



# FAIRTRADE STANDARDS

## FOR Bananas

## FOR Hired Labour

<b>PART A Generic Fairtrade Standards for Hired Labour</b>
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Refer to the generic standard for Hired Labour as a separate document as updated by FLO on its website. Note that the following parts B and C are only applicable in connection with the generic standard.

<b>PART B Product Specific Standards for Bananas</b>
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The product specific standards for bananas apply to all kind of banana products and countries for which a Fairtrade price and/or premium is set in part C below.

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## **PART B Product Specific Standards for Bananas**

### **1. Social Development**

There are no additional social standards specific to banana producers.

### **2. Economic Development**

There are no additional economic standards specific to banana producers.

### **3. Environmental Development**

There are no additional environmental standards specific to banana producers.

## **PART C Trade Standards for Bananas**

### **1. Product Description**

- 1.1. Fairtrade bananas are bananas and products derived from bananas which have been produced, traded, processed and marketed according to the standards laid down by FLO.
- 1.2. All bananas to be sold with the Fairtrade label must be purchased as directly as possible from producers certified as Fairtrade.

### **2. Long Term and Stable Contractual Relationship**

- 2.1. Importers and producers should seek to establish a long term and stable relationship in which the rights and interests of both are mutually respected.
- 2.2. Importers, exporters and producers sign a contract with a Fairtrade certification company, which defines the rights and obligation of each respective party. In addition, importers sign a contract of purchase for Fairtrade (FT) bananas with every producer/exporter<sup>1</sup>, for a period of at least one year and preferably for longer. On request of either one of the two contract parties, FLO will advise on contract negotiations.
- 2.3. Purchase contracts should comply with at least the following requirements:
  - Contain this document as an integral part. If no reference is made in the final producer-importer/exporter contract to one or more of the areas covered by the Trade Standards, FLO will assume that the specifications of the Trade Standards apply and will use them as terms of references to solve outstanding disputes.
  - State the maximum volume per week the producer/exporter is committed to sell to the importer. Possible variations during the contract period must be specified with weekly orders at least 2 weeks before shipment.
  - Contain a confirmation by the importer that targeted volumes of FT bananas to be purchased will be specified in weekly orders and/or quarterly sourcing plans. At least two weeks before the start of every quarter, each producer/exporter will be informed about the targeted volume of Fairtrade bananas to be bought for the quarter.
  - Specify the quality requirements and tolerances of the bananas and packing method and material (or refer explicitly to annexe 1 of this document)
  - Indicate the price of Fairtrade bananas
  - Delivery conditions
  - Payment conditions for Fairtrade fruit
  - Indemnity and liability of each party
  - Give the law and jurisdiction applying
  - Define 'force majeure'
- 2.4. Purchase contracts may not contain clauses which contradict this document. Terms related to Fairtrade price, premium, payment and contractual obligations are not negotiable, as they refer to principles or rules laid down by FLO. Quality tolerances, shipment conditions and procedures to adopt for quality claims and inspections may diverge from the Trade Standards, provided that:

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<sup>1</sup> If the producers are not the exporters, exporters are required to sign similar contracts with producers.

- ◆ The final producer-importer contract states explicitly the differences with the Trade Standards where necessary;
- ◆ A detailed account of the procedures the importer and the producers/exporter will follow instead is given;
- ◆ Producers are made fully aware of the implications of the clauses contained in their contract;
- ◆ These clauses are not detrimental to producers

FLO reserves the right to check whether they are compatible with FLO's principles as laid down in the Trade Standards. In case of doubt or dispute the clauses in this document prevail.

- 2.5. In addition to weekly orders, importers will make sourcing plans available for every quarter. These plans will specify total expected purchases of Fairtrade bananas and the sources (producers/exporters) they intend to obtain them from.

This information will be sent to FLO and the producers/exporters at least two weeks before the beginning of each quarter. FLO will treat this information as confidential.

The sourcing plan implies a legal obligation to buy at least 50% of the projected Fairtrade quantities during the quarter. This obligation is cancelled if, during the quarter, more than 15% of the fruit was not within the quality standards.

- 2.6. Unless either one of the contract parties, at least two weeks before the expiring date, gives notice that it wishes to end or modify the contract, the contract is automatically renewed for a new contract period of the same duration.

### 3. Pricing and Premium

- 3.1. The total price paid should be equal to or higher than the total of the Fairtrade minimum price and the Fairtrade premium defined by FLO.  
The minimum price is a **minimum**. It sets the bottom limit for negotiations between the grower and the trader. If, during a certain period, the market can absorb a higher price than the Fairtrade minimum price, the higher price shall apply.  
The Fairtrade **premium** is paid on top of the price, whether it is the negotiated price (higher than minimum price) or the Fairtrade minimum price. The premium must be used for social and environmental development in accordance with FLO standards and guidance documents.
- 3.2. The Fairtrade minimum prices for bananas are country-specific.  
In setting the Fairtrade price FLO will take into account the both country-specific costs of production and the need to minimize price competition between Fairtrade certified producers. Thus, the minimum price is the result of the data on costs of sustainable production gathered from producers and on the involvement of traders and external sources to identify a reasonable minimum price that suits both producers and the market.
- 3.3. Fairtrade minimum prices and premium **for fresh bananas** are as follows in the table below. They are stated for farm-gate and/or FOB in **US dollars** and refer to an **18.14 kg box**.

Origin	Fairtrade minimum Price In US\$/18.14 kg box		Premium on top of the Fairtrade minimum price US\$/18.14 kg box	Validity
	Farm Gate	FOB		
<b>Colombia</b> conventional	5.50	6.75	1	From 1-1-06
<b>Colombia</b> organic	7.25	8.50	1	From 1-11-05
<b>Costa Rica</b> conventional	5.75	6.75	1	From 1-1-06
<b>Dominican Republic</b> conventional	7.00	8.50	1	From 1-1-06
<b>Dominican Republic</b> organic	8.50	10.00	1	From 1-1-06
<b>Ecuador</b> conventional	5.50	6.75	1	From 1-1-06
<b>Ecuador</b> organic	7.25	8.50	1	From 1-1-06
<b>Ghana</b> conventional	-	8.00	1	From 1-1-06
<b>Ghana</b> organic	-	10.00	1	From 1-11-05
<b>Panama</b> conventional	6.00	7.00	1	From 1-11-05
<b>Peru</b> organic	7.00	8.50	1	From 1-1-06
<b>Philippines</b> conventional	6.00	7.50	1	From 1-11-05
<b>Windward Islands</b> conventional	7.60	9.00	1	From 1-1-06

Minimum prices are set at both Farm Gate and FOB level for the same origin: Only ONE minimum price applies per trade chain.

The minimum price set at Farm Gate level **only** is applicable for producers not exporting the fruit.

The minimum price set at FOB level **only** is applicable for producers exporting the fruit.

Farm Gate minimum price includes the following costs: One-off set-up costs amortized, field work, harvest, packing and organizational costs. For details about components that are included in each costs elements, please contact FLO directly.

Note that any cost which is not paid by the relevant partner as defined by FLO has to be considered as “service” and has then to be paid to the provider of this service.

**3.4.** For **organic bananas from Peru** the Fairtrade minimum price is set for “fruit on plant” at 3.00 US\$/ box of 18.14 kg. “Fruit on plant” refers to export-quality bananas still on the plants, ready to be harvested. The Fairtrade premium is set at 1.00 US\$/ box of 18.14 kg and is paid to the Joint Body. These Fairtrade minimum price and premium apply from 1<sup>st</sup> of January 2006 to 30<sup>th</sup> of June 2006.

**3.5.** If the weight of the box is other than 18.14kg the total price is adjusted pro-rata in line with the weight. In the case of new technology, such as open-top boxes, the increased costs of production for the producer/exporter must be incorporated in the total Fairtrade FOB price.

**3.6.** For **organic fresh banana for processing from Costa Rica** the Fairtrade minimum price is as follows.

<b>Fruit</b>	<b>Country</b>	<b>Fairtrade Minimum price at Farm Gate level per kg</b>	<b>Fairtrade Premium at Farm Gate level per kg</b>
Organic fresh banana for processing	Costa Rica	US\$ 0.15	US\$ 0.03

**3.7.** The Fairtrade prices for **dried bananas** are as follows. They are based on costs of production of fresh fruit, the conversion rate (i.e. how many kgs of fresh bananas it takes to make 1 kg of dried fruit), the cost of processing and exporting. The Fairtrade premium is paid on top of the Fairtrade minimum price.

<b>Fruit</b>	<b>Country</b>	<b>Fairtrade minimum FOB price per kg</b>	<b>Fairtrade Premium per kg</b>
Organic dried banana	Costa Rica	US\$ 4.20	US\$ 0.80
Organic dried banana	Brazil	US\$ 2.60	US\$ 0.65
Organic dried banana	Bolivia	US\$ 3.00	US\$ 0.45
Dried banana	Uganda	£ 1.42	£ 0.14

**3.8.** The Fairtrade prices for **banana puree** are as follows:

- For organic banana puree from Costa Rica the Fairtrade minimum price is set at FOB-level, including the costs for processing the fruit. The Fairtrade premium is paid on top of the Fairtrade minimum price.

<b>Banana Puree Price &amp; Premium</b>	<b>Country</b>	<b>Fairtrade minimum FOB price per metric tonne (MT)</b>	<b>Fairtrade Premium per metric tonne (MT)</b>
Organic banana puree	Costa Rica	US\$ 1000	US\$ 100

- For conventional banana puree and concentrate from Costa Rica and Ecuador the Fairtrade minimum price is set at farm-gate level. The Fairtrade premium is paid on top of the Fairtrade minimum price.

<b>Bananas for banana puree and concentrate</b>	<b>Country</b>	<b>Fairtrade minimum farm-gate price per box of 18.5 kg</b>	<b>Fairtrade Premium per box of 18.5 kg</b>
	Costa Rica, Ecuador	US\$ 1.20	US\$ 0.30

**3.9.** The Fairtrade prices for **plantain** are as follows.

<b>Product</b>	<b>Country</b>	<b>Fairtrade minimum price</b>		<b>Fairtrade premium</b>
		Farm Gate	FOB	
Conventional plantain	Latin America		US\$ 5.50 per box of 22kg	US\$ 2.20 per box of 22 kg
Conventional plantain for local processing	Latin America	US\$ 0.21 per kg		US\$ 0.02 per kg

## 4. Quality requirements

- 4.1.** Quality requirements and tolerances for Fairtrade bananas must be specified in a written purchase contract, together with packing and labelling requirements.
- 4.2.** In order to solve problems of diverging quality standards applied by clients, the importer should agree to suitable quality standards with producers/exporters or refer in the purchase contract to FLO's standard quality requirements for non-organic Fairtrade bananas, as described in appendix 1. If importers and producers/exporters do not agree to different tolerances, those specified in appendix 1 apply.

## 5. Non Fairtrade Sales

**5.1.** Negotiations of Fairtrade purchases and non-Fairtrade purchases and sales shall be treated separately. If the agreement between the importer and the producers/exporters is that volumes of non-Fairtrade bananas will be purchased from the same source, then quantities might be specified in the same contract, provided the distinction between Fairtrade and non-Fairtrade purchases are made distinctly under paragraphs 4.1, 4.2. and 9 on the price, premium and payment conditions and on packing and labelling conditions, as laid down in appendix 1.

### **5.2. Price and payment conditions:**

**5.2.1** The "non-FT" price may be lower than the FT minimum price.

- 5.2.2 The importer is only allowed to pay the producer/exporter under “non-FT conditions” in case of “excessive volume shipped” (see definition under paragraph 6.3.), “short falling sales” (paragraph 7.1.), and in case of quality problems (as described in appendix 1).
- 5.2.3 If the “non-FT conditions”, are based on sales in consignment, the following applies. Consignment is understood as the selling of fruit by the importer on behalf of the producer/exporter. The importer undertakes to sell the fruit at the best possible price (taking transport and other additional costs into account). The importer will pay this price to the producer, after deduction, as far as applicable, of: sea freight, insurance, harbour handling costs, clearance, survey, post-harbour transport, dumping costs and importer’s commission. The commission covers the importer’s expenses for selling the fruit. No other deductions can be made. This commission may not be higher than 6% of the importer’s selling price. Under no circumstances should the balance be negative for producers.
- 5.2.4 If importer and producers/exporters reach a different agreement over the deductions that will be made by the importer from the final sale, importers must give a detailed account in the contract of the percentage that producers will receive as advance payment and of the costs deducted.

## 6. Shipment conditions

- 6.1. Within the framework of the contract, orders for each shipment are placed in the following manner. Volumes to be shipped are ordered in writing at least 5-10 workdays (according to customs in the production country) before the day on which the loading of the ship is scheduled.
- 6.2. Shipments not complying with quality standards and with shipment orders should not be shipped. If, nevertheless abnormalities occur, the producer/exporter shall give notice in writing to the importer as soon as the abnormalities are discovered, especially with regard to: quantities diverging from the order, non-homogenous fruit, exceptional packing material used, faulty labelling of cartons or clusters and abnormal storage and transport conditions.
- 6.3. **Excessive volume shipped:** if the actually shipped FT volume exceeds the volume ordered, provided that the order was placed in accordance with 6.1, and if this volume could not be sold as FT because of short falling orders by the importer’s FT clients, the importer is allowed to pay under non-FT conditions (as in paragraph 5.2) for the excess part.

## 7. Short falling sales

- 7.1. **Short falling sales:** in case part of any shipment could not be sold as Fairtrade fruit because of short falling orders by their Fairtrade clients, importers may pay under “non-Fairtrade conditions” (see paragraph 5.2) for that fruit up to a maximum of 10% of the ordered volume. Possible financial losses above this percentage are to be assumed by the importer.

## 8. Indemnities, liabilities and procedures to follow in case of quality claims and inspections

- 8.1. **Quality checks and inspections** in the port of origin and in the port of destination, as well as liabilities and indemnities determined accordingly for the parties will follow the procedures laid down in Appendix 2 of this document.

- 8.1.1 Importers and producers/exporters might agree on different procedures provided these are detailed in the purchase contract.
- 8.1.2 FLO reserves the right to check whether these procedures are compatible with FLO's principles as laid down in the Trade Conditions.
- 8.1.3 In case of doubt or dispute the clauses in this document prevail.
- 8.2. Force majeure.** The importer has the obligation to accept and pay the ordered volume, provided the bananas comply with the agreed quality standard, except in case of 'force majeure'. 'Force majeure' is defined in the contract.
- 8.2.1 The producer/exporter is obliged to deliver the ordered volume to the importer, provided it does not exceed the "maximum volume" specified in the contract, except in cases of 'force majeure'. The obligation to deliver up to the "maximum volume" is reduced by 10% in case the producer is not able to deliver the ordered volume for reasons other than 'force majeure', provided that the reason is not selling produce to other buyers.
- 8.2.2 In case of 'force majeure', the importer and producer will negotiate the payment of "dead freight" (the cost of not using contracted freight services on ocean vessels).

## 9. Payment

- 9.1. If the fruit is accepted by the importer after inspection in the country of destination, payment shall be made at the latest within 48 hours after arrival in that destination.
- 9.2. If the quality of the fruit exceeds the tolerances, and the producer/exporter accepts selling in consignment (as in section 5.2.3.), payment will be made not later than 28 days after arrival in the country of destination. If, however, the price which the importer receives from his clients is not known within 28 days, the importer will make a down payment of 25% of the FT minimum price within 3 days after the expiry of the 28 days period. In this case, within 5 days after the price and therefore the financial result is known to the importer, he will accredit or invoice the producer/exporter within 5 days. Payment by either party is due within 5 days after notification by invoice or credit note, unless parties have agreed that the account will be settled through future payments.
- 9.3. If the producer/exporter sends documents through banks to be delivered against payment of the fruit, the producer/exporter is liable for losses caused by late arrival of the documents.
- 9.4. The Fairtrade premium is paid on top of the Fairtrade minimum price. The payment of the Fairtrade minimum price and the Fairtrade premium is paid to the certified producer organisation. In the case of an organisation certified against the Hired Labour standards, the FLO Premium is paid on the account of the Joint Body.  
Importers and exporters should NOT make payments of the Fairtrade price and premium directly to the members of the certified producer organisations.

## 10. Information rights and obligations

- 10.1. FLO has a system to audit the flow of Fairtrade goods, so as to guarantee that Fairtrade products bought by consumers are actually produced by Fairtrade producer organisations, and traded under Fairtrade conditions. All producers and traders will supply FLO with quarterly information about volumes bought and sold. All trading actors allow FLO to inspect their books. An external audit may be required annually.

## Appendix 1

### Terms of reference for quality requirements and tolerances applying to non-organic Fairtrade labelled bananas

#### Inspections in the harbour of departure

Size of bananas. Minimum length 16 cm (baby bananas 14 cm), minimum thickness 27 mm. Tolerance: 10% of the bananas.

Packing. Slippage and “high pack” are not permitted. There must be reasonable uniformity among the bananas in a carton. Tolerance: 5% of packing cartons.

Loading (including palletization). Palletization should be done according to the importers specification. Tolerance: none. Not correctly loaded pallets should be refused.

Latex. Clusters may not have a latex flow which is likely to cause substantial damage to the fruit or the packing material. Tolerance: 3% of the clusters.

Flower. All bananas must be deflowered. Tolerance: 3% of clusters having any unremoved flowers.

Residue and foreign matter. No residue or foreign matter may be encountered in the cartons. Tolerance: 1% of the cartons.

Scarring. The total area affected per cluster may be no more than 5 cm<sup>2</sup>. Tolerance: 3% of the clusters.

Thrips. A cluster with more than 2 fingers medium or severely affected is unacceptable. Tolerance: 3% of the clusters.

Speckling. A cluster with more than 1 finger medium or severely affected is unacceptable. Tolerance: 3% of the clusters.

Mutilated finger. A cluster with one or more mutilated fingers is unacceptable. Tolerance: 1% of the clusters.

#### Inspection in the country of destination:

Crown rot. Tissue invasion by a plant pathogen, affecting more than 40% of the crown makes a cluster unacceptable. Tolerance: 1% of the clusters.

Crown mould. Crowns affected by more the 40% of their surface by fungus growth makes a cluster unacceptable. Tolerance: 1% of the clusters.

Neck rot. A significant decay of tissue of the neck in more than one finger in a cluster makes the cluster unacceptable. Tolerance: 1% of the clusters.

Peel rot. The total area affected per cluster may be no more than 5 cm<sup>2</sup>. Tolerance: 3% of the clusters.

Ripe & turning. The peel of any of the fingers of a cluster may not show any degree of turning yellow. Tolerance: 1% of the clusters.

Underpeel discoloration. Flecks of brown beneath the surface of the peel may only occur with light severity. Tolerance: 3% of the clusters.

Labelling of bananas. Every cluster should be labelled with a FT label and (if required by the importer) a brand label. Tolerance: 3% of the clusters.

Labelling of cartons. Cartons should be correctly labelled, in line with the regulations of the countries where the fruit is shipped through and in line with possible agreements between producers/exporters and importers. Tolerance: 1% of the cartons.

Weight. The weight of the fruit should be in line with the specification on the cartons. Tolerance: average net weight per packing unit: 0,5%.

## Appendix 2

### Indemnities, liabilities and procedures to follow for quality checks and inspections

**2.1. FOB acceptance of fruit.** The importer accepts the fruit in the harbour of loading, “Free on Board”.

In the harbour of loading importers are allowed to refuse (part of the) shipment which does not comply with the quality definition (as described in appendix 1 or in the contract between importers/exporters and producers).

If, in this case, the producer/exporter cannot replace the rejected fruit by fruit of accepted quality, the producer/exporter is liable for the “dead freight” costs.

If the following defects in excess of the tolerances are observed in the harbour of destination: crown rot, crown mould, neck rot, peel rot, ripe & turning, which have not and could not have been observed in the harbour of loading, the importer is allowed to refuse the fruit in the country of destination.

**2.2. Authorised surveyors.** The reports of authorised surveyors shall be the ultimate basis of settlement of any dispute over the quality of the fruit between producer/exporter and importer.

**2.3. Authorised quality inspection in the harbour of loading.** The importer is recommended, but not obliged, to have executed quality inspection in the harbour of loading by authorised surveyors.

If producer/exporter and importer disagree about the quality of the fruit, the dispute can be settled through inspection of an authorised surveyor, to be contracted by either the importer or the exporter/producer. Payment of the surveyor is done by the contracting party, unless both parties agree otherwise. The surveyor’s findings are binding for both parties.

Quality reports are required by (freight) insurance companies. If the importer fails to arrange the authorised inspection in the harbour of loading, and the freight insurance company later denies a claim because of a missing quality inspection report, the importer is liable for the damage.

**2.4. Quality report from the country of destination.** The importer must report quality problems in writing within 24 hours after arrival in the country of destination, to the producer/exporter. In case the fruit is inspected while being repacked by the importer, the importer may report on the day of repacking, provided that the producer/importer has agreed in writing and provided that the report is sent before the fruit has left the ripening-repacking premises. The importer’s quality report must contain the following elements:

- Precise data on the shipment, date, name of ship, total volume Fairtrade (FT), non-Fairtrade (non-FT), etc.
- A description of quality problems.
- The quality of the fruit, expressed in percentages of clusters or cartons not complying with the quality definition (as in Appendix 1).
- In the case of mixed shipments, FT and non-FT quantities with quality problems must be distinguished.

If the importer fails to send in the report with contents as specified in this section, and within the time limit, the producer/exporter may consider the shipment accepted.

**2.5. Refusal in the country of destination.** In the country of destination the importer can only refuse the fruit if it exceeds the tolerances of one of the following defects: crown rot, crown mould, neck rot, peel rot, ripe & turning, underpeel discoloration. Other defects cannot be the basis of refusal.

In all cases, especially in the case of underpeel discoloration, the importer should indicate whether the defect can be blamed on other parties than the producer (such as the carrier).

The importer should mention in the quality report whether the fruit is (if partially, which part) accepted or refused.

If during the ripening process the bananas do not turn ripe, or ripen unevenly, to the extent that the bananas are not accepted in the market, exceptionally the producer/exporter will be liable for the financial losses, under the following conditions:

- The problem is reported by the importer to the producer/exporter in line with section 3.4 above.
- The problem is reported before the fruit has left the ripening facilities.
- At least 75% the clusters of a shipment is substantially affected.
- The cause of the problem is attributed to pre-shipment circumstances, to be confirmed by an authorised surveyor.

**2.6. Authorised quality inspection in the country of destination.** Within 48 hours after receiving the importer's quality report, the exporter/producer can notify the importer in writing that he will arrange counter inspection by an authorised surveyor.

This surveyor will be contracted and paid by the producer/exporter, unless both parties have agreed otherwise.

The importer shall facilitate this inspection during 5 days after the producer/exporter has received the report.

If the producer/exporter announces counter inspection in due time, the importer may only send the fruit to further destinations before inspection, if the fruit can be inspected at the destination. He must inform the producer/exporter and its surveyor where the fruit can be checked.

The authorised surveyor report is binding for both parties.

If the producer/exporter does not react to the quality report within the specified period the importer may assume that the producer/exporter accepts the refusal of the fruit.

**2.7. Permanently contracted surveyor.** On request of the joint producers FLO will facilitate selecting and bringing under permanent contract an authorised surveyor in countries where bananas are unloaded, who will be at the producer's disposal on short notice.

Every inspection is paid by the party, who requested it.

For convenience, the importers may agree to pay surveyors who were contracted by producers and deduct these payments from fruit payments to the producers.

**Importer's client's refusal.** The importer may place no quality claims with the producer/exporter for fruit which was accepted in the harbour of unloading, but was later rejected by his clients. In order to solve problems of diverging quality standards applied by clients, the importer should agree to suitable quality standards with producers/exporters.

"Yellow checks" (check after ripening) are useful for producers and importers. They can, however, not be used to alter the acceptance after arrival of the fruit by the importer.

The importer's risk taking in the acceptance of the fruit after unloading in the country of destination, should be reflected in the minimum price set by FLO.

If (part of) the fruit is refused by the importer, either by voluntary consent by the producer/exporter, or based on an authorised surveyor's report, the producer/exporter and the importer may agree in writing that (this part of) the fruit will be sold under "non-FT conditions".

The importer may sell refused fruit as FT fruit.

**2.8.** The producer/exporter invoices the importer for the minimum FT price (or any higher FT price agreed between both parties). If (part of) the fruit exceeds quality tolerances, and both parties have agreed to sales under consignment conditions, the importer will invoice the exporter/producer for the FT (or agreed higher) price (in order to counterbalance the producer/exporter's invoice) and accredit him with the results of the sales. However, this accreditation may not be negative. If the costs of the operation exceed the received price, the difference will be assumed by the importer. FLO-BR in its periodic reviews of the FT minimum price for every country, will take into account this risk taking by the importers.