



# **Fairtrade Certification and SMEs: The Case of a Honey Producer in Kenya**

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## Executive Summary

This report explores the background of fair trade in general and FLO, the Fairtrade Labelling Organisation International, in particular. It then provides a profile of Honey Care Africa (HCA), describing its structure, activities and social agenda. It had become apparent that there is a mismatch between the two organisations, as Honey Care has been unable to acquire the Fairtrade certification that it seeks. This study aims to clarify the nature of this mismatch, and to identify possible solutions.

FLO recognises that certain anomalies arise in the existing qualifying standards, and during the course of this study has in fact been addressing the issues involved. As a result certain changes are currently in progress, although not yet resolved.

- HCA has been accepted as a member of IFAT, the International Fair Trade Association, and is entitled to display the identifying **FTO Mark**. However, the company is not entitled to use the **Fairtrade Mark**, which is a certifying stamp awarded by FLO, indicating conformity with the internationally agreed Fairtrade standards for both products and worker relationships. The two Marks are not synonymous and have different requirements and purposes.
- In addition to individual product standards (which HCA do meet) there are two sets of FLO worker standards: one relating to *small farmers' organisations* and the other for *hired labour*. HCA's model of working is closest to the small farmer's organisation criteria – but not sufficiently close to be accepted by the certifying body as the farmers are not part of a unifying organisation.
- The major stumbling block centres on this issue of organisational structure. A prime concern of FLO is that Fairtrade must benefit the poor at grass roots level, and an organisational structure as set out in the standards is seen as a means of ensuring this. In a situation of individual farmers operating independently, with no group co-operation, there are questions as to how community benefits might be organised, for example in the administration of the Fairtrade premium.
- In recognition that there are a number of organisations that do not conform with the detail of these standards, and yet otherwise conduct business in keeping with the fair trade ethic, FLO has been working to develop an additional set of standards – for *contract labour*. However, initially these are only going to be applied to two specific situations – which do not include honey from Africa.
- HCA's is not an isolated case, and FLO is endeavouring to address problems within the current system of accreditation. The most recent development has been a statement from the FLO Standards Committee and Board, that a solution is being sought by revising the standards for small farmers' organisations. The aim is to achieve greater flexibility that will be more inclusive. It is likely that within six months of this report being written, the issue of appropriate and sufficiently flexible worker standards should have been resolved.
- HCA already has potential customers, once FLO accreditation is obtained. The setting up of a new Standards Unit within FLO will speed up the process of developing and refining standards. Meanwhile, HCA could consider the possibility of initiating co-operation between the honey farmers, and at the same time develop a clear picture of exactly which ones are to be included under the worker standards when the FLO application is reviewed later in the year.

## 1. Background

### 1.1 The Fairtrade Labelling Organisation (FLO) International and other fair trade<sup>1</sup> organisations

Fair trade is a movement which seeks to harness the power of trade to empower marginalised producers in developing countries.

#### A brief history

Fair trade as a concept has existed for over 40 years. Recognising the role that trade, rather than aid, could play in sustainable development, non-profit **alternative trade organisations** (ATOs) sought to create a beneficial trading partnership between socially aware consumers in developed countries and marginalised small-scale producers in developing countries. The first European organisation to start trading in this way was Oxfam in 1964. In the USA it began 20 years earlier, with the organisation now called Ten Thousand Villages.

Since this time, many ATOs (often now called “fair trade organisations”) have developed. See Appendix A for details. These organisations usually perform a range of activities from importing, marketing and retail, through to policy and campaigning work as well as producer support and development.

Alongside the development of ATOs, networks of ‘**world shops**’ developed. Often established by groups of volunteers, these independent retailers not only sold products from the ATOs on the high streets of developed countries, but also sought to inform people about the current trade system, where small-scale producers find it extremely difficult to survive.

This model of trading, which sought to ensure that the benefits of trade flowed down to the producers, rather than being siphoned by more powerful profit-motivated actors in the supply chain, became known as “fair trade”.

During the 1980s and 90s, many changes took place in this fair trade movement. These included:

- An increasing emphasis on food – Since the aim of fair trade is to provide assistance to marginalised producers, the first fair trade products were the handicraft items made by many such groups. Recognising that many of the world’s poorest people are involved in producing basic agricultural products such as coffee, tea and cocoa, these products followed. Since food products are a consumable purchase (and therefore likely to be repeated) sales of fairly traded

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<sup>1</sup> The different uses of ‘fair trade’ and ‘Fairtrade’ are quite intentional - and have meaning. ‘Fairtrade’ (capital ‘F’, all one word) is applied like a trade mark: it is the name of the Fairtrade Foundation, the Fairtrade Labelling Organisation and the Fairtrade Mark. A Fairtrade product is one which carries the certifying Fairtrade Mark indicating that it meets the internationally agreed criteria. On the other hand, ‘fair trade’ is used to describe the movement as a whole, and also other fair trade organisations and the fairly traded products which they sell – but for which official Fairtrade standards have not yet been developed.

food products have rapidly overtaken fair trade craft items. Also, the range of fair trade food items available has expanded, including composite products (snack bars, chocolate, breakfast cereals etc) which contain fairly traded ingredients.

- An increasing focus on quality - the quality of early fair trade products was often inferior to those sold in the mainstream. Initially consumers often made purchases almost as a 'sympathy vote' – motivated by the human story or the ethical standard – rather than buying something they wanted or needed because they saw it was good. Fair trade organisations themselves were sometimes guilty of accepting sub-standard goods, so as not to financially hurt the producers they were buying from.

Eventually the reality had to be faced that in order to match the market niche, fair trade products had to be high quality products that can compete on an equal footing with other, "mainstream", products - as is now the case.

- Co-ordination of the movement – The alternative trade movement of the 70s and 80s, and the fair trade movement as it became known in the 90s, has always consisted of a coalition of many independent people and organisations with a shared desire to see trade used as a powerful tool for development. As public campaigning work continued, it became clear that the movement would benefit from co-ordination in order to provide a united message.

This became particularly important as, in response to consumer demand, fair trade began to spread into mainstream shops and supermarkets. It was necessary to market fairly trade items in a unified way and to give them an identity that consumers could recognise and value.

- The development of clearer branding – In order to market their products, ATOs needed to explain to consumers why this model of fair trade was different from conventional trade. There was a need to provide definitions of what the fair trade relationship looked like and also a need to monitor the trading relationship to ensure that it lived up to these ethical credentials. Labels were developed which would differentiate products as being fair trade. The first of these labels was an initiative in the Netherlands, where the 'Max Havelaar' brand name was first launched on coffee. After this first initiative, other national labels soon followed, some using the same name, others introducing new names, like TransFair (in Germany, Italy, Austria, the USA and Canada), Fairtrade Foundation (in the UK) and Rättvisemarkt (in Sweden). There are now 17 such national labelling initiatives.

These developments led to the birth of two key umbrella organisations – IFAT and then FLO:

**IFAT** (set up in 1989 as the INTERNATIONAL FEDERATION FOR ALTERNATIVE TRADE, and now known as the INTERNATIONAL FAIR TRADE ASSOCIATION) – is a network of alternative trading organisations and producer organisations in Africa, Asia, Europe, Latin America, North America and the Pacific Rim, working to improve the livelihoods and well-being of poor people through trade. IFAT is a coalition to promote fair trade and a forum for the exchange of information. With 220 members in

59 countries<sup>2</sup>, IFAT links and strengthens handicraft and agricultural producer organisations from developing countries and ATOs from both developing and developed countries. It brings people together in partnership to discuss fair trade issues. The key goals of IFAT are providing networking opportunities, information and technical and business support, improving market access on fair trade terms, and engaging in educational, campaigning and lobbying activities.

**FLO INTERNATIONAL** (the Fairtrade Labelling Organisation) – was established in 1997 as an international monitoring and labelling organisation to set standards and to issue guidelines for assessment and monitoring of fairly traded products. Established as the world-wide umbrella organisation for the 17 national labelling organisations which had developed to that point, FLO acts as an independent certification body, setting Fairtrade standards and monitoring producer and trader compliance with Fairtrade criteria. For some years, the different labels that had been used in different countries continued to be used, but harmonisation to a single international label (pictured) is now underway. The Fairtrade Mark is the international guarantee that producers and traders of a given product have met the standards of Fairtrade.



Fairtrade monitoring criteria have been developed by FLO to look at both generic producer issues and product specific issues. For this reason, only certain products can carry the Fairtrade Mark (those for which FLO has developed a standard). So far, this list covers:

- Coffee
- Tea
- Cocoa
- Sugar
- Honey
- Bananas
- Fresh fruit and vegetables
- Dried fruit
- Fruit juices
- Rice
- Wine
- Nuts and oilseeds
- Cut flowers
- Ornamental plants
- Cotton
- Sports balls

This has meant that for some time some fair trade products have carried the Fairtrade Mark whilst others have had to be branded separately. This has normally been done by using the logo of the trading organisation (such as Traidcraft, Oxfam, etc.) which consumers have come to trust as a fair trade organisation. For products which do not yet have FLO criteria, trading terms are defined under the different trading policies of the individual fair trade organisations. This has especially been the case for handicraft items, for which there are no FLO standards.

In January 2004, IFAT launched the “Fair Trade Organisation Mark” (FTO Mark). IFAT members who are traders and meet the requirements of the IFAT monitoring system (which is separate from the FLO criteria) are able to place this mark on organisational promotional material. This is a monitoring system and a mark which **accredits the organisation rather than the specific product**, so is not used on individual products.



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<sup>2</sup> Latest figures available, as of January 2005. (IFAT website)

IFAT is working with FLO in attempts to develop one overall, integrated monitoring system for fair trade organisations *and* fairly traded products. A co-operation paper agreed by both organisations in December 2001 states that fair trade products are those products that are:

- labelled under the FLO certification system
- and/or produced by fair trade organisations.

This is how, within the European fair trade movement, the terms 'fair trade' and 'Fairtrade' have come to have a slightly different significance, but a common meaning (as explained in footnote (1), page two).

FLO and IFAT are international bodies. Two further organisations playing a co-ordinating role in the European context are NEWS! and EFTA.

**NEWS!** (the NETWORK OF EUROPEAN WORLD SHOPS) was established in 1994. It co-ordinates the co-operation between World Shops in Europe. It is a network of national associations of World Shops representing 2,500 shops in 13 member countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Spain, Sweden, Switzerland, United Kingdom. NEWS! initiates joint campaigns and awareness raising activities of the European World Shops (for instance the annual European World Shops Day in May) and supports the professionalisation of national associations of World Shops. The aim of NEWS! is the promotion of Fairtrade in general and the development of the World Shops movement in particular.

**EFTA** (the European Fair Trade Association) was established in 1990 as a network of the 11 largest European importers of Fairtrade products. Members are from 9 countries: Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the UK. The core business of EFTA is to make fair trade importing more efficient and effective. EFTA provides services to its members, like information exchange on products and producers, encouraging bilateral cooperation and the development of a common database. A second core activity is advocacy and campaigning: raising awareness of decision-makers and the general public by focusing on specific examples like coffee, cocoa or rice, and by proposing real solutions to improve trade policies and redress the imbalances. EFTA also engages with the European Union on such issues.

Together, the four umbrella bodies FLO, IFAT, NEWS and EFTA (often referred to as FINE) have agreed a joint definition of fair trade as follows:

***“Fairtrade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South. Fairtrade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.”***

As well as these four bodies, smaller networks of fair trade organisations exist around the world (some as sub-networks of IFAT). These include the Asia Fairtrade Forum, Fairtrade Group Nepal, Associated Partners for Fairer Trade Philippines, Fairtrade Forum India and the Kenya Federation for Alternative Trade (KEFAT).

The fair trade movement is also influential in the USA, although it does not appear to have kept pace with recent developments in Europe. There is a national 'secretariat' - the Fair Trade Federation, and the certifying and labelling organisation is TransFair USA. For contact details of these, also see Appendix A.

## 1.2 Honey Care Africa

Established in 2000, and based in Kenya, Honey Care Africa (HCA) is Eastern Africa's leading apiserivices business, actively applying a tripartite model across the region through a strategic expansion programme.

It is a private sector organisation, but works with a number of development organisations and donors, including DANIDA, the European Union and the UNDP. It also makes use of a network of Community-Based Organisations and Self-Help Groups, in its delivery of inputs to farmers. This combination of private sector, development sector and rural communities is what is referred to as HCA's *tripartite model*.

HCA manages the complete cycle of activities and offers related services, such as:

- project inception with farmer groups
- training
- provision of equipment and
- technical support through project development officers
- collection
- processing
- packing
- distribution
- sales and marketing

The company also buys honey from the farmers, providing a fair price and prompt cash payment, and so guaranteeing a stable market for the farmers who are then able to forecast their incomes and plan ahead.

Hives are primarily bought by the farmers on the basis of a loan, the cost of which is deducted at source from payments for honey produced. HCA embraces various systems of beekeeping, and facilitates the use of different types of hives.

The company's code of ethics states:

***Honey Care believes in being honest, transparent, and accountable in all that it does.***

- *It believes in being reliable and providing the best service that it can.*
- *It believes in paying a fair price and a fair wage to all those involved in the entire process chain of honey production.*
- *It believes in working with all the partners as equals.*
- *It believes in developing and promoting symbiotic partnerships which are beneficial and positive for all those involved.*
- *It believes in dialogue and communication to solve any problems or misunderstandings that may arise.*
- *It strongly believes in evaluating the organization's performance by a triple bottom line – environmental benefits, social benefits, and economic benefits, for all those involved.*

Working across seven out of Kenya's eight Provinces, HCA produces 27 different types of honey that are then blended into four flavours, packed and sold.

There are mobile extraction units, which means that HCA project officers can collect honey without the farmers having to travel long distances. In addition to the extraction units, the company also provides collection points where better organised farmers can deliver their honey.

HCA primarily sells the honey on the local market where there is a poor supply, but also handles distribution across East Africa.

The company has conducted export trials of its range of honeys, and the response has been very positive. They are currently in discussion with an international network of organisations that are interested in importing their honey when the required volumes are available. The company is also a recognised processor and exporter of beeswax.

HCA is seeking Fairtrade certification and is eager to enter the international Fairtrade market for honey. The company is already a member of IFAT, and a number of fair trade buyers have expressed interest in the product. They are in a position to supply the volumes required by these buyers – *subject to FLO certification*.

Active engagement between HCA and FLO has led to development of a draft standard that could be appropriate to the HCA model (see page 16).

## 2. The Fairtrade system

### 2.1 The role of FLO

The Fairtrade Labelling Organisation (FLO) International is recognised as the worldwide standard setting and certification body for Fairtrade products.

Currently<sup>3</sup> FLO has:

- certified 389 producer organisations from 48 countries in Africa, Asia and Latin America to supply Fairtrade products.
- registered 350 traders (exporters, importers, processors and manufacturers) from 50 countries all over the world, who are buying and selling products on Fairtrade terms
- granted licenses to 550 organisations to use the Fairtrade Label on the product for final sale to consumers in 19 countries in Europe, North America, Mexico, Japan, Australia and New Zealand

The FLO **Certification Unit** is now known as FLO-Cert Ltd. This is the body with responsibility for producer certification and trader registration decisions. FLO-Cert ensures that all FLO standards comply with the ISO Standards for Certification Bodies (ISO65).

There is also a recently established **Standards Unit**. Previously, development of standards was overseen by the Standards Committee, while the work of actually drawing them up was undertaken by external consultants. It is essential that an international certifying body such as FLO has standards that are clearly defined, fairly but firmly applied and readily auditable. Only in this way can standards be monitored and so retain credibility. As demand has increased and the Fairtrade initiative has grown, FLO has acknowledged that better resources were needed for this important work. So there is now a dedicated unit, with full-time staff and a recently appointed Standards Director. The Standards Committee meets five or six times a year.

FLO sets standards which cover:

- The producer – both in terms of a minimum requirement which producers must meet to be certified Fairtrade, and a progress requirement, to encourage continued development in working conditions and product quality, environmental sustainability and investment in producers/workers<sup>4</sup>.
- The trading relationship, ensuring that traders pay enough to cover the cost of sustainable production and a premium for investment in development, that partial advance payment is available and that contracts allow for long-term planning.
- Product specific issues such as minimum quality, price, and processing requirements

The current FLO standards for each of these areas as they apply to honey are attached as Appendix B.

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<sup>3</sup> Latest figures available, as at May 2004. (FLO website)

<sup>4</sup> There are currently two sets of standards – relating to **small farmers' organisations** and **hired labour** respectively. See Section 3 – Organisational structures, as well as Appendix B.

## 2.2 The benefits of certification

The main benefit of FLO Fairtrade certification for a producer organisation is likely to be access to the niche Fairtrade market for their product. This requires a Fairtrade buyer who is looking for a source – hence the requirement of FLO that an identifiable export market exists for the product prior to certification. Benefits to the producer of trading under the terms of Fairtrade include:

- a guaranteed minimum price, which is established by FLO on the basis of costs of production
- pre-export finance for the producer from the buyer, at up to 60% of the total order value
- the payment of a premium (set by FLO) in addition to the fair trade price, to be used for development projects as agreed and directed by the producer association
- orders guaranteed for a year in advance, with the expectation of long-term relationship where possible

## 2.3 Getting Certified

The FLO certification process operates as follows:

A producer organisation interested in FLO certification contacts FLO by email or post with details of:

- The type of legal entity of the organisation
- The number of members or workers in the organisation and their participation in the decision making processes
- Details of current markets, particularly exports
- Product type, variety, quality and quantity available for export
- Position with regard to organic certification

FLO will then assess these details to check that the organisation is likely to be able to meet basic FLO standards and that there is market potential for the organisations product. (The application process will progress more smoothly if there is a buyer who is willing to support the application and to commit to importing the final product.) If this is the case, then an initial questionnaire will be sent by FLO to the applicant organisation.

If the assessment by FLO of the responses to this questionnaire is positive, then an inspection visit will be made to the applicant organisation.

The inspector/s will report back to FLO on the extent to which the standards are met by the applicant organisation. There are both minimum standards which must be met, and progress standards which may be met over time. A committee at FLO will make a decision on certification.

The certification decision will be communicated by FLO to the applicant organisation. If successful, then the applicant organisation will be placed on the FLO register of certified Fairtrade suppliers. A contract will be signed between FLO and the applicant and a development plan for the business will also be drawn up. Once certified, the applicant can provide products to Fairtrade traders who will be able to label them with the Fairtrade Mark.

### Fees

At the time of writing fees for the initial certification process (introduced in December 2003) are **between €2,000 (US\$2,584)<sup>5</sup> and €5,200 (US\$6,718)**, depending on the type and size of the applicant organisation. In addition to this there is an annual flat-rate fee of **€500 (US\$646)** for renewal of certification, plus a percentage (4.5%) of FOB value of sales into the Fairtrade market. For producers selling into a non-Fairtrade market the €500 flat-rate applies for the first two years, but after that the fee corresponds to the relevant initial certification fee.

The scale of fees is based on five categories of applicant, defined under three headings - hired workers, individual small farmer groups such as co-operatives, and umbrella organisations comprising several small farmer groups or co-operatives.

Category	Plantations/ hired workers	Individual small farmer groups	Umbrella organisations of small farmer groups	Cost in Euros €	Cost in USD \$
	<i>Number of workers</i>	<i>Number of members</i>	<i>Number of member groups</i>		
Cat A	Up to 500	Up to 500		2,000	2,584
Cat B	500 – 1,000	Over 500	Up to 10	2,800	3,617
Cat C	Over 1,000		10 – 30	3,600	4,651
Cat D			31-100	4,000	5,168
Cat E			Over 100	5,200	6,718

### SCALE OF FEES FOR INITIAL CERTIFICATION

These prices cover the evaluation of the applicant's initial questionnaire, the initial inspection and the decision-making process. Fees were set as a means of covering FLO's costs, especially in relation to carrying out inspections, and every effort was made to make the system fair and affordable to applicants. Other certification systems generally cost considerably more, with organic certification costing two or three times as much. A fund was also set up to subsidise poorer producers in certain circumstances.

**NOTE:** New discussions are currently ongoing (April 2005) regarding changes to the fees system, to apply from the end of 2005. It is proposed that FLO will employ staff locally or regionally to undertake inspections and monitoring, rather than using staff based in Europe. It is intended that this will reduce expenditure, and new scales of charges will be set to reflect the real costs within the local context.

<sup>5</sup> Based on approximate conversion rate of 1€ = \$1.3 / \$1 = 0.8€.

### Standards

As mentioned, FLO standards currently apply to two categories – those for products produced by *small farmers' organisations*, and those for products produced using *hired labour*. At the time of writing, discussions are ongoing within FLO about the development of a third standard – for *contract labour*. This is explored further in Section 4. **The standards for honey are based on small farmers' organisations, as the assumed organisational structure<sup>6</sup>.** It is the inclusion of the word 'organisations' that is significant here: the standards apply not to individual small farmers, but to those who have come together with some kind of organisational structure.

Very briefly, the key aspects of the Fairtrade standards for honey, (as for any other product based on the small farmers' organisation model), against which applicants would be assessed are:

- Trade must bring demonstrable social and economic benefits to small farmers.
- These farmers need to be organised in a way **that enables the benefits of trade (both social and economic) to be controlled and shared in a democratic way. This will include the use of a Fairtrade premium which will be paid to promote development for the farmers and local community.**
- The organisation of farmers needs to be non-discriminatory in its membership.
- Demand for the product must exist in the export market, and the producing organisation be capable logistically of meeting that demand. (For honey, specifically meeting EU and Swiss quality standards, and controlling the water content and HMF levels to an agreed standard).
- Environmental considerations must be made, including the avoidance of certain pesticides.
- ILO Conventions on labour conditions must be met.

The standards also govern the trading relationship between producer and buyer, such that the price must be equal to or greater than a specified minimum (which for honey depends on the quality grade and whether organic). Pre-export credit should be available from the buyer; and minimum orders should be agreed for at least one year to enable some level of continuity.

David Wainwright (Tropical Forest Honey, UK) buys honey from North West Beekeepers, the only current African FLO registered producer of honey. David confirmed that the process above had been his experience of certification and that

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<sup>6</sup> There are FLO standards for hired labour only in relation to bananas, cut flowers, fresh fruit, juices, ornamental plants, sport balls, tea and wine. For a few products, standards exist for both types of organisational structure, recognising that fresh fruit, juices, and wine may be produced in either situation. See Appendix B for detail of the standards for small farmers' organisations.

there had been no areas for this Zambian organisation in which existing standards had created any real issues. Some minor details were highlighted as areas where progress was needed in the twelve months following certification.

However, North West Beekeepers had fit with the FLO standards reasonably straightforwardly, *with a democratic structure in which the producers were shareholders in the organisation, and took democratic decisions at an annual members' meeting. This included a collective price negotiation procedure.* (The indication from FLO is that there have been other applications from Zambia that have had to be rejected because of inability to meet the standard.)

## 2.4 Existing Honey Producers recognised by FLO

FLO currently works with 24 honey producer partners<sup>7</sup>. The location of these producers is as follows:

Africa	1 (Zambia)
South America	6 (primarily Chile)
Central America	18 (Mexico, Guatemala and Nicaragua)
<b>Total</b>	<b>24</b>

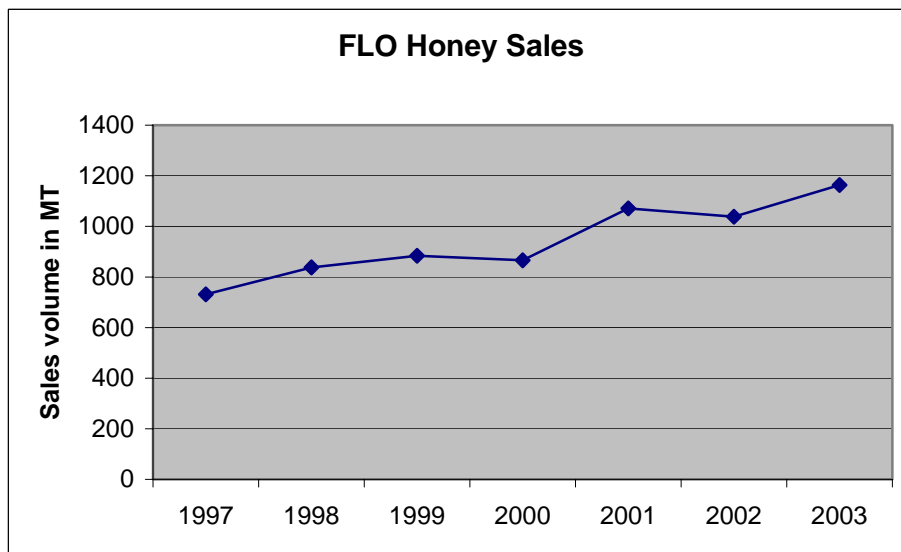
In addition there is one FLO registered exporter (most of the producers export themselves) and 20 importers, manufacturers and packagers are registered. There are 13 organisations in ten European countries who have been licensed by FLO to provide Fairtrade labelled honey to the end consumer.

In 2003, sales volumes of Fairtrade honey were:

	2003 sales in MT	% change on previous year
Austria	0.4	-73.3
Belgium	83.0	80.4
Finland	14.6	-41.6
France	27.0	n/a
Germany	354.0	-6.2
Great Britain	101.3	1.7
Italy	85.1	126.3
Luxembourg	2.1	320.0
Netherlands	57.9	-12.7
Switzerland	438.3	14.0
<b>TOTAL</b>	<b>1,163.7</b>	<b>12.1</b>

<sup>7</sup> Latest figures available as at March 2004. (FLO website)

Total sales volumes of FLO labelled honey have seen increases since 1997 as shown by the following graph. FLO report a growing demand for Fairtrade labelled honey.



### 3. Current Issues

#### 3.1 Organisational structure of producer groups

Three primary factors currently limit the number of producer organisations that are able to receive Fairtrade certification:

1. standards exist only for a limited range of products
2. a market for the product must be clearly identified before certification
3. the producing organisation needs to conform to a particular type of organisational structure

For Honey Care, the first two points above are not at issue, since honey is a product for which standards do exist, and they also have export buyers interested in purchasing Fairtrade honey from them, once they have accreditation.

From the FLO perspective, the number of products for which standards have been developed has increased considerably, and the process is ongoing. As described in Section 2.1, there is now a dedicated FLO Standards Unit tasked to develop standards, and this will increase efficiency and productivity. Research is necessary to ensure a market exists, and the actual process is time-consuming and complex.

The point about organisational structure needs to be given further consideration as this appears to be the stumbling block for HCA. Not only does the *product* have to meet the criteria set by FLO – in this case honey – but the *organisation* itself also has to meet the criteria applied to the workers and how they operate.

As already mentioned, the two established sets of worker standards relate to **small farmers' organisations** and **hired labour** respectively. The first set applies to smallholders organised into co-operatives or other organisations with a democratic, participative structure. The second applies to organised workers, whose employers pay decent wages, guarantee the right to join trade unions and provide good housing where relevant, etc.

In the case of farmers' co-operatives or other similar organisational structures, a marketing intermediary trades on a one-to-one basis with the organisation. However, in a situation where the intermediary has separate relationships with a large number of individuals who have no unifying structure (as is the case with HCA) the detail of the existing standard cannot be applied. Nor is there a part of the standard that sets out the requirements of the intermediary organisation itself.

The existing standards do not cover the operational models of a number of producers who would like to become FLO certified. Cotton and dried fruit, for example, are two areas in which a number of requests for certification have been refused for this reason. These shortcomings are recognised by FLO, and it is acknowledged that the current system does exclude some of the disadvantaged and poor who are the very people the system sets out to help.

There are two common forms of production which fall outside FLO's scope as currently defined by their standards. These are **contract production** and **mixed**

**farming** – and FLO established two working groups to consider these options for alternative structures.

Contract production applies to situations where the farmers are independent with no specific organisational structure, selling produce to middlemen. This may be because farmers have no remit for processing, or don't own all the means of production. They may be dealing on fair terms with middlemen who carry out processing, but are not organised into a formal group.

Mixed farming often applies to wine growers, where the organisational structure can be an amalgamation of hired labour and smallholder farmers.

A key issue in all these discussions is that fair trade aims to empower producers and to ensure that the benefits of the fair trading relationship do go to them and their communities. In a situation where farmers are all operating as individuals (as in the case of those working with HCA) questions arise over assigning the premium earned fairly to the community, as intended.

### 3.1.1 **Contract production**

Of particular interest here is the working group on contract production, since this is the organisational form closest to the current reality for HCA.

During 2004 the working group worked to develop a standard to cover contract production, and after field testing and consultation a third draft was presented in November. The proposed standard recognised that there may be occasions on which small producers are not organised into formal structures, but where they have a common contractual relationship with an intermediary organisation which is able and willing to contribute to their social and economic development. The standard recognises this intermediary as a “promoting body”, and places requirements on it, namely to:

- Demonstrate that the majority of producers fall into the given definition of small producers, and that Fairtrade revenues would promote the social and economic development of these small producers.
- Sign contracts with each recognised producer. These contracts should ensure that producers are free to sell to other intermediaries and that producers are clear on the conditions and terms of trade including and charges that will be made for extension services or inputs by the promoting body into the production process.
- Establish a form of structure which will enable the producers to be represented and to take decisions about the use of the Fairtrade premium in a democratic way. (Producer Executive Body)
- Act as a trustee for the payment of Fairtrade premiums from FLO.
- Ensure, as for the FLO standards for other forms of organisation, that the product is exportable, that environmental considerations are taken into account and that ILO conventions on labour conditions are met.

It can be seen that such terms would be more readily applicable to the relationship between HCA and the farmers with which they work. And the finalisation of these standards would in fact be positive news for many would-be Fairtrade organisations, were it not for two crucial factors:

- i. Whilst this standard is in development, its scope has been restricted to very specific projects, namely, cotton farmers in India and Pakistan, and Basmati rice producers in India.
- ii. It is made very clear that this standard should only serve the purpose of allowing FLO registration through a transition process into compliance with the current generic standards (either for small farmers' organisations or for hired labour).

There are clearly differing views on this issue, both within and outside the fair trade movement. Research reveals that there are those who see the current standards as unnecessarily restrictive, creating a barrier to entry for a number of privately run organisations that are having real positive developmental impact and that should be encouraged into the Fairtrade arena. For these people, the limited scope of the current project around contract production is particularly frustrating. There are others who see that there are plenty of organisations that do fit into the current FLO model of small producer organisations, and see democratic, co-operative groups as a better model of production that should be encouraged as part of the Fairtrade remit.

In March 2005, the Standards Committee put a proposal to the FLO Board – that the scope of the new contract production standard should not be extended to include additional products or countries, but that further work should be done to amend the existing smallholder standards to achieve greater flexibility and inclusion. This was approved by the Board, and an official statement was sent out to all relevant parties, to the following effect:

***The Standards Committee and FLO Board have agreed that for the time-being the scope of contract production shall not be extended / widened to other countries or products.***

***This is due to two reasons:***

- 1) There is greater logic in reviewing the smallholder standards and to comprehensively investigate why certain cases / groups / regions do not currently comply with the smallholder standards and how, within acceptable limits, the standards can be amended to better reflect the wide variety in forms of organisation of small producers all over the world. It has been agreed that the smallholder standards shall thus be strengthened and reviewed primarily.
- 2) Further work on the Fairtrade approach to contract production is needed so as to ensure that Fairtrade's aims of producer empowerment and development are promoted optimally in this case as well. This work should lead to a decision whether Fairtrade's aims in situations of contract production are best achieved by integrating contract production into the existing smallholder standards or whether a separate generic contract production standard is the best way forward. In the latter case, the scope of the existing production standard would be extended.

## 3.2 Regional issues

Of 24 producers of honey certified by FLO, 23 are located in Central and South America. Only one producer is located in Africa – in Zambia. This is not due to a lack of production in Africa – bee-keeping is a traditional skill and Africa is heavily populated by bees. It may partly be explained by market demand and consumer preference: conventionally, buyers of honey in Europe value a pale colour and mild taste. However, David Wainwright of Tropical Forest Products sees this as a prejudice within the trade, rather than being a reflection of consumer taste.

The situation regarding African honey is in fact quite complex and there are a number of other relevant issues to consider. The FLO Product Manager for honey offers the following explanations:

- The main honey exporting country supplying honey to Europe is Mexico. Therefore Mexican honey is what the market is used to, and it is the flavour and quality against which others tend to be compared. In this, David Wainwright's comment is perfectly valid.
- Competitive advantage can be gained by some kind of differentiation from the standard honeys familiar to consumers, such as a specialised monoflora honey (acacia, eucalyptus or orange blossom, for example). Many African honeys are derived from tree pollen rather than flower pollen, which provides a darker colour and stronger, distinctive taste that is different from many other honeys. Unfortunately only some markets are receptive to that taste – namely the UK, Germany and Scandinavia, where forest honeys have already been introduced.
- The issue already explored elsewhere in this report is also relevant, because of the traditional way in which beekeepers in Africa operate (ie not in co-operatives or organised groups). FLO has received applications for Fairtrade certification from Tanzania and Zambia, as well as from Kenya – and the same constraint applies in each case. As previously stated, the trading relationships between farmers and marketing intermediaries do not fit with the small farmers' organisations standards as they currently stand.
- However, another major obstacle to the export of African honey to Europe (whether Fairtrade or not) is in fact EU legislation. Recent problems with chemical residues and other quality problems led the EU to introduce stringent controls on honey imports, and only honey from certain listed countries is allowed into EU member countries<sup>8</sup>. In order to be listed, the exporting country has to have in place national monitoring and certifying systems, and at present the only authorised countries in Africa are Kenya, Tanzania, South Africa and Zambia.

In the face of all these obstacles, FLO reports a growing demand for honey from Africa and is very keen to increase the number of FLO registered honey producers, so that the market demand could be met. (This is not consistent with the current view on supply and demand for African forest honey in the UK, so the suggestion is that the greater opportunity may lie in the German market.)

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<sup>8</sup> For further information, see –

[http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l\\_154/l\\_15420040430en00440050.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_154/l_15420040430en00440050.pdf)

## 4. Fairtrade and Honey Care

### The challenges and constraints

- As previously stated HCA is a member of IFAT, and therefore recognised as a fair trade company. However, IFAT's FTO Mark is an indication only that the *organisation* meets certain criteria set by IFAT - not that the products meet the internationally agreed Fairtrade standards.
- It is evident that, in spite of all efforts to the contrary, FLO's official criteria are still not applicable to HCA. Therefore HCA's honey cannot yet be labelled as a Fairtrade product.
- For accreditation by FLO, official monitoring criteria relate to the product and the value chain, right back to its origins. Also it is the business relationship that is key, and has to accord with the relevant worker standard (for small farmers' organisations) as detailed previously.
- HCA knows that there are customers for their honey, but need authorisation to display the Fairtrade Mark in order to take advantage of those market opportunities.
- FLO knows that there are customers for Fairtrade African honey, but are unable to facilitate a supply because African honey producers' way of operating does not comply with the standards that have been developed to ensure that the benefits of Fairtrade certification are passed right down the line to the farmers and communities who they aim to support.
- HCA's perspective is that their initiative was set up specifically to facilitate market access for very small-scale farmers. Therefore it follows that the very people it targets are those that operate on too small a scale to be part of any larger organisation. That is the very reason that HCA represents their interest.
- One of the reasons for small-scale farmers operating on their own in this way is a *"long history of spectacular co-operative failures"* (for example, for dairy products, tea and coffee). As referred to elsewhere in this report there is a resistance to formal frameworks of the kind required by the FLO criteria.
- The Fairtrade system also was set up specifically to benefit the poor and disadvantaged, and that is the reason why the standards are so specific. However, it is held by some actors that the standards are *too* inflexible, and that in some cases they work against those target beneficiaries rather than in their favour. FLO is working hard to redress the balance.
- HCA aims to engage in poverty reduction through trade, and is a company with a strong social and environmental agenda. However, the FLO process and policy requires reassurance that Fairtrade business is guaranteed to benefit the poor at grass roots level, and to empower them through their organisational structure to make the decisions about the use and application of the Fairtrade premium.

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### What are the solutions?

The result of these combined challenges is a considerable shared frustration and a common wish to find solutions in the best interest of all concerned.

From what has been discussed, it can be concluded that :-

- The processes involved are slow and there is no quick-fix solution.

It is evident that FLO recognises and acknowledges the current dilemma and the shortcomings of the existing standards. There has been an attempt to respond to the needs of producers and support organisations by pushing through the new standards for contract workers. However, as it has become apparent that this was still not a fully appropriate solution, it is necessary to re-assess the issues involved. In an effort to resolve the situation to the satisfaction of all parties it has been necessary to back-track slightly and consider a different approach.

As things stand (March 2005) this may well take the form of changes to the standards for small farmers' organisations, and not in the introduction of a new standard for contract labour that would include honey production. (The latter are only for cotton and rice, and then only as a temporary measure until the smallholders standard is adapted.) As the recent FLO statement about proposed changes stated –

*“This work should lead to a decision whether Fairtrade’s aims in situations of contract production are best achieved by integrating contract production into the existing smallholder standards or whether a separate generic contract production standard is the best way forward. In the latter case, the scope of the existing production standard would be extended.”*

Unfortunately the statement does not include any indication of a time-frame. However, the Standards Committee will meet in April 2005 and again in June, and it is anticipated that these issues will then have been resolved, thus opening the door to accreditation for the various applicants previously not considered eligible.

- Meanwhile, another theoretical solution would be for the honey farmers operating through HCA to consider joining in some organisational structure that would meet some of the FLO requirements.
- HCA might enter into a dialogue with FLO regarding the development of standards relating particularly to marketing intermediaries such as themselves, that work with a number of individual farmers who are not part of any organisation. It would also be recommended to consider exactly which groups of honey farmers with whom they work should be covered by the revised standard, as they would need to be defined or classified in some way.

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### Challenges and constraints illustrated by the HCA case

The major challenge appears to be to find a way for FLO and businesses such as HCA to work together towards the common goal – namely to support the poorest and most disadvantaged small-scale producers. It should be remembered that the standards set by FLO are designed to protect the interests of the poor and disadvantaged, and not to exclude them by putting obstacles in their way. This is why FLO are currently striving to amend the existing system in order to accommodate situations that had not been anticipated when drawing up the original worker standards.

The constraints that have frustrated HCA have been examined here, and it is evident that they are neither permanent nor insurmountable. It is hoped that within about six months of this report being written, the issue of appropriate and sufficiently flexible worker standards could have been resolved. However, as a note of caution – it could take longer, and expectations should not be too high regarding the timing of implementation. Maintaining contact with FLO is the only way of monitoring progress.

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Non-profit certification organisation for fair trade products, also involved in awareness raising.

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**APPENDIX B**

FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL

**FAIRTRADE STANDARDS FOR HONEY** (Version November 2004<sup>9</sup>)

## **Fairtrade, an Alternative for Small Farmers and Workers**

### **PART A Generic Fairtrade Standards for Small Farmer's Organisations**

#### **1 Social Development**

- 1.1 Fairtrade adds Development Potential
- 1.2 Members are Small Producers
- 1.3 Democracy, Participation and Transparency
- 1.4 Non-Discrimination

#### **2 Economic Development**

- 2.1 Fairtrade Premium
- 2.2 Export Ability
- 2.3 Economic Strengthening of the Organisation

#### **3 Environmental Development**

- 3.1 Environment Protection

#### **4 Standards on Labour Conditions (applicable if the organisation employs a considerable amount of workers)**

- 4.1 Forced Labour and Child Labour
- 4.2 Freedom of Association & Collective Bargaining
- 4.3 Conditions of Employment
- 4.4 Occupational Health and Safety

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

### **PART C Trade Standards for Honey**

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<sup>9</sup> Note that FLO product specific standards are reviewed periodically, and may also be changed in response to issues arising at any time. It is recommended to check for the current version on the Standards pages of the FLO website.

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## Fairtrade, an Alternative for Small Farmers and Workers

Fairtrade is an initiative for small farmers and wage workers in the South, who have been restrained in their economical and / or social development by the conditions of trade (= 'disadvantaged'). If fair access to markets under better conditions of trade can help to overcome the restraints of development, they can join Fairtrade.

**Small farmers** can join Fairtrade if they have formed organisations (in co-operatives, associations or other organisational forms<sup>10</sup>) which are able to contribute to the social and economic development of their members and their communities and are democratically controlled by their members. Organisations can be certified by FLO if they comply with the requirements in this document.

**Workers** can participate in Fairtrade if they are organised, normally in unions, and if the company they work for is prepared to promote workers' development and to pass on to the workers the additional revenues generated by Fairtrade. Such companies working with hired labour (farms, plantations, etc.), can be certified if they comply with the requirements in this document.

In setting its Standards FLO follows certain **internationally recognised standards and conventions**, especially those of the ILO (International Labour Organisation), as these form the basic labour rights most widely accepted throughout the world. In this document each Standard is formulated in general terms, and, where applicable, reference is made to external standards which FLO follows.

The Standard is then followed by the **requirements** against which producers will actually be inspected. The requirements are divided into:

- **minimum requirements**, which all producer organisations must meet from the moment they join Fairtrade, or within a specified period; and
- **progress requirements**, on which producer organisations must show permanent improvement. A report on the achievement of progress requirements should be made each year.

Minimum in this sense is meant to ensure that:

1. Fairtrade benefits reach the small farmers and/or workers.
2. The small farmers' organisation and/or the workers has/have potential for development.
3. Fairtrade instruments can take effect and lead to a development which cannot be achieved otherwise.

The degree of progress, which FLO requires from each producer organisation, depends on the level of economic benefits it receives from Fairtrade and on its specific context.

FLO also requires that producer organisations always abide by **national legislation**. Furthermore, national legislation prevails if it sets higher standards on particular issues than FLO.

The Standards laid out in this document apply to **small farmers' organizations ONLY**. For Standards related to hired labour situations please see the respective document.

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<sup>10</sup> In the rest of the document the term organisation will be used, which should be read as to include all types of organisational forms.

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## PART A Generic Fairtrade Standards for Small Farmer's Organisations

### 1 Social Development

#### 1.1 Fairtrade adds Development Potential

*Fairtrade should make a difference in development for certified producers.*

##### 1.1.1 Minimum Requirement

1.1.1.1 The producer organisation can demonstrate that Fairtrade revenues will promote social and economical development of small farmers.

##### 1.1.2 Progress Requirement

1.1.2.1 A monitored plan should be developed under which the benefits of Fairtrade (including the Premium) are shared based on a democratic decision taken by the beneficiaries.

#### 1.2 Members are Small Producers

*By small producers are understood those that are not structurally dependent on permanent hired labour, managing their farm mainly with their own and their family's labour-force.*

##### 1.2.1 Minimum Requirement

1.2.1.1 The majority of the members of the organisation are small producers.

1.2.1.2 Of every Fairtrade-certified product sold by the organisation, more than 50% of the volume must be produced by small producers.

##### 1.2.2 Progress Requirement

1.2.2.1 Where a minority of small producers from within a small producer organisation is producing a particular Fairtrade-product, special attention needs to be given to ensure that they will always receive a cost-covering price for their product from the small producers' organisation. The small producer organisation will establish an adequate system for this respectively.

#### 1.3 Democracy, Participation and Transparency

*The organisation must be an instrument for the social and economical development of the members, and in particular the benefits of Fairtrade must come to the members. The organisation must therefore have a democratic structure and transparent administration, which enables an effective control by the members and its Board over the management, including the decisions about how the benefits are shared. Furthermore, there must be no discrimination regarding membership and participation.*

##### 1.3.1 Minimum requirements

1.3.1.1 An organisational structure is in place which enables control by the members. There is a General Assembly with voting rights for all members as the supreme decision taking body and an elected Board. The staff answers through the Board to the General Assembly.

1.3.1.2 The organisation holds a General Assembly at least once a year.

1.3.1.3 The annual report and accounts are presented to and approved by the General Assembly.

1.3.1.4 Administration is in place.

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**1.3.2 Progress requirements**

- 1.3.2.1 The organisation works towards transparent planning of the business. Organisations are encouraged to make annual business plans, cash flow predictions and longer term strategic plans. Such plans will be approved by the General Assembly.
- 1.3.2.2 *The participation of members in the organisation's administration and internal control is promoted through training and education - and improves as a result.***
- 1.3.2.3 The organisation establishes or improves internal mechanisms of members' control over the administration, such as a control committee with rights to review the administration, external audit, etc.
- 1.3.2.4 Increasingly, the organisation's policies are discussed in member meetings. Management actively encourages members' participation in meetings.
- 1.3.2.5 There is improvement of the flow of information from board to members about the business and the organisation's policies.
- 1.3.2.6 Measures will be taken to improve the members' commitment to the organization.

**1.4 Non-Discrimination**

*FLO follows ILO Convention 111 on ending discrimination of workers. The Convention rejects "any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation" (art. 1). As far as applicable, FLO extends these principles to members of organisations.*

**1.4.1 Minimum requirements**

- 1.4.1.1 If the organisation restricts new membership, the restriction may not contribute to the discrimination of particular social groups.

**1.4.2 Progress requirements**

- 1.4.2.1 Programs related to disadvantaged/minority groups within the organisation are in place to improve the position of those groups in the organisation, particularly with respect to recruitment, staff and committee membership.

**2 Economic Development****2.1 Fairtrade Premium**

The organisation has the commitment and capacity to administer the Fairtrade Premium in a way which is transparent for beneficiaries and FLO. Decisions on the use of the Premium are taken democratically by the members.

**2.1.1 Minimum requirements**

- 2.1.1.1 The organisation administers and manages the Premium transparently and uses it in line with the requirements outlined in these Standards.
- 2.1.1.2 The use of the Fairtrade Premium is decided by the General Assembly and properly documented

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**2.1.2 Progress requirements**

2.1.2.1 As soon as Premium is available, there is a yearly Premium plan and budget, preferably these are part of a general work plan and budget of the organisation.

**2.2 Export Ability**

The producers must have access to the logistical, administrative and technical means to bring a quality product to the market.

**2.2.1 Minimum requirements**

2.2.1.1 Logistics and communication equipment are in place.

2.2.1.2 The producer organisation proves that it meets current export quality standards, preferably through previously exported products which were accepted by importers.

2.2.1.3 Demand for the producers' Fairtrade product exists.

2.2.1.4 The organisation has experience in the commercialisation of a product as an organisation.

**2.2.2 Progress requirements**

2.2.2.1 The producer organisation increases efficiency in their exporting operations as well as in other operations and this way maximises the return to the members.

**2.3 Economic Strengthening of the Organisation****2.3.1 Progress requirements**

2.3.1.1 Members will gradually take on more responsibility over the whole export process.

2.3.1.2 The organisation will work towards the strengthening of its business related operations. This could for example be through the building up of working capital, implementation of quality control, training/education and risk management systems, etc.

**3 Environmental Development****3.1 Environment protection**

*Producers are expected to protect the natural environment and to make environment protection a part of farm management. Producers will implement a system of Integrated Crop Management (ICM), with the aim of establishing a balance between environment protection and business results, through the permanent monitoring of economic and environmental parameters, on the basis of which an integrated cultivation and protection plan is devised and permanently adapted. FLO encourages producers to work towards organic certification. ICM minimises the use of fertilisers and pesticides, and partially and gradually replaces them with organic fertilisers and biological disease control.*

**3.1.1 Minimum requirements**

3.1.1.1 The producers live up to national and international legislation regarding the use of pesticides, handling pesticides (storing, filling, cleaning, administration, etc.), the protection of natural waters, virgin forest and other ecosystems of high ecological value, erosion and waste management.

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**3.1.1.2 Pesticides in WHO class 1 a+b, pesticides in the Pesticide Action Network's "dirty dozen" list and pesticides in FAO/UNEP's Prior Informed Consent Procedure list (respecting updates, see appendix) cannot be used.**

**3.1.2 Progress requirements**

3.1.2.1 The producer organisation will encourage its members to implement **a system of Integrated Crop Management.**

**4 Standards on Labour Conditions**

*FLO regards the ILO Conventions as the authority on working conditions, and expects all registered producers to meet the requirements as far as possible. Where a significant number of workers are employed by a small farmer organisation, there are specific standards to meet. Where a smaller number are employed and where workers are casually hired by farmers themselves, the organizations should take steps to improve working conditions and to ensure that such workers share the benefits of Fairtrade. This should be part of the development plan and be reported to FLO.*

*The term "workers" refers to all those employed, including casual, seasonal and permanent workers.*

*In cases where a plantation or factory is a member of the producer organisation certified by FLO, the generic standards for hired labour apply fully and the plantation or factory will need to go through a separate certification process.*

**Applicable to all producer organisations:**

**4.1 Forced Labour and Child Labour**

*FLO follows ILO Conventions 29, 105, 138 and 182 on child labour and forced labour. Forced or bonded labour must not occur. Bonded labour can be the result of forms of indebtedness of workers to the company or middlemen. Children may only work if their education is not jeopardised. If children work, they must not execute tasks, which are especially hazardous for them due to their age.*

**4.1.1 Minimum requirements**

4.1.1.1 Forced labour, including bonded or involuntary prison labour, does not occur.

4.1.1.2 Children are not employed (contracted) below the age of 15.

4.1.1.3 Working does not jeopardise schooling or the social, moral or physical development of the young person.

4.1.1.4 The minimum age of admission to any type of work which by its nature or the circumstances under which it is carried out, is likely to jeopardise the health, safety or morals of youngpeople, shall not be less than 18 years.

4.1.1.5 Employment is not conditioned by employment of the spouse. Spouses have the right to off -farm employment.

Applicable to Producer organisations in which a significant number of workers are employed:

**4.2 Freedom of Association & Collective Bargaining**

*FLO follows ILO Conventions 87 and 98 on freedom of association and collective bargaining. Workers and employers shall have the right to establish and to join organisations of their own choosing, and to draw up their constitutions and rules, to elect their representatives and to formulate*

their programmes. Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment.

#### **4.2.1 Minimum requirements**

4.2.1.1 The organisation recognises in writing the right of all employees to join an independent trade union, free of interference of the employer, the right to establish and join federations, and the right to collective bargaining.

#### **4.2.1.2 *The organisation allows trade union organisers to meet all the workers, and allows workers to hold meetings and organise themselves without the interference of the management.***

4.2.1.3 The organisation does not discriminate against workers on the basis of union membership or union activities.

#### **4.2.2 Progress requirements**

4.2.2.1 If one or more independent and active trade unions exist in the sector and the region, FLO expects that the workers will be represented by (a) trade union(s) and that the workers will be covered by a Collective Bargaining Agreement (CBA).

4.2.2.2 If no independent and active union exists in the region and the sector, all the worker's will democratically elect a worker's committee, which represents them, discusses with the organisation and defends their interests. This committee negotiates with the organisation an agreement on the conditions of employment, covering all aspects normally covered by a Collective Bargaining Agreement (CBA).

#### **4.2.2.3 *The representation and participation of the workers is improved through training activities. These are also aimed at improving the workers' awareness of the principles of Fairtrade.***

4.2.2.4 If no union is present, the organisation and the workers' committee gets into a process of consultation with the national union federation(s) and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) or the respective International Trade Secretariat about improvement of the workers' representation and implementing a Collective Bargaining Agreement (CBA).

#### **4.3 Conditions of employment**

FLO follows ILO Plantation Convention 110, ILO Conventions 100 on equal remuneration and 111 on discrimination. All employees must work under fair conditions of employment. The producer organisation must pay wages in line with or exceeding national laws and agreements on minimum wages or the regional average.

#### **4.3.1 Minimum requirements**

4.3.1.1 Salaries are in line with or exceeding regional average and official minimum wages for similar occupations. The employer will specify wages for all functions.

4.3.1.2 Payment must be made regularly and in legal tender and properly documented.

#### **4.3.2 Progress requirements**

4.3.2.1 Regarding other conditions of employment like maternity leave, social security provisions, non-monetary benefits, etc. at least the provisions as laid out in the

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Collective Bargaining Agreement or the Agreement signed between the workers' committee must be fulfilled.

4.3.2.2 All workers are employed under legally binding labour contracts.

**4.3.2.3 *The organisation works towards all permanent workers having the benefits of a provident fund or pension scheme.***

4.3.2.4 An adequate sick leave regulation is put in place.

4.3.2.5 A working hours and overtime regulation is put in place.

4.3.2.6 Salaries are gradually increased to levels above the regional average and official minimum.

4.3.2.7 Differences in the conditions of employment for casual, seasonal and permanent workers are progressively diminished.

**4.4 Occupational Health & Safety**

FLO follows ILO Convention 155 which aims “to prevent accidents and injury to health arising out of, linked with or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.”

**4.4.1 Minimum requirements**

4.4.1.1 Workplaces, machinery and equipment are safe and without risk to health. FLO may require that an inspection is carried out by a competent authority or independent inspection agency.

**4.4.1.2 *The following persons are not allowed to work with the application of pesticides: persons younger than 18 years, pregnant or nursing women, persons with incapacitated mental conditions; persons with chronic, hepatic or renal diseases, and persons with diseases in the respiratory ways.***

**4.4.2 Progress requirements**

4.4.2.1 Among the workers' representatives, a person must be nominated who can be consulted and who can address health and safety issues with the organisation.

4.4.2.2 Those who are handling agrochemicals are adequately trained in storage, application and disposal of these. They are actively informed of all relevant information on the product they are handling by the producer organisation. This information is provided in the local language.

**4.4.2.3 *Adequate personal protective equipment of good quality is available and appropriate, especially for the use of agrochemicals. Workers handling agrochemicals must use it.***

4.4.2.4 Workers' capability and awareness of the chemicals they are using, relevant health protection and first aid are improved through training.

4.4.2.5 Establishment of a occupational health and safety committee with the participation of workers.

4.4.2.6 Collective risk assessments are carried out regularly.

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**PART B Product Specific Standards for Honey****1 Social Development**

There are no additional social standards specific to honey producers.

**2 Economic Development**

There are no additional economic standards specific to honey producers.

**3 Environmental Development**

There are no additional environmental standards specific to honey producers.

## PART C Trade Standards for Honey

### 1. Product Description

"Honey is the sweet substance produced by honey bees from the nectar of blossoms or from secretions of or on living parts of plants, which they collect, transform and combine with specific substances and store in honey combs."

"Honey essentially consists of different sugars, predominantly glucose and fructose. Honey also contains proteins, amino acids, enzymes, organic acids, minerals, pollen and may include sucrose, maltose, melezitose and other oligosaccharides (including dextrans) as well as traces of fungi, algae, yeasts and other solid particles. The colour varying from nearly colourless to dark brown. The consistency may be fluid, viscous or partly to entirely crystallised. Flavour and aroma varies according to the plant origin."

### 2. Quality

Basically the honey has to fulfil the EU *and* Swiss quality standards (general description as above).

It must not have any objectionable flavour, aroma or taint absorbed from foreign matter during the processing and storage. It must not have begun to ferment or be effervescent. *Honey must be free of any residues caused by medical application against bee illness (e.g.. varroasis, foulbrood, etc). Honey must not contain any foreign sugar.*

The honey should be free of foreign matters such as mould, insects, insect debris, sand, etc.

Eventual feeding of sugar has to be limited strictly to the non-productive season and in addition has to be kept at the absolute minimum necessary.

Quality control prior to shipment has to be carried out through an independent agent unless otherwise agreed between seller and buyer.

Only new export quality barrels should be used for bulk shipment.

#### 2.1 Definition of the quality standards for honey

Honey traded under FLO conditions will be classified into two categories, according to its quality. Relevant for differentiating the quality, two criteria standards are defined: water content and Hydroxymethylfurfural (HMF). For each category points are given according to following scheme:

**Table 1: Assessing the water content in honey**

<b>Water content (% Chataway)</b>	<b>Points</b>	<b>Factor</b>	<b>Max. points</b>
16.9 % or less	5	4	20
17.0 - 17.5	4	4	16
17.6 - 18.5 %	3	4	12
18.6 - 19.0 %	2	4	8
19.1 - 19.5 %	0,5	4	2
19.6 % or more	0	4	0

**Table 2: Assessing the HMF content in honey**

<b>HMF content (ppm)</b>	<b>Points</b>	<b>Factor</b>	<b>Max. points</b>
5.0 or less	5	3	15
5.1 - 9.9	4	3	12
10.0 - 12.0	3	3	9
12.1 - 15.0	2	3	6
15.1 - 20.0	1	3	3
20 and over	0	3	0

If the total number of points of the two established quality standards are added, 35 points can be reached as a maximum. According with this method two categories of qualities are defined:

**A Quality:** Each kind of honey, which gathers 18 or more points.

**B Quality:** Each kind of honey, which gathers 17 or less points.

The quality control prior to shipment has to be carried out through an independent agent unless agreed otherwise between seller and buyer.

### 3. Pricing

Basis for the pricing is the commitment of Fair Trade organizations to offer a price covering all production costs including a comparatively good remuneration of labour, allowing members and their families adequate living conditions and leaving producer organizations with a margin to pay for supporting services to beekeepers and social development activities within the community.

Regular records on the cost of production are made by each FLO certified producer organization.

	Fairtrade minimum FOB price USD / kg	Fairtrade Premium USD / kg	Total Fairtrade price USD / kg	Organic differential USD / kg	Total Fairtrade Organic price USD / kg
<b>A Quality</b>	1.80	0.15	1.95	0.15	2.10
<b>B Quality</b>	1.65	0.15	1.80	0.15	1.95

In cases where the market price in a producer country rises above the FLO minimum price, the respective market price applies.

### 4. Credit/Payment

On request of the seller, the buyer shall make available up to 60% of the minimum value of the contract in credit facilities in favour of the seller upon the signing of the Letter of Intent, or at any date thereafter at the wishes of the seller, however **at least six weeks prior to shipment**. The corresponding interest charges shall be covered by the seller at current commercial interest rates (or better) in the country of destination. Reimbursement of the loan and the interest charges shall be according to the terms and conditions mutually agreed upon in the separate credit contract.- Unless other mutual agreement payment shall be net cash, minus eventual advance payments, following a quality control accepted by both parties prior to shipment and against a full set of documents on first presentation (FOB).

### 5. Continuity

To allow producer organisations a certain continuity in their markets buyers should guarantee minimum orders for the period of at least one year. Renewals are to be effected at least three months prior to expiry.

**Appendix 1 Agrochemicals – Prohibited Pesticides List - see full document on FLO website at [www.fairtrade.net](http://www.fairtrade.net)**