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Consultation Results Synopsis
Information to Stakeholders on the outcome of the
consultation on the
Fairtrade Sourcing Program (FSP) Extension in the Trader
Standard

To	All Fairtrade certified traders and licensees, producer networks and national Fairtrade organizations
Consultation period	21.04.2017 – 30.05.2017
Standards Committee meeting for decision	20.06.2017
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PART 1 Introduction

1.1 General Introduction

Fairtrade International's Standards & Pricing (S&P) would like to thank all stakeholders for the time and effort they put into participating in the consultation on the Fairtrade Sourcing Program (FSP) Extension in the Trader Standard. The consultation took place from 21 April 2017 and concluded on 30 May 2017 with a total of **106** complete responses, representing at least 90 different organizations, which provided S&P with their views and perspectives. Thanks to these contributions, S&P has gained a good understanding of critical issues and concerns. Together with the results of the research carried out by S&P, this information provides the basis for our recommendations to the



Standards Committee (SC). The SC's decision on the final standard will be taken in full knowledge of stakeholders' comments.

This document aims to present the outcome of the consultation and the subsequent recommendations from the S&P to the SC in the most transparent way possible without disclosing confidential stakeholder information.

Should you have any queries or remarks concerning this report, please contact the project manager Laura Barrington at: l.barrington@fairtrade.net

1.2 Summary

Background

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.



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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.

Project objectives

The objectives of the FSP Extension standards project are 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

Project phases and timelines

The progress to date and next steps are described below.



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Timeline	Activity
February 2017	<ul style="list-style-type: none">• Planning and research
March 2017	<ul style="list-style-type: none">• Consultation on draft Project Assignment• Preparation of proposals and presentation to Standards Committee for information
21 April 2017 – 30 May 2017	<ul style="list-style-type: none">• Consultation
End May - June 2017	<ul style="list-style-type: none">• Analysis of feedback and preparation of final proposal
June 2017	<ul style="list-style-type: none">• Presentation to Standards Committee for approval
July-August 2017	<ul style="list-style-type: none">• Preparation and publication of revised Standard
September 2017	<ul style="list-style-type: none">• Launch of revised Trader Standard and start of CC revision

Participants

S&P received a total of **106** complete responses from a good variety of geographical regions and different product categories. Responses came from importers, exporters and manufacturers as well as licensees, national Fairtrade organizations, producers and one producer network.

Findings

S&P asked for stakeholder feedback on three questions regarding traceability in FSP supply chains, product composition rules for FSP and verification of claims made on the sourcing of Fairtrade commodities. The overall positive support (*Yes* and *yes, partially* responses) from stakeholders ranged between 65.93% and 70.33%, versus negative responses between 11.32% and 7.69%. Overall, the approval rates are high throughout the different stakeholder groups. These consultation results demonstrate a strong support for the extension of FSP and S&P is therefore confident to propose the suggested changes to the Trader Standard to the SC.

1.3 Next Steps

The findings of the consultation will be presented to the SC for approval in June 2017. The Trader Standard and FSP operational guidelines will be revised according the SC recommendations and published in July-August 2017. The changes will be implemented according the next scheduled compliance criteria update beginning in September 2017.

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 Acronyms

CC: FLOCERT compliance criteria
FI: Fairtrade International
FSP: Fairtrade Sourcing Program
MENA: Middle East and Northern Africa region
MEL: Monitoring, Evaluation & Learning



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NFO: National Fairtrade organization
PN: Producer network
S&P: Standards & Pricing
SC: Standards Committee
TS: Fairtrade Trader Standard

1.5 Annexes

Annex 1: Public consultation document

PART 2 Draft Standards Consultation - Outcome

2.1. Consultation process

The public consultation began on 21 April 2017 and finished on 30 May 2017. On request of various stakeholders S&P extended the initial consultation period until 28 May and accepted the last responses on 30 May. Stakeholders received an invitation to participate in the consultation via email and were asked to fill in an online survey or to fill in a Word consultation document and send it back to S&P via email. In addition, the consultation was posted on Fairtrade International's website. The online survey and consultation document were made available to stakeholders in three languages: English, French and Spanish.

The specific target groups S&P had 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.

S&P sent the email invitation to all Fairtrade certified traders, including certified licensees (5958 organizations), NFOs, PNs and other Fairtrade system staff. In addition, NFOs were asked to reach out to key customers in their markets, including non-certified licensees, and France, Switzerland, Netherlands and UK requested lists of operators notified to ensure follow-up. One producer network coordinated a teleconference with S&P and PN staff as well as the participation of producers in the consultation. Supplemental information on the topics was gathered from FLOCERT and other PN affiliates through email exchanges.

Three questions were asked regarding changes to the Trader Standard covering the following topics: Chain of custody model requirements for Fairtrade products traded under the FSP model, product composition rules for FSP and verification of claims made on the sourcing of Fairtrade commodities.

2.2. Organizations

Of the more than 5982 stakeholders who received the public consultation document on the extension of FSP in the Trader Standard, 106 responded, which equates to a 1.77% response rate. 84 traders (answering as exporters, importers or manufacturers), 29 licensees and 14 NFOs participated in the consultation. In some cases multiple responses were received by several organizations. In these cases, all responses were considered. In addition, nine producer organizations, four other Fairtrade staff members (FI and FLOCERT staff), one PN, and one consumer provided feedback to the consultation. Two product working groups very interested in the FSP extension (Flowers working group and Fruit juice working group) coordinated responses within their group. Due to this, S&P received a useful number of responses from flower and fruit juice traders and producers.



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Although the overall response rate appears to be low, S&P is satisfied with the variety of traders - in terms of their role in the supply chain and commodities traded - that contributed to the consultation, and the broad support of the Fairtrade system staff to the proposals.

Table 1 shows the different stakeholder groups that participated in the consultation.

What is your role within the supply chain or Fairtrade?		
Role in the supply chain	Response Percent	Response Count*
Producer 1st grade	4.7%	5
Producer 2nd or 3rd grade	3.8%	4
Exporter	13.2%	14
Importer	36.8%	39
Manufacturer	29.2%	31
Licensee	27.4%	29
Fairtrade system staff (Fairtrade International, NFO, PN or FLOCERT staff)	27.4%	29
Other (informed consumer)	0.9%	1
Total responses received		106

Table 1: Consultation participation

*) The count of all responses to this question is higher than the 106 total responses received, as respondents could choose more than one option.

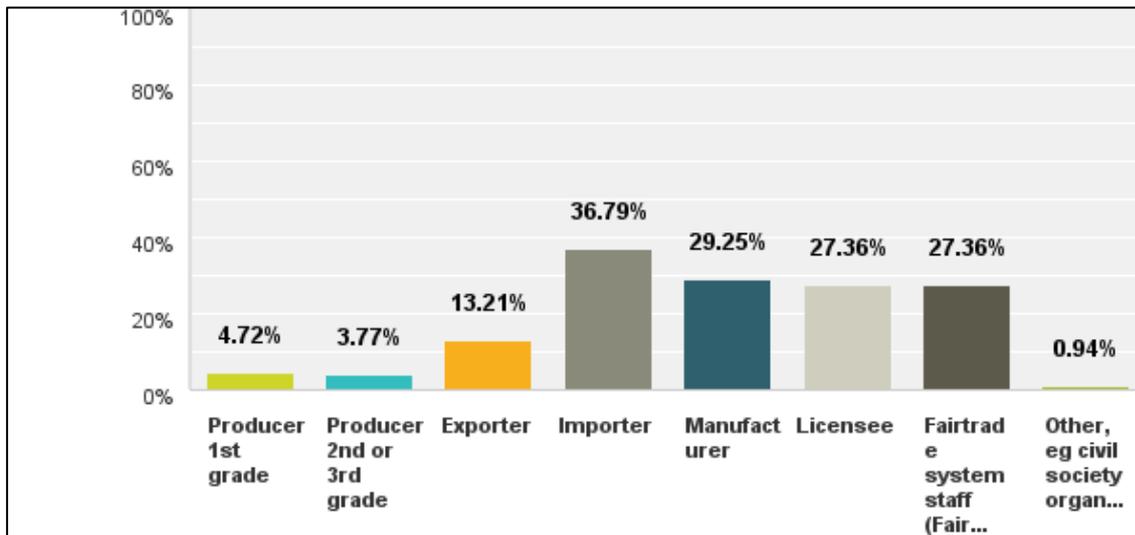


Chart 1: Consultation participation

The greatest number of organizations and companies that took part in the consultation (78.2% of all responses) are based in Europe. Table 2 shows the geographical regions where stakeholders who responded are located.

Geographical region	Response Percent	Response Count
Africa/MENA	4.7%	5
Asia and Pacific	5.7%	6
Europe	78.2%	84



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Latin America and the Caribbean	4.7%	5
North America	1.9%	2
n/a	3.8%	4
<i>Total</i>		106

Table 2: Geographical regions

Particularly high numbers of responses were received from a number of European markets. These are the top five countries in terms of responses received (table 3). Responses for each of these markets are available on request.

Country	Response Percent	Response Count
Germany	15.1%	16
Switzerland	12.3%	13
France	11.3%	12
Netherlands	11.3%	12
UK	9.4%	10

Table 3: Top 5 countries

2.3. Draft Standard – Consultation Outcome

This section provides a summary of all responses received for each survey question. For the complete set of questions and rationale behind them, please refer to the consultation document (annex 1).

Question 1.1. Chain of custody model requirements for Fairtrade products traded under the FSP model - Amendments in TS 2.1 Traceability

Mass balance and FSP: FSP is often associated with trading under mass balance conditions because for the three initial Fairtrade Sourcing Program products, cocoa, sugar and cotton trade under mass balance conditions is allowed.

Whilst the objective of introducing FSP for cotton was to allow trading of FSP cotton under mass balance conditions after the ginning stage, for cocoa and sugar both physical traceability and mass balance were already allowed under TS 2.1. However, TS 2.1.13 further stipulates that FSP products can also be traded under physical traceability conditions. Thus S&P comes to the conclusion that FSP cocoa and sugar did not change the rules on traceability for these FSP products.

In light of this fact and the difficulty to determine the chain of custody conditions for all possible products categories affected by an extension of FSP without product-specific research and decision-making through the standard-setting process, in the consultation S&P proposed 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.



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Question 1.1 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.

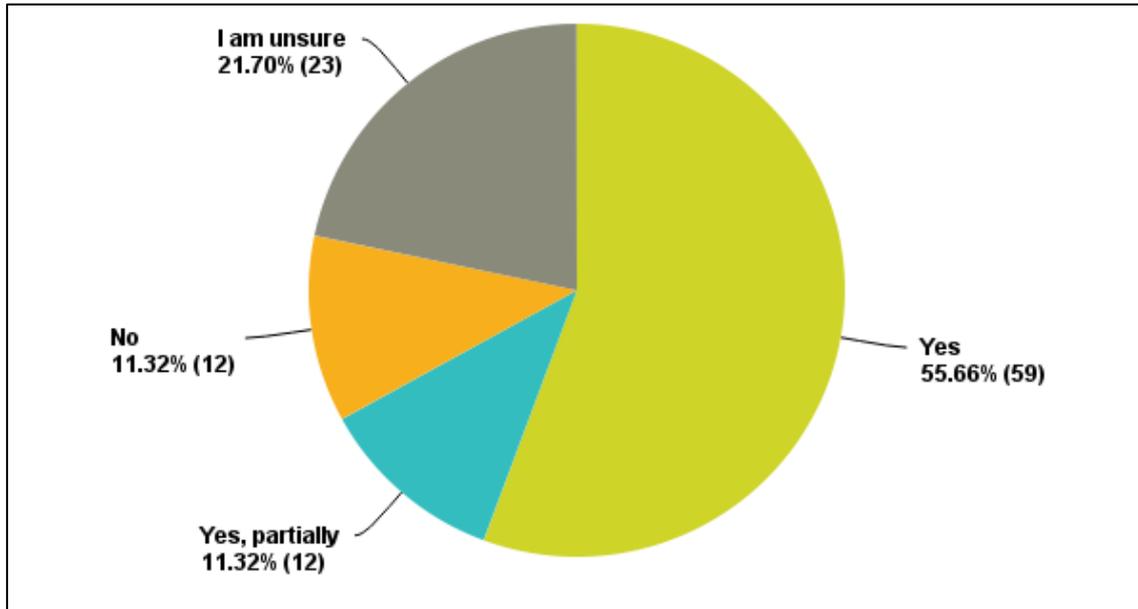


Chart 2: Q1.1 physical traceability total

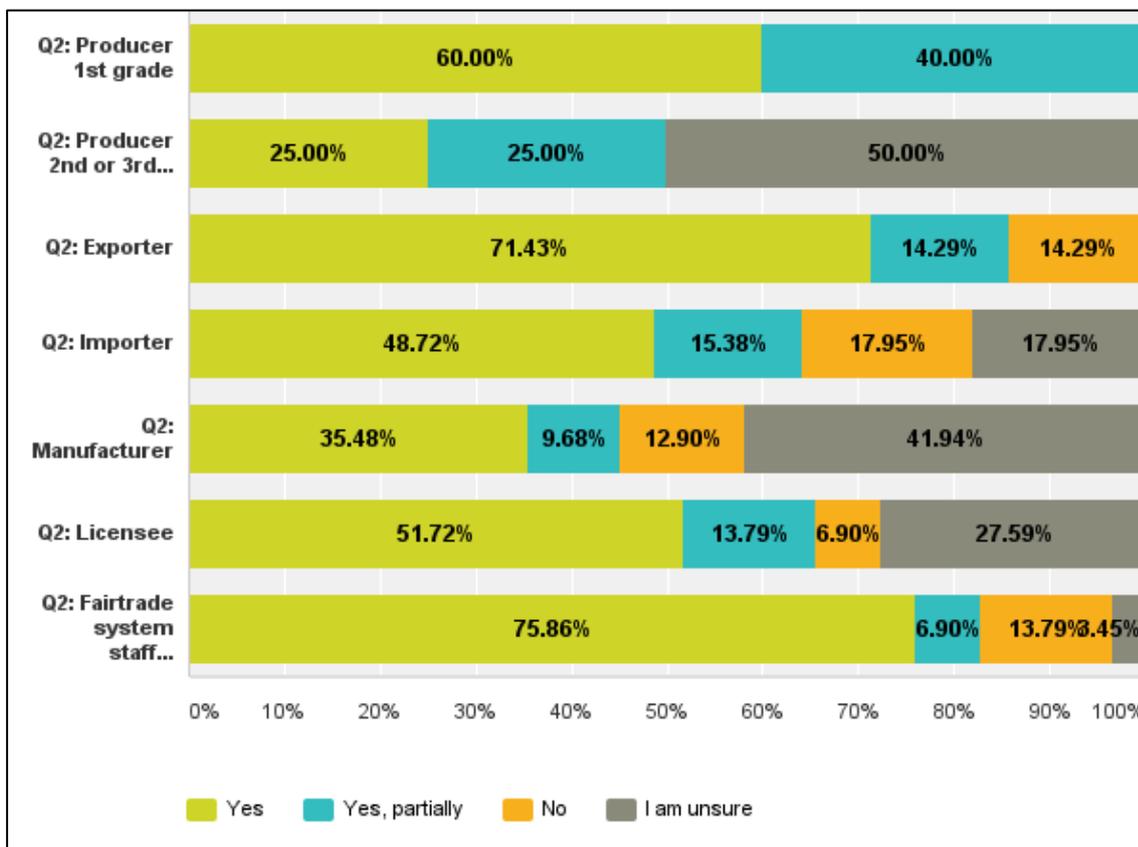


Chart 3: Q1.1 Physical traceability per stakeholder group



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In response to question 1.1 on traceability, 71 (66.98%) out of 106 stakeholders agreed fully or partially with the proposal that only the current Trader Standard exemptions for physical traceability for cocoa, sugar, tea (*camellia sinensis*), fruit juices and FSP cotton shall be maintained.

12 stakeholders did not agree with this proposal and 23 answered they were unsure.

Approval rates are high throughout the different stakeholder groups with the highest rate of agreement coming from producers (1st grade organization) with 100% agreeing or partially agreeing, exporters with 85.7% agreeing or partially agreeing, and Fairtrade system staff with 82.8% agreeing or partially agreeing to the proposal.

45 stakeholders provided additional comments on question 1.1.; 29 respondents in support of the proposal; 18 supported physical traceability as the chain of custody model which supports Fairtrade's credibility and a further 12 supported maintaining current requirements of the Trader Standard with the five well-researched exceptions. On the other hand, five respondents supported mass balance as necessary for constant product quality or for working with suppliers who base their manufacturing on the possibility to use mass balance. Three respondents noted that mass balance may prove to be necessary for certain product categories and suggested that future research could be conducted to evaluate this need and one respondent suggested allowing mass balance for all product commodities and all finished products.

Question 2.1 TS requirement 2.2.5 Product composition for the extension of FSP

TS requirement 2.2.5 sets out product composition requirements for FSP cocoa and sugar when the FAIRTRADE Program Mark is used on finished products. 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.

In the consultation S&P proposed to extend the current requirements for FSP cocoa and sugar to all Fairtrade ingredients under the FSP model (except coffee, cotton and bananas) when used in finished composite products.

TS requirement 2.2.5 was proposed to be amended as follows:

*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.*



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Question 2.1 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?

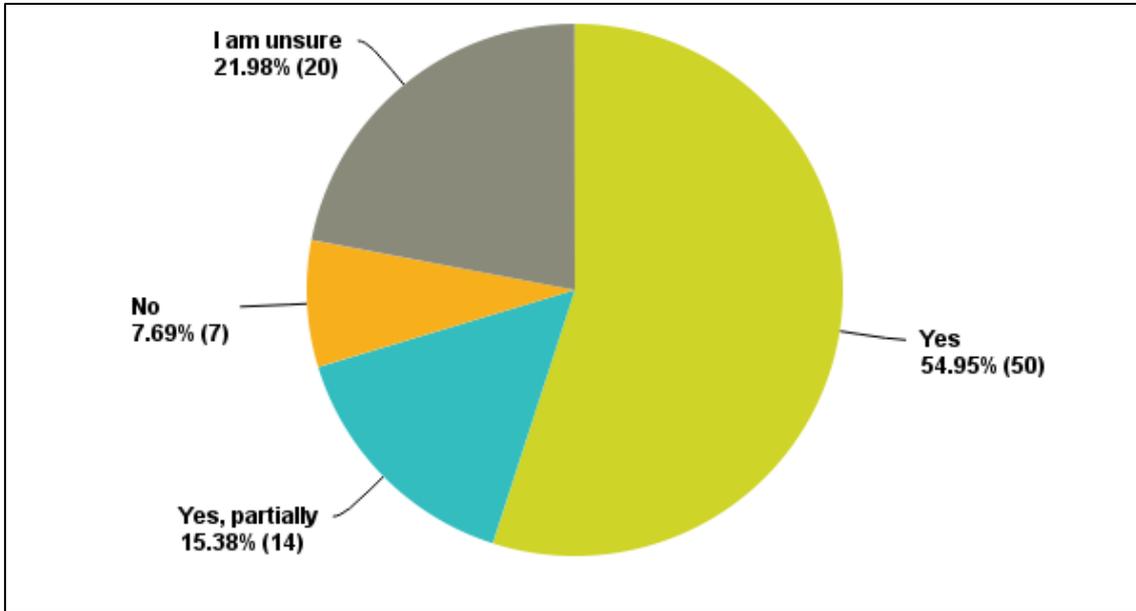


Chart 4: Product composition requirements total

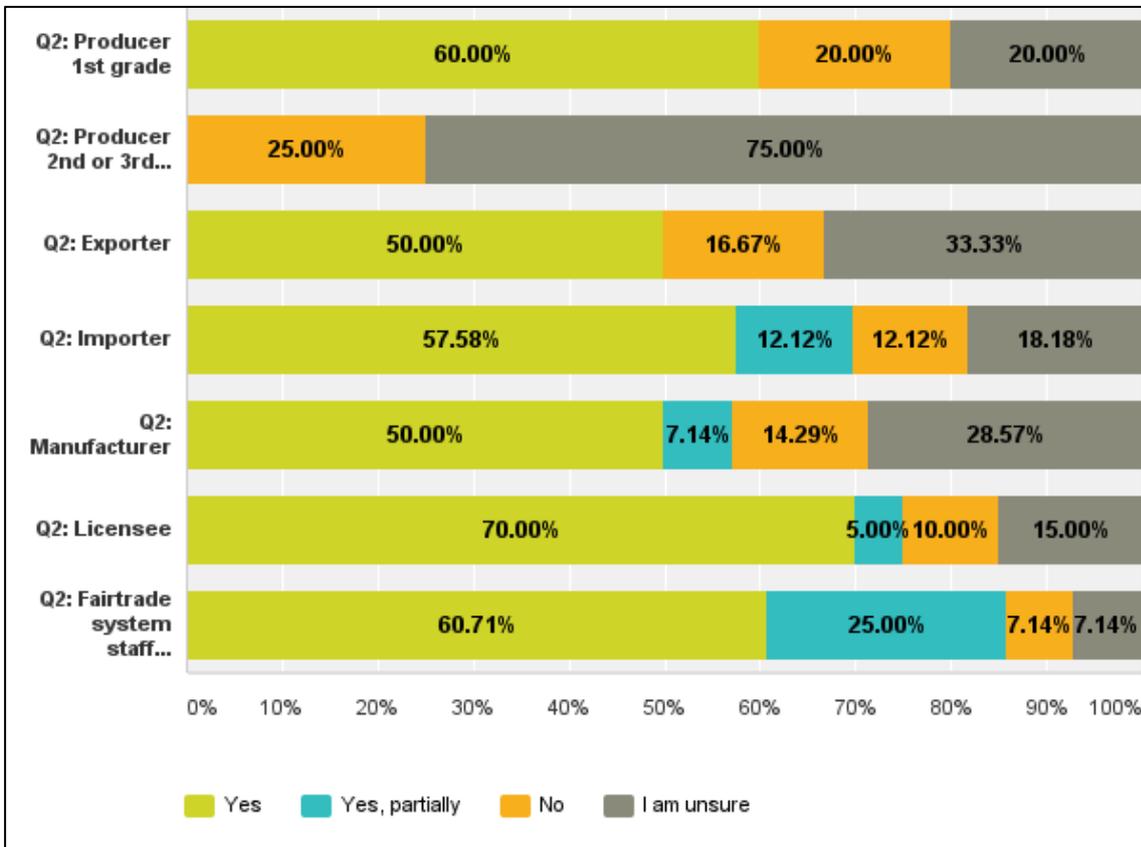


Chart 5: Q2.1 Product composition requirements by stakeholder group



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In response to question 2.1 on product composition 64 (70.33%) of stakeholders who responded to the question agreed fully or partially with the proposal to extend the product composition rules for FSP cocoa and sugar to the extension of FSP. 7.69% of stakeholders did not agree with this proposal and 21.98% answered they were unsure.

Approval rates are high throughout the different stakeholder groups with the exception of producers (2nd or 3rd grade organization) where three out of four respondents answered they were unsure and one did not agree with the proposal.

Amongst the 37 comments received for this question a few topics stand out. Seven respondents supported the proposal, emphasizing that it will contribute to the harmonization of the standard and four stated that requiring 100% of the commodity to be Fairtrade was important for Fairtrade's credibility. Eight recommendations went further and suggested that a minimum percentage threshold of the product's Fairtrade content be introduced to balance opportunity and credibility. Two respondents pointed out that clear communications were important for the consumer to understand that FSP is based on the sourcing of Fairtrade products and why the percentage of the Fairtrade commodity in the finished product is not the only criteria for using the FSP Mark. The rather technical nature of the consultation was reflected in the three responses stating that the requirements of the Trader Standard are still too complicated and five were not familiar how these requirements would work in practice.

Question 2.2 Apply TS requirement 1.2.3 Verification of claims to the extension of FSP

For FSP cocoa, sugar and cotton, the Trader Standard requires prior verification of claims before public communication. In the consultation S&P proposed to maintain this current requirement for the extension of FSP.

TS requirement 1.2.3 would apply to all commodities traded under the FSP model.

Applies to: FSP Cocoa and Sugar traders (<u>except FSP cotton traders</u>)	
Core	Finished products carrying the FAIRTRADE Program Mark must be composite products and contain 100% of the relevant commodity in the product, or, <u>for cocoa, cane sugar, fruit juice and tea (camellia sinensis) products</u> , 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 cocoa and sugar model (<u>except in FSP cotton</u>).	



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Question 2.2 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?

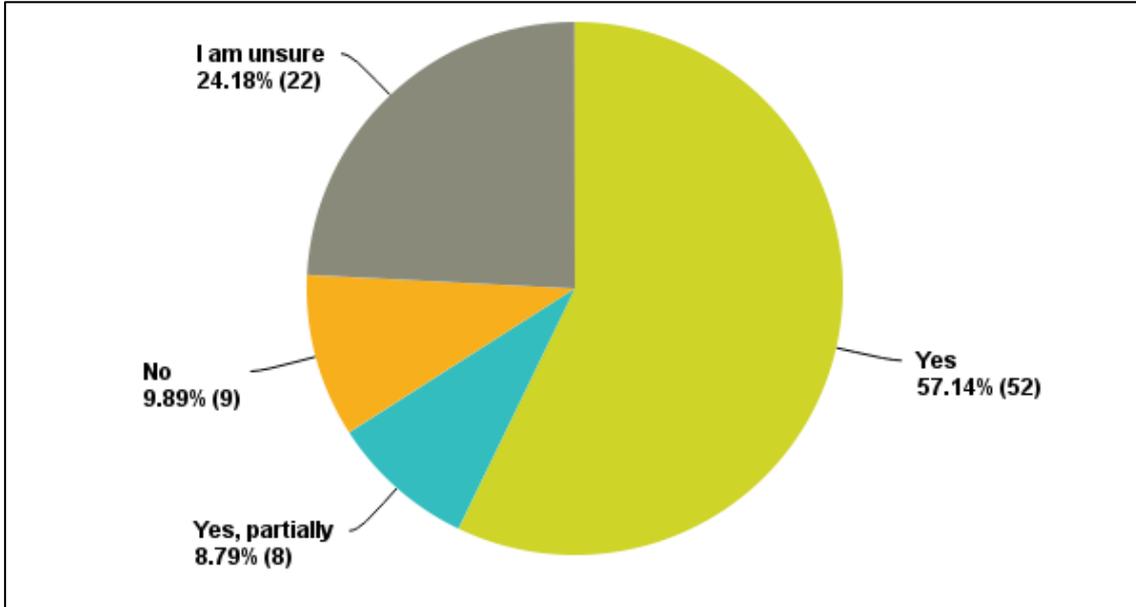


Chart 6: Q2.2 verification of claims total

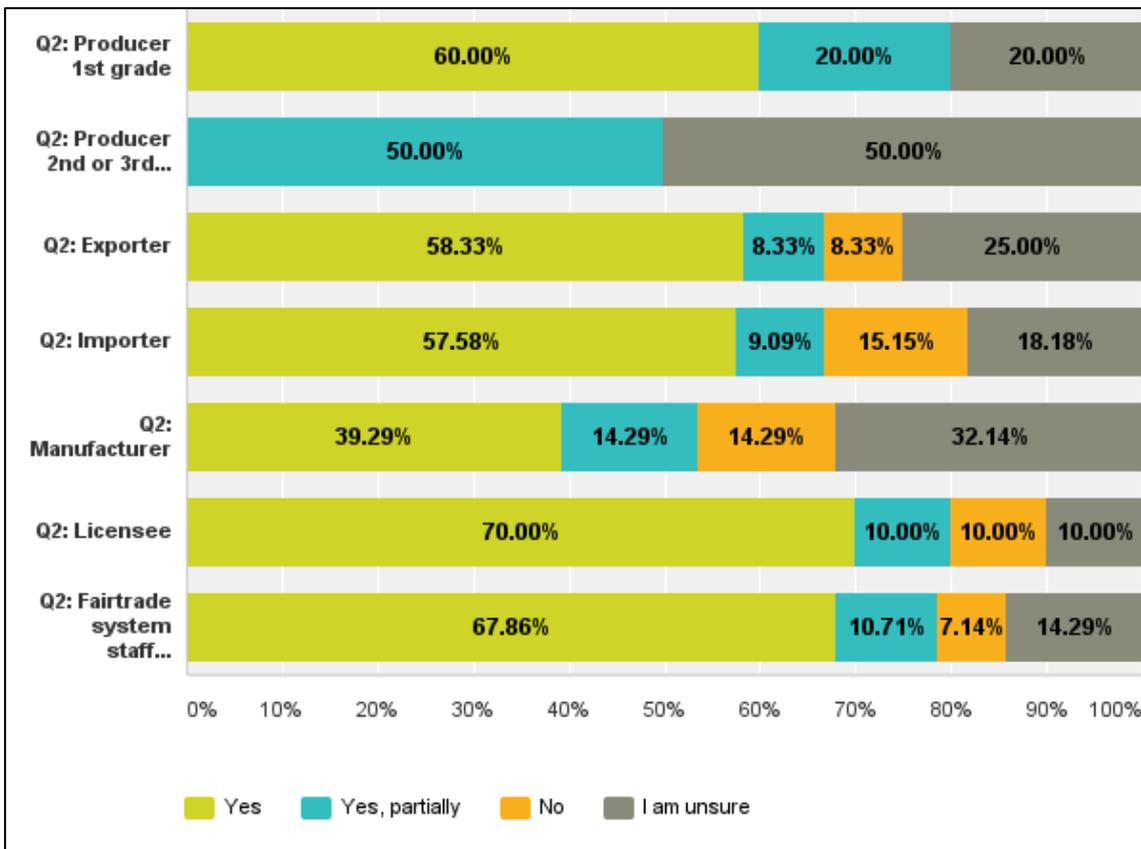


Chart 7: Q2.2 verification of claims by stakeholder group



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In response to the question on verification of claims 60 (65.93%) of stakeholders who responded to the question agreed fully or partially with the proposal to apply the existing rules on prior verification of claims to the extension of FSP. 9.89% of stakeholders did not agree with this proposal and 24.18% answered they were unsure.

Approval rates are high throughout the different stakeholder groups with the highest rate of agreement coming from producers (1st grade organization) and licensees with 80% of each group agreeing or partially agreeing, and Fairtrade system staff with 78.57 % in support of the proposal.

A few themes stand out in the 25 comments received in connection with this question. Five responses emphasized the importance for consistency and Fairtrade's credibility of the verification of claims prior to publication. Six other respondents called for more coordination or expressed the concern that prior approval contributes to complicated processes and additional expense. Eight Fairtrade system respondents stated that more resources would be necessary to manage all the verification and highlighted the important role of FLOCERT in supporting the auditing necessary to support the claim verification.

Additional requirements and comments

In the consultation stakeholders were also asked whether additional requirements for FSP should be included in the Fairtrade Trader Standard and given the opportunity to comment on the topics covered by this consultation as well as on any other requirement related to Fairtrade Sourcing Programs. A summary of suggestions for additional requirements and other comments received is presented here.

Additional Requirements:

Four comments were received with additional suggestions for requirements for FSP. These requirements included minimum volume thresholds for companies engaging in the FSP model, easier entry requirements for companies beginning to engage in FSP, a binding commitment plan for a gradual increase of volumes sourced, the obligation of long-term commitment to producers of a minimum of three years and contracts signed between the company, the national Fairtrade Organization and the Producer Organization to increase cooperation throughout the Fairtrade system. Additional suggestions included providing more support to technical product programmes and development and investment plans that allow the effective investment in the primary needs of partners' to increase producers' own investment in producer support programmes.

Additional comments:

39 additional comments were received accompanying the consultation. Five respondents reiterated their support of the FSP model praising its flexibility and the opportunities it offers whereas three respondents voiced their opposition to the model, which would weaken Fairtrade's credibility and requested that Fairtrade gain more experience or conduct research in each product category before extending the FSP model. Four respondents queried why the extension of FSP does not include coffee and bananas.

Many comments were related to the implementation of the FSP extension, especially regarding the Brand Guidelines and communications, that they be clear and simple, clearly differentiate between FSP and products with the core FAIRTRADE Mark as well as offer more options, especially maintaining the off-pack communication option. It was recommended that claims based on volumes purchased are favoured over those based on percentages of commodities purchased and FSP in some product categories only be offered to committed commercial partners. Furthermore, the roll-out



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should be straight-forward with sufficient training, the model should continue to be monitored for its impact and more resources dedicated to coordination and product programme work.

One comment went further to suggest Fairtrade harmonize all Trader Standard rules for products with 100% Fairtrade content, composites under Trader Standard 2.2 (All that can be - ATCB) rules and FSP and suggested that physical traceability and mass balance should be optional for all products. On the other hand one comment requested to end mass balance for fruit juices. The continued need for exceptions to the food product composition rules of the Trader Standard section 2.2. was also emphasized.

Some responses requested more cost transparency, e.g. of Fairtrade's projects and certification services, and requested less prescriptive rules to reduce the cost associated with working with Fairtrade.