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Consultation Results Synopsis

Information to stakeholders on the outcome of the

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

To	Certified Producers, Producer Networks, NFOs, Fairtrade International Staff, FLOCERT
Consultation Period	25.11.2016 – 25.12.2016
Standards Committee Meeting for Decision	March 2017
Contact Details	standards-pricing@fairtrade.net .

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PART 1 Introduction

1.1. General Introduction

Fairtrade International Standards & Pricing (FI S&P) would like to thank all stakeholders for the time and effort they have put into participating in the 2nd round of consultation on the project on "*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*". Similar to the first round of consultation (held between 01.07.2016 – 31.07.2016), the public consultation ran for a period of one month, starting from 25th November 2016. The consultation was held in English and Spanish. The invitation to take part in the online survey on the SurveyMonkey was sent widely including all SPOs and traders certified for Banana, PNs, NFOs, and FLOCERT. A total of 29 responses were received, which includes 8 from producers, 10 from traders and 11 from representatives in the Fairtrade system (NFOs, Fairtrade International and FLOCERT).

Together with the results of the research carried out by the Standards Team, the information gathered from two rounds of consultations provides the basis for our recommendation to the Standards Committee. The Standards Committee's decision regarding proposed changes to the standard will be made taking stakeholders' input into consideration.

This document aims to present the outcome of the second round of consultation which will be included along with the subsequent recommendations from the Standards Team on the future steps. The results of the consultation are discussed herewith without disclosing confidential stakeholder information.

Should you have any queries or remarks concerning this report, please contact the Standard unit at standards-pricing@fairtrade.net.

1.2. Executive Summary

This project was accepted in the background of reservations raised by some stakeholders, that the possibility allowed by the Small Producer Organizations (SPO) Standard for including large farms (plantations) as members, under the 50% rule of small producers in SPOs, is being exploited by plantations who join SPOs as a means of avoiding the stricter requirements in the Hired Labour (HL) Standard. This also results in less protection and benefit from the premium for workers in large plantations, when compared to plantations certified under the HL Standard. At the same time, is causing anxiety to those SPOs that are exclusively made up of small producers, as they see that the plantations with better efficiency in the size of operation are unduly competing with them under the SPO standard. The presence of large plantations is also seen as detrimental to the empowerment of small producers in SPOs especially in the General Assembly meetings. This together is perceived to be a risk to the reputation of Fairtrade.

In addition, Fairtrade International took over the responsibility for determining the indicators for SPO from FLOCERT and published a set of revised indicators for average number of workers and farm size for Dominican Republic (DR), Colombia and Ecuador on 03.08.2015. The changes are applicable since the 1st Jan 2016. The land area threshold for a small farmer was fixed at below 8ha for mono culture in these three countries. The number of permanent workers per hectare, was set at 1.5 for DR and 0.9 workers/ha for Ecuador and Colombia. Stakeholders had recently expressed their concern on the effect on the profitability of the SPOs, with the reduction of the land area in the indicators (from 10 ha to 8 ha) and requested the suspension of the application of the revised indicators. However, Standards & Pricing decided to not suspend the implementation of the revised indicators and take a relook at the values of the indicators along with the issue of plantations in SPO, research the topic



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again, consult with stakeholders and advise the SC on a suitable decision. Moreover, as changes related to plantations in SPO could potentially have an effect on the indicators, it is best to study these issues together in these countries.

The aims of this project are to reduce the unintended competition of large plantations inside SPOs to small producer and small producer organizations, to give better protection to the workers in these plantations and to mitigate the reputational risks to Fairtrade. The project also intends to take a relook at the indicator values for DR, Ecuador and Colombia and to assess if there is a need to revert to the values applicable prior to 1st Jan 2016.

Project objectives

General objectives

- To study the prevalence of plantations in banana SPOs and their competition to small producers and make proposals for changes to the fresh fruit standard (banana section) to address unfair competition issues
- Determine the best approach to ensure workers in these plantations are covered under appropriate labour requirements under Fairtrade Standards
- Review the thresholds of the indicators for SPOs in Banana in DR, Ecuador and Colombia.
- To feed into the review of the SPO standard (starting in 2017) on issues identified in this project that can be addressed only in SPO generic standard

Specific objectives

- Quantify the extend of prevalence of plantations in Banana SPOs
- Define the size or number of workers, for a banana producer to qualify as a “banana plantation”
- Propose changes in the fresh fruit standard (banana section only) to reduce competition from plantations in SPO and ensure protection of the workers in these plantations
- Review the SPO indicators for Banana in Ecuador, DR and Colombia and propose changes if necessary

Project phases and timelines

	Timeline	Activity
2016	Feb 2016	Scoping
	Feb - April 2016	Research
	July 2016	1 st Consultation
	October 2016	Consultation Synopsis
	Nov – Dec 2016	2 nd Consultation
	Dec 2016- Jan 2017	Consultation Synopsis
2017	Jan - Feb 2017	Drafting final proposal for SC decision
	March 2017	SC Decision

Participants

Initially a list of producers who would be impacted by the proposed standard change was drawn from the list of certified producers from the FLOCERT database and invitation for participation in the consultation was sent. Around 400 emails were sent inviting participation in the consultation. It included SPO producing bananas, banana traders, NFOs, PNs and FLOCERT. The consultation was put up on the Fairtrade International website so that any interested party could participate.

Participation

The response for the second round of consultation was rather lukewarm, when compared with the responses from the 1st round, where 32 producers participated, only 8 producers sent their



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responses. The response from the traders (10) and representatives of the Fairtrade system (11) were higher. The responses were mixed in most cases. Overall taking into consideration participation of producers were good when response from both consultation is aggregated. It should be noted that, only SPOs of banana in three countries are affected and the proportion of representation is good from these producers.

1.3. Next steps

The results of this consultation along with result of the first round of consultation and S&P recommendations will be presented to the Standard Committee at the meeting in March 2017. The SC will make their decision on the proposal and the amended standard will be published succeeding its approval by the SC.

The final decisions of the SC will be published in the minutes following the meeting and will be available on the Fairtrade website.

1.4. Abbreviations

DR	Dominican Republic
Ha	Hectares
HL	Hired Labour
LA&C	Latin America and the Caribbean
NFO	National Fairtrade Organizations
PN	Producer Networks
S&P	Standards & Pricing
SC	Standards Committee
SPO	Small Producer Organization

1.5. Annexes

Annex 1 Consultation document for Fairtrade Stakeholders

PART 2 Consultation outcomes

2.1. Consultation process

The second round of the public consultation on project began on 25 November 2016 and ended on 25 December 2016. A web based survey tool (Survey Monkey), was used to collect the feedback from the consultation.

The project is concerned with the producer organizations certified under the SPO standard, producing banana. Efforts were put to get feedback from these producers as well as supply chain actors sourcing banana from these SPOs. Emails were sent around to these stakeholders inviting their participation in the consultation process. Requests were also sent to PN, NFOs and FLOCERT for their inputs on the proposals in the consultation.

All answers were collated and detailed responses were categorized according to questions



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2.2. Overview of stakeholder participants

Most of the bananas producing SPOs are present in the Latin American countries and the Caribbean and this was reflected in the profile of stakeholders taking part in the consultation. The responses from the producers were less than expected. Only eight producers sent their response (one fourth from the previous consultation round). One of the producers was a plantation certified under HL standard in Colombia. There were four producer responses from Dominican Republic, while two each from Colombia and Ecuador were received. There were ten responses from traders (2 exporters and 8 importers), and 11 responses were received from the staff of the Fairtrade bodies (NFOs, Fairtrade International and FLOCERT).

The lower response from producers could be due to the fact that only few producers in the system would be affected by the proposed standard change, since majority of the producers have members who are very small land owners. It is also seen that the response in the second round of consultation is generally low when compared to the first round and this could be a reflection that stakeholders feel that they have already provided their input and do not have more to add in the consultation process.

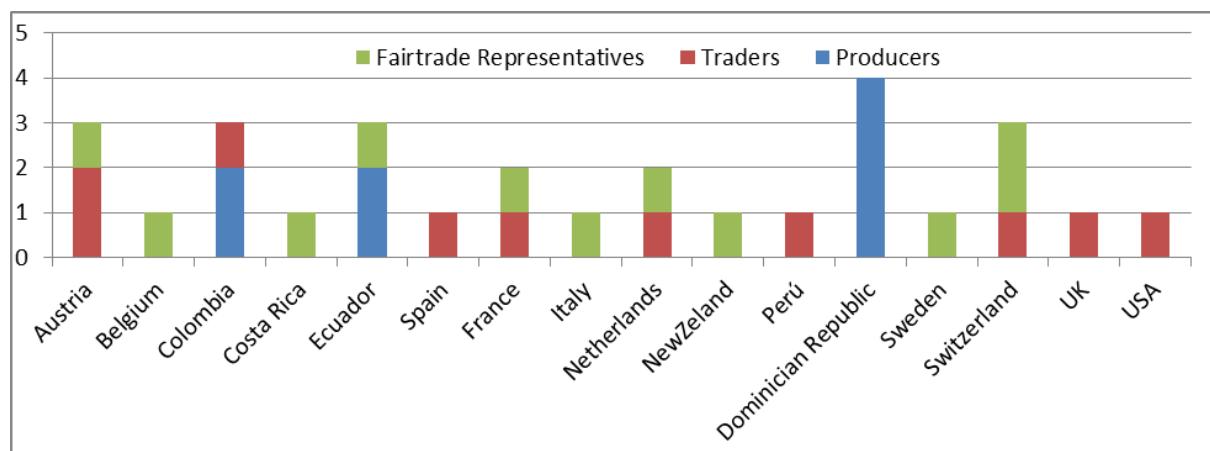


Fig : 1. Profile of stakeholder participation according to the countries represented

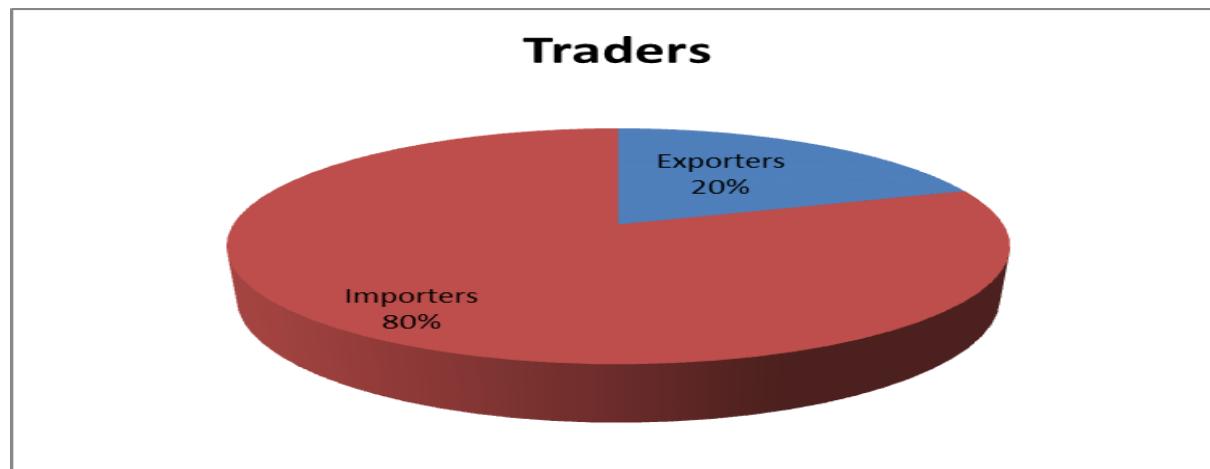


Fig 2. Distribution of traders



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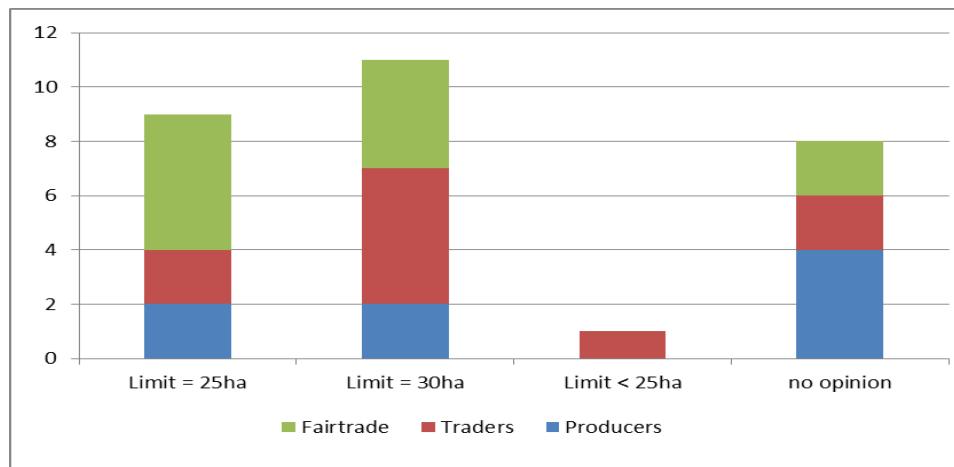
2.3. Consultation outcome and stakeholder feedback

The consultation paper consisted of a set of 8 questions divided broadly into three categories. The first four questions relate to the issue of plantation in a SPO, which are an extension to the questions put forward in the first round of consultation. The second set of questions is connected to the indicator values for small producers for banana in DR, Colombia and Ecuador. The third question pertains to an option of increasing volumes from SPOs. The consultation outcome is discussed under individual questions raised in the consultation paper.

Part 1 – Plantations in SPOs

1.1 Do you agree to reduce the limit of the land area to define a plantation from 30ha to 25 ha?

In the first consultation, a majority support was seen for fixing a farm area of 30ha as the threshold for defining a plantation. However, there was some support to reduce this limit further. Based on this feedback form the first round of consultation, the stakeholders were asked in the second round if they would agree to lower the threshold of the land area from 30ha to 25ha to define a plantation.



Though there is a higher support for the limit to be set at 30ha for defining a plantation, with 11 respondents in favour of this option (38%), there was also a support to reduce it to 25 ha (9 in favour, 31%). It is interesting to note that, a higher share of traders were in favour of fixing it at 30ha, indicating an apprehension when plantations above 25ha are excluded from SPOs. While there was a slight higher support from the Fairtrade staff (5 vs 4) to reduce the limit to 25ha, which highlights the concerns about the reputational issues of including plantations inside SPOs. There was trader who wanted the limits to be set even lower than 25ha, while 8 respondents did not have any comment to make on this issue.

One producer in Ecuador who was in favour of limiting the land area to 30ha, felt that it is necessary to have a cap of at least 30 ha, to control the increase of certification of 'mini' plantations that compete with the small producers, while another producer in Ecuador agreed to the limit of 30ha, citing that the Ministry of Agriculture "MAGAP" of their country considers a small producer up to 30 ha.

One exporter in Colombia felt that farms less than 30 ha are not so profitable. An importer who was in favour of the limit of 30 ha, felt that limiting membership to lower farm size may result in a 'microatomization' of the sector and will become even more complicated to handle than the current situation. An exporter in Peru who favoured to set the limit at 30 ha felt that, it is better for plantations to get certified under the HL standard as they can then increase their sale under Fairtrade and since in



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the plantations the revenue comes from sales and a higher sale will help improve the conditions of workers.

There were four Fairtrade representatives who favoured the 30ha limit. One of them commented that farmer with more than 30 ha of banana cannot be considered a small producer and considers that the limit should not exceed 30 ha, while another felt that a farm of 30 ha is not yet a plantation with a significant number of permanent workers. A farm of 30 ha requires 15 workers maximum to be able to all the work of cultivation and packing, and still can be supported with the familiar help.

One producer from Dominican Republic felt that fixing a threshold of 25 ha for a plantation would give more opportunity to small growers, while another supported lowering of threshold to 25 ha as it will stop plantations with more than 25 workers in SPOs from avoiding more responsibility to workers in their farms, such as the issue of collective bargaining. One importer, who imports from Ecuador, favoured a limit of 25 ha, as in their opinion a higher limit truly affects small producers in other countries, for example, small producers in Peru.

Representatives of Fairtrade, who favoured a limit of 25 ha to define a plantation in SPO, supported it as it gave better protection to workers in larger plantation. One NFO felt that, their stakeholders would perceive a producer with 25 ha, having as much as 40 or more permanent workers in DR, to be a plantation and that such farms should be under the HL standard where the workers are better protected and getting the benefit of the premium. The NFOs felt that the intention of Fairtrade is to benefit the workers as in the HL standard and the SPO-standard is intended to help small farmers to improve lives through trade. The range between 8 and 25 ha would be enough to give some flexibility to the SPOs for ensuring their viability. They felt that this was better to explain to their stakeholders and a higher threshold for a plantation would make it a bit more difficult for their stakeholders to understand, considering the intentions of Fairtrade and intended beneficiaries (workers and small holders). Another NFO felt that a threshold of 'less than 25 ha' may not be financially feasible for such producers to get certified under HL standard (certification costs and compliance costs) and there is good possibility that we may lose these producers as they will be excluded from the SPO setting and are not willing to be certified under the HL standard. They felt that the limit of 25 or 30 ha may not be relevant as there are only very few certified producers having between 25 and 30 ha. Taking into consideration the number of workers which are linked to the farm size, a limit of 25 ha is preferred. The NFO representative hinted that in Ecuador a plantation with up to 30 ha is considered as a small producer and thus a limit of 30 ha would be appropriate only for Ecuador. Another NFO who was favouring a threshold of 25 ha also felt that choosing between thresholds of 25 or 30 ha is not very relevant and felt that as long as the farms fulfil the requirements regarding labour conditions, they are not adverse in including these farms in SPOs. They felt that it is more important to see if a big farm dominates in an SPO in such a way that they get all the benefits and small farmers don't have a say anymore.

An NFO who did not choose between any the two thresholds mentioned that though they are aware of the hidden plantation issues they were not in a position to judge the land area relations on country levels.

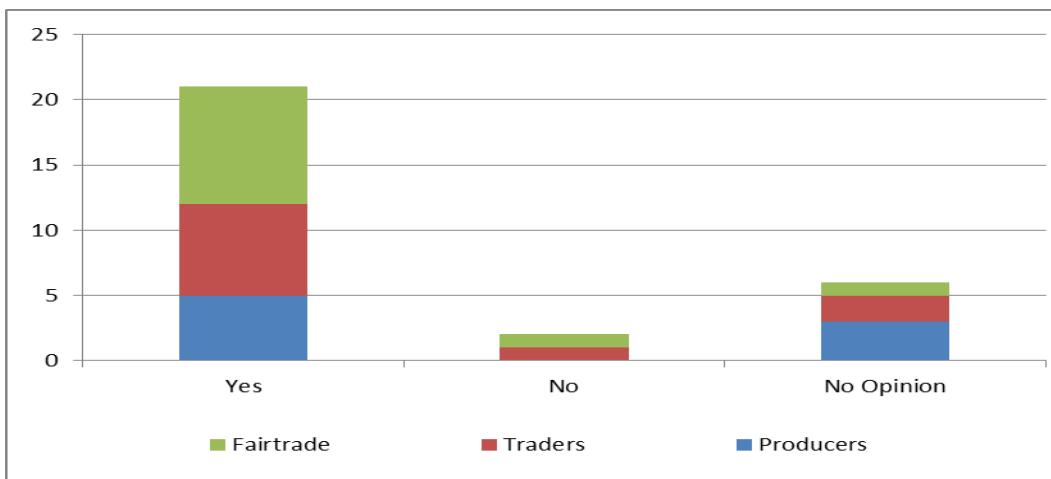
One SPO in Colombia was against any of the options given, and wanted all farms above 8 ha to be removed from an SPO as it distorts the philosophy of Fairtrade. A producer from Dominican Republic, who did not choose any of the options, was of the opinion that farms below 30 ha cannot be considered a large producer.

1.2 Since there was no consensus on defining the threshold of number of workers, do you agree that only the criteria of land area (30ha or different) is used for defining a plantation?

A majority of the respondents (21 out of 29) were in favour of restricting the criteria for defining a plantation to land area and not consider number of workers for defining a plantation. Only two respondents of the 23 who gave their opinion were in favour of including the number of workers as an option for defining a plantation. 6 respondents had no opinion on this question.



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One producer in Ecuador supported keeping only land area as a criterion as they felt that the number of workers could vary a lot depending on the situation of each farm (physiological, soil, location, availability of water). One producer in DR felt that it is very complicated to handle more than one parameter and would like to have only one parameter and this does not affect the credibility of Fairtrade in their opinion. Another producer in DR felt that, restricting the values to land area was the best option and added that a land area would also indirectly limit the number of workers required in a banana plantation.

Two exporters from Colombia and Peru, who were in support of limiting the choice to the criteria of land area, felt that it was best as it indicates farm income and is good for an easy reference. One importer felt that the number of people working in a banana farm should be quite constant, a quite stable ratio of people per hectare, and not too much different, so not a good differentiator. Another importer felt that in the producing zones the number of workers is very relative and optimization of labour requirement for different conditions makes it so variable and pointed that a farm in Ecuador is not the same as in the Dominican Republic.

From the point of view of another importer, plantations should not be accepted in the Fairtrade system. They did not feel that both boundaries are really good, but accept as there are no other options. They felt that there should be a range for example from 30 to 60, which could be accepted in the Fairtrade system, but as a second priority after small producers.

NFOs who supported the option of keeping the criteria of land area as the only criteria for defining a plantation felt that it was great for simplicity and it makes communications. It was expressed that it was good to simplify the certification process. It was mentioned that land area is indirectly linked with number of workers and when two parameters are used, it can happen that one parameter is fulfilled and the other not. One NFO felt that in banana production the number of workers may vary depending on many factors and they would consider that the parameter of land area fit to properly define a plantation. Another Fairtrade representative said that a farm of 30 ha is not yet a plantation with a significant number of permanent workers. In the opinion of this person, a farm of 30 ha requires 15 workers maximum to be able to all the work of cultivation and packing, and still can be supported with the family labour.

An NFO who was in favour of including the criteria of number of workers to define a plantation felt that the criteria of number of workers was important, but was accommodative to the idea on restricting to land area if it leads to simplifying process.



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One producer in Colombia, who did not choose between the options, commented that, a small producer should invest an average of 1.25 men per ha, part of which can come from family labour and the rest of the workers are hired with all legal labour rights in force in the country.

1.3 What in your opinion should be the transition period for SPOs to remove plantations from their organization?

Out of the 23 respondents who answered this question, the majority of them (14) were in favour of extending a one year transition period for SPOs to exclude plantations from the certification scope. Those favouring six months or less (6) and favouring a period longer than one year (3) were much lower in number. 6 respondents did not express any choices.



One SPO in Ecuador, who supported a one year transition period, felt that the plantations must be considered as partners and cannot be excluded in a short time. While one from DR felt that we must allow and support larger producers to meet HL standards and this takes time.

One importer felt that one year transition period is a good time as most buying contracts have duration of 1 year, they felt that this period will cover the maximum period required to fulfil a given contract, and allow ample time for recertification under HL. This view was also put forward by another exporter from Colombia. One importer mentioned that one fiscal year will ensure that an audit period is passed and they can ensure that it can be carried out in the least traumatic way possible for the producers.

One NFO expressed that though they opt for a one year transition period, they were against removal of natural and relevant members, but felt that more attention has to be paid to the requirements of bigger farms. Another Fairtrade representative felt that one year is good period to fill contractual commitments of the organizations and this will allow them to adapt correctly to the changes without affecting their customers.

One producer from DR felt that more time than one year should be given in case the plantations are eliminated so that these plantations can locate their sales in other markets or customers and this will help them to adjust to a changing market.

One producer from Ecuador felt that six months is good enough for these plantations to look for a new market. One importer felt that six months would be enough, but mentioned that they only work with small producers.

One NFO representative felt that a period of six months was good enough and it is easy to get permission to trade and there is nothing prohibiting the newly certified plantation to fulfil volume-contracts from its previous certification within the SPO. They felt that Fairtrade has to move on this and show the seriousness on dealing with plantations in SPOs. They feel that as these plantations are already in the certified SPO and thus having been under some basic compliance to labour



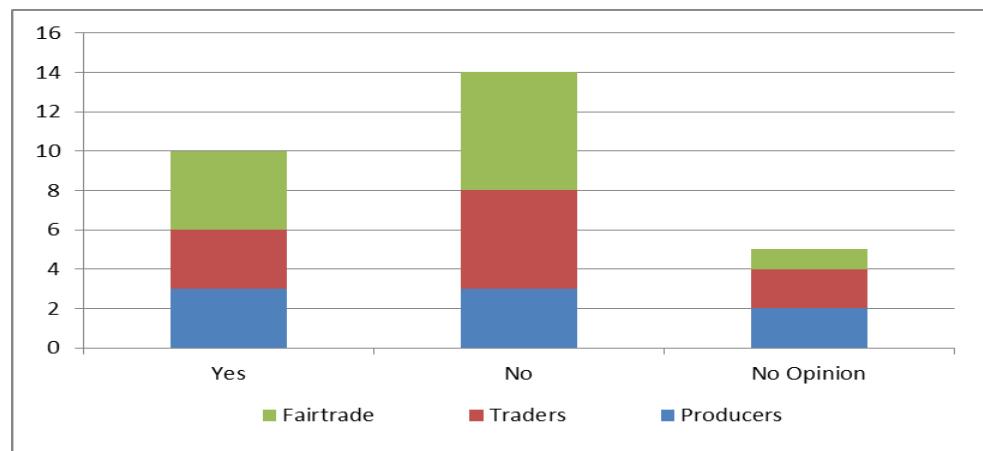
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requirements, the transition should not be too difficult and 6 months should very much be enough time to get certified under the HL standard. Another NFO felt that a transition period until 31.12.2017 was good enough irrespective of the date of publication of any changed standard. They felt that this may result in some non-compliance for inspection in early 2017, but all banana-SPO have in the first or latest second quarter of the year their yearly General Assembly to adjust their membership structure. With a transition period of one year or even longer, there is a risk that banana plantations will be hiding in SPOs at least until end of 2020 (in case of publication of standard revision in May 2017, or up to 2021 in case of publication in August 2017).

One producer from Colombia expressed that since the commercial relations between producers and traders are agreed in binding contracts, SPO that have plantations beyond 10 Ha should still be able to fulfil their existing contracts.

1.4 Do you agree that banana may be sourced from the plantations during the transition period, only if they complete the application process for certification under HL standard?

The stakeholders were asked if they would agree to a clause in the standard, restricting Fairtrade sales from only those plantations in the SPOs that have applied for Fairtrade certification under the HL standard, during the transition period (where SPOs will be required to exclude plantations from their membership). It is clear from the graph that the majority of those who sent their response, were against any restrictive clauses on the plantations in the transition period. This is clear, as the traders and NFOs were against clauses which might cause problems in the supply of banana in the transition period.



A producer from Ecuador mentioned that since early 2017 is the period for finalizing contracts, it will create issues in normal trade and did not favour any conditions in the transition period. An importer felt that they don't agree to any conditions in the transition period and, the plantations in SPOs must be allowed to complete contracts and allowed to supply during the transition period irrespective of decision to register under HL or not, which otherwise, they felt would mean changing the Fairtrade rules during the contract, which is not fair. NFOs disagreeing to any clauses in the transition period, felt that this would complicate things. One NFO felt that it is a more important issue to move plantations out of the organisations, and not whether they have applied for certification under HL standard or not. The NFO felt that it is important that this standard change is implemented as fast as possible and checked in audits to see whether the SPO has plantations hiding within them or not. Another NFO did not find the clauses useful in solving their problem. As per them, we need to solve the issue of plantations in SPOs very fast with a short transition period. During the transition period the plantation members of existing SPOs should be able to supply anyway. If this would not be allowed, then there would be no transition period at all. Only completing the application process means costs of about € 600, but does not provide any benefits for workers. Thus, this is only a formality with no effects for workers. Furthermore, extra effort would be required to verify this new requirement. Another NFO felt that added clauses during transition period will be difficult to verify and it does not



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have any impact on the plantation workers. Yet another NFO opined that the transition is meant to phase out the current situation and introducing new requirements during a transition phase is not logical.

Producers, who supported adding further restrictions in transition period, expressed that it will be beneficial for the plantations in the transformation. It will also make the plantations to fulfil labour requirements in the transition period and not just fulfil contracts in the transition period. The plantation in the process of transition must sell its fruit under the same conditions as that of a plantation certified under HL standard and that this will motivate them to maintain Fairtrade certification and invest in the transition.

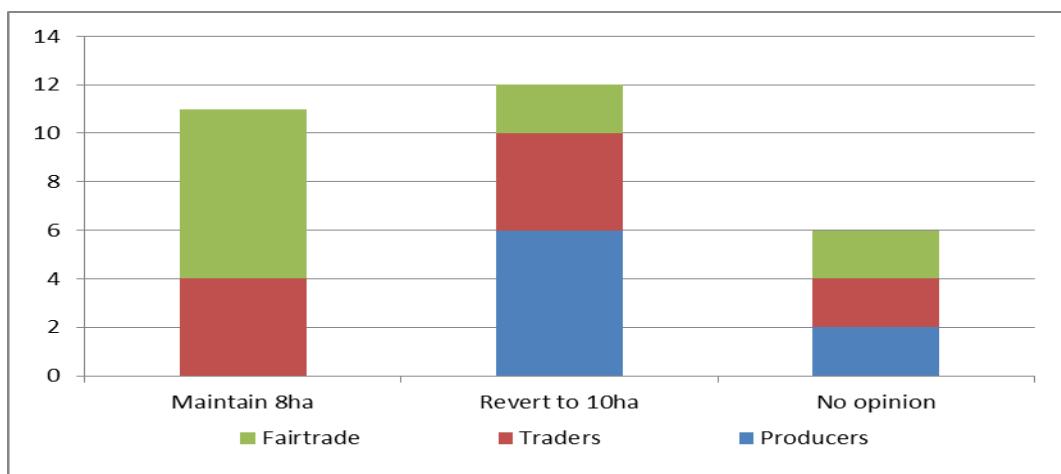
Two of the Fairtrade representatives in favour of conditions felt that many plantations are part of the SPOs, and if they are not allowed to use bananas from large plantations in SPOs, they would not be able to comply with their contracts. One of them felt that due to annual nature of contracts for bananas the transition period should ideally be of one year, and six months could make SPOs default on contracts.

Part 2 – Indicator Values for DR, Colombia and Ecuador

2.1 Do you agree that the indicator values are maintained at 8 ha to determine a small farmer for DR, Colombia and Ecuador?

The indicator value to determine the limit for a small producer of banana in an SPO in DR, Colombia and Ecuador was changed from 10ha to 8ha on 3/8/2015 and revised values were applicable from 1st Jan 2016. There was a stakeholders' request to revert it to 10ha as the change had caused constraints in their business. S&P decided not to revert the figures, as they were published long time back and decided to revise the issue and advise the SC accordingly. Therefore, in the second round of consultation of this project, stakeholder views on maintaining the indicator value of land area at 8ha or to revert back to 10ha was sought.

The graph clearly shows a mixed feedback from the stakeholders. However, all the producers were in favour of reverting the indicator value to 10ha. It is important to note that majority of Fairtrade representatives were against going back to the 10ha limit and wanted the indicator values to be maintained at 8 ha. The traders were equally divided between both the options.



The trend of feedback shows apprehensions from the producer's side in hindrance to their business or certification status due to the change. This could be due to the fact that only those producers who are affected by the change in the indicator values took part in the consultation and other producers had no



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opinion on this. It is clear that Fairtrade representatives are more concerned to the reputation of Fairtrade.

One importer, who did not support reverting to 10ha limit, felt that changing it again will be a problem for producers who have already had to adapt to the new situation. Another importer agreed that plantations and small producers should have the same standards; a plantation competes with volumes, with economy of scale, with easy access to credit, with access to the best banana production lands. A small producer competes most of the time sacrificing his own family and struggling to be competitive in a system difficult to enter and thus a lower limit will be beneficial to small producers.

One NFO representative was surprised that S&P has opened this discussion once again and it is very ineffective to go back to the same issue over and over again. The reasons for the change from 10 to 8 ha was already very clear and this is yet the only thing that Fairtrade has done not only to mitigate the plantations hiding in SPOs, but also to align our thresholds with our own framework and definition of small farmers.

One Fairtrade representative felt that since these 3 origins (DR, Colombia, Ecuador) provides with a complete different situation related to question of indicator values, not a specific feedback can be expected. They felt that for Colombia the threshold is not relevant at all and therefore it is questionable why the Fairtrade system has fixed a threshold for Colombia, but not for Peru and other origins. In the Dominican Republic and Ecuador the situation is different. It was pointed by the Fairtrade representative that the Generic SPO Standard states that the threshold for a banana farm is “the size of the land they cultivate is equal to or below the average of the region” (1.2.1) and that in the case of Ecuador where the national average of all producer organisations (including plantations) is 34 ha, an increase from 8 to 10 might be justified and not in conflict with the Fairtrade standards. However, in the case of the Dominican Republic where the national average is below 8 ha according to the information available, it would be very difficult to justify an increase from 8 to 10 ha. Thus he maintained that, Fairtrade should maintain the indicator value at 8ha, at least for DR. In his opinion, in the case of Ecuador, a revert to 10 ha would be justified because national average is above 10 ha, but not for Dominican Republic and suggested that for Colombia, the threshold could be even eliminated.

One producer from Ecuador requested that reverting it back to 10 ha, at least for Ecuador, as they feel that since Ecuador is a dollarized country, production costs are high and to maintain or achieve good markets it is necessary to have GLOBALGAP, a considerable percentage of producers of less than 8 ha do not have the resources and infrastructure to achieve this certification. For this stakeholder, farms with 8 to 10 ha are good sizes to offset higher costs due to certification with their production. Another producer in Ecuador felt that this would be limiting the small producer (from 8-10ha) to progress and improve their lifestyle since in Ecuador there are many producers over 8ha who have been excluded from the Fairtrade program.

A Colombian producer expressed that the majority of the small producers own their estates through family inheritance and that in the medium to long term, they may lose their status as small farmer, if they go ahead and acquire additional land area.

A producer from DR mentioned that in their country, both 8 and 10 ha are considered small, there is no real socioeconomic difference between one and the other, and the banana world rather requires growers to be sustainable, while another SPO in DR said that this decision is punishing producers of 10 ha who have been more than 10 years in the Fairtrade market.

A trader, who supported reverting back to 10ha, felt that Fairtrade is setting limits on farm sizes, rather than concentrating in moving the large plantations from SPOs to get certified under HL standard. While another felt that more hectares ensures more possibility of income.

Two Fairtrade representatives were in favour of reverting back to 10ha. One of them felt that banana production should be profitable for the farmer, and consider that an area of 10 ha is manageable and allows many who had originally planted 10 ha to remain small producers without affecting the

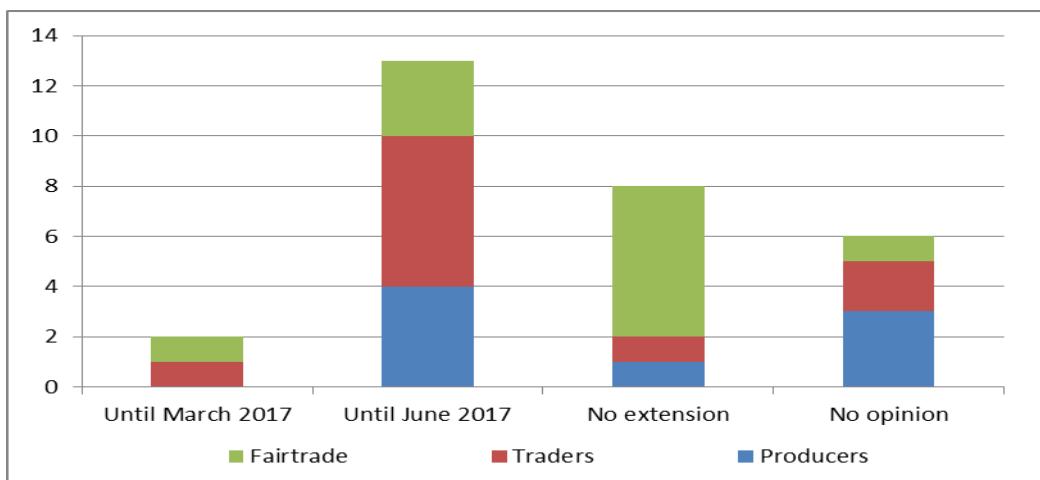


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organization. While another felt that the difference between a producer of 8 and another of 10 ha is very small. In the opinion of this stakeholder, the organizations are faced with the problem of expelling members who have been members for many years from their membership list. In addition, it is not easy to get producers with less than 8 ha, that possess the ability to produce quality of product that the buyers require. The respondent mentioned that is a contradiction of Fairtrade to ask for ever smaller producers, while buyers require fruit quality that is not available on such small farms.

2.2 For those SPOs who have not yet complied with the changed requirement, do you think that a longer period is required to comply with the change in the indicator value?

For those SPOs who would be affected by change in the indicator value from 10ha to 8ha to define a small farmer, the corrective measure would be either to increase the number of members having land area below 8 ha or the removal of members above 8 ha land area to fulfil the 50% rule, which requires that 50% of the members in an SPO are small farmers. It must be noted that the change in indicator value from 10ha to 8 ha was in effect from Jan 2016 and SPOs would have already put in corrective measures to meet the standard. The stakeholders were asked if producers affected by the rule change would require a longer period for complying with the change in the indicator values.



The response to this question was mixed, but a majority of them opted for a conversion period until June 2017 to comply with the changed indicator values. There were two respondents who were satisfied with a period until March 2017. It is interesting to note that majority of producers and traders wanted a longer period for complying with the requirement, while a majority of representatives of the Fairtrade bodies, were in favour of no extension as already one year had passed after the change was introduced in the Fairtrade standard. This could be an indication that the producers and traders are worried about disturbance in trade of certified banana due to inability of the producers to comply with the non-conformities arising due to the change in the indicator values. However, the Fairtrade representatives were more concerned with the reputational risk due to plantations in SPOs harming overall brand value of Fairtrade thus loss of market.

One producer from Ecuador who wanted a longer period of compliance, commented that it is not so easy to reduce or exclude producers over 8 hectares. In their organization they have more demand for organic fruit and members with land area lower than 8ha are mostly conventional and it takes more time to get them certified. Other producer in Ecuador wondered how they will assure the producers who are above 8ha land area, that their produce can be purchased only if a new buyer (non-Fairtrade) is found and this is rather discriminatory to these producers.

An exporter from Colombia opted for a period until June 2017 as they feel that their revenue during implementation will be reduced. One importer wanted a longer period but felt that it will depend on the



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when a decision is announced on standards regarding the indicator values, while another felt that it is important to allow time to accommodate the new criteria within the organization.

Most Fairtrade representatives were against a longer period for compliance. However, one member felt that changes affect production estimates of SPOs, so a longer deadline should always be considered. Another representative of Fairtrade felt that the corrective measures taken by the organizations to increase the number of producers with less than 8 ha takes time as it is not easy to get producers with less than 8 ha that have the quality of fruit demanded by the buyers. Another felt that there is no difference between a producer of 8 and a producer of 10 ha. They feel that the difference is so minimal and the change only cause a lot of confusion in the audits and difficulties at the time of the certification.

The NFOs were mostly against any extension of the period. A NFO found it difficult to understand about the possibility to extend timelines of conformity retroactively, when a producer finds it difficult to comply with a requirement. This NFO expressed that such changes will harm both Fairtrade's credibility in the producing countries and with the stakeholders in their country of operation. Most NFOs feel that the change was announced in August 2015 and a period from 1.1.2016 was available for transition and a further extension is not necessitated. Another NFO seconded the view that extending the transition period retroactively would result in loss of credibility of Fairtrade and would send wrong signals to the market and to producer organisations by doing so. It was felt that an extension of the transition period would reward the SPO which have ignored these adjustments and partly even included more new medium-sized and even big members in contrast to SPOs which have done their adjustments.

2.3 Do you agree that the indicator value of 'the total number of permanent workers hired by the small producer' is removed from the indicators to define a small producer?

The feedback from the 1st consultation has indicated no consensus on number of workers to define a plantation. Also the analysis of member data from FLOCERT, indicate poor quality of available data on the number of permanent workers. Looking into the deficiency in stakeholder feedback and worker data, it is proposed to limit the indicator values to only "farm size" and remove "the total number of permanent workers hired by the small producer" to define a small producer. The stakeholders were asked if they would support this proposal to retain the existing figures or have a change in the values.



There was an overwhelming support for removing the indicator values regarding number of workers to determine a small farmer. The support was especially big from producers and Fairtrade representatives. The traders were equally divided between removing this indicator and maintain existing values. It is important to note that none of the stakeholders had any suggestions for a new



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value for indicator values regarding number of permanent workers. There were seven respondents who had no response on this question.

One producer commented that the number of workers do not determine a small producer, since there are cases that by necessity the producer has to hire labour unlike others. Another producer felt that the application of more or less number of workers depends a lot on the experience of the producer and the use of technological packages in the cultivation in operation and will differ on his movement up in the life. Yet another producer felt that we must try to use a single parameter, but this must guarantee that in the SPOs there are no greater risks that the members have a significant amount of workers.

An importer seconded that the number of workers depends on the efficiency of production. As per the importer the work is less efficient in DR than in Colombia and thus DR has more workers. Apart from supporting a higher price, Fairtrade should also demand for improvement in all processes. Another importer suggested that it is best for Fairtrade to adhere to the indicator value of farm size until next year and allow organizations to comply with this standard and then possibly move to other indicator values.

An NFO warned that this proposal sounds wise from a simplicity point of view, but warned that there might be aspects of this that they are not familiar with and therefore felt that this was not an important point for them and would be happy to let others make this decision for the best of the system. Another Fairtrade representative felt that as the indicator 'farm size' seems to be more appropriate and was more easy for communication and audits and therefore, it might be acceptable to remove the indicator "number of permanent workers". This respondent added that there are lacunas still existing regarding, formalizations of workers employed by members in the SPO context and it is very difficult to prove in an audit if a worker is permanent employed or part-time. Taking this into consideration, it makes sense to remove the indicator "number of permanent workers". Another NFO felt that the indicator for permanent workers would be the optimum, but reliable information thereabout seems to be difficult to get. Another representative of Fairtrade felt that the indicator value of number of workers was very difficult item to check in the field in an SPO and is closely related to the efficiency of the workforce and noted that no producer would hire more workers than he/she really needs.

No additional comments were sent by stakeholders who wanted to maintain the existing indicator values on 'number of permanent workers'

Part 3– Novel proposal for increasing volume from SPOs

3.1 Do you agree to the novel proposal to increase sourcing from existing SPOs?

In the first consultation, some comments were made against restricting volumes from farms which are larger than indicator set for small producers, (larger than 8ha) and that it will potentially restrict the overall volumes from certified SPOs. A novel option was proposed in the second round of consultation to increase the volumes from such farms that are not small in SPOs, thus increasing overall volumes from SPOs, provided some conditions are met.

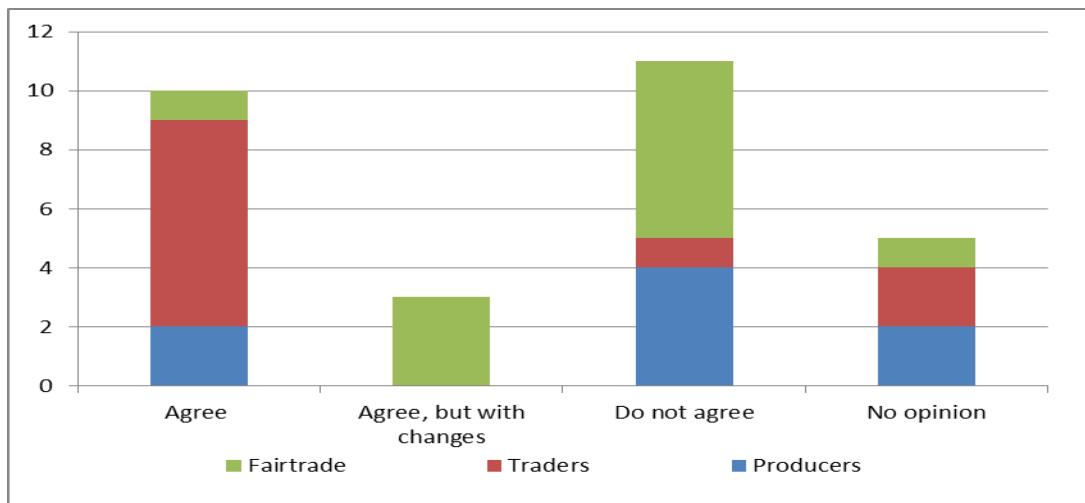
The proposal was that the farms larger than the indicator set for farm size defined for small producer, can increase their share beyond 50% provided the following conditions are met

1. 50% members are small producers in the SPO
2. Plantations as defined under this consultation (see section1) are not part of the SPO
3. The area of the small producers are at least 75% of the total land area of the SPO
4. At least 90% of the produce of the small producers are sold as Fairtrade (as all produce may not be fit for export due to quality issues).

Stakeholders were requested to give their opinions on this proposal and to make suitable suggestions.



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It is clear from the graph that a slight majority of them do not welcome the proposal and this group was led by representatives of Fairtrade bodies and by producers. Most of the traders tended to agree with this proposal and were for increase in volumes from existing SPOs. Three NFO representatives agreed to the proposal but with some changes.

One NFO who wanted changes felt that the criteria: "The area of the small producers are at least 75% of the total land area of the SPO" should be removed and that Fairtrade should reduce the volume from small producers from 90% to 70% as all produce may not be fit for export due to quality issues, this opinion was also put forward by another NFO. Another NFO suggested that 1.) The area of small producers should be also at least only 50% (not 75%) 2.) Delete condition on 90% of volume from small producers as they felt that it will be very complex to verify (90% for each week or per year). Furthermore they felt that this figures are not realistic because on average, a banana producer may sell at the maximum 80% as Fairtrade due to non-synchronised production and demand curve.

There were many producers who did not like the proposal. One producer felt that the current requirement should be kept intact on volumes from small producers. A producer in Colombia felt that small producers can be competitive both in volume and quality and that, plantations that market fresh fruit as members of the SPO, do not benefit small producers with their volumes. They also felt that the increase in the premium for SPOs will make the application of the box price of 18.4 kg at the end of each cycle agreed upon by Fairtrade and the suppliers of the product more controversial. They suggested that Fairtrade must consolidate the market of the small producers and promote produce from small producers. One producer from DR said that working with many parameters in cooperatives is complicated and was in favour of simple rules. They suggested that a simple rule such as 70% should come from small farmers should be enough and conditions on restrictions on land area should be removed. This way the SPOs can have greater control over decision making to ensure that their interests are taken care of.

An importer felt that they did not have much information to argue on this proposal, but opted against this proposal in favour of priority to small producers. An NFO discarded this proposal as they felt that it was complicated and they fear it is both complicated to communicate and complicated to check in audits. As per them the 50 % limit, in many stakeholders view, quite low for a threshold to volumes from small holders (the intended beneficiaries). Another NFO opined that in their perspective, it is not fair to increase the percentage of Fairtrade sales from "non-small-members" above 50% as this will increase the pressure on "pure" SPO to include much more medium-sized members in order to be competitive. Furthermore, the respondent felt that a preference for small members might be applied on each SPO-level individually (in the SPO statutes). The NFO felt that the risk of the requirement 'At least 90% of the produce of the small producers are sold as Fairtrade' as proposed in question 4 is that the key parameter 'quality' is undermined. He added that, there might be small producers which are not able to provide 90% of their produce with export quality and suggested a simple regulation,



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which is easier to verify during inspections and easier to be used in marketing. In his opinion, in addition to the actual regulation of at least 50% membership of “small producers” and 50% FT-sales of “small producers”, it is better to include a threshold that the land area of the small producers are at least 50% of the total land area of the SPO, which in his opinion, would limit the capacity to inscribe too many medium sized producers without being able to sell under FT-conditions and added that this parameter would be very simple verify. Another Fairtrade representative felt that in their opinion they do not think that small producers are efficient and productive and raising the limit to 90% (from small producers) could put at risk the stability of the organization and lead to non-conformities.

Other comments by stakeholders

- ❖ An importer suggested that Fairtrade should make sure the market wants what is proposed in the consultation and see that contracts are not disrupted by a change in the rules especially as contracts have been agreed for 2017. They noted that no transaction can be called back due to a change in the rule and all changes should be done with a lead period of at least one year for negotiating future contracts and best changes to be implemented only in 2018.
- ❖ An SPO felt that they would benefit, if Fairtrade promotes more sales of conventional Fairtrade bananas as their organization has 50% organic producers and 50% conventional.
- ❖ An SPO in Colombia recognizes that the market demands greater volume of Fairtrade fruit, which means that there is a growing interest of consumers with per capita income and their contribution to the social development of developing countries or in social conflict. For this reason, they consider that while small producers do not guarantee the volumes demanded by the market, they must share the competition of the plantations.
- ❖ An importer in USA opined that from their experience the difficulty is presented in markets such as in the USA, where there is not much education for consumers, consumers continue to make their decisions in relation to price as a first point, then organic and then Fairtrade. The competition with new labels and volume from large plantations as Fairtrade certified makes it very difficult for small producers and alternative importers. This causes lower retail prices and this reduces volume from small producers.

Annex 1

[Consultation document for Fairtrade Stakeholders](#)