

Fairtrade Standard for Cocoa

Explanatory note

On April 2017 Fairtrade International published a revised Fairtrade Standard for Cocoa. This document provides additional information and answers to questions raised since the publication.

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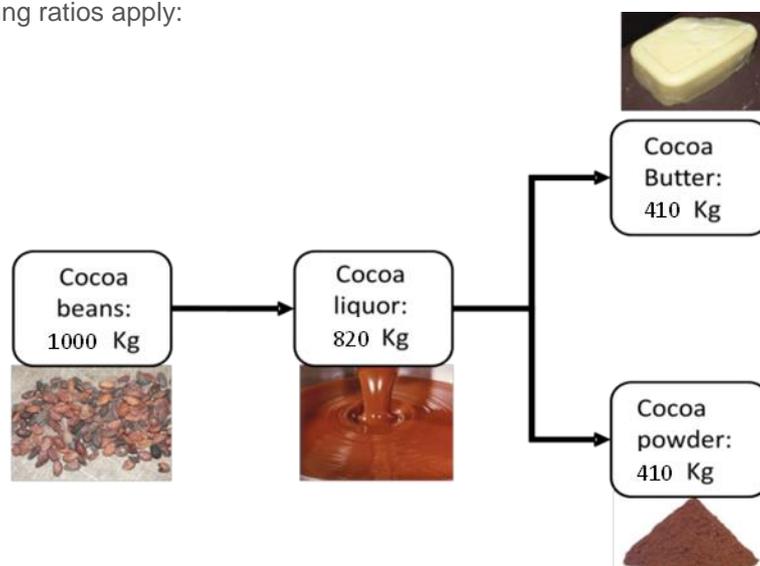
A. Mass balance conversion ratios (Fairtrade Standard for Cocoa Requirement 2.1.1)

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 have been revised to ensure that producers get the Fairtrade premium that corresponds to the cocoa volume sold as Fairtrade. These ratios are close to physical reality and have been slightly amended to align 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.

Note that the combined conversion ratio (valid until March 2017) has been deleted.

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 in order 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: The revised conversion ratios indicated in 2.1.1 are applicable from the beginning of 2018. However, in the requirement 4.2.5 – the “old” conversion rates are used and it is not mentioned that this will change in 2018. Do traders have to handle two different conversion ratios from the beginning of 2018?

➔ No. The requirement 2.1.1 and 4.2.5 are not contradicting each other, because:

- The purpose of requirement 2.1.1 is to define under mass balance how much output (semi-processed product) can be sold as Fairtrade, given the amount of inputs. The new conversion rates here apply as of January 2018.
- The purpose of requirement 4.2.4 and 4.2.5 is to define how much price and premium the payer has to pay when buying semi-processed products directly from producers (i.e. small producer organizations/cooperatives)

Thus, 4.2.5 is used to calculate the Fairtrade Premium for cocoa semi-processed products purchased directly from certified cocoa cooperatives ONLY (in the absence of producers reporting their actual processing yields). It is not for the generic calculation of premium for all supply chains. 4.2.5 is applicable for a very small number of supply chains.

Therefore premium calculations for operators who do not buy cocoa semi-processed products directly from certified small producer organizations and who apply mass balance should use the conversion ratios indicated in 2.1.1.

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.

Q.6: Were companies allowed to use the 2018 conversion rates in 2017?

➔ No, for sales and transactions that took place in 2017 the 2018 conversion rates do not apply.

B. Purchase prior to sale (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 can not be considered a purchase.

In order to keep your mass balance calculations you have to 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 that is no more than 3 months before the date you sell the corresponding Fairtrade outputs.

Q.2: If a company entered into contracts in 2017, with a delivery date in 2018, which conversion ratios should have applied?

- ➔ The 2017 ratios apply for contracts signed in 2017, the 2018 ratios apply for contracts signed in 2018.

For example: For a contract signed in 2017 with a physical delivery date in 2018, 2017 conversion ratios apply

C. Maximum period of validity for Fairtrade mass balance products (Fairtrade Standard for Cocoa Requirement 2.1.2)

What is the intent?

To introduce 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.

D. Mass balance: like for like (Fairtrade Standard for Cocoa requirement 2.1.3)

What is the intent?

To ensure transparency and integrity, and avoid misleading claims within the supply chain (B2B).¹

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 beans should be from the same category or origin (and this should be demonstrated in the purchase documentation).

How does it work?

The 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.

¹ 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 flavor cocoa butter from one origin and bulk cocoa butter from another origin, can they sell the equivalent/total volume as Fairtrade fine flavor cocoa butter under mass balance?

➔ No, the claim “fine flavor” 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 products as ‘fine flavor’ 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 equivalents. 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 flavor 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 beans from e.g. Ghana?

➔ No. If the claim is on a country, the purchase should be from the same country, if it is on a region, it should be the same region.

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.

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 landing (B/L) etc.) [Fairtrade Standard for cocoa, requirement 2.1.5]

Q.3: Does requirement 2.1.6 on the sale of multi-certified cocoa mean that FLOCERT / NFOs will have to start checking my UTZ mass balance as well?

➔ No, but during audits you need to demonstrate in your records that cocoa beans bought as Fairtrade and UTZ have not been sold as Fairtrade and also as UTZ certified. [Fairtrade Standard for cocoa, requirement 2.1.6]

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

➔ This may vary from one region to the other. For example, in West Africa 1 October to 30 September with the main crop harvested from October to March and the mid crop from May-August. Harvests in Latin American countries vary somewhat. For an overview of harvests in different regions see: <https://www.icco.org/faq/58-cocoa-harvesting/131-what-time-of-year-is-cocoa-harvested.html> [Fairtrade Standard for cocoa, requirement 4.5.1]