



Guidance document on Fairtrade Standard for Cocoa for Small Producer Organizations

Productivity and quality improvement

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Introduction

The Fairtrade Standard for Cocoa for Small Producer Organizations underwent changes with regard to Fairtrade Premium planning and reporting in October of 2012. The new standards (4.3.7 and 4.3.8 in the Pricing Section) require that producer organizations discuss the option of investing at least 25% of the Fairtrade Premium into productivity and/or quality improvements and that they report on investments made with the Fairtrade Premium they receive, via the Fairtrade Development Plan. This document provides guidance to accompany these standard changes, with an explanation on what productivity and/or quality improvement is and what investments this may require, as well as additional information on the reporting of these investments.

However, this Guidance Document is not part of the Fairtrade Standard for Cocoa for Small Producer Organizations, and neither does it replace it. Operators will only be audited on the Standard, not on this Guidance Document.



Background and Context

Why is productivity and quality an important investment?

Productivity and quality improvements have been identified as key factors to increase the sustainability of cocoa farming by improving the income of farmers from existing cultivated areas. This is particularly the case against a current background of aged trees, crop diseases and the ineffective use of pesticides and fertilizers, whether organic or agrochemical, resulting in low and decreasing yields in many cocoa-producing regions.

At the same time world cocoa demand is increasing. West and Central Africa account for approximately 70% of world cocoa production today. Today worldwide production is 3.8 million tons and some industry stakeholders claim that demand is expected to exceed supply by up to 1 million tons in ten years. Different stakeholders, including producers, government officials and Fairtrade liaison officers confirm the urgent need to invest in cocoa productivity of good quality cocoa as a means to increase incomes for farmers and allow them to reinvest in their land, preventing further conversion of forests to cocoa farming. Should prices remain moderately stable, productivity increases can augment the incomes of certified producers (at least in the medium term), while quality improvements can lead to better prices and improved market access. It is also in the interest of producers to take into account the needs of the cocoa industry, which is prioritizing productivity within sustainability strategies, in order to foster long-term partnerships between actors in the supply chain and generate demand for certified cocoa.

How is this related to the Fairtrade Premium?

The Fairtrade Premium is paid in addition to the price, whether it is the market price (which applies if higher than the Fairtrade Minimum Price), the negotiated price (negotiated to be higher than the Fairtrade Minimum Price or market price) or the Fairtrade Minimum Price. The Fairtrade Premium for cocoa is intended for investment in the producers' business and community, as decided by the general assembly of each Small Producer Organization. As such, producer organizations are able to invest the Fairtrade Premium in productivity and quality investments if this is deemed important by the general assembly.

Considering that productivity and quality investments are seen as an important tool to increase the incomes of individual producers and their organizations as explained above, Fairtrade recommends these types of investments. One possible source of capital for these investments could be Fairtrade Premium monies, but, ultimately Fairtrade recognizes the significance of producer choice when determining the use of the Fairtrade Premium. As such, the Fairtrade Standard for Cocoa for Small Producer Organizations has been adapted accordingly. The standard requires that producer organizations weigh the option of investing at least 25% of the Fairtrade Premium into productivity and/or quality improvement. The intention of this requirement is that the Small Producer Organization and its members are aware that programs to increase productivity and quality may be an important tool to increase incomes and improve the sustainability of cocoa farming and that they are able to assess whether or not these investments respond to the needs of their organization, members, workers and communities. The standard does not require that producer organizations invest in productivity and quality and leaves the final choice of implementing these projects to each producer organization. If investments are decided upon, these investments could be made with Fairtrade Premium monies or other resources (financial or otherwise) that the producer organization may have.



Definitions

How does Fairtrade define productivity?

Cocoa productivity is defined as a measure of production per tree or per unit area (e.g. hectare), expressed in the quantity of cocoa produced. An increase in the quantity of cocoa produced per tree or per area means that a farmer has increased productivity. Productivity should not be increased with practices that are damaging to the quality of the product nor the environment in which it is produced (e.g. biodiversity).

How does Fairtrade define quality?

Cocoa quality is defined as a measure of the superiority of the dried beans and the percentage of high grade beans with the intended flavor profile. Cocoa quality refers to low levels of foreign material, proper fermentation, appropriate humidity levels, low levels of diseased and insect damaged beans and low levels of free fatty acids. It includes both physical quality (i.e. bean size, waste foreign material, germination, broken beans) and flavor quality as a result of good fermentation and drying of the beans. Quality can also be determined by certain characteristics, such as flavor profile, varietal selection, and certifications (such as organic certification or Denominations of Origin) demanded by certain markets. Quality issues can also be controlled at the farm and SPO level through the use of certain planting materials, as well as proper cultivation, harvest and post-harvest practices (for example, the elimination of diseased and insect-damaged pods, the removal of waste material from whole beans, and proper fermentation and drying practices).

How does Fairtrade define investments in productivity and quality?

Investments to qualify as investments in productivity and quality are defined as interventions at both SPO and member level directed at productivity and quality enhancements (for example, this could include inputs, equipment, and training to be used at the farm level). It also includes actions at the organizational level to help cooperatives provide improved services to their members, such as setting up schemes for improved input and pre-finance provision as well as investments in post-harvest services such as transport, fermentation, storage, hygiene, packaging and handling, which all impact quality. Also, investments in the technical, vocational and managerial skills of cooperatives geared at improved productivity and quality, as well as technical and agronomic support services would be included.

Investments in productivity and quality can be clustered as follows:

- 1. Creating the conditions for improvements:** In order to enable farmers to produce more and better cocoa, the Small Producer Organization might have to improve on existing services or add new services to its members. These may include: research capacity; quality control capacity (e.g. ability to grade beans); technical assistance or peer-to-peer exchanges; extension services; soil analysis; input supply and/or the supply of protective equipment required for the safe application of agrochemicals; credit facility or support to access external credit sources; monitoring capacity (e.g. ability to establish quality profiles by zone); and environmental management capacity (e.g. watershed protection plans, climate change adaptation plans). Fairtrade Liaison Officers and the Producer Networks can be a good source of advice on how to approach this challenge.
- 2. Investments at farm level:** These may include: purchase of planting materials for crop rehabilitation (existing trees) or crop renovation (new trees); cultivation and management of shade trees as appropriate to the variety of cocoa being grown; soil conservation; improved soil fertility; improved agricultural techniques (e.g. integrated pest management, pruning, weed control); composting and waste management; purchase of inputs and/or the protective



equipment required for the safe application of agrochemicals improved infrastructure for fermentation; and water management (including waste water).

- 3. Collective investments:** These are investments made at the level of villages/communities, sections/districts, or the Small Producer Organization. These may include: building or improving storage facilities for cocoa beans; building or improving storage facilities for (agrochemical) inputs; building or improving processing facilities, for example fermentation or drying stations; building and planting seedling nurseries; establishing demo plots; purchasing laboratory equipment for soil and water analysis or quality control (e.g. moisture meters, cut test guillotines, etc.); improving roads and purchasing or repairing vehicles used in the transport of cocoa; building or improving processing plants for (organic) fertilizers; water treatment plants; and similar investments.

Please note that this list is not exhaustive, but presents the main types of investment that can contribute to productivity and/or quality improvement. This list is not meant to be prescriptive as we recognize that different producer organizations can be operating in very different contexts when it comes to existing infrastructure and services already provided by the Small Producer Organizations themselves, other partner organizations, or local government bodies.

Reporting and Monitoring

In order for the Fairtrade system to gain additional insight into how producer organizations are investing in productivity and/or quality initiatives, as well as other investments made, cocoa producer organizations are asked to report on these investments. Producer organizations are required to report their Fairtrade Development Plan, and encouraged to report on any additional investment or program implemented with non-Premium funds that focuses on productivity and quality. All information should be sent to cocoa@fairtrade.net.

Fairtrade will use this information in the aggregate in order to (a) demonstrate to existing and potential Fairtrade customers the level of commitment that Fairtrade cocoa producers have to improving productivity and quality, and (b) pursue funding and partnership opportunities to increase the impact of these investments by Fairtrade producers.

Certification

In particular, with regard to the new standards, 4.3.7 and 4.3.8 in the Pricing Section of the Standard, FLO-CERT will audit that:

1. At least once a year and latest one month after the general assembly, a complete report on Fairtrade Premium use for all projects has been sent to Fairtrade International. The report is the Fairtrade Development Plan. Producers are also encouraged to report on any additional investment or program implemented with non-Premium funds that focuses on productivity and quality. All information should be sent to cocoa@fairtrade.net.

With regard to checking this standard criterion, the auditor would look at proof of communication with FLO/ emails sent to cocoa@fairtrade.net and review whether any investments that focused on productivity and quality are reported in the Fairtrade Development plan and with which funds these are financed. Producers will receive a ranking based on the following criteria: (i) Rank 1: no reporting; (ii) Rank 2: late reporting; (iii) Rank 3: Fairtrade Development Plan is sent to Fairtrade International at least once a year and at latest one month after the General Assembly; (iv) Rank 4: Rank 3 AND producers invested in productivity & quality via any source; (v) Rank 5: Rank 3 AND producers



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invested in productivity & quality with Premium monies. With a rank of 3 the producer organization is in compliance with the requirement.

2. When planning for the Fairtrade Development Plan, you must discuss if investing the Fairtrade Premium in activities that increase quality and productivity would help your members to have more secure incomes and you must present the results of this discussion to the GA before approving the Fairtrade Development Plan.

With regard to checking this standard criterion, the auditor would look at proof of this presentation to the GA. Producers will receive a ranking based on the following criteria: (i) Rank 1: no presentation of the discussion results; (ii) Rank 3: presentation of the discussion results; (iii) Rank 5: Rank 3 AND discussion in a participatory way (consultation) with members prior to GA.

Contact us

In case producers have any questions about investments to improve productivity and/or quality, they are invited to contact their usual contact person within the Fairtrade System (the Liaison Officer or the Producer Network). Contributions to this topic, questions and comments may also be sent to the Fairtrade Global Product Management for Cocoa at cocoa@fairtrade.net.