work and time lines.

SC guidance received:

- Aim at introducing a consistent pricing system for all sugar producers.
- PSU can investigate setting prices for sugarcane or alternative price setting mechanisms for sugar as a processed product as appropriate.
- Include by-products from sugarcane processing in the review.
- Agreement with proposed approach and time line.

17. Any other business

Next meeting date:

9 – 10th September

18-19th November

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