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| **Consultation document for Fairtrade Sourcing Program (FSP) Extension in the Trader Standard** |
| Consultation Period | 21.04.2017 – 20.05.2017 |
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Each section of the consultation first introduces the background information to the specific issue. Where relevant the standard requirements are also presented. In each section you are asked for your opinions and feedback.

**Please take as much space as you need to respond to the questions and provide as much as possible your rationale for your responses and any other comments you may have on the proposals or suggest alternative proposals.**

# PART 1: Introduction

1. General Introduction

Fairtrade Standards support the sustainable development of small-scale producers and workers in the Global South. Producers and traders must meet applicable Fairtrade Standards for their products to be certified as Fairtrade. Within Fairtrade International, Standard & 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 is designed in compliance with all requirements of the ISEAL Code of Good Practice for Setting Social and Environmental Standards. This involves 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 kindly invited to participate in this consultation for the extension of Fairtrade Sourcing Program (FSP) in the Fairtrade Trader Standard. For this purpose, we kindly ask you to comment on the proposals suggested in this document and encourage you to give explanations and examples, as applicable, underlying your statements.

Confidentiality: Please note that **all information we receive from respondents will be treated with care and kept confidential.**

**Please submit any comments to the Project Manager, Laura Barrington at: standards-pricing@fairtrade.net by 20-05-2017.** 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, in an aggregate and anonymous form, which will be emailed to all participants and also be available on our Fairtrade International website. Next steps of the project are presented below in section 4.

1. Background

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| Fairtrade Sourcing Programs for cocoa, sugar or cotton were introduced in 2014 to connect Fairtrade farmers with companies wanting to buy these specific commodities on Fairtrade terms. Rather than focusing on all the ingredients for one finished composite product, under the Fairtrade Sourcing Program model companies make commitments to sourcing one or more specific products for use as ingredients in finished composite products across ranges, or even their whole business.The primary objective of the introduction of FSP was to increase impact for Fairtrade producers for the FSP products - cocoa, sugar and cotton. FSP aims to achieve this through increasing opportunities for producers to sell their products on Fairtrade terms and increasing Fairtrade’s ability to invest in producer support activities. A secondary objective is to protect and grow consumer and stakeholder trust in Fairtrade, through the demonstration of producer impact.To measure these impacts, at the launch of FSP, Fairtrade’s Monitoring & Evaluation framework set performance indicators to measure the achievement of FSP’s goals. In April 2017 Fairtrade International’s MEL unit has conducted a current analysis of these indicators in its “Fairtrade Sourcing Program (FSP) Year 2 Report, Monitoring, Evaluation and Learning (MEL) Framework two year review.” The report provides the following assessment of FSP’s achievements:Goal 1: Increase Long-term buying commitments – although to a different degree in the three products, in total FSP has led to additional business engagement in Fairtrade and no switch from our core FAIRTRADE Mark business engagement to FSP engagement.Goal 2: Increase in Fairtrade Sales – although the sales targets set in 2014 were only nearly achieved by one product, Fairtrade FSP product sales were in addition to the core FAIRTRADE Mark business engagement and thus represented an increase in Fairtrade sales.Goal 3: Support the Cocoa Technical Fund – the Cocoa Technical Fund has begun operations, receiving applications and granting funding to producer organizations to strengthen business capacity, good governance, child well-being, member engagement, good agricultural practices and gender programmes.Goal 4: Increase Investments in Producer Support – Monitoring & Evaluation analysis confirms increased investment in producer support due to increased income from FSP business engagement. In addition, FSP income and producer support investment have increased from year to year, indicating a consistent increase in FSP business engagement.Goal 5: Maintain Consumer trust levels – measured through consumer research conducted bi-annually to assess the degree of consumer trust in Fairtrade, a consistent level of trust in Fairtrade has been reached in countries that have introduced FSP.In 2016 Fairtrade launched its global strategy Changing Trade, Changing Lives 2016-2020. One of the strategy’s five goals is dedicated to building Fairtrade markets and introducing new and innovative engagement models to enable companies to achieve their own sustainability and sourcing objectives. The existing Fairtrade Sourcing Program model is well-suited to enable increased sourcing on Fairtrade terms. Within the framework of implementing Fairtrade’s global strategy, further research on the market introduction of FSP was conducted. In summer 2016 a survey with 17 of our market-facing members confirmed that 100% of their FSP business engagement was new business engagement for all markets where FSP was introduced. Businesses showed interest in engaging in FSP for the following reasons: less complexity and cost, impact and direct investments with producers, fit with corporate/CSR strategy, competitiveness with other schemes, engaging with Fairtrade as a trusted partner and supply chain risk management. Furthermore, consumer research conducted in August 2016 with focus groups demonstrated that the Fairtrade Sourcing Program and Program Mark are easily understood by consumers; the simplicity and transparency of the ingredient being named on the front of the product packaging appealed to the consumers interviewed.Due the potential of FSP, the Fairtrade International Board and General Assembly approved in May and June 2015, respectively, the extension of FSP to ingredients in finished composite products from all product categories excluding coffee and bananas. The recent analysis from Fairtrade’s Monitoring & Evaluation framework and feedback from the markets and consumers further confirm that FSP has unlocked additional Fairtrade engagement and an increase of volumes sourced under Fairtrade conditions. |

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1. Objectives

This consultation supports the objectives of the FSP Extension standards project, as follows:

1. Amend the relevant Trader Standard requirements for FSP to apply the requirements of FSP to ingredients in finished composite products from all product categories, excluding coffee and bananas.
2. Clarify the chain of custody model requirements for commodities traded under the FSP model.
3. Harmonize all Trader Standard requirements for FSP

We welcome responses to this consultation from all interested parties. The specific target groups we’ve identified are:

* Licensees and traders certified or interested in becoming certified under the Fairtrade Trader Standard and engaging in Fairtrade Sourcing.
* Producer Networks, National Fairtrade Organisations, Fairtrade International, FLOCERT, public sector and civil society actors researchers, and other stakeholders.
1. Project and Process Information

The project began in February 2017. The project assignment is available on the Fairtrade International website here:

<https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2017-03-17-FairtradeSourcingExtension_PA.pdf>

The current Fairtrade Trader Standard is also available on the Fairtrade International website, under this link:

<http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/TS_EN.pdf>

The progress to date and next steps are described below:

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| **Timeline** | **Activity**  |
| February 2017 | * Planning and research
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| March 2017 | * Consultation on draft Project Assignment
* Preparation of proposals and presentation to Standards Committee for information
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| 21 April 2017 – 20 May 2017 | * Consultation
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| End May 2017 | * Analysis of feedback and preparation of final proposal
 |
| June 2017 | * Presentation to Standards Committee for approval
 |
| July-August 2017 | * Preparation and publication of revised Standard
 |
| September 2017 | * Implementation
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1. Acronyms and definitions

FSP Fairtrade Sourcing Program

FI Fairtrade International

MEL Monitoring, Evaluation & Learning

NFO National Fairtrade Organisation

PN Producer Network

S&P Standards &Pricing

TS Fairtrade Trader Standard

# PART 2: Standard Consultation

1. Information about your organization

Please complete the information below:

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| **Q 0.1** **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.**Name of your organisation           Click here to enter text.Name of contact person      Click here to enter text.Email of contact person           Click here to enter text.Country      Click here to enter text.FLO ID, if applicable Click here to enter text. |
|  **Q 0.2 What is your role within in the supply chain or Fairtrade? Please tick all applicable boxes**[ ]  Producer 1st grade [ ]  Producer 2nd or 3rd grade[ ]  Exporter [ ]  Importer[ ]  Manufacturer[ ]  Licensee[ ]  Fairtrade system staff (Fairtrade International, NFO, PN or FLOCERT staff)[ ]  Other, eg civil society organization, consumer protection agency (please specify)Click here to enter text. |

1. Chain of custody model requirements for Fairtrade products traded under the FSP model

To provide the framework of the FSP model, the Fairtrade Trader Standard includes requirements with specific references to the Fairtrade FSP commodities cocoa, sugar and cotton. To extend FSP to all Fairtrade ingredients in finished composite products, excluding coffee and bananas, the Trader Standard must be amended to allow the FSP model for all Fairtrade commodities except coffee and bananas. Particularly for the sections 2.1 on Traceability and FSP requirements in section 2.2 on Product Composition we propose amendments. For other FSP requirements, for example verification of claims, we propose to maintain the current requirement and apply it to the extended scope of FSP.

First we present the amendments for Traceability in section 2.1 below.

**Mass balance and FSP:**

FSP is often associated with trading under mass balance conditions. This stems from the fact that mass balance is allowed for all three initial Fairtrade Sourcing Program products, cocoa, sugar and cotton.

For more background on the chain of custody models, physical traceability and mass balance, please refer to:

<https://www.fairtrade.net/about-fairtrade/traceability.html>

The objective of introducing FSP for cotton was indeed to allow trading of FSP cotton under mass balance conditions after the ginning stage to unlock more business engagement opportunities. (Fairtrade cotton must otherwise fulfil the physical traceability requirements set out in the Fairtrade Trader Standard 2.1.3. – 2.1.7.). To decide on the necessary Trader Standard requirements for FSP Cotton a standards project was specifically conducted.

On the other hand, for cocoa and sugar both physical traceability and mass balance were already allowed. Trader Standard section 2.1. on Traceability excludes cocoa and sugar, together with fruit juice and tea (camellia sinensis), from the physical traceability requirements. TS Section 2.1 states: “The exemption from physical traceability requirements applies to cocoa, cane sugar, fruit juice and tea (camellia sinensis). For these product categories, physical traceability is therefore advisable but not compulsory.”

However, Trader Standard 2.1.13 further stipulates that FSP products can be traded under physical traceability conditions: “Traders working under the FSP model (excluding ginners in cotton supply chains) can apply physical traceability requirements or mass balance requirements.”

With the extension of FSP we cannot determine the chain of custody conditions for all possible products categories without product-specific research and decision-making through the standard-setting process. In order to extend FSP to all ingredients in composites (except coffee and bananas) as business opportunities arise, we propose to maintain the current Trader Standard exemptions for physical traceability. This means that physical traceability will continue to be required for all product categories traded under the extension of FSP, except for cocoa, sugar, tea (camellia sinensis), fruit juices and FSP cotton.

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| **Q 1. Do you agree that only the current Trader Standard exemptions for physical traceability shall be maintained? For the extension of FSP to ingredients in finished composite products, excluding coffee and bananas,** physical traceability will continue to be required for all product categories, except cocoa, sugar, tea (camellia sinensis), fruit juices and FSP cotton.[ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text.  |

1. Harmonizing Trader Standard requirements for Fairtrade Sourcing Programs

In this section we present proposals on harmonized requirements for the extension of FSP to all Fairtrade ingredients in finished composite products, excluding coffee and bananas. In particular we propose amendments in TS section 2.2 on Product Composition as well as maintaining the requirements for verification of claims.

**Product composition:**

The Trader Standard sets out product composition requirements for FSP cocoa and sugar when the FAIRTRADE Program Mark is used on finished products. Section 2.2.5 states: “Finished products carrying the FAIRTRADE Program Mark must be composite products and contain 100% of the relevant commodity in the product, or an equivalent volume as described in the requirements 2.1.8 through 2.1.13, must be Fairtrade certified.”

For FSP Cotton the requirements for the use of the FAIRTRADE Program Mark are not related to product composition and no such requirements are included in the Trader Standard.

We propose to maintain the above requirements for FSP cocoa and sugar at TS 2.2.5 for the extension of FSP, harmonized for all Fairtrade ingredients (except coffee and bananas) when used in finished composite products. Following our proposal to maintain only the current TS exemptions for physical traceability, the option referring to the equivalent volume shall only apply to cocoa, sugar, fruit juice and tea (camellia sinensis). The new requirement at TS 2.2.5 shall read:

**2.2.5 Product composition for the Fairtrade Sourcing Program (FSP)**

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| **Applies to:** FSP traders (except FSP cotton traders) |
| **Core** | Finished products carrying the FAIRTRADE Program Mark must be composite products and contain 100% of the relevant commodity in the product, or, for cocoa, cane sugar, fruit juice and tea (camellia sinensis) products, an equivalent volume as described in the requirements 2.1.8 through 2.1.13, must be Fairtrade certified. |
| **Guidance:** There are no minimum thresholds for product composition or minimum percentages for the sourced commodity under the FSP model (except in FSP cotton). |

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| **Q 2. Do you agree with the above proposal for TS section 2.2.5. that the composition requirements for the extension of FSP should be harmonized with existing FSP cocoa and sugar requirements?**[ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text. |

**Verification of claims:**

For FSP cocoa, sugar and cotton, the Trader Standard sets out requirements regarding the prior verification of claims before public communication. TS section 1.2.3. states: “You ensure that all claims made on the sourcing of Fairtrade commodities (for example, as covered by the Fairtrade Sourcing Programs (FSP) model) are verified by a national Fairtrade organization or Fairtrade International or a designated agent before these claims can be communicated publicly.”

We propose to maintain the current requirement at TS 1.2.3. for the extension of FSP to all Fairtrade ingredients (except coffee and bananas) when used in finished composite products:

**1.2.3 Verification of claims**

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| **Applies to:** All FSP traders making claims on sourcing |
| **Core** | You ensurethat all claims made on the sourcing of Fairtrade commodities (for example, as covered by the Fairtrade Sourcing Programs (FSP) model) are verified by a national Fairtrade organization or Fairtrade International or a designated agent before these claims can be communicated publicly. |

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| **Q 3. Do you agree with the above proposal for TS section 1.2.3. of maintaining the current requirements on the prior verification of claims for the extension of FSP?**[ ] Yes [ ] Yes, partially [ ]  No [ ]  I am unsure**Please explain your rationale** Click here to enter text. |

**Additional requirements for FSP in the Fairtrade Trader Standard**

We would also like to hear from you if any additional requirements for FSP should be included in the Fairtrade Trader Standard.

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| **Q 4. Are there any additional requirements for FSP that should be included in the Fairtrade Trader Standard?** **Please explain and include your rationale below.**Click here to enter text. |

1. Stakeholders’ Comments/ General stakeholder feedback on the extension of FSP

In this section you are invited to comment on topics covered by this consultation document as well as on any other requirement related to Fairtrade Sourcing Programs.

Please include topic or specific standard section with your comments. We welcome alternative proposals, feedback on FSP or any other suggestions, with your rationale and analysis as detailed as possible so that we are able to understand and consider in the further process.

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| **Topic/ requirement number** | **Comments/ feedback** |
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If you need some more information before commenting on this document do not hesitate to contact Laura Barrington, Project Manager at Fairtrade International, l.barrington@fairtrade.net.