



"Let's pay the price, not the consequences"

CONFERENCE

SPP Global

Attend the conference:
**LET'S PAY THE PRICE,
NOT THE CONSEQUENCES**

The SPP network of small producers shows it
is essential and viable to pay the real
costs of organic production and living income
in cocoa, coffee and panela.

BIOFACH2020
into organic

14.02.2020

MAILAND ROOM (NCC MITTE, LEVEL 1)
09:00 - 10:00 CONFERENCE /
10:00 - 12:00 TRADERS-PRODUCERS MEET

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Welcome

Thank you very much for attending this Conference called: "**Let's pay the price, not the consequences,**" in the framework of our campaign '*The SPP tells the truth, I don't accept less.*'

We have invited you to this conference because the SPP has several important issues to share.

My name is Nelson Melo, and I am currently the chair of SPP Global, the organization behind the Small Producers' Symbol, SPP. I am a small organic coffee producer from the Cauca region in southern Colombia, and I belong to an organization of small producers called ORGANICA. Today I am accompanied by SPP Global's Executive Director, Jerónimo Pruijn.

In this statement, we want to give you **three central messages:**

- 1. The SPP is advancing with minimum prices well above the low market prices for agricultural products such as coffee, cocoa, and panela.**



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- 2. SPP Global makes an emergency call concerning the risks that the new European Community regulations for organic products imply for millions of small producers in the world.**
- 3. The SPP calls for truly sustainable prices to be paid to producers to avoid fatal consequences for the whole world.**

What is the SPP?

The SPP is an intercontinental network of organic small producers' organizations. We strive for recognition of our high-quality products, for a dignified life and a healthy planet for all, in partnership with committed companies and consumers, and independent certification supports us.

Who is the SPP Family today?

After more than 13 years of having dared to launch, as small organic and fair-trade producers, this SPP initiative, and after 8 years in the international market, we have achieved, today, the following:

- More than 120 certified small producer member organizations from 24 countries in Latin America and the Caribbean, Africa, and Asia.
- More than half a million smallholder families and about two and a half million people.
- 40 Purchasing companies in 12 countries in Europe, North America, Latin America, and Asia.
- Presence in nearly 40 consumer countries, including SPP producers' countries.
- SPP products market value in North America and Europe of more than 50 million euros.
- More than 40 different products. Café, cacao, and panela remain at the top three.
- Over the past 5 years, we have maintained a market value growth of around 40% per year.



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What makes SPP special?

- The SPP is the only guarantee price and fair-trade system that is wholly owned by small organic producers and where producers have control over decision making on standards and rules to be applied.
- To avoid conflicts of interest, SPP delegates the certification processes to independent entities, thus giving greater security to the market. We're not judge and jury.
- In the SPP, producers define what real fair trade is, making a dignified life for the producers possible. For this reason, SPP prices are generally well above market prices and even above other fair-trade references.
- This situation makes it difficult for SPP producers to sell their products under the SPP price. There are 'fair trade' options with much lower minimum prices than the SPP.
- If the SPP continues to grow its market steadily is due to the strong commitment of SPP buying companies and their consumers, because they understand the need for fair trade to be truly fair.
- In the SPP, products are physically traceable to their origin, and, in the case of mixed products, a high percentage of the ingredients must come from small producers.

What's new with SPP?

- The rules for collective certification of small businesses through registered SPP buyers were successfully adjusted. In France alone, we now have 11 new 'SPP Small Buyers.' Participation by more and more small businesses is a concrete expression of the SPP's conviction to strengthen the alliance between small producers and small businesses.
- In 2019, we established SPP minimum prices for new products in the SPP Family, such as Green Tea Leaf and rice.
- In December 2019, SPP Global announced its new minimum prices for Panela and Sugar, after a period of more than five years without changes. A year-long collaborative study on production costs resulted in the need for an increase from US\$1290 to US\$1790, an increase of 38% in Panela, and from US\$870 to US\$1150, a 32% difference, in sugar.



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- Even though this increase was necessary to cover production costs, SPP producers have severe difficulties in getting the market to recognize the payment of these new prices. With cheaper fair-trade options available, it has been difficult for the SPP market to absorb this significant increase from one moment to another.
- Recently, the SPP approved the incorporation of ingredients from small producers in the North into those mixed products that have ingredients that traditionally come from local peasant production, such as wheat and oats. In this way, the SPP is taking new steps in the bonds of solidarity between small producers of the South and the North, as they have similar characteristics and challenges in the context.
- SPP has managed to provide further security to its certification processes. On the one hand, we eliminated the 'fast track' certification option, and on the other hand, a new "Eligibility Procedure" was developed, i.e., a 'Pre-Certification' phase that applies to both small producer organizations and trading companies that want to access the SPP. In particular, it has been an effective means to avoid the certification of 'false cooperatives,' i.e., small producer organizations created on the initiative and under the strict control of private interests. It has also served to filter out private companies with bad business practices.

Why is the SPP concerned about access to the organic market in the future?

- Over several decades, the auditing and certification of small producers' organizations Internal Control Systems have allowed hundreds of thousands of small producers to access organic markets. This would be impossible if they had to be certified individually, as is the case with large producers and, until now, with small European producers.
- The new European regulation EU 2018/848 for the organic sector, which will come into force on January 1st, 2021, foresees a series of changes, which could seriously hinder the access of small producers in the South. Although European small-scale producers will now be able to be certified for the first time as a group, some articles proposed for the secondary law,



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which is in the process of final approval, would have considerable negative impacts.

- Firstly, there is a requirement for small organic producer organizations to have separate certificates for each first-level group that make up second-level organizations and for each processing or marketing unit that is part of the same small producer organization.
- Secondly, a possible limit of 500 or 1,000 producers per certifiable unit is under discussion. Each group must be composed exclusively of producers who meet the maximum size criteria and are certified organic.
- Thirdly, the regulation is considering a change in the calculation method for establishing the sample of producers and plots to be audited in the field, which directly affects the costs of certification for these producers.
- If this set of measures is implemented as it is, apparently, provided for in secondary legislation, enormous havoc is expected among a considerable number of small producers in Latin America, Africa, and Asia, who have for many years built up their market in Europe. The costs of certification would increase to such an extent that they would have to abandon this certification and therefore lose access to the European market.
- Yesterday, in front of representatives of the European Commission, here at Biofach 2020 in Nuremberg, SPP Global made a call in which it expressed all the concerns regarding the possible consequences of the new law.

How does glyphosate affect us, small organic producers?

- Several small-scale producers' organizations have recently faced rejection of their products on international markets, despite having an organic certification, because of glyphosate contamination of their products. This "cross-contamination" is due to this agrochemical's high toxicity and long-range once it is released into the soil, water, and air.
- The SPP recently launched an international appeal to local, national and international authorities to ban the production, marketing, and application of glyphosate in their countries and regions



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- Fortunately, despite the strong economic interests of the consortiums that produce this agro toxic, some states have already taken measures against the commercialization of this product.

What is SPP's perspective on coffee, cocoa, and panela prices for small organic producers?

- With today's low prices for coffee, cocoa, sugar cane, fruits, honey, grains, and many other products, small producers' families in large regions of the world have been left destitute; they have to abandon production and migrate in search of alternatives.
- There are several areas of coordination and research around the concept of '*Living Income*' that have concluded that prices based on a decent income need to be much higher than the current prices considered "fair."
- In May 2019, for example, Fairtrade International published a 'living income' price of around US\$ 3,470 (FOB) as a reference for non-organic cocoa from Côte d'Ivoire, the leading cocoa-producing country. Subsequently, Fairtrade International adjusted its minimum price to a total of US\$ 2940/t for organic cocoa.
- However, in most discussions about the unsustainability of low market prices, we small producers are told that the only way to achieve sustainability is to increase our efficiency and productivity, and if not, stop being producers and look for something else to do.
- Others believe that, although minimum sustainable prices must be considerably higher than 'fair trade' prices, both in items such as coffee, cocoa, and panela, these minimum prices cannot rise in the current context, because the difference with the market would become so large that the possibility of growing the so-called fair market would be lost. As producers, we would have to settle for a 'less bad' market.
- Many agree that in the short term is not possible to achieve the goal of sustainability, nor through prices, but that it would have to be achieved in a long time and only by changing the way small producers produce.
- We are concerned that in this way, the responsibility to respond to market malfunctioning is again placed on the producers' side, pointing to small



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producers as inefficient and unproductive and small production as unsustainable. And we are asked to be patient until justice is done.

- It is even illegal in some countries, under antitrust laws, to talk about the possibility of putting a minimum floor on the prices of this type of product. A real 'gag rule.'
- In other words, the solution does not consist in promoting better prices for producers, but by forcing producers to adapt to this situation, seeking to drastically lower their production costs, and increasing productivity and efficiency.
- We believe, however, that it is precisely this alleged efficiency of large monopoly production that has led us to this crisis of consistently low prices for producers and has even been co-responsible for the climate change crisis.
- In the SPP, therefore, we have minimum prices well above the market and higher than in other fair trade systems. In washed Arabica coffee, we are 15% above Fairtrade International prices, and we have just started a cost of production study to analyze whether the US \$ 2.20 per pound of washed green coffee (FOB) is sufficient. SPP member companies have paid on average even above this minimum price, proving that it is feasible, despite the low market context.
- In cocoa, the SPP minimum prices of US\$ 3,200 per tonne are 8% above the Fairtrade International price at the time. With the SPP cocoa cost study that we are carrying out, the SPP is studying the possibility of another similar or even slightly higher increase, to get closer each day to a genuinely sustainable price for organic production and dignified living. Currently, most SPP cocoa is traded at rates of around US\$ 4,000 per tonne. Another sign that justice is possible today.

What is the difference between paying the price and the consequences?

- Small organic producers in the South do not only generate local benefits. With the SPP, we work together to:
 1. *Slowing down climate change for producers and consumers*
 2. *Improving women's participation and gender equity*



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- 3. Produce high quality and tasteful natural products
- 4. Strengthening local economies and curbing migration
- 5. Generating better prospects for young people in rural areas
- 6. Increase food autonomy and avoid hunger and malnutrition
- By paying prices that cover the costs of sustainable production by small producers, consumers not only obtain products of excellent quality but also do their bit to create a better and more balanced world in the South and the North.
- If we do not pay prices that cover production costs for many millions of small producers, they cannot continue to protect the environment in their regions. They will not be able to survive with dignity either, so they will have to join the ranks of the poorly paid and unemployed workers in the world's big cities.
- The havoc caused by the environmental destruction and the significant problems linked to urban overpopulation is paid for by all of us, firstly by the refugees in rural areas and secondly by the inhabitants of these cities themselves.
- We want everyone to be aware that "it is better to pay the price than the consequences." What we think we save by buying cheap products, we pay dearly for through climate change and social breakdown.

This appeal is not only made to consumers but first and foremost to the companies responsible for purchasing the products from these small producers.

Companies can make a difference, leaving aside the race for who has the lowest prices to the consumer and starting the race for who offers more added value to the market and society.

Governments can also play a central role in this struggle. In the race for low prices, producers always pay the price. While consumers need to take responsibility, and we see that many, especially young people, are doing so, it is also necessary for governments to put a stop to abuses against producers.

The recent statements by Chancellor Merkel of Germany on the need for price protection for producers point in that direction, and we hope we can generate tools that will put firm limits on the exploitation of producers and the planet. New rules of the game are needed before it's too late.



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In the meantime, we hope that everyone will support the voluntary growth of the market under fairer conditions, such as those set by the SPP

We hope to count on your support in spreading this message and in the practice of genuinely fair trade in organic products.

I send you cordial greetings on behalf of all the hundreds of thousands of small producers who bet on the SPP as the voice and the label of the small producers themselves.

Sincerely.

Nelson Camilo Melo Maya.

Chair of the SPP Global.