



# IMO Social & FairTrade Programme Version Feb.08

## Section 3: Social Issues Producer Groups

### 3.1.1 Transparent Administration and Relations with Producers

The producer group or contracting company shall have effective management in place to plan and control its activities. The group or contracting company is accountable for its economic activities, especially any activities of direct importance for its registered producers.

N°	Control Points Transparent Administration / Relation with Producers (all Groups)	MAX	Score
1	The group/company has a regularly updated business planning and long-term strategic policy, which includes considerations how profits/benefits can be shared with the farmers: (0) no planning or written policies; (1) ok planning, but no/few written documents; (2) ok basic business planning, including benefit sharing aspects; (3) very good planning, important business information accessible to all growers of the group	3	
2	The group/company has (0) no (1) poor (2) good official book keeping (3) which is audited annually by a qualified external audit company	3	
3	Producers are (0) not informed (2) receive basic information on approximate quantities that can be sold to the group operator (if usually only part of production is bought: fair selection who can deliver); (3) good information of producers on deliverable products; efforts to buy substantial quantities from all producers. If n.a. → 2	3	
4	<u>Additional points for voluntary commitment:</u> Special support schemes for producers (e.g. inputs at subsidised prices, loan schemes, community projects) paid directly by group/company (not from FairTrade Premium): → comment and give (1) to (4) points depending on level of support (no norm requirement)	4	
5	If producers' dependency on a single product is a serious economic problem, the supplier is making (0) no (1) some (2) reasonable (3) exceptional efforts to promote product diversification	3	

(TNP/Maximum points are summed up in subchapters 3.1.1.1 and 3.1.1.2 respectively)

#### 3.1.1.2 Additional Requirements for Contract Production Situations

While initially the contracting company (or NGO, etc.) may be the organizing instrument for the social and economic development of the contracted smallholder producers, a producer representation organization shall be initiated which can (at least potentially) represent the producers' interests in negotiations with the contracting company. If more suitable, several producer representations can be set up (e.g. for different, independent regions).

If the producers are medium-size family farms with reasonable bargaining power of their own, the focus is still on transparent and fair relations between contractor and producers; a representation organization also has to be initiated, but the focus of group activities may be rather on training and joint discussion of important improvement aspects such as improvement of labour conditions on the participating farms, meaningful FairTrade Premium projects in the producers' communities of farm workers (if also FairTrade certified), etc.

The contracting company may not misuse the contractual relationship as a means to lower purchase prices (without prior agreement by farmers organisation due to substantial reasons) and so create economic dependency for the producers.

N°	Additional Control Points (contracted production)	MAX	Score
1	Within 1 year from 1 <sup>st</sup> certification onwards, the contracting company (1) permits <b>(2=M) initiates and supports</b> the set up of one or several farmers representation organisation(s). (3) Good & active farmers representation already has a defined and active role in the contract production project <i>First certification → assess plans for coming year → (1) or (2), no M</i>	3 M=2	
2	Within 1 year from 1 <sup>st</sup> certification onwards, the producer representation organisation has (0) no democratic structure <b>(2=M) a constitutionally democratic structure</b> with voting rights for all members to elect their representatives. OR: proven efforts of contracting company to initiate/support such structure even though group chose different structure; (3) effectively a democratic structure (with at least annual assembly on which critical issues are discussed); (4) very active <i>First certification; no producer organisation → (2) and write "n.a."</i>	4 M=2	
3	At the latest within 2 years from 1 <sup>st</sup> certification onwards, the farmers representation organisation is (0) still not existing/no effort <b>(2=M) effectively in place</b> and discussing farmers interest with contracting company; (3) active farmers representation; (4) exceptionally active farmers representation organization with effective bargaining power for producers. <i>First 2 years of certification: assess actual situation, including defined plans (0)–(4); no M</i>	4 M=2	



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N°	Additional Control Points (contracted production)	MAX	Score
4	Interaction and exchange of producers with each other to support development of a group feeling is supported/improved: (0) no efforts, even after 1 <sup>st</sup> certification; producers don't know even other registered producers in their own village; (2) adequate efforts; reasonably active producer subgroups or exchange between producers; (3) very committed and active subgroups or overall group; very good exchange & interaction between members	3	
5	Producers feel: (0) misused; (1) contractual relationship not good, but acceptable; (2) fairly well treated in the contractual relationship; (3) exceptionally well treated	3	
6	Cancellation of contract by producer: (0) not free; <b>(1=M) by contract free to cancel</b> ; (2) effectively free to cancel the contract within an appropriate and fair time frame and fair conditions	3 <b>M=1</b>	
7	The contracting company gives (0) no (1) very little (2) sufficient basic (3) very detailed information about market prices or its cost/profit calculations in order to allow open discussion on prices paid to the producers	3	
<b>TOTAL 3.1.1 PLUS additional requirements 3.1.1.2</b>		<b>MAX</b>	<b>TNP</b>
<b>Maximum Points / Total Norm Points / Effective Points</b>		<b>39</b>	<b>22</b>