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| **Consultation document for Fairtrade Stakeholders:**  Small Producer Organizations (SPO) in the banana sector: plantations in SPOs and review of indicators values for farm size and permanent number of workers in Ecuador, Dominican Republic (DR) & Colombia | |
| Consultation Period | 01.07.2016 – 31.07.2016 |
| Project Manager | Arayath Kooteri Sajindranath, Standards & Pricing, [s.arayath-kooteri@fairtrade.net](mailto:s.arayath-kooteri@fairtrade.net) |

**PART 1: Introduction**

Welcome to the consultation on the project titled: *Small Producer Organizations (SPO) in the banana sector: plantations in SPOs and review of indicators values for farm size and permanent number of workers in Ecuador, Dominican Republic (DR) and Colombia*. This project is broken down into two parts 1) Managing Plantations in Banana producing SPOs and 2) Indicator values for farm size and permanent number of workers in Ecuador, DR and Colombia.

**This consultation, only involves gathering stakeholder feedback on various options for dealing with ‘Plantations in Banana producing SPOs.** Based on the feedback in this consultation, a proposal for the standard amendment will be drafted and consulted in a second round of consultation.  **As the part on ‘Indicator values’ is related to SPOs in three countries, Ecuador, DR and Colombia, they would be consulted separately**. Each consultation will be for 30 days duration.

Thank you for taking the time to participate. First you will find an introduction to the topic and consultation process and then you will be asked the consultation questions. The whole process should take you around 30 minutes.

**General Introduction**

Fairtrade Standards support the sustainable development of disadvantaged small-scale farmers and workers. Producers and traders must meet applicable Fairtrade Standards for their products to be certified as Fairtrade. Within Fairtrade International, Standards & Pricing (S&P) is responsible for developing Fairtrade Standards. The procedure followed, as outlined in the [Standard Operating Procedure for the Development of Fairtrade Standards](http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/SOP_Development_Fairtrade_Standards.pdf), is designed by Fairtrade and compliant with all requirements of the ISEAL Code of Good Practice for Setting Social and Environmental Standards. This involves a wide consultation with stakeholders to ensure that new and revised standards reflect Fairtrade International’s strategic objectives are based on producers’ and traders’ realities and meet consumers’ expectations.

You are invited to participate in the consultation and contribute. For this purpose, we kindly ask you to comment on the proposal for dealing with the issue of plantations inside banana producing SPOs and encourage you to give explanations, analysis and examples underlying your statements. All information we receive from respondents will be treated with care and kept confidential.

**Please submit your comments to the Project Manager Arayath Kooteri Sajindranath at: s.arayath-kooteri@fairtrade.net by 31.07.2016.** If you have any questions regarding the draft standard or the consultation process, please contact the Project Manager by email.

Following the consultation round we will prepare a paper compiling the comments made, which will be emailed to all participants and also be available here

(<http://www.fairtrade.net/standards/standards-work-in-progress.html>)

**Background and Objectives**

SPOs are democratic organizations of small producers, in which at least half of the membership should be consisted of small producers, as defined in the Fairtrade standard for SPOs. Thus the possibility of medium and large producers with plantations inside the SPOs is known, and currently accepted as they could be legal members of such farmer organizations and their contributions provide additional volumes. There are some other requirements, especially on labour, for medium and larger farms, if they have more than ‘significant number of workers’ as defined in the standard (the significant number of workers is defined by the certification body and may vary according to region, requirement and identified risk, the number of workers is currently set at 20 permanent workers). These requirements are however, not as elaborated as those under HL standard. The Fairtrade premium is also not explicitly meant for the benefit of workers in a SPO. Thus for workers in large plantations, the HL standard provides better protection and benefit from the premium. Even though the standards, mention that at least half of the products sold as Fairtrade should be produced by small producers, in many cases, the bigger half produce more than the small producers and since all members of a cooperative have similar rights, there is competition between the small farms and others within the organization as the market is limited. It would be therefore in the interest of small farmers to increase the sales of small producers and which in turn will empower them within their organization, especially in a General Assembly.

Fairtrade bananas are produced both under the SPO standard and HL standard. It has been noticed that there is an increasing trend, especially in DR and Ecuador, of large plantations joining SPOs rather than getting certified under HL standard. This is perceived by SPOs, which are constituted solely by small producers, as undue competition by large farms/plantations to their Fairtrade market. The reluctance of plantations to be certified under HL standards, and joining SPOs, are also perceived as a way of avoiding stricter labour requirements in the HL standard or a way of not needing to transfer the premium to the workers. This impression of plantations joining SPOs, resulting in lower protection to workers at the same time unduly competing with small farmers, has negative effects on the image of Fairtrade.

The objectives of this project are to reduce the unintended competition of large plantations inside SPOs to small producer and small producer organizations, and to give better protection to the workers in the plantations and to mitigate the reputational risk to Fairtrade.

**Project and Process Information**

This standard review project started on 29th February 2016. The project assignment (PA) is available at: <http://www.fairtrade.net/standards/standards-work-in-progress.html>.

**Confidentiality**

All information we receive from respondents will be treated with care and kept confidential. Results of this consultation will only be communicated in aggregated form. All feedback will be analysed and used to draw up the final proposal. However, when analysing the data we need to know which responses are from producers, traders, licensees, etc. so we kindly ask you provide us with information about your organization.

**PART 2: Draft Standard Consultation**

The consultation is organized into the following sections:

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# A) Information about your Organization

Please provide us with information about your organization so that we can analyse the data precisely and contact you for clarifications if needed. The results of the survey will only be presented in an aggregated form and all respondents’ information will be kept confidential.

**1.1 Name of organization**

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**1.2 Your name**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.3 Your email**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.4 FLO ID (if applicable)**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.5 Country**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.6 What is your responsibility in the supply chain (if applicable)? Please tick all that apply**

Producer (Small Producer Organization)

Producer (Contract Production)

Producer (Hired Labour)

Exporter certified as a Fairtrade Trader

Importer certified as a Fairtrade Trader

Other (please specify) \_\_\_\_\_\_\_\_\_\_\_\_\_\_

**1.7 Please list the Fairtrade products that you deal in (If applicable)**

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# B) Questions on proposal for dealing with Plantations in Banana producing SPOs

This section is divided broadly into two sections. The first section deals with setting thresholds for defining a plantation inside a banana producing SPO. The next section then deals with various options for dealing with such plantations, which are defined as per thresholds set for a plantation.

1. **Definition of a Plantation in a banana producing SPO**

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| The present SPO standard allows SPOs to be constituted of small as well as larger producers (as per the 50% rule). It can be generalized that a SPO can consist of small, medium and large producers. The latter is called as a ‘plantation’ in this consultation paper. The standard defines a ‘small producer’ and has indicator values for some countries with regards to the limit of land and permanent workers employed by the members. There is no such definition on who constitutes a plantation (or very large farm) inside an SPO. Therefore it is proposed to set thresholds for defining a plantation.  The legal requirement about minimal number of workers to form a trade union is proposed to be taken as a reference to define the threshold related to number of workers, for the purpose of determining a plantation.  In the various key banana exporting countries where also more than 90 % of sold Fairtrade volumes are produced, the legal conditions are the following figures:   |  |  | | --- | --- | | Country | Minimum Number of worker | | Costa Rica | 12 | | Dominican Republic (DR) | 20 | | Peru | 20 | | Colombia | 25 | | Ecuador | 30 | | Panama | 40 |   Taking an average of this data, about 25 workers might be an appropriate threshold. This would reflect about 25-30 hectares because in Ecuador and Colombia, about 1 worker/hectare is the industry norm. In Dominican Republic and other ACP-countries it is about 1.25worker/hectare.  An analysis of the certified banana plantations under HL standard shows that the smallest certified plantation is around 30 hectares (in DR, the smallest plantation has approx. 30 hectares; in Colombia, the smallest plantation has 14 hectares, the second smallest 26 hectares and in Ecuador, the smallest plantation has 41 hectares.) This data provides a hint about the minimal farm size where the fulfilment of the HL-requirements, with substantial compliance costs and certification costs, balances the benefits. |
| **Proposal of Thresholds**  1.) It is proposed to define a plantation as a farm that is ‘larger than 30 hectares” and/or employ “more than 25 permanent workers” (i.e. A farm will meet the definition of a ‘plantation’ if one of the two criteria is met).  2.) It is proposed to define one single set of thresholds to be applicable for all banana origins. |

Q1.1 Do you agree to the threshold of "larger than 30 hectares” to define a plantation?

Yes

No

Please substantiate with reasons and suggest other options (if any).

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Q1.1 Do you agree to the threshold of ‘employing more than 25 permanent workers’ to define a plantation?

Yes

No

Please substantiate with reasons and suggest other options (if any).

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Q1.2. Do you agree that a single set of thresholds is applied to all banana origins?

Yes

No

Please substantiate with reasons and suggest other options (if any).

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1. **Steps to deal with plantations that qualify the definition set above**

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| The following options have been developed as a way to deal with plantations in an SPO. The perceived advantages and disadvantages of each option are described. A final proposal for a standard could consist of either one or few of the options or a combination of various options or parts of various options, and depends on the results of this consultation and is proposed to be consulted in a second round. However, for this consultation each of the option is consulted on an independent basis. |

**Option a)**

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| Limit membership in SPOs to only individual producers (farms) and not any other form of legal entity (e.g. Private Limited Company etc.)  *(In some countries, large farms have to be legalized as a limited liability company, to deal with laws on limiting private land ownership (land ceiling acts) or for laws regarding banking or taxation. Also, the SPO is essentially an organization meant for individual small producers.)* |

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| **Advantages** | **Disadvantages** |
| * Some countries have restrictions on land holding by individuals and large plantations are supposed to be legalized into entities like companies and have different regulations on workers, taxes etc. Eliminating membership to other legal entities (other than individuals) will automatically remove large plantations in some countries. * Easy to implement | * The regulations in all countries may not be suitable for bringing desired effect as not all countries have laws limiting land ownership * Plantation being legal members of SPOs, may be reluctant to withdraw their membership, which might harm the certification of the SPO. * No volumes can be sold from the plantations and there may be reduction of volume from the SPO. * No benefit of certification to workers in the Plantation (under the clause ‘significant number of workers’ in SPO standard), if they don’t get certified under the HL standard. |

Q2.1. Do you agree to limiting membership to individual producers only in a SPO, and excluding all other forms of legal ownerships?

Yes

No

Please substantiate with reasons.

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**Option b).**

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| Plantations (as defined here in the proposal under 1) are excluded from the membership of an SPO (i.e. cannot be a part of the SPO). |

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| **Advantages** | **Disadvantages** |
| * It is easy to administer. All plantations will be out of the SPO and need to be certified under HL standard to be able to sell as Fairtrade. * Reputational risk related to inappropriate standard framework with limited protection for workers and no premium benefit, is mitigated. | * Plantation being legal members of SPOs, may be reluctant to withdraw their membership, which would harm the certification of the SPO. * No volumes can be sold from the plantations and there may be reduction of volume from the SPO. * No benefit of certification to workers in the Plantation if they don’t get certified under the HL standard. * It might result in increase in incidence of plantations artificially splitting up under different members to appear as small producers |

Q2.2. Do you agree to excluding all plantations from membership of SPOs producing banana?

Yes

No

Please substantiate with reasons.

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**Option c).**

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| Plantations are allowed to be members (thus have to comply with Fairtrade standards); however, their produce is prohibited from sale as Fairtrade (i.e. an inactive member). |

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| **Advantages** | **Disadvantages** |
| * This removes the problem on certification status, if the plantations are reluctant to vacate their membership in the SPOs. * The workers are protected under the significant number of worker clause in the SPO standard. | * No volumes can be sold from the plantations and there may be shortage of volume from the SPO * Less protection to workers compared to the labour requirements in HL standard. * Less benefit of premium to workers as compared to HL standard * More chances of mixing up for product from active and inactive members and may result in complexity in audits for ensuring traceability. * It might result in increase in incidence of plantations artificially splitting up under different members to appear as small producers |

Q2.3. Do you agree to the proposal of excluding all production from plantations from Fairtrade sale?

Yes

No

Please substantiate with reasons.

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**Option d).**

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| 1. Plantations are allowed to be members (thus have to comply with Fairtrade standards), but set limits on amount of product that can be produced/sold by each plantation in the SPO. This is to ensure that a credible volume of Fairtrade bananas certified under the SPO standard are coming from small farmers. Currently half of the Fairtrade sales should come from small producers. It is proposed that also half of the annual production should also come from small producers. 2. Currently half (50%) of the Fairtrade sales should come from small producers. It is proposed to increase the limit to 70%.(This means that larger farms can contribute only 30% of the total sales) 3. Limit the contribution from each plantation in the total Fairtrade sale (**for example**. ‘*not more than 10% of the yearly sale as Fairtrade of the organization should come from each individual plantation*’). |

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| **Advantages** | **Disadvantages** |
| * Some volume of product from the plantations can be sold as Fairtrade, * Will be a disincentive to plantations to exploit the Fairtrade market remaining in the SPO, and can sell more if they are certified under the HL standard. | * Since there is less volumes that can be sold from the plantations, there may be reduction of volume from the SPO * Less protection to workers compared to the labour requirements in HL standard * No benefit of premium to the workers, as possible under the HL standard * More complexity in audits regarding traceability. * It might result in increase in incidence of plantations artificially splitting up under different members to appear as small producers * System gets more complex and difficult to communicate to consumers. * Reputational risks persist. |

Q2.4.1. Do you agree to the option *d(i)* of ‘half of the annual production should come from small producers’?

Yes

No

Please substantiate with reasons.

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Q2.4.2. Do you agree to the option of setting the limit of sale from small producers to 70% of the total annual sale volume (option *d(ii*)?

Yes

No

Please substantiate with reasons or suggest another option.

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Q2.4.3. Do you agree to the proposal of limiting the volume of sale (as Fairtrade) from individual Plantation (option *d(iii)*? (This means that individual plantations, will contribute certain percentage (as given below), but collectively limited to 50% (or 30% as per 2.4.2 ) of the total Fairtrade sale)

Yes and limit to 10%

Yes and limit to 20%

Yes but with different limit

No, I don’t agree to the limits

Please substantiate with reasons and suggest other limits or options.

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**Option e).**

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| Increase certification requirements for plantations in SPOs. These additional requirements would be related to labour, environment and premium handling as given in the HL standard and a proportional increase in audit period. |

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| **Advantages** | **Disadvantages** |
| * Workers are better protected by stricter standard on labour and premium usage from the HL standard. * No reduction in volumes as in the previous options. | * Complication in the standard and audits, with some requirements applicable to some members, resulting in longer audit time and costs. For e.g. with one extra day required for audit per planation, and if there are 10 plantations in an SPO, this could increase the audit period to 11-12 days and increase audit costs multiple times. * Could be less strict than the full HL standard. * Comprehensive rules on premium distribution and usage in the standard will be needed to avoid confusion in premium administration. * It might result in increase in incidence of plantations artificially splitting up under different members to appear as small producers |

Q2.5 Do you agree to increase certification requirements (by adding requirements from the HL standard) for plantations inside SPOs?

Yes

No

Please substantiate with reasons.

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1. **Comments or Other options**

In case you have other comments or options to suggest, kindly do so here.

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