



FAIRTRADE STANDARDS

FOR COFFEE

FOR

Small Farmers' Organisations

PART A Generic Fairtrade Standards for Small Farmers' Organisations
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Refer to the generic standard for Small Farmers' Organisations 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.

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The product specific standards for coffee apply to all 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 Coffee

1 Social Development

There are no additional social standards specific to coffee producers.

2 Economic Development

There are no additional economic standards specific to coffee producers.

3 Environmental Development

There are no additional environmental standards specific to coffee producers.

PART C Trade Standards for Coffee

1. Product description

The Fairtrade Standards cover two species of coffee.

Coffea arabica - Arabica coffee¹

Coffea arabica was first described by Linnaeus in 1753. The best known varieties are 'Typica' and 'Bourbon'. The average arabica plant is a large bush with dark-green oval leaves. It is genetically different from other coffee species, having four sets of chromosomes rather than two. The fruits are oval and mature in 7 to 9 months; they usually contain two flat seeds (the coffee beans) - when only one bean develops it is called a peaberry. Arabica coffee is grown throughout Latin America, in Central and East Africa, in India and to some extent in Indonesia.

Coffea canephora - Robusta coffee¹

The term 'robusta' is actually the name of a widely grown variety of this species. It is a robust shrub or small tree growing up to 10 metres in height, but with a shallow root system. The fruits are rounded and take up to 11 months to mature; the seeds are oval in shape and smaller than those of C. arabica. Robusta coffee is grown in West and Central Africa, throughout South-East Asia and to some extent in Brazil, where it is known as Conillon.

2. Procure a Long Term and Stable Relationship

Buyers and sellers will procure to establish a long term and stable relationship in which the rights and interests of both are mutually respected. Buyer and seller will sign contractual agreements for the first part of the season and a letter of intent for the rest of the season, to be confirmed by purchase contracts as the harvest progresses, which stipulate basic conditions such as: volume, quality, procedures to establish differentials and fix prices, shipment schedules, etc.

3. International Customary Conditions

All other customary conditions applicable to any international transaction will apply, such as the conditions of the European Contract of Coffee, latest edition (hereinafter to be referred to as ECC-conditions), unless overruled by any of the special FLO-International conditions as specified herein.

4. Pricing and Premium

- 4.1 Buyers shall pay producer organizations at least the Fairtrade minimum price as set by FLO (see the price table further below). The Fairtrade minimum prices vary according to the type and origin of the coffee.
- 4.2 In addition to the Fairtrade minimum price the buyers shall pay a Fairtrade premium as set by FLO at 5 US\$-cents per pound of coffee.
- 4.3 For certified organic coffee an additional premium of 15 US\$-cents per pound green coffee will be due, on top of the Fairtrade minimum price or the market reference price respectively as determined under point 4.4.
- 4.4 If the market price is higher than the Fairtrade minimum price, the market price shall apply. The Fairtrade premium is paid on top of the market price.

¹ Source: ICO

For Arabicas the reference market price shall be based on the New York "C" contract. The price shall be established in US\$-cents per pound, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight.

For Robustas the reference market price shall be based on the London "LCE" contract. The price shall be established in US-dollars per metric tonne, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight.

When by legal regulation, all coffee has to be passed through the auction, importer and exporter will agree upon a reasonable margin for the exporter to cover his costs.

The following Fairtrade minimum prices, including quality differentials apply: (all prices and premium in US\$-cents per pound F.O.B. port of origin)

Fairtrade minimum price and Premium information

Type of coffee	Fairtrade minimum price				Fairtrade Premium
	conventional		organic		Conventional and organic All regions
	Central America, Mexico, Africa, Asia	South America, Carribean Area	Central America, Mexico, Africa, Asia	South America, Carribean Area	
Washed* Arabica	121	119	136	134	5
Non-washed Arabica	115	115	130	130	5
Washed* Robusta	105	105	120	120	5
Non-washed Robusta	101	101	116	116	5

* Semi-washed or pulped natural coffee are regarded as washed coffee.

Payment shall be net cash against a full set of documents on first presentation. The documents to be presented will be those stipulated in the contract and the ones customary in the coffee trade

5. Pre-financing/Credit:

- In the case of contracts with fixed prices the buyer shall make available up to 60% of the contract value, on the request of the seller.
- In the case of unfixed prices the buyer shall make available up to 60% of the estimated contract value on request of the seller, as long as buyer and seller agree upon a mechanism that guarantees the contract value(s) will cover the pre-financing, e.g. by a 'stop/loss' clause. In the absence of such a mechanism, seller is entitled only to request pre-financing of up to 60% of the FLO-International minimum price.
- Pre-finance must allow access for producer organizations to cash in order to buy from their members. The payment instruments (cash, L/C Red Clause, etc.) will be arranged in the contract, by mutual agreement.
- In principle the pre-finance is meant for the first-level organizations, but in practice it is linked to the contracting parties (the sellers and the buyers). If the exporter is not a member of the register he will receive the pre-finance, but beforehand the exporter and the FLO-CR partner organization have to agree upon the handling of the pre-financing money and the fulfilment of the contract.
- In case of several shipments the spread of the pre-finance must be fixed in the contracts. It is not always necessary to pre-finance the whole amount before the first shipment. Pre-finance must be adapted to the real needs of the producer organization.
- If an importer requires the extension of the shipment schedule beyond the limits of sound commercial practice of the producer organization (three months after the harvest), the real costs of storage, interest and insurance must be covered (by the importer) in the terms of the contract. This rule is not applicable for those organizations in whose respective countries exist specific export regulations which make the above unworkable.