

# Fairtrade Standard for Cocoa

## Explanatory note

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## Entry Requirements

### (Fairtrade Standard for Cocoa Requirement 1.1.1, 1.1.2)

#### ***What is the intent?***

The intention of limiting the entry of producer organizations and exporters is to deepen benefits for farmers as well as tackle unfair trading practices. When new producer organizations become certified without an increase in demand for Fairtrade cocoa at the same pace, either existing certified organizations lose sales, or the new organizations do not gain the benefits of being able to sell on Fairtrade terms. Currently Fairtrade farmers produce much more cocoa than they can currently sell as Fairtrade-certified – as of 2021, on average Fairtrade cocoa producer organizations sell about 34 percent of their harvest as Fairtrade. The new requirements supersede the previous temporary interventions put in place on 1 June 2020.

#### ***What is the rule?***

Producer organizations and traders wishing to apply for Fairtrade Certification demonstrate market demand for Fairtrade certified cocoa of at least two years. Producer organizations demonstrate they are an established organisation of at least two years prior to requesting certification.

#### ***How does it work?***

Market demand is demonstrated through a letter of intent or a similar document from an end buyer that indicates a two years' commitment and estimated volumes to be bought under Fairtrade terms. Organization establishment is demonstrated through the following documents: legal registration, financial statements, records of commercialization, business development plan, general assembly records.

#### ***Questions and Answers***

##### **Q1: Who is an end buyer?**

- Licensees - as they are the end buyers in a supply chain.
- Manufacturers - who are manufacturing finished products.
- Retailers buying (or planning to buy) Fairtrade from certified manufacturers or licensees.

##### **Q2: What is a business development plan for an SPO?**

The business development plan is expected to include all information related to technical assistance capacities and priorities, work plans, membership development plan and information on production and sales estimates. This document can also serve as the business plan, given sale estimates and buyer name are included; demonstrating the aforementioned market potential.

## Calibrating Weighing Equipment (Fairtrade Standard for Cocoa Requirement 2.1.2)

#### ***What is the intent?***

To ensure accuracy of member sales reporting hereby ensuring members receive correct payment for their cocoa.

#### ***What is the rule?***

Producer organizations calibrate the equipment used to define the weight of cocoa beans purchased from your members at least once a year, or have the equipment calibrated by and authorized agency.

#### ***How does it work?***

National law on calibration of weighing equipment may vary in different countries. Producer organizations follow the law in their respective countries. This may include engaging with other agencies to have the calibration carried out by a third-party service provider or government agency.

### **Questions and Answers**

**Q.:** In our country, calibration of weighing equipment is organized and carried out by a government body. However, it is not always done annually. How can we comply with the requirement in these circumstances?

In this case, the producer organization can prove that they are following up with the respective agency which is responsible to organize the calibration.

## **Documenting Traceability Procedures (Fairtrade Standard for Cocoa Requirement 2.1.3)**

### **What is the intent?**

For producer organizations to have a more detailed oversight of their traceability procedure to manage the risk of non-member and member cocoa being mixed.

### **What is the rule?**

Producer organizations document a product flow map from farmer members to the first buyer including collection points, transport, storage locations, warehouses, and processing units.

### **How does it work?**

Producer organizations identify where there could be risk of mixing member and non-member cocoa.

### **Questions and Answers**

**Q.:** Can you provide an example of a “product flow map”?

An example of a product flow map will be published later in 2023 [here](#).

## **Product Tracing Solutions (Fairtrade Standard for Cocoa Requirement 2.1.4)**

### **What is the intent?**

To achieve first mile physical traceability (identity preserved) from the cocoa farm and the farmer to the producer organization, strengthening a producer organization's value proposition to enhance commercial relationships.

This also assists in managing the risk of non-member and member cocoa being mixed

### **What is the rule?**

Producer organizations deploy digital solutions to trace cocoa beans sold back to individual members' farms or fields.

### **How does it work?**

Digital solutions include third party software tools, data management tools or national traceability systems when available. These tools record volumes delivered by individual farmer members to the SPO. The tools link the volumes delivered to the payments made by the SPO to farmers for cocoa and the distribution of Fairtrade benefits, such as Fairtrade Minimum Price differential and Fairtrade Premium payments in Côte d'Ivoire and Ghana.

## Questions and Answers

**Q.:** Can you provide a list of third-party software providers offering product traceability tools?

Yes, please see Annex 1

**Q.** Does Fairtrade work with any third-party software providers?

Fairtrade International and Fairtrade Africa has worked in partnership with digital solutions provider Farmforce to deploy a smart data management system to producer organizations in Cote d'Ivoire.

Read more about the partnership here: [In Côte d'Ivoire, Fairtrade and Farmforce Scale-up 'FairData' Partnership for Cocoa Farmers](#)

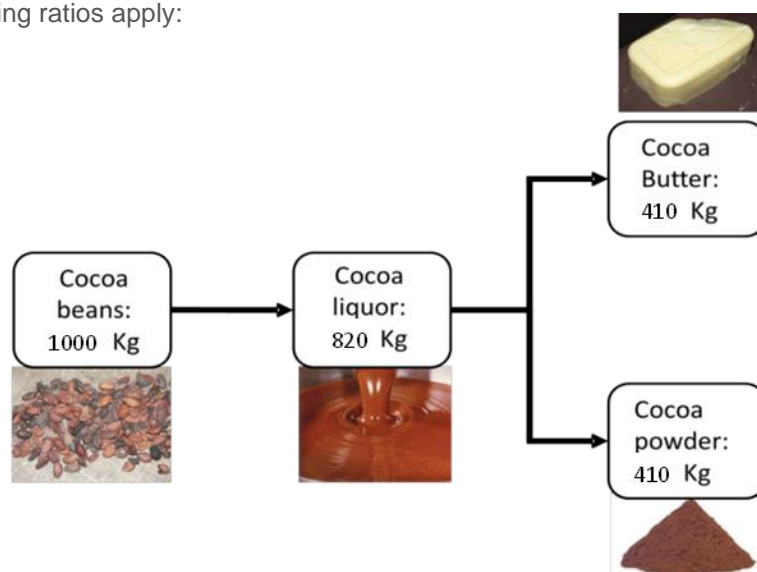
## Mass balance conversion ratios (Fairtrade Standard for Cocoa Requirement 2.1.6)

### What is the intent?

The conversion ratios are used by operators applying mass balance to convert the volumes of processed cocoa products into cocoa beans. The conversion ratios ensure that producers get the Fairtrade premium that corresponds to the cocoa volume sold as Fairtrade. These ratios are aligned with the other sustainability standards and schemes (e.g., CEN/ISO standard (ISO 34101-3)).

### What is the rule?

The following ratios apply:



The conversion is ONLY possible in the direction that is physically possible.

### How does it work?

With 1MT Fairtrade beans, you can sell up to 0.41 MT Fairtrade butter and 0.41 MT Fairtrade powder. You cannot replace powder volumes with butter volumes and vice versa.

In other words, if you want to sell 1 MT butter, you need to buy at least 2.44 MT beans. With these 2.44 MT Fairtrade beans, you will be able to sell up to 1 MT Fairtrade butter and 1 MT Fairtrade powder.

To find out how many beans you need to buy to sell  $X$  MT of butter and  $Y$  MT of powder, you take the highest value of the two and multiply by the conversion ratio of 2.44.

## Questions and Answers

**Q.1:** Is it correct that the conversion rate from cocoa butter or cocoa powder back to cocoa liquor (equivalent) is 2?

Yes. For 1MT of butter you need 2 MT of liquor. For 1 MT of powder, you need 2 MT of liquor. But for 1 MT of Butter and 1 MT of powder, you need 2 MT of liquor.

**Q.2:** Am I allowed to calculate all my purchases and sales of cocoa products back to cocoa bean equivalent and to compare the cocoa bean equivalents purchased with the cocoa bean equivalents sold?

No. The mass balance rule requires that the amount of Fairtrade outputs is equivalent to the amount of Fairtrade inputs but also, it requires that both outputs and inputs are of the same kind and quality. If you only compare cocoa beans equivalents, compliance with the like for like requirement can't be ensured.

**Q.3:** Is it advisable to monitor the cocoa products separately in my balance, i.e., comparing liquor purchases with liquor sales, butter purchases with butter sales, and powder purchases with powder sales?

Yes. If you process, it is advisable to monitor and compare bean purchases with liquor sales, or liquor purchases with butter and powder sales.

**Q.4:** In requirement 4.2.5, a different set of processing yields for liquor, butter and powder are stipulated in. What is the purpose of these processing yields and how do they correspond with the conversion ratios indicated in 2.1.6?

Requirements 2.1.6 and 4.2.5 apply to very different scenarios:

The purpose of requirement 2.1.6 is to define under mass balance how much output (semi-processed product) can be sold as Fairtrade, given the amount of inputs. These conversion rates here have been applicable as of January 2018.

The purpose of requirement 4.2.5 and 4.2.6 is to define how much Fairtrade premium and organic differential the payer must pay when buying semi-processed products directly from producers (i.e., small producer organizations/cooperatives)

**Q.5:** Can traders who buy semi-processed products compensate the Fairtrade cocoa butter by buying cocoa liquor instead?

Yes, mass balance conversions are allowed in the direction that is physically possible (only): beans to liquor, liquor to butter and powder. E.g., companies cannot compensate powder for butter as from a processing perspective it isn't physically possible, but liquor to butter is allowed. We included this in the standard to stop operators interchanging butter and powder as a possible outcome was less beans being purchased as Fairtrade (so less premium paid) under mass balance than would have been needed physically.

## Purchase prior to sale in mass balance (Fairtrade Trader Standard 2.1.9)

### ***What is the intent?***

To ensure that for each product sold as Fairtrade, an equivalent volume has been sold by producers under Fairtrade terms.

### ***What is the rule?***

Fairtrade inputs are purchased before the sale of the Fairtrade outputs.

### ***How does it work?***

The term **purchase** means either:

- Physical delivery of the product
- Payment for the product
- Invoicing of the product
- Binding purchase contract (or purchase order within a framework contract) for a specific delivery date within 3 months.

**Please note**, that intention of purchase cannot be considered a purchase.

To keep your mass balance calculations, you must choose one definition and maintain it throughout all calculations. Best practice is to choose the date of physical delivery of the product or the date of invoicing of the product.

## ***Questions and Answers***

**Q.1:** How long in advance can I consider a contract to be purchase evidence with which to maintain a positive mass balance?

You can consider a contract to be purchase evidence if it has been signed with a date stamp no more than 3 months before the date you sell the corresponding Fairtrade outputs.

## Maximum period of validity for Fairtrade mass balance products (Fairtrade Standard for Cocoa Requirement 2.1.7)

### ***What is the intent?***

To allow a reasonable time limit to avoid operators selling Fairtrade equivalent volumes a long time after their purchase and to facilitate checks of mass balance calculations (inputs vs outputs).

### ***What is the rule?***

Companies have a maximum period of 3 years to sell the Fairtrade equivalent outputs after having bought the inputs.

### ***How does it work?***

When a company buys Fairtrade cocoa beans or semi-processed cocoa products, it can sell – for example- the corresponding volume of butter immediately, and it has 3 years to sell the corresponding volume of powder as Fairtrade (and vice-versa).

## Example

*How can I demonstrate compliance if I am buying and selling Fairtrade cocoa products on a regular basis? Do I have to start 'earmarking' purchase volumes?*

When you are buying and selling Fairtrade cocoa products on a regular basis, you are assumed to be in compliance with the requirement. You will thus not be required to start earmarking purchase volumes, as constant turnover is taking place.

## Mass balance: like for like rule and origin matching. (Fairtrade Standard for Cocoa requirement 2.1.8, 2.1.9, 2.10)

### What is the intent?

To ensure transparency and integrity and avoid misleading claims within the supply chain (B2B).<sup>1</sup>

### What is the rule?

If a company claims (in the sales documentation) that the cocoa sold as Fairtrade is of one specific category or origin, then the corresponding equivalent purchased volume of Fairtrade cocoa is from the same category or origin (and this should be demonstrated in the purchase documentation).

From 2025, origin matching will be required on all Fairtrade **cocoa bean** purchases hereby superseding Fairtrade's "like for like" rule for origin claims on cocoa beans. Origin matching means that mass balance buyers must purchase certified cocoa beans from the **countries** that match the origin of the cocoa used in the product(s) they sell as Fairtrade certified.

There are currently no plans for mandatory origin matching to apply to other forms of Fairtrade cocoa, such as liquor, butter and powder. Instead, this will remain dependent upon company claims.

### How does it work?

The Fairtrade Trader Standard requires that the outputs sold as Fairtrade are of the same kind and quality as the inputs (like for like).

What defines "kind and quality" of cocoa?

- Category: fine & flavour vs. bulk cocoa:
- Organic vs. conventional status
- Origin

Since mass balance is based on documentary traceability, the auditor checks that what is being sold as Fairtrade corresponds to what is being purchased as Fairtrade and depending on the claim from the operator that the volume sold from one specific category or origin, corresponds to the volume bought from that same category or origin.

Adding information to the invoice might be challenging for operators, so this specific information could be in an annex or another separate document that includes a reference to the related contract or invoice number.

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<sup>1</sup> Please note that the rules regarding Business to Consumer communication are not covered in this requirement, but are included in the Trademark Use Guidelines. Click [here](#) for more information.

## Questions and Answers

**Q.1:** If an operator buys Fairtrade fine flavour cocoa butter from one origin and bulk cocoa butter from another origin, can they sell the equivalent/total volume as Fairtrade fine flavour cocoa butter under mass balance?

No, the claim “fine flavour” can only be made if both kinds of cocoa butter volumes are categorized as fine flavour. Only the amount of cocoa butter that has been purchased as Fairtrade fine flavour can be sold as Fairtrade fine flavour.

**Q.2:** Can I sell cocoa liquor as ‘fine flavour’ if a respective reference is missing on the purchase documentation provided by my supplier, but the origin (e.g., Ecuador) could be an indicator?

No, as it would be difficult for the auditor to assess if the cocoa is fine flavour or not. The origin claim alone is not sufficient.

**Q.3:** Can I buy a Fairtrade dark chocolate and sell white chocolate as Fairtrade, as long as the cocoa ingredients add up?

No, as dark, milk and white chocolate do contain different amounts of cocoa liquor and cocoa butter. The standard does not consider liquor and butter as 1:1 equivalent. It is therefore necessary to compare liquor purchases and sales as well as butter purchases and sales separately

**Q.4:** If an operator buys Fairtrade fine flavour cocoa butter from one origin and Fairtrade bulk cocoa butter from another origin, can they sell the equivalent/total volume as Fairtrade bulk cocoa butter under mass balance?

Yes, they can make the claim. This is understood as “downgrading” and is allowed in the standard.

**Q.5:** If downgrading is allowed, am I allowed to ‘upgrade’ as well? If I intend to sell one MT of cocoa beans as Fairtrade Organic, am I allowed to buy 1 MT of Fairtrade cocoa beans (i.e., non-organic) and 1 MT of organic cocoa beans (i.e., non-Fairtrade)?

No, “upgrading” is not allowed. You can't buy Fairtrade Conventional and sell as Fairtrade Organic.

**Q.6:** What does the standard mean by ‘origin’? Are country-specific claims allowed (e.g., Fairtrade from Tanzania), although I have been sourcing Fairtrade cocoa from e.g., Ghana?

No. If the claim is on a country, the purchase should be from the same country. From January 2025, origin matching on country will be mandatory for the purchase of all Fairtrade cocoa beans irrespective of a customer claim being made or not.

**Q.7:** How should I make an origin claim to my customer if I have not been able to purchase the equivalent volume from the same origin?

If selling final product to consumers, you cannot make an origin claim on a Fairtrade product, if you have not been able to purchase the Fairtrade equivalent amount from the same origin.

If you are a trader, selling to a company, and your customer has requested Fairtrade cocoa from a particular origin, you would either supply the Fairtrade cocoa from that requested origin or you would need to indicate in your sales documentation that you had not been able to source from the requested origin. Fairtrade is not prescribing how you indicate this, but it needs to be clear to your customer. From January, origin matching on country will be mandatory for the purchase of all Fairtrade cocoa beans, irrespective of a customer claim being made or not.



## Farm Operators

### (Fairtrade Standard for Cocoa requirement 3.1.4, 3.1.5, 3.1.6, applicable in Côte d'Ivoire and Ghana)

#### ***What is the intent?***

To increase the inclusion and visibility of farm operators (including sharecroppers and caretaker farmers) and their households, whilst also promoting transparency and equity on how Fairtrade benefits are shared between landowner and farm operators.

#### ***What is the rule?***

Producer organizations keep up to date records of farm operators and their associations with members, whilst ensuring legally binding written contracts are in place which detail the arrangement between the farm operator and the farm owner. Producer organizations update Fairtrade international yearly.

#### ***How does it work?***

Farm operators are registered in producer organization internal management systems (as non-members or as members if applicable). Producer organization members associated with farmer operators are expected to sensitize them on the Fairtrade Standard (Production) requirements. Producer Organizations ensure farm operators are aware of their rights and responsibilities and have a signed contract. Producer organizations report to Fairtrade International annually on farm operator registration and contract implementation indicators using templates provided.

## ***Questions and Answers***

### **Q.: What is a farm operator?**

Fairtrade uses the term “farm operator” to denote sharecroppers, and caretaker farmers. In sharecropping a landowner allows a farmer to use the land in return for a share of the crops produced on that land. Caretaker farmers are an additional farmer type common to Ghana and similar to sharecroppers.

### **Q: Do farm operators receive Fairtrade benefits?**

In Côte d'Ivoire and Ghana, it is primarily landowners who are recognized as producer organization members. Farm operators and their families are typically not listed in producer organization member registries. In some cases, producer organizations list these farmers as workers. Despite contributing to Fairtrade cocoa production, they do not always receive benefits such as Fairtrade Premium payments, Fairtrade Minimum Price differential payments and training. Their share of Fairtrade benefits is determined by the agreement they have with the farm owner, who often lives in poverty themselves.

### **Q: What information should be recorded for farm operators?**

An annex will be added to the Cocoa Standard and published in 2023 detailing the information to be recorded for farm operators and their households.

### **Q: What details should be included in the contract between the farm operator and the farm owner?**

Details of the arrangement can include: the share of the farm's production and Fairtrade benefits (Fairtrade Minimum Price differential and premium payments, training and support) between the farm

owner and the farm manager, and the contributions of each party towards the arrangement such as land, housing, operating capital, management, labour, rents or other.

**Q. What tools will be made available to producers to support the inclusion of farm operators into their organizations?**

Training guidelines and tools will be made available in 2023 including for example, templates for farm operator–farm owner contracts and Fairtrade International reporting indicators.

**Fairtrade Minimum Price, Fairtrade Premium and Fairtrade Organic Differential**

**What is the intent?**

This section aims to clarify the Fairtrade Cocoa Pricing in the Cocoa standard and how these requirements should be understood and implemented. The requirements aim to ensure transparency of farmer prices and to provide adequate benefit to producers.

**What is the rule?**

For cocoa deliveries as of 1 October 2023:

For Côte d'Ivoire:

- For conventional cocoa, the Fairtrade Minimum Price (FMP) is 2,206 EUR/MT at the point of export (FOB).
- For organic cocoa, the organic differential is 276 EUR/MT above the market reference price (Ivorian government-set price) or the Fairtrade Minimum Price (for conventional cocoa from Côte d'Ivoire only), whichever is higher at the time of sale.
- The Fairtrade Premium (FP) for conventional and organic cocoa is 221 EUR/MT.

For non-regulated markets and Ghana (all countries excluding Côte d'Ivoire:

- Fairtrade International will continue to set prices in USD (US dollar).

The two tables below display the prices for Fairtrade cocoa:

Until 31 September 2023, the prices below are in effect:

Product	Form	Quality	Country/Producer Type	Currency / Quantity	Price Level	Fairtrade Minimum Price	Fairtrade Premium	Valid from
Cocoa	Beans	Conventional	Worldwide (SPO)	USD/ Metric tonne	FOB	2,400	240	01/10/2019
Cocoa	Beans	Organic	Worldwide (SPO)	USD/ Metric tonne	FOB	Organic Differential: +300	240	01/10/2019

From 1 October 2023, the new prices are as follows:

Product	Form	Quality	Country/Producer Type	Currency / Quantity	Price Level	Fairtrade Minimum Price	Fairtrade Premium	Valid from
Cocoa	Beans	Conventional	Worldwide except Ivory Coast (SPO)	USD/ Metric tonne	FOB	2,400	240	01/10/2019
Cocoa	Beans	Organic	Worldwide except Ivory Coast (SPO)	USD/ Metric tonne	FOB	Organic Differential: +300	240	01/10/2019
Cocoa	Beans	Conventional	Ivory Coast (SPO)	EUR/ Metric tonne	FOB	2,206	221	01/10/2023
Cocoa	Beans	Organic	Ivory Coast (SPO)	EUR/ Metric tonne	FOB	Organic Differential: +276	221	01/10/2023

***Please also note:***

The market price reference is the international market price, either New York (ICE FUTURES US) or London (ICE FUTURES EUROPE).

In countries where prices are regulated, the official price set by the national government is the market price reference. However, if legislation requires payment of a differential/premium for farmers or SPOs, this value is included in the market price reference. The Fairtrade Minimum Price differential is the difference between the Fairtrade Minimum Price and the market reference price. It is only applicable when the Fairtrade Minimum Price is above the market price.

The Fairtrade organic differential was implemented as an outcome of the last Fairtrade Cocoa Price Review in 2019.

Euro values for Côte d'Ivoire were converted from the price values in USD and based on the USD/EUR exchange rate at the beginning of the last cocoa harvest season on 1 April 2023, that is, 1 USD = 0.919229167 EUR.

All price values in EUR and USD will apply until they are reviewed at the next cocoa price review.

***How does it work?***

The Fairtrade producers must at least be paid the Fairtrade Minimum Price for their Fairtrade products. The Fairtrade Premium and when applicable the Fairtrade organic differential, is paid in addition to the Fairtrade Minimum Price.

In price regulated markets:

When the Fairtrade Minimum Price is higher than the government-set price, buyers pay Fairtrade certified Small Producer Organizations (SPOs) the difference. This is the Fairtrade Minimum Price differential.

The Ivorian and Ghanaian Small Producer Organizations are required to pass 100 percent of this payment to their members within 30 days of receipt, to allow for greater transparency with the aim of maximizing income at farm level (refer to requirement 4.3.3).

Fairtrade Premium is paid directly to the Small Producer Organization (SPO) by the trader responsible for paying the Fairtrade Minimum Price and Premium. No deductions are allowed by any actor in the supply chain.

## **Questions and Answers**

### **● Identification of delivery date and application of euro values in Côte d'Ivoire**

**Q1:** How will FLOCERT identify the delivery date?

Delivery is defined as follows:

For Côte d'Ivoire, when the Small Producer Organization (SPO) is selling to an exporter (Fairtrade Conveyor), FLOCERT will reference the factory entry bill of lading (connaissance entrée usine). When the SPO is exporting, FLOCERT will reference the shipment bill of lading.

**Q2:** How does it work for contracts in Côte d'Ivoire signed before 1 October 2023, but for which the delivery takes place after this date?

The euro values will apply.

### **● Specification of Fairtrade Premium and the organic differential in contracts (Fairtrade Standard for Cocoa Requirement 4.1.3, 4.1.4)**

**Q.1:** What information is required to comply with requirement 4.1.3?

In the Cocoa Standard, requirement 4.1.3 states that traders along the supply chain should indicate in sales contracts with customers the amount of Fairtrade Premium to be paid, and Fairtrade organic differential when applicable, separately from the agreed purchase price of the Fairtrade cocoa products.

To promote transparency of Fairtrade prices along the supply chain, it is required that in the contract between supplier and buyer, the Fairtrade premium for the contracted volume must be indicated separately from the agreed contract price. The same applies to the Fairtrade organic differential when contracting for Fairtrade organic products. Suppliers can choose to either indicate the Fairtrade Premium/Fairtrade organic differential as a total amount for the contracted volume or as a per unit (kg/MT) cost.

**Q.2:** What information is required to comply with requirement 4.1.4?

Requirement 4.1.4 of the revised Cocoa Standard stipulates that Fairtrade payers clearly indicate the amount of Fairtrade organic differential to be paid, separately from the price in the purchase contract. The Fairtrade organic differential and the Fairtrade Premium should both be listed separately (Requirement 4.1.2 of the Fairtrade Trader Standard)

### **● Distribution for the price differential in Ghana and Côte d'Ivoire (Fairtrade Standard for Cocoa requirements 4.3.3, 4.3.4, 4.3.5,)**

**Q.1:** How should Small Producer Organizations (SPOs) distribute the FMP differential amount amongst its members?

Requirement 4.3.3. stipulates that SPOs in Ghana and Côte d'Ivoire transfer 100% of price differential payments to their members. The SPO should have an agreed and transparent distribution policy with all its members. SPOs can determine if only members who delivered the Fairtrade sales volumes should receive

the price differential or if the total value of the price differential received by the SPO should be shared equally across all members.

**Q.2:** How soon should SPOs transfer the FMP differential payments received by the organization to their members?

As of 1<sup>st</sup> October 2021, to comply with 4.3.3. organizations transfer any FMP differential payments to their members within 30 days of receipt by the organization. Organizations do not need to consult on the ideal timing of the price differential payments with their members.

This only applies for the FMP differential payment. For decision making regarding Fairtrade Premium spending and investment, please see section 4.1 of the Fairtrade Standard for Small Scale Producer Organizations.

**Q.3:** How should SPOs report on the FMP differential?

Requirement 4.3.4 stipulates that SPOs in Ghana and Côte d'Ivoire are required to have an accounting system in place that tracks and identifies price differential and Fairtrade premium payments transparently. As of December 2022, to comply with requirement 4.3.4 an organization needs to:

Prior to payment, communicate to all members the values to be paid per member in price differential and any Fairtrade premium. The value of price differential and Fairtrade premium payments will be expressed either per kilo of cocoa if the organisation uses a quota system or as a common value per member if the organisation uses an allocation system.

On payment, provide receipts to members using the templates provided detailing separately the values of the price differential and any Fairtrade premium paid with payment dates. Receipt templates can be accessed here in [English](#) and [French](#).

After payment, publish information about the total value of price differential and Fairtrade premium distributed to members with distribution dates, the total Fairtrade premium the SPO received, and the proportion distributed in cash. This information is available to FLOCERT on request.

Demonstrate in documentation separately the amounts received by the organisation of Fairtrade premium and price differential.

Demonstrate each cocoa season that the amount of price differential distributed to the members reconciles with the price differential received by the organisation.

Report to members collectively (at General Assembly) on total amounts of price differential, and Fairtrade premium distributed as cash, if applicable

In addition, requirement 4.3.5 stipulates that Fairtrade price differential and premium payments to members are recorded digitally by the SPO. Digital solutions include third party software tools, data management tools or national traceability systems when available.

**Q.4:** Can you provide a list of third-party software providers offering payment tracking tools?

Yes, please see Annex 1

## ● **Applicability of the Fairtrade Minimum Price / Fairtrade Premium beyond price and premium payers:**

**Q.4:** Are suppliers (beyond price and premium payers) allowed to sell Fairtrade cocoa beans below the Fairtrade Minimum Price?

Given that price and premium payers must pay at least the FMP differential and the FP, it is equally considered an unfair trading practice to sell Fairtrade cocoa beans at a price below the purchase price. To ensure fair and sustainable trading practices are applied throughout the whole supply chain and to avoid excessive pressure on suppliers, all traders at /or beyond the price and premium payer, should sell and purchase Fairtrade products covering at least the applicable Fairtrade Minimum Price differential defined by Fairtrade and Fairtrade Premium. Requirement 4.8.1 – [Fairtrade Trader Standard](#), [Interpretation Note](#))

**Q.5:** As a Fairtrade manufacturer/brand, how will I know what Fairtrade Minimum Price differential was paid to Small Producer Organizations on the Fairtrade Cocoa Products I am purchasing?

It is recommended that buyers of Fairtrade cocoa products request clarification from their suppliers about the value of the FMP differential paid to Fairtrade Small Producer Organizations/the date the Fairtrade cocoa beans were delivered from Fairtrade SPOs, and how this translates into the price for Fairtrade Cocoa Products they are being charged.

Fairtrade recommends that suppliers adopt a *Transparent Pricing Policy* with their customers which details when beans were purchased from Small-scale Producer Organizations e.g., total volumes purchased in which cocoa season and how this affects the prices of the cocoa products being charged during a particular period.

For Côte d'Ivoire, Fairtrade circulates an update on Fairtrade Cocoa Minimum Price differentials to all cocoa operators twice annually to align with the government price announcements on 1st April and 1st October.

The reference prices used to determine whether the Fairtrade Minimum Price is higher than the market price are detailed in the [Fairtrade Cocoa Standard](#) – Requirement 4.2.1.

## ● **Publishing the FMP differential based on the pegged exchange rate 1 EUR = 655.957 XOF applicable to sourcing from Côte d'Ivoire**

**Q.6:** Fairtrade prices for Côte d'Ivoire are set in EUR. The pegged exchange rate between the EUR and the West African CFA franc, or XOF, will be applied to calculate the Fairtrade Minimum Price differential value for each harvest season. Since 1999 it has been set at 1 EUR = 655.957 XOF.

How does the pegged exchange rate affect my payment?

Fairtrade publishes the value of the FMP differential payable for the respective delivery period [here](#). From 1 October 2023, the differential will be published in EUR twice a year using the above-mentioned pegged exchange rate on 1<sup>st</sup> April and 1<sup>st</sup> October when determining whether a FMP differential is payable. The FMP differential value as determined by Fairtrade is applicable regardless of the exchange rate mentioned in the contract with the PO or the exchange rate on the date of payment to the PO.

The contract parties (1<sup>st</sup> buyer) are instructed to use the same pegged exchange rate (EUR/XOF) to convert the FMP differential and the FP payment to SPOs in XOF, for the relevant trading season.

Based on the currency specified in the purchasing contract, the value of the Fairtrade prices (e.g., amount of FMP differential, FP and organic differential) should be respected, whether in EUR or USD. The payment can still be made in other currencies.

## ● Discounts and the Fairtrade Minimum Price

**Q.7:** Can quality discounts be applied by Fairtrade Payers to the FMP or the FMP + organic differential?

No, quality discounts cannot be applied to the FMP or the FMP + the organic differential for Fairtrade organic cocoa. The FMP or the FMP + the organic differential, is an absolute minimum. No Fairtrade cocoa can be traded below.

**Q.8:** The Fairtrade Minimum Price for cocoa is set at FOB level but many Small Producer Organizations do not export. As an exporter can I deduct export costs?

For Fairtrade Cocoa from non-regulated markets, the deduction of export costs is possible in accordance with requirement 4.2.3 in the Fairtrade Trader Standard.

For Fairtrade Cocoa from Côte d'Ivoire, exporters are not permitted to deduct export costs from the Fairtrade Minimum Price differential at FOB level. This is for a number of reasons:

Due to relatively high export costs in Côte d'Ivoire (approx. 22%) allowing the deduction of export costs would significantly reduce the value of the price differential available and ultimately impact greatest on the price differential received by the farmer.

The consequence of a quasi EXWs price for Fairtrade cocoa from Côte d'Ivoire (whilst the same cannot be defined for Ghana) could result in unfair intra-regional competition in West Africa.

Provision for export costs is already made in the national cocoa pricing system of Côte d'Ivoire (Le Barème).

## Fairtrade Minimum Price and calculation of Fairtrade Premium and Fairtrade Organic Differential amount for semi-processed cocoa products

**Fairtrade Premium (FP) for semi-processed cocoa products sold/purchased from traders, applying mass balance**

The value of the Fairtrade Premium for semi-processed products is derived from the average processing yield calculated based on the ratios stated in the requirement 2.1.1.

When calculating the premium value for semi-processed cocoa products, the following conversion ratios apply:

1 MT beans	→	0.82 MT liquor
1 MT liquor	→	0.5 MT butter and 0.5 MT powder
1 MT beans	→	0.41 MT butter and 0.41 MT powder.

In case you are selling only butter or powder as Fairtrade in your supply chain, the Fairtrade Premium values for butter and for powder may increase to offset the uneven demand on butter and powder. However, the total amount of Fairtrade Premium for butter and for powder should not exceed the FP for the total amount of beans needed to produce the product.

**Q.1:** As a certified trader, if I apply physical traceability in my supply chain, which conversion ratios apply to calculate FP?

In case physical traceability applies, the actual processing yields/conversion ratios should be used to calculate the amount of Fairtrade Premium payable, based on the Fairtrade Premium value for beans at 240 USD/MT or 221 EUR/MT.

**Calculation of Fairtrade Premium and Fairtrade Minimum Price for semi-processed cocoa products purchased directly from producers, i.e., cocoa producing Small Product Organizations at origin**

**Q.2:** How do I calculate the Fairtrade minimum price for semi-processed cocoa products purchased directly from Small Producer Organizations?

As per requirement 4.2.5, you negotiate the price of semi-processed cocoa with producers, when purchasing directly from Small Producer Organizations.

For Liquor, the negotiated price is based on, at least, USD 2688/MT at producer level (EXW price). However, Fairtrade expects that processing costs and export costs (when the producers export themselves) are considered when determining the final price for liquor.

For Butter and Powder, the price paid to the SPO should follow the relevant market prices.

**Q.3:** How do I calculate the Fairtrade Premium for semi-processed cocoa products purchased directly from Small Producer Organizations?

As per requirement 4.2.6, to increase price certainty for the SPOs, the FP for semi-processed cocoa products is fixed and should be paid in addition to the FMP and Organic differential. The values of the Fairtrade Premium for semi-processed products are as follows:

Fairtrade Premium	
Liquor	300 USD/MT
Butter	479 USD/MT
Powder	425 USD/MT

The Fairtrade Premium values are calculated using the following processing yields:

1MT beans → 0.80 MT liquor

1MT beans → 0.376 MT butter and 0.424 powder

Due to imbalanced cocoa butter and powder sales, the Fairtrade Premium values above share the associated cost risks equally between SPOs and buyers, by applying a ratio of 0.75 For example:

Fairtrade Premium for 1MT of butter =  $\$240 \div 0.376 \times 0.75$

Fairtrade Premium for 1MT of powder =  $\$240 \div 0.424 \times 0.75$

**Q.4:** How do I calculate the Fairtrade Organic differential for semi-processed organic cocoa products purchased directly from Small Producer Organizations?

The purpose of the Fairtrade Organic differential is to cover the additional costs of organic production, especially when the market fails to do so. The Fairtrade Organic differential is calculated based on the Organic differential for beans (300 USD/MT), paid on top of the FMP or the market price whichever is higher.

The Fairtrade Organic differential for semi-processed cocoa products must be paid in addition to the FMP and FP, when purchasing organic semi-processed cocoa products from Small Producer Organizations

The values of the Fairtrade Organic differential for semi-processed products are as follows:

Fairtrade Organic Differential	
Liquor	375 USD/MT
Butter	375 USD/MT
Powder	375 USD/MT



## Fairtrade Standard Adaptations for Ghana

### ***What is the intent?***

Due to Ghana's unique trading environment in which producer organizations do not trade cocoa and the state is the only exporter, specific Fairtrade standard and certification adaptations are necessary.

The cocoa sector in Ghana is regulated via the Ghana Cocoa Board (COCOBOD) a state institution responsible for regulating prices and coordinating the selling and export of cocoa. COCOBOD is the only institution permitted to sell Ghanaian cocoa to the international market. The COCOBOD sets the farm gate price for the cocoa season and Licensed Buying Companies (LBCs) buy cocoa beans from farmers at that set price. Producer organizations do not mobilize cocoa unless they operate an LBC. The LBCs mobilize cocoa on behalf of the COCOBOD. The Cocoa Marketing Company (CMC), a division of COCOBOD sells and exports the cocoa to traders or processors.

As a state body, the CMC is not Fairtrade certified. LBCs are also not certified under the Fairtrade Trader Standard, because LBCs do not take legal ownership of the cocoa they mobilize on behalf of the state.

### ***What is the rule?***

Fairtrade requires the following of traders, namely Fairtrade payers sourcing from Ghana:

1. **Notification to FLOCERT in writing of the intent to source Fairtrade cocoa beans from Ghana.**  
This is a one-off action meaning it does not have to be repeated for subsequent cocoa seasons. This notification makes FLOCERT aware for audit purposes that certification adaptations will apply to the customer / trader.
2. Signed Memorandum of Understanding (MOU) for Fairtrade products with the producer organization supplying the cocoa beans via the Cocoa Marketing Company (CMC). Responsibility for drawing up the MOU should be mutually agreed on between the producer and the Fairtrade payer.
  - It is recommended that a copy of the MOU is also provided to the CMC.
  - At a minimum Fairtrade payers sign a bilateral agreement with the producer organization; the MOU can be a tripartite agreement between the Fairtrade payer, LBC and producer organization, which is typical for segregated supply chains.

### ***How does it work?***

The MOU stipulates as a minimum:

- a. Agreed volumes;
- b. Quality specifications;
- c. Amount of Fairtrade premium to be paid;
- d. Who is responsible for paying the Fairtrade Premium (and the Fairtrade Minimum Price Differential when applicable), to the producer organization:
  - i. payment may be direct by the Fairtrade payer to the producer organization and no later than 15 days after the receipt of documents transferring ownership of the cocoa.
  - ii. payment may be indirect via the Cocoa Marketing Company (CMC) and no later than 15 days after receipt of the payment from the Fairtrade payer.
  - iii. in both direct and indirect payments, the producer organization receives the Fairtrade Premium (and when applicable the Fairtrade Minimum Price differential) in full. No discounting is permitted.
- e. the form of payment, which must be transparent, and traceable;
- f. terms of payment according to Fairtrade product standards;
- g. definition or mentioning of "Force Majeure";
- h. agreement on applicable jurisdiction; and
- i. an alternative dispute resolution mechanism to resolve conflicts.

## Other Questions and Answers

**Q.1:** If the term ‘cocoa beans’ explicitly refers to fermented and dried whole seeds of the cocoa tree, is it correct that one could purchase unfermented (wet) cocoa beans below the Fairtrade minimum price?

Yes, then the Trader Standard requirement 4.2.3 on price adaption applies.

The term ‘cocoa beans’ explicitly refers to fermented and dried whole seeds of the cocoa tree. Unfermented (wet) cocoa beans can thus be bought below the Fairtrade minimum price, if the costs of fermentation and drying are clear and transparent and agreed upon in writing between the producer organization and the buyer (acting as Fairtrade price and premium payer).

**Q.2:** What does ‘delivery docket’ mean?

It refers to any delivery documentation (delivery note, bill of lading (B/L) etc.) [Fairtrade Standard for cocoa, requirement 2.1.11]

**Q.3:** Does requirement 2.1.12 on the sale of multi-certified cocoa mean that FLOCERT / NFOs will have to start checking my Rainforest Alliance mass balance as well?

No, but during audits you need to demonstrate in your records that cocoa beans bought as Fairtrade and Rainforest Alliance, have not been sold as Fairtrade and as RA certified.

**Q.4:** When does the cocoa trading season start and when does it end?

This varies from one region to the other. Most producing countries have two crop harvesting periods: the main crop and the intermediary crop (also called the mid-crop). For example, in Côte d’Ivoire West Africa, the cocoa trading season runs from 1<sup>st</sup> October or 30<sup>th</sup> September with the main crop harvested from October to March and the mid-crop from May to August. Harvests in Latin American countries vary somewhat. For an overview of harvests in different regions see: [ICCO FAQ](#) [Fairtrade Standard for cocoa, requirement 4.5.1, 4.5.3]

### Annex 1: List of Third-Party Software Providers for Internal Management Systems (IMS)

Abunda	<a href="#">Abunda Plus</a>
Akvo Foundation	<a href="#">Akvo Foundation</a>
AuditAide	<a href="#">Think! Data Services</a>
Capture Solution	<a href="#">Capture Solutions</a>
Chainpoint	<a href="#">ChainPoint</a>
Cropin	<a href="#">Cropin</a>
Dimagi/ CommCare	<a href="#">Dimagi</a>

Dobility (Survey CTO)	<a href="#">SurveyCTO</a>
ESOKO	<a href="#">Esoko</a>
Farm ERP	<a href="#">Farmerp</a>
Farmforce	<a href="#">Farmforce</a>
FarmLogics	<a href="#">FarmLogics</a>
Faunalia (QGIS)	<a href="#">Faunalia</a>
Kobo Toolbox	<a href="#">KoboToolbox</a>
Meridia	<a href="#">Meridia</a>
ODK	<a href="#">Open Data Kit</a>
ONA	<a href="#">Ona</a>
Optel Group/ Geotracability	<a href="#">OPTEL GROUP</a>
POI Mapper	<a href="#">POIMAPPER</a>
Smallholdr	<a href="#">Smallholdr</a>
Source Trace	<a href="#">SourceTrace Systems</a>
VIAMO	<a href="#">Viamo</a>