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### 1. PRESENTATION

- 1.1. This document establishes the work procedure that *SPP Global* must follow to structure, draft, approve, publish and partially or fully modify any SPP standard.
- 1.2. This document was approved by both the Standards and Procedures Committee and the Board of Directors, both SPP Global governing bodies, on January 12, 2018.
- 1.3. This document is subject to change by decisions of the above-mentioned bodies involved in its approval.

### 2. SCOPE

- 2.1. This procedure applies to all standards issued by *SPP Global*.
- 2.2. This procedure applies to all *SPP Global* governing body members involved in standard setting.

### 3. REFERENCES

- 3.1. SPP Declaration of Principles and Values
- 3.2. Standards and Procedures Committee Terms of Reference
- 3.3. SPP Code of Conduct

### 4. DEFINITIONS

- 4.1 **Standards and Procedures Committee:** Entity responsible for developing standards and procedures for SPP. It also ensures that standards contribute to *SPP Global's* mission and respect the SPP Declaration of Principles and Values.
- 4.2 **Board of Directors:** SPP Global general management body, responsible for the final approval of the Standards as well as, among others, the procedures for standard setting and Terms of Reference of the Standards and Procedures Committee.
- 4.3 **Producer Group (PG):** Group of SPP Small Producer Organizations taking part in an ongoing standard/price setting process and/or production cost study.
- 4.4 **Working Group (WG):** Group of SPP Small Producer Organizations, buyers and other stakeholders taking part in an ongoing standard/price setting process or production costs study.<sup>1</sup>
- 4.5 **SPP Global:** Símbolo de Pequeños Productores Global, Asociación Civil (legal name).
- 4.6 **Secretariat (of the Standards and Procedures Committee):** SPP Global operational staff in charge of dealing with standard-related matters, under the responsibility of the SPP Global Executive Director (See Terms of Reference of the Standards and Procedures Committee). For each Standard, an Operations Head is appointed, and this person is part of the Secretariat.
- 4.7 **Provisional Price:** Minimum Sustainable Price that is temporarily set up for a specific product, taking into account the criteria of the "*Fast-Track Procedure for Non-Main Products*". This price is subject to modification according to production cost study results obtained for the product in question.
- 4.8 **Main Products:** Products that are bought/sold by three or more SPP Small Producers' Organizations (even if transactions only involve one or two SPP Final Buyers), or products that are bought/sold by three

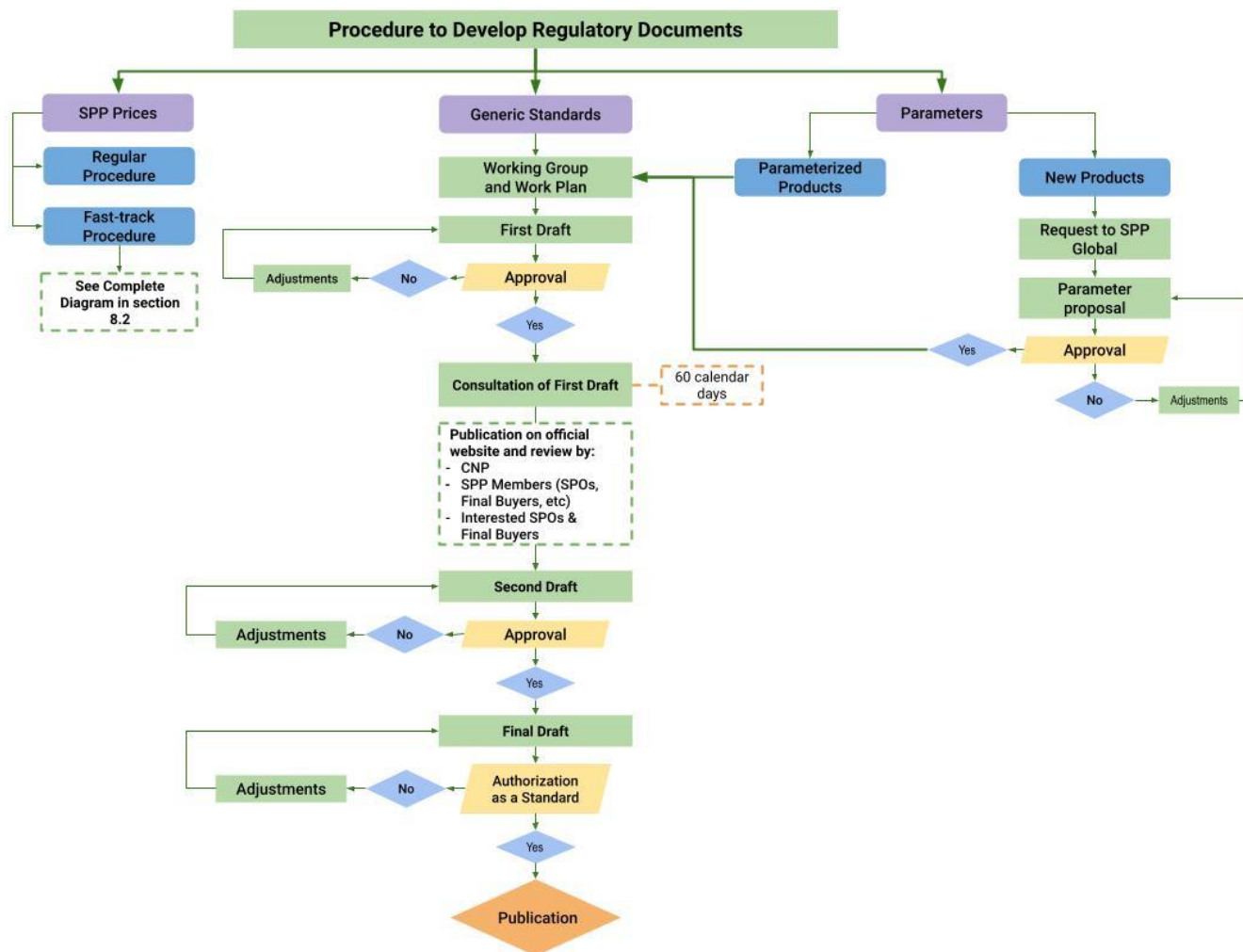
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<sup>1</sup>The stakeholders invited to the Working Groups (consumers and/or consultants) do not have the right to vote. Only the people who produce or trade the product may decide on production costs and the Minimum Sustainable Price to be set.

or more SPP Final Buyers (even if transactions only involve one or two SPP Small Producers' Organizations).

- 4.9 **Non-Main Products:** "Products that are bought/sold by no more than two SPP Small Producers' Organizations and no more than two SPP Final Buyers.

## 5. DIAGRAM



**Note:** Standards and parameters are subject to revision every 5 years. See points 8.1.8 and 8.3.1 of this document

## 6. STRUCTURE

6.1 SPP standards are to be structured as follows:

- **Name:** Standards are to be named in a simple way, giving a general idea of the criteria it contains
- **Date:** Day, month, and year in which the standard is published or the date of elaboration of the draft standard must be written out.
- **Presentation:** A brief explanation is given about who publishes the standard and the criteria developed in the standard.



- **References:** to documents that have been used as input to set the standard and those that are relevant to properly understand the standard.
- **Glossary:** Necessary terms and/or abbreviations are defined to make it easier for readers to have a good understanding of the standard.
- **Criteria:** This is the main body of the standard where criteria to be met are specified. Here, there may be text elements that serve to introduce certain criteria.

## 7. REGULATORY PLAN

- 7.1 The SPP Regulatory Plan is a tool aimed at ensuring proper planning, coordination and information sharing regarding the activities conducted by *SPP Global* for Standard Development.
- 7.2 This Regulatory Project Plan is approved by the *SPP Global* Board of Directors, taking into account proposals from the *SPP Global* Standards and Procedures Committee.
- 7.3 The Regulatory Project Plan must be approved by all *SPP Global* Members. In case of non-ratification, the Board of Directors will make adjustments based on the recommendations made by the *SPP Global* General Assembly.
- 7.4 Anyone interested in developing, modifying or updating a standard regarding a specific topic or product must submit a request, so that the *SPP Global* Board of Directors incorporates their proposal into the Regulatory Plan. Request must be in writing and duly substantiated.
- 7.5 *SPP Global* publishes the Regulatory Plan on its website.

## 8. STANDARD DEVELOPMENT PROCESS

Below are the different types of SPP regulatory documents:

1. **SPP Generic Standards:**
  - a. **General Standards:** These are the standards that are applicable to anyone applying for SPP certification/registration and to all current SPP Global Members according to their category. Some General Standards only apply to either Small Producers' Organizations or Buyers.
  - b. **Specific Standards:** These are the standards that apply to a specific product, region or situation.
  - c. **Regulatory Annexes:** These are apply to a specific part of the Standard in question, such as the List of Prohibited Products and the List of Optional Complementary Criteria.
2. **Price List:** this regulatory document lists all SPP Sustainable Prices outlining all three price components: Minimum Price, Organic Recognition and SPP Incentive.
3. **Parameters:** this regulatory document outlines specific, temporary or permanent parameters for certain criteria of the General Standard, according to product and country of production.

### 8.1 PROCEDURE TO DEVELOP SPP GENERIC STANDARDS

Developing generic standards consists in preparing different drafts which go through a consultation process until the standard is authorized and published. The procedure is presented below:

#### 8.1.1 Constitution of Working Group and Creation of Work Plan:

1. During initial stage, texts from existing regulatory documents can be incorporated as long as the source is signaled in the regulatory document being prepared.
2. A project-specific Working Group is formed with members who are eligible according to the Terms of Reference of the Standards and Procedures Committee.



3. In agreement with the Working Group, the Secretariat of the Standards and Procedures Committee appoints an Operations Officer for the Regulatory Project in question.
4. To produce the first draft standard, Operations Officer must prepare a Work Plan to be approved by the Working Group and the Head of Secretariat.
5. This Work Plan must contemplate collaboration with (eligible) certified Small Producers' Organizations and consider relevant resolutions made by the *SPP Global* General Assembly. This Work Plan must also consider obtaining input from eligible buyers, consumers and other stakeholders interested in developing the Standard.
6. For each project, decision-making must always include Producer Group meetings to be held before Working Group meetings. To call a Producer Group meeting, a meeting notice is sent to all representatives of SPP Small Producers' Organizations, CNP producers' representatives related to the product or standard in question, as well as SPP Global staff assigned by the Secretary<sup>2</sup>

### 8.1.2 Preparation of first draft:

1. The Operational Officer executes the Work Plan and prepares a first version of the standard called "Working Document". Subsequently, this Working Document, as endorsed by the head of Secretariat and the Working Group, is presented to the Standards and Procedures Committee.
2. The Standards and Procedures Committee reviews and analyzes the Working Document in an ordinary or extraordinary session, according to Annual Standards Work Plan, to provide feedback for adjustments to be made before approving the First Draft for consultation. If the Standards and Procedures Committee deems the Working Document to be of poor quality, the Operational Officer will have to prepare a new version of the Working Document, considering all observations made by the Standards and Procedures Committee.
3. If approved, Operations Officer will adjust the Working Document by incorporating all agreed-upon adjustments (if any). Adjusted Working Document, as endorsed by the head of the Standards and Procedures Committee Secretariat, then becomes the First Draft.

### 8.1.3 First Draft Consultation

- a. The Secretariat of the Standards and Procedures Committee sends the First Draft standard to:
  - i. The *SPP Global* Standards and Procedures Committee
  - ii. All *SPP Global* Members
  - iii. Small Producers' Organizations and Buyers interested in the standard.
  - iv. SPP certified Small Producers' Organizations.
  - v. Buyers who are registered with SPP.
- b. At the same time, the First Draft is published on the SPP Global website, clarifying that it is a draft, so that any sector or interested party can participate in this consultation process.
- c. The SPP Global Suggestion Form or any other specific form developed by the Secretariat is used for submitting suggestions for changes to the draft Standard.
- d. The ordinary period for submitting observations is 60 calendar days. If a shorter or longer period is required, it must be endorsed by the SPP Global Board of Directors.
- e. Operations Officer must record all comments made by any interested party or sector.

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<sup>2</sup>All stakeholders trading the product, or affected by the criterion/guideline, must be given notice.



### 8.1.4 Preparation of Second Draft

- a. Operations Officer prepares a report featuring a recap of the suggestions received regarding the draft standard and corresponding consultation result analysis. This report is annexed to the new version of the draft standard: this new draft is developed by consulting with the Producer Group first and subsequently with the Working Group.
- b. Operations Officer formulates a Second Draft text to be endorsed by the Head of the Standards and Procedures Committee Secretariat before being put forward.

### 8.1.5 Preparation of Final Draft

- a. The Standards and Procedures Committee reviews and analyzes proposed Second Draft in an ordinary or extraordinary session; the committee provides feedback and approves the Second Draft.
- b. If the Second Draft is not approved by the Standards and Procedures Committee, it will have to be reformulated by the Secretariat based on indications from the Standards and Procedures Committee, making sure to consult with the Producer Group first and then with the Working Group.
- c. For any standard proposal to be considered approved by the Working Group before submitting it to the Standards and Procedures Committee, it must preferably be approved by each and every member of the Working Group; otherwise, it must at least be explicitly approved by the Producer Group.
- d. Once the Standards and Procedures Committee validates the Second Draft standard text, the Chair of this Committee turns it over to the Board of Directors of *SPP Global* as a Final Draft for its authorization as a standard, attaching all supporting consultation material and the reasoned decision of the Standards and Procedures Committee.

### 8.1.6 Authorization as a Standard

- a. In the case of standards of strategic nature and/or that are part of the agenda of a General Assembly, the following applies:

Once the Final Draft has been ratified by the Board of Directors, all the voting members of the SPP General Assembly will vote upon this final proposal to determine its approval as a Generic Standard. Basi voting rules are:

- Only those Standards and/or procedures proposals that have been subject to extensive consultation processes can be voted upon via this mechanism.
  - A voting process notice is sent out at least one month in advance, with proposal attached.
  - The notice must provide all information needed for informed decision making.
  - For votes to be valid, each eligible voter must assign a voting proxy by submitting an appointment letter signed by their governing body.
  - All election procedures must be approved by the Board of Directors and the voting process must be verified by the Surveillance Committee.
- b. If the draft sent by the Standards and Procedure Committee is not approved, it will have to be reformulated by the Secretariat and reviewed by the Standards and Procedure Committee based on the indications from the Board.

### 8.1.7 Publication

- a. The Secretariat publishes the authorized standard within the timeframe agreed by the Standards and Procedures Committee.

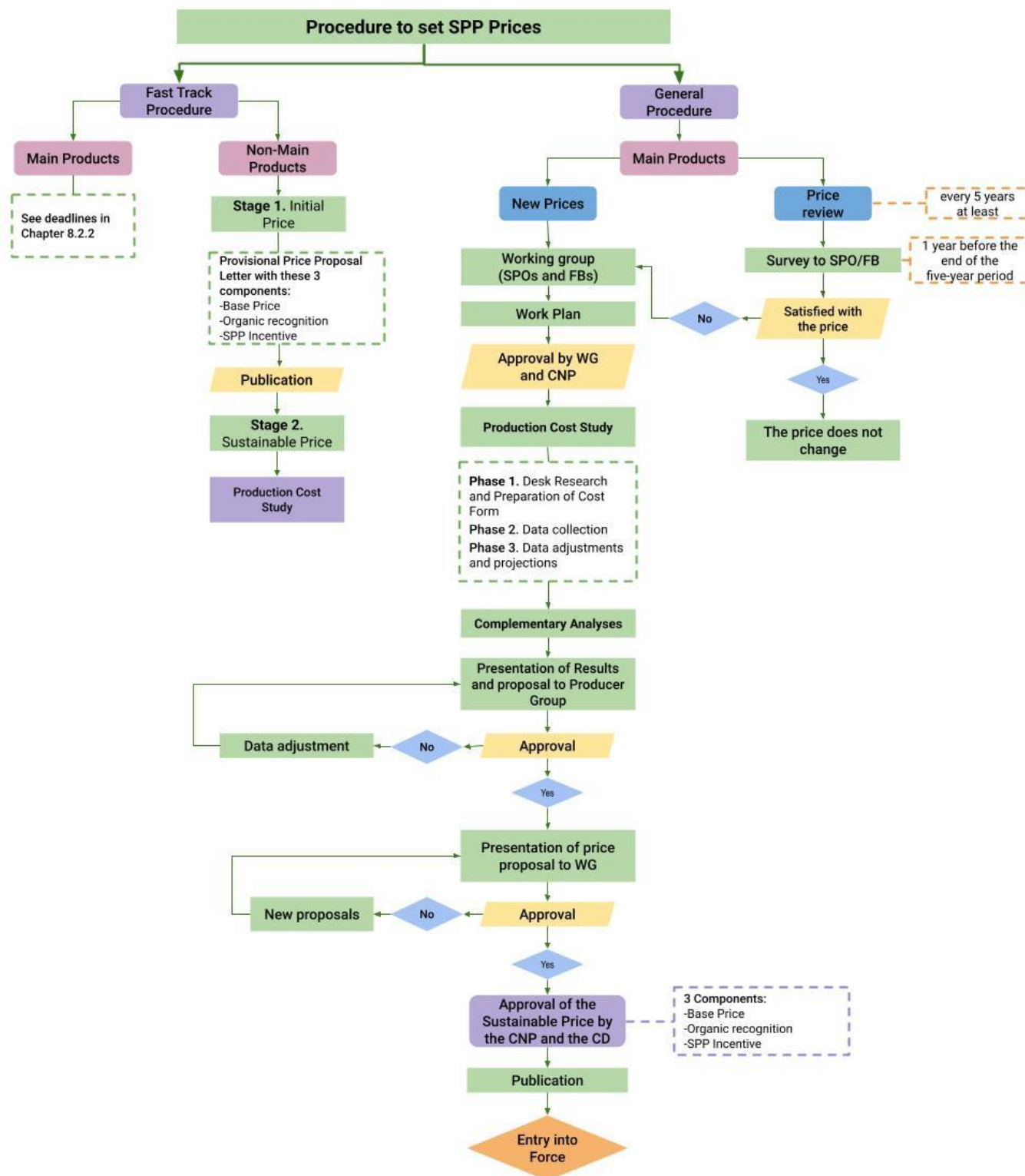
### 8.1.8 Review and Updating



- a. In principle, generic standards are subject to regular comprehensive reviews to be conducted no later than every five years.
- b. One year before the end of every five-year period, a survey is conducted to determine if it is necessary to comprehensively review the standard in question. These stakeholders are to be polled:
  - i. SPP certified Small Producers' Organizations that produce the product in question.
  - ii. SPP registered Final Buyers who market the product in question.
- c. To update an existing generic standard, the same procedure used for new standards development must be followed.
- d. Both Stakeholders and the *SPP Global* Operational Team may and will come up with suggestions to modify generic standards from time to time: the Secretariat of the Standards and Procedures Committee must review, systematize and present them in a timely manner to the Standards and Procedures Committee and the Board of Directors of *SPP Global*.
- e. If it is deemed necessary to review a generic standard before the end of a given five-year cycle, the Board of Directors may decide to start review and consultations earlier for the standard or part of a standard in question, making sure to set up a specific timetable for review, consultation and approval.



## 8.2 PROCEDURE TO SET SPP PRICES







- a. According to criterion 6.2.6 of the SPP General Standard: "When the List of Sustainable Prices does not mention the product or by-product of the parties interested in being certified as a Small Producers' Organization, or interested in becoming registered as a Buyer, it is necessary to ask SPP Global to establish the prices or references to be applied."
- b. First, product type must be determined: Main Product or Non-Main Product<sup>3</sup>. For Main Products, either the General Procedure or the Fast Track Procedure is to be applied, as appropriate. For Non-Main Products, the Fast Track Procedure described in point 8.2.2 is to be applied.

### 8.2.1 General Procedure

- a. In principle, the procedure to set prices is carried out according to chapter 8.1.1, except for the consultation phase, which in this case is limited to those Small Producers' Organizations and Buyers involved, as well as the SPOs and Buyers trading the generic product in question.
- b. According to this process, when setting or reviewing an SPP Minimum Sustainable Price, two main stages are to take place:
  1. Production Cost Study, which includes the 3 phases mentioned in the diagram:
    - Phase 1: Research and Preparation of Cost Form
    - Phase 2. Data collection
    - Phase 3. Statistical adjustment and projections
  2. These Complementary Analysis consist of doing research and/or examining scenarios established in the Procedure for Setting Standards and Procedures (organic and conventional market prices; quality differentials, among others). This research provides inputs that must be presented to both the Producer Group and the Working Group, as well as the CNP, in order to have all necessary tools to set a price that is appropriate both in terms of market context and small producers' reality.
- c. As is the case for the SPP Generic Standards Definition process, price-setting decision-making must always include Producer Group meetings.
- d. The first meeting, scheduled to present the project and the Work Plan, must be held with the Working Group. Once the Work Plan is approved and the first stages of the project begin, a Producer Group meeting must take place first, followed by a subsequent meeting with the Working Group.
- e. To consult the guidelines that must be followed by the Producer Group and the Working Group involved, see ANNEX 1. PROCEDURE FOR PRODUCER GROUP MEETINGS AND WORKING GROUP MEETINGS
- f. A production cost study is carried out: if applicable, specific organic production costs are identified. See methodology to carry out the study in ANNEX 2.METHODOLOGY TO COLLECT PRODUCTION COST DATA
- g. In addition to collecting costs and once this study is completed, the SPP Global operational team must, to the extent possible, conduct further research and analyzes as indicated below and present results to decision-making bodies:
  - Review the SPP Price List to see if there is an SPP price for the same product in another region and/or a (highly) similar product in the same region.
  - Conduct research on comparative prices from other fair trade schemes or similar schemes
  - Conduct research on prices set for this product in conventional and organic markets.
  - Conduct research on possible quality differentials or common regional differentials for the product in international markets.

<sup>3</sup>See Main and Non-Main Product Definitions



- Conduct research on regional variations in terms of average crop yield and average crop sizes for the product in question.
  - Conduct research on possible differentiated import tariffs for certain regions of origin and regions of destination.
  - What unit(s) of measurement and currency(s) are prices usually expressed in internationally?
  - Conduct simulated cost calculation considering basic food basket costs. Considering basic food basket costs and national minimum wage by country, the minimum wage that a producer/worker should obtain to buy this basic basket for his family is calculated, all while aiming for living wage rates. For this simulation, the expenses reported in the Living Costs Form ([Annex 3](#)) are also taken into account.
  - Simulated cost scenarios where certain cost items are deleted for the product in question, to increase proposed price feasibility.
- h. Producer Group must review cost study results and complementary analysis to generate a unique proposal to be presented later to the Working Group.

General requirements for any price proposal are:

- i. Proposal must be supported by the production cost study conducted for the product or products in question.
- ii. The SPP Sustainable Price proposal must include these three components: Base Price, Organic Recognition and SPP Incentive. In principle, Organic Recognition must be equivalent to 15% - 25% of Base Price; the SPP Incentive must be equivalent to 10% - 15% of Base Price. If an SPO wants to propose prices that fall outside these ranges, it must submit a duly justified request.
- iii. The SPP Sustainable Price and its components (Base Price, Organic Recognition and Incentive) must be expressed in dollars (USD) and/or euros (EUR), unless major changes in international trade occur or a specific case review is authorized.
- iv. The units of measurement for the SPP Minimum Sustainable Price and its components (Base Price, Organic Recognition and Incentive) must, in principle, be expressed in tons (t), unless extraordinary reasons to use a different unit of measurement are deemed legitimate. Small Producers' Organizations submitting a price proposal in other units of measurement must express their opinion concerning the conversion of said proposal to tons.
- v. Selling price indicated is normally an FOB (Free On Board) price. If a Sustainable Price proposal is set in Ex Works terms, the SPO must specify that export shipping will take place via a maquila intermediary. This will only be possible if there are no other SPOs in the same product category making direct exports; if that is not the case, the price must be set in FOB terms.
- vi. An update margin is applied to the Minimum Sustainable Price and the Organic Recognition only, but not to the SPP Incentive. This Update Margin must be calculated based on the average inflation rate indicated by the CPI (Worldwide Consumer Price Index) for the last 5 years, multiplying this indicator by factor 2.
- vii. If a specific cost study proves it necessary, the global CPI multiplication factor may be lower or higher than 2.
- viii. It must be ensured that prices are set at a suitable level. In general, only the price at which the whole small producers' organization is to sell each SPP product is set; the price at which SPOs buy from each producer is not set. The development of prices for different stages of the same chain is avoided, as far as possible, in order to boost trade and build the capacities of small producers' organizations.
- i. For any price proposal to be considered approved by the Working Group before submitting it to the Standards and Procedures Committee, it must preferably be approved by every member of the Working Group; otherwise, it must at least be explicitly approved by the Producer Group.



- j. When setting a price, Final Buyers who are part of the Working Group have the right to know how production costs are calculated by Small Producers' Organizations. For their part, Small Producers' Organizations must have access to information regarding Final Buyers' costs and sales margins, as well as the market value of marketed products.
- k. Cost study results and analysis, as well as the proposals put forward by both the Producer Group and the Working Group, are presented to the Standards and Procedures Committee.

When reviewing this, the CNP must consider the following:

- If there is already an SPP price for the same product in another region, the CNP will deliberate and determine whether or not a different price for a new region needs to be set, based on the fact that, as far as possible, the same minimum price must be applied in all countries to avoid unequal competition among producer organizations.
  - Likewise, if there were important justifications for having differentiated prices, margin of difference must be paid special attention to avoid unequal competition.
  - In principle, prices should cover the highest costs of production, comparing the costs of all regions and considering factors such as production volumes and crop yield.
  - Analyze how feasible proposed price is with respect to current market prices, in case there is a large difference between production costs and market prices.
  - If feasible and reasonable, the SPP minimum prices are to be set above the prices of other fair trade labels; this is because of SPP's positioning, which mainly seeks to maximize the value that producers get for the products they make and sell.
  - Distribution of the three components of the SPP Minimum Sustainable Price (Base Price, SPP Incentive and Organic Recognition) must reflect the cost of, and boost, organic production and certification, as well as collective organizational work.
- l. The CNP reviews and, if applicable, approves the proposals submitted. Subsequently, the decisions made by the CNP are reviewed and ratified by the SPP Global Board of Directors.
  - m. Once the agreements have been ratified, the new price is published, indicating an effective date established in accordance with the criteria of the SPP General Standard.
  - n. The status of Main and Non-Main Products must be regularly monitored, in principle on a quarterly basis, to determine whether or not they are to be recategorized.

### 8.2.1.1. Update Margin

- a. This Update Margin must be calculated based on the average inflation rate indicated by the CPI (Worldwide Consumer Price Index) for the last 5 years, multiplying this indicator by factor 2.
- b. If a specific cost study proves it necessary, the global CPI multiplication factor may be lower or higher than 2.
- c. An update margin must be applied to the Minimum Sustainable Price and the Organic Recognition only, but not to the SPP Incentive.
- d. The Update Margin tool has no applications other than the approved one. SPP Global will not make any automatic price updates based on this Update Margin.

### 8.2.2 Fast track procedure

- a. This procedure is to be applied when SPP Global receives requests from any SPP stakeholder(s) outside the regular time frame established for price review and update. Fast Track Procedure can occur in two modalities based on product type:

#### I. Fast Track Procedure for Main Products:



### II. Fast Track Procedure for Non-Main Products:

- b. In both Fast Track Procedure modalities, a Provisional Price must be established, as well as a deadline to prepare cost calculation supporting documentation. The deadline must be reasonable; specific aspects related to each product and the producer organizations involved must be taken into account.
- c. Criteria established taking into account data from a single Small Producers' Organization will be subject to review, as soon as information from any additional stakeholder so allows.

### I. Fast Track Procedure for Main Products:

1. In principle, the fast track procedure for main products is carried out in accordance with the provisions 8.1.1 of chapter of this document.
2. The final draft is presented to the Producer Group and the Working Group; subsequently it is presented to the Standards and Procedures Committee.
3. If the Standards and Procedures Committee does not agree with the Final Draft submitted, the Secretariat will have to prepare a new version, taking into account all the feedback provided by the Standards and Procedures Committee for final approval.
4. Once the Standards and Procedures Committee validates the Final Price Proposal, the Chair of this Committee turns it over to the Board of Directors of *SPP Global* as a Final Draft for its authorization as a standard, attaching all supporting consultation material and the reasoned decision of the Standards and Procedures Committee.
5. The price is Authorized and Published according to the provisions of chapter 8.1.1 (k)
6. These are the deadlines to be met for each stage:

1. Formation of Working Group and Appointment of Operations Officer	2 weeks
2. Preparation and Approval of Work Plan	2 weeks
3. Preparation of Draft and Proposal	6 weeks
4. Approval	2 weeks
<b>Total:</b>	12 weeks: 3 calendar months

*Note: Times may vary depending on the human and/or financial resources available for operational work, as well as participants' response time, and the amount of feedback to incorporate throughout the process.*

### II. Fast Track Procedure for Non-Main Products:

Prices for Non-Main Products are set in two stages:

**Stage I.** Initial SPP Sustainable Price

**Stage II.** SPP Sustainable Price

#### Stage I. Initial Price

Any Organization(s) interested in selling a new SPP product must send SPP a letter with an initial price proposal for the product in question. If two organizations are involved, both must ratify and approve the same Initial Sustainable Price proposal by signing the letter each. The SPP Global Operational Team, in such cases,



shall facilitate communication between both organizations for them to reach a common agreement:

- a. The price agreed as per the letter will be published as Initial Price.
- b. Initial Price must have verifiable references by at least one final buyer involved in the supply chain.

### **Stage II. SPP Sustainable Price**

- a. Within six months following effective date, SPP will conduct a Non-Main SPP Product cost study involving interested organizations to verify initial price feasibility.
- b. SPP Production Cost study results must be submitted to the CNP including a proposal for a Sustainable SPP Price.
- c. According to results obtained via the Production Cost Study, the CNP will determine if the initial price is suitable or if an adjustment must be made.

Any proposal to set a Minimum Sustainable Price must meet the requirements outlined in *Chapter 8.2.1(h ) Point i.a.ii.* of this Procedure.

### **8.2.3 Price Review and Update**

- a. In principle, prices are subject to regular comprehensive reviews to be conducted no later than every five years.
- b. One year before the end of that five-year period, a survey is conducted to determine if a complete review of the price included in the SPP Sustainable Price List is necessary. These stakeholders are to be polled:
  - i. SPP certified Small Producers' Organizations that produce the product in question.
  - ii. SPP registered Final Buyers who market the product in question.
- c. In all cases where it was deemed necessary to review the price, the product must be included in the Annual Regulatory Program to then carry out what is described in chapter 8.2 of this document.
- d. If the price update responds to a specific request from one or more SPP stakeholders, the Fast Track Procedure modality outlined in chapter 8.2.2 of this document must be carried out, upon determining product type: Main Product or Non-Main Product.
- e. Both Stakeholders and the *SPP Global* Operational Team may and will come up with suggestions to modify prices from time to time: the Secretariat of the Standards and Procedures Committee must review, systematize and present them in a timely manner to the Standards and Procedures Committee and the Board of Directors of *SPP Global*.
- f. If it is deemed necessary to review a price before the end of a given five-year cycle, the Board of Directors may decide to start review and consultations earlier for the standard or part of a standard in question, making sure to set up a specific timetable for review, consultation and approval.
- g. As for Main Products considered highly demanded, corresponding prices set by other certification schemes must be monitored, as well as respective market prices. The objective of this monitoring is to ensure that the SPP Minimum Sustainable Prices are aligned with market prices and other certification schemes' prices.
- h. For price reviews of Main Products and Non-Main Products, the Secretariat of the Standards and Procedures Committee is responsible for including this activity in the Annual Work Plan. If any of the products were recently updated, monitoring for that product must be included in the Work Plan over the next two years.
- i. In either case, there may be minor adjustments in the wording of any standard without altering its content, to provide further clarification or due to errors made.



### 8.3 PROCEDURE TO SET PARAMETERS

The Procedure to set parameters is subdivided into two types according to the following classification:

- I. Parameters for already parametrized products<sup>4</sup>
- II. Parameters for new products<sup>5</sup>

#### I. Procedure to set parameters for already parametrized products

- a. Interested parties will have to submit a duly justified request as to why they require a specific parameter to be set for an already parametrized product.
- b. The Secretariat of the Standards and Procedures Committee submits the request and a corresponding Work Plan to the CNP, providing information that justifies whether it is feasible to continue with the process to establish a new specific parameter. The CNP must respond with approval or denial to continue the process.
- c. If the CNP approves a request and a work plan for reviewing a specific parameter, one of the two procedures shown below must be selected:
  - Direct Approval by the CNP: If Non-main Products are involved, proposed draft parameter will be submitted to the CNP for immediate approval and possible ratification by the CD.
  - Generic Standards Procedure: If the parameter involves a Main Product, the Generic Standards Procedure must be applied to determine approval.
- d. If a specific parameter is considered a high priority since it might have a positive impact on sales opportunities for one or more SPOs, a request and proposal for a shorter processing time may be submitted, duly justifying why a decision is needed shortly. Also, a time frame must be set for requesters to provide all information needed to properly support their proposals so that a final decision be made.

#### II. Procedure to set parameters for new products

- a. Interested parties will have to submit a duly justified request as to why they require a specific parameter to be set for a new product.
- b. Operations Officer, as instructed by the CNP Secretariat, reviews the request and justification submitted by the requester(s). Criteria to be considered for this review:
  - Check if proposed parameter is already provided for in the General Standard
  - If the provisions of the General Standard do not cover what is stated in the proposal, there must be enough information and supporting documentation providing adequate ground to set a specific parameter.
- c. Based on gathered information, the Secretariat of the Standards and Procedures Committee submits the request and a corresponding Work Plan to the CNP, providing information that justifies whether it is feasible to continue with the process to establish a specific parameter for a new product. The CNP must respond with approval or denial to continue the process.
- d. If the CNP approves a request and a work plan for reviewing a specific parameter, one of the two procedures shown below must be selected:
  - Direct Approval by the CNP: If Non-main Products are involved, proposed draft parameter will be submitted to the CNP for immediate approval and possible ratification by the CD.
  - Generic Standards Procedure: If the parameter involves a Main Product, the Generic Standards Procedure must be applied to determine approval.

<sup>4</sup>Already parametrized product: A product for which a specific defined parameter - different from what is established by the General Standard - already exists, regardless of where it applies, i.e. all countries or a specific country.

<sup>5</sup>New Product: No specific parameter has been set for this product.





### 8.3.1 Parameter Review and Update

- a. In principle, specific parameters are subject to regular comprehensive reviews to be conducted no later than every five years after parameter approval date.
- b. One year before the end of every five-year period, a survey is conducted to determine if it is necessary to comprehensively review the parameter in question. These stakeholders are to be polled:
  - SPP certified Small Producers' Organizations that produce the product in question.
  - SPP registered Final Buyers who market the product in question.
- e. To update an existing specific parameter, the steps indicated in the previous procedures are to be followed.
- f. Both Stakeholders and the *SPP Global* Operational Team may and will come up with suggestions to modify parameters from time to time: the Secretariat of the Standards and Procedures Committee must review, systematize and present them in a timely manner to the Standards and Procedures Committee and the Board of Directors of *SPP Global*.
- c. When preparing every annual Work Plan, parameters that are due for a five-year review must be identified and included in the Work Plan.

## 9. SPP REGULATORY PROJECTS

- a. Information regarding ongoing SPP projects is available on the "SPP Regulatory Projects" section of the SPP official website, which can be accessed using the following link: <https://spp.coop/red-spp/> (password: [sppcoop](https://spp.coop/red-spp/))
- b. The "SPP Regulatory Projects" section is a table listing projects currently being developed, as well as a brief description of each. Each project mentioned features the stages that have been completed, as well as all stages in progress.

## ANNEX 1. PROCEDURE FOR PRODUCER GROUP MEETINGS AND WORKING GROUP MEETINGS

### 1. General Guidelines

- 1.1. When starting a new project, an open call for participation is sent to all stakeholders involved.
  - 1.1.1. If the project aims to set an SPP generic Standard or an SPP generic Parameter, the call is sent to all current SPP Global members (Small Producers' Organizations, SPP Final Buyers and, possibly, other stakeholders).
  - 1.1.2. If the project aims to update prices, conduct production costs studies or set specific parameters, the call will only be sent to the stakeholders who buy/sell the product and/or are affected by the parameter in question.
- 1.2. As for Working Group Meetings, Standards and Procedures Committee members may participate as observers, only if they are part of the member category(-ies) for which the meeting was convened (Producers and Buyers or Producer-only).
- 1.3. A meeting notice is sent to all the stakeholders involved every time a Producer Group or Working Group meeting is called. Even if a stakeholder has not actively participated in past meetings, they must be invited to all the Working Group meetings that take place.
- 1.4. Working Group meetings must be announced at least 15 days in advance. Meeting announcements will be emailed first. Subsequently, the Operational Team will use, as far as possible, all available means to ensure that stakeholders involved confirm their attendance (WhatsApp, phone calls, among others).



- 1.5. For each meeting, a guide must be prepared featuring the topics to be discussed during the meeting. Each meeting guide must contain relevant information focused on meeting objectives and on what is to be approved or discussed by the WG. The guide must include, at least, these elements:
  - Background
  - Meeting Objective
  - Relevant information (methodology, results, etc.)
  - Proposals
  - Decisions to make
- 1.6. The guide must be sent out at least one business day in advance and preferably two business days in advance. This guide will be only shared with the members invited to the scheduled meeting. This means that in the case of Producer Group meetings, the guide will be shared with Producer Organizations only and when it comes to Working Group meetings, the guide will be shared with all categories involved.
- 1.7. After each meeting, minutes listing all decisions made must be prepared and clarifying notes are to be added if necessary. 6 business days after each meeting date, corresponding meeting minutes must be shared with the members who were present that day.

## 2. Specific guidelines

### 2.1 Producer Group

- 2.1.1 As for Producer Group meetings, Small Producers' representatives representing the product in question in the Standards and Procedures Committee and / or the Board of Directors must be invited, so that they can be observers and express their opinions during decision making.
- 2.1.2 There is no obligation to include the production costs of any Small Producers' Organization who submitted their information after analysis phase deadline has passed.
- 2.1.3 Concerning decision-making, Small Producers' Organizations having actively participated in data collection for the study will be given more weight when voting during meetings. The decisions or opinions from the SPOs actively participating in the study will be counted as two votes whenever the Producer Group must agree on a proposal; those SPOs deemed to participate rather passively may only cast a single vote.
- 2.1.4 In the event that new eligible organizations participate in Producer Group meetings after the SPO data collection phase is concluded, it will be up to the full Producer Group to decide if they will be included in the study even if results have already been presented.
- 2.1.5 Minimum quorum for a production cost study to be considered valid is 25% participation from the Small Producers' Organizations trading the product in question.
- 2.1.6 During Small Producer Organizations' meetings, information will be presented regarding research methodology, cost form structure (when it comes to production cost studies or price updates), results obtained, among others. Furthermore, complementary analyzes, proposals and/or simulated scenarios prepared by the SPP Operational Team will be discussed.
- 2.1.7 According to the scenarios, SPOs must make decisions about the critical path to follow or the proposals that must be submitted to the Full Working Group.
- 2.1.8 Producer Group members must make every possible effort to formulate a consensual proposal. Only if divergent positions cannot be reconciled will attendees vote on the proposals to determine approval by majority vote.

### 2.2 Working Group

- 2.2.1 With regards to Working Group meetings, i.e., meetings involving both SPOs and Final Buyers, study results must be presented, as well as any decision and / or proposal made during prior Producer Organizations' meeting.



- 2.2.2 It is recommended to seek consensus for any decision to be made by the working group, i.e. decisions should be approved by all stakeholders. As far as possible, decisions should not be made by majority vote.
- 2.2.3 For any proposal to be considered approved by the Working Group before submitting it to the Standards and Procedures Committee, it must preferably be approved by every member of the Working Group; otherwise, it must at least be unanimously approved by all the members of the Producer Group present during the meeting.
- 2.2.4 If a final proposal was not approved by absolute consensus but by majority vote, the proposal to be submitted to the CNP must be complemented with information on any objections expressed during the meeting of the Working Group
- 2.2.5 The decision made by the Working Group will be submitted to the Standards and Procedures Committee for approval and, subsequently, to the Board of Directors for ratification.

## ANNEX 2.METHODOLOGY TO COLLECT PRODUCTION COST DATA

### 1. General considerations

This production cost calculation method takes into account all the expenses incurred by both each producer and the entire organization to make the final product, including commercialization costs. This study includes, in general, the following costs:

- **Producer-level Costs**
  - Cost of Land Use
  - Investment Costs
  - Pre-operating Costs (Land Preparation)
  - Operating Costs (from establishment to delivery to SPO)
- **SPO-level costs**
  - Investment Costs
  - Administration costs,
  - Processing Costs,
  - Collection, packaging and labelling costs
  - Commercialization and promotion costs
  - Certification Costs (SPP, Fair Trade)

Production costs are classified in turn into generic costs and organic costs, to calculate both the "Base Price" and the "Organic Recognition" components of the SPP Minimum Sustainable Price<sup>6</sup>. Here's how each of these components is determined:

- **Base Price:** It is calculated based on generic costs.

**Generic Costs:** These are the costs incurred by Small Producers and Organizations from land preparation up until product processing and/or commercialization, excluding all costs related to organic inputs (purchase and application thereof), as well as the workforce required for organic activities.

**Organic Recognition:** It is calculated based on organic costs.

**Organic Costs:** These are all the costs related to organic inputs and production incurred by Small Producers and Organizations from land preparation up until product processing and/or commercialization. These costs include the cost for organic certifications and the workforce that is used for the application or preparation of organic inputs.

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<sup>6</sup>The SPP Incentive is not calculated based on production costs, but is calculated as a percentage of the Base Price



This component ascertains the cost differential resulting from the activities required for organic farming (e.g., composting); these are activities that are not carried out by conventional producers. This component covers the items below:

- Producer costs for organic production, up to delivery to SPO
- Direct and indirect costs incurred by the SPO for Organic certification

Cost of land must always be included in the study, either as a real cost or an opportunity cost. If the producer owns his production unit, the average cost of renting land in the region in question will be used as a reference. In addition to the above, other costs related to land tenure must be considered (taxes, land demarcation, right to farm, among others)

## 2. Cost methodology for Main Products

The process of collecting, adjusting and projecting production costs for a given product is carried out in 3 phases:

- Phase 1. Prior research and Preparation of Cost Form
- Phase 2. Collection of data from SPOs.
- Phase 3. Cost adjustment and Cost projection.

### *Phase 1. Prior Research and Preparation of Cost Form*

Before starting a cost study, preliminary research and analysis must be conducted with regards to all production stages, production time and crop management, as well as processing levels for the product in question.

Based on desk research results, previously prepared Universal Cost Form is adjusted to create a specific Cost Form for the product in question, separating organic costs from generic or conventional costs. These documents are explained in the [ANNEX 3. COST FORM](#)

In addition to the above, this information is complemented with a comparative analysis (using secondary sources of information) to identify any gaps concerning data reported by other studies in terms of both conventional production costs and organic production costs (workforce and inputs for organic fertilization, pest control, among others). If the Working Group so decides, the organic price component may be adjusted, taking findings into account.

Surveys are used to get general information from SPOs and producers, such as SPO level (first, second or third level), processing stages carried out by the producer before delivering the product to the SPO, among others. This is done to ensure the cost form is adapted to SPOs' reality.

Once the specific Cost Form has been created, a virtual workshop is held for Working Group members to review both the work plan and the cost form, as well as the specific methodology used to collect data regarding the product in question. A specific methodology is to be set<sup>7</sup> for each product considering desk research findings and SPO survey results. This specific methodology must meet these criteria:

- **Time Frame:** Average time frame to collect data and conduct production cost analysis. This time frame includes both the initial infrastructure investment, the production phase and the time in between.
- **Production yield:** Historical data are taken into account to calculate average production yield, e.g., data from the last 3 or 5 years.
- **Unit of measurement** to be set for the product (t, kg, lb, etc.) to determine cost per unit. The Working Group must decide upon or approve the unit of measure proposed to report production costs.

The criteria listed below are general criteria to be considered when adjusting and projecting costs (Phase

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<sup>7</sup>Criteria proposals made by the Working Group will be subject to ratification by the Standards and Procedures Committee.



3):

- **Currency and Exchange Rate:** SPOs may report their production costs in their national currency. To compare data, total costs will be converted to US dollars. For this conversion, the average dollar exchange rate for the country in question over the last 5 years will be used.
- **Inflation:** Since figures will be converted to dollars to compare costs, the average inflation rate for dollars over the last 5 years will be used to standardize cost data during projections. Additionally, global inflation references may be used.
- **Amortization/Depreciation:** Amortization charges off the cost of an intangible asset over time, while depreciation performs the same function for a tangible asset. This is calculated by dividing the cost of an asset, less its salvage value, by the useful life of the asset.

In the pre-operating stages, both the producer and the SPO make long-term investments that become assets (such as cars, warehouses, facilities or machinery). The use of these assets represents an expense throughout the supply chain, so it must be considered in the cost analysis. However, only the cost proportional to the time frame set for the study must be considered.

Straight-line amortizations (same amortization cost over time) will apply to each fixed asset present in the production chain, considering its useful life and a fixed interest rate.

$$\text{Constant Amortization rate} = C * \frac{i * (1+i)^n}{(1+i)^n - 1}$$

*C* = Nominal rate

*i* = effective interest rate for set time frame.

*n* = duration of operation in months, quarters, semesters or years.

When setting costs in US dollars, the average interest rate in the United States for the last five years will be used. Additionally, international interest rate references will be used to obtain more realistic cost estimations.

The facilities and equipment that can be amortized will be those with a useful life greater than or equal to the time frame set for production cost calculation.

If the asset has a useful life shorter than set time frame, its total cost will be included in the analysis and will be distributed according to useful life (years).

Assets to be amortized are considered to be facilities used specifically to produce or process the product to be studied.

If a facility or equipment is also used to produce or process other products, the SPO must consider only a proportional facility or equipment rental value according to the portion of building/equipment usage that can be attributed to the product to be studied. This value will be considered in the cost recap for each year.

- **Outlier Removal:** An analysis will be carried out to detect and remove outliers from the production costs reported by the SPOs: individual data sets are to be compared with average costs reported by the working group.
- **Unit Of Measure To Calculate Final Cost:** For each product, final cost analyses must be conducted expressing amounts in the unit of measure most often used for trading purposes. Data collection can be done using local units of measure.

If a cost study is conducted to update or set a Minimum Sustainable Price, then the following concepts will also apply.

- **Net Profit:** Net profit considered reasonable in the sector, both at producer level and at SPO-level



### Phase 2. Data Collection

Two main tools are used to collect production cost data:

- Specific Cost Forms for each product
- Interviews and virtual meetings with Organizations' representatives

Workshops are held to train organizations' staff to fill out cost forms and SPP Global follows up with each organization to help answer questions or solve any difficulties regarding the form. Instructions for filling out the forms are also sent out and training workshop videos are shared.

To obtain cost information at the producer level, a 1% sample is selected from the total number of producers each involved organization has: sample can never be less than 3 producers. If an SPO has more than 1,000 members, sample size must be at least 10 producers.

To determine the Small Producer sample, the first criterion to consider will be production unit size/number of hives. Ranges for production unit size/number of hives are set according to each SPO; producers are then classified into these categories.

The number of producers to be interviewed is determined by multiplying sample size by the percentage of producers in each range. Here's an example:

Consider an Organization of 500 small producers with the following production unit size ranges:

Total number of SPO's producers	500
Sample Size	5 ➡ 1% of all producers

Ranges-Production Unit Size	Number of producers included		Producers to be interviewed
	Number	%	$\left(\frac{\text{Sample size} * \%}{100}\right)$
3-6 hectares	100	24.4%	1
7-10 hectares	300	73.2%	3
11-15 hectares	100	24.4%	1
<b>Total</b>	<b>500</b>	<b>100%</b>	<b>5</b>

*\* Remember that if the decimal portion is more than 0.5 we round up to the nearest whole number.*

All data obtained are reviewed in detail and verified with the Small Producers' Organizations, to ensure that they are correct and consistent and so that organizations express agreement/disagreement.

If the average production unit size or the average number of hives does not vary much among producers, then another criterion that does differentiate the members of the organization must be selected. It is recommended to use one of the following criteria:

- a) Geographical area
- b) Farming techniques used
- c) Production yield

Samples must include producers who are representative of the entire membership, considering the aforementioned criteria.

In all cases, data must be treated as confidential. Detailed results from production cost calculations will be presented anonymously during Working Group meetings. This means that no SPO names will be shown, but they will be labelled as "SPO 1" "SPO 2", etc. This is done to achieve participating SPOs' data confidentiality.

### Phase 3. Cost adjustment and projection





In accordance with adjustment guidelines established in phase 1, collected data are reviewed and processed.

As part of these reviews, straight-line amortizations for long-term assets are determined, as mentioned in Phase 1 of this annex, in such a way that the annual costs of these assets are quantified.

Costs are projected for the previously established time frame, considering how frequently the SPOs or producers must pay each production cost throughout the entire production cycle. (Form respondents must indicate how often in years they must pay each reported cost) Production volume reported by both the SPO and the small producer are assumed to remain constant during cost projection.

According to cost projection obtained, the following elements are calculated:

- Average Total Cost: Average total costs are calculated both at the SPO level and at the producer level, as well as generic and organic average total costs.

Generic costs (USD)	= Annual Historical Average for generic costs (Both Producer level and Organization level)
Organic Costs (USD)	= Annual Historical Average for organic costs (Both Producer level and Organization level)
<b>Total Costs</b>	<b>= Generic Costs + Organic Costs</b>

- Annual Costs per production unit (costs per ton, costs per kg, etc.) of each organization. The cost per production unit includes costs at the producer level.

If the cost study is carried out to set or update a Minimum Sustainable Price, the following indicators must be determined:

- **Net Profit:** Income after subtracting annual expenses. (*Annual income-Annual expenses*)
- **Break-even Point:** point at which total cost and total income are equal. Profit is obtained once this point is surpassed. Break-even point is calculated as follows:

$$BEP = \frac{\text{Fixed costs}}{\text{Total Sales} - \text{Variable Costs}}$$

As for projections, the Break-even Point is adjusted assuming that all Organizations receive income throughout the year (amount previously agreed upon).

- **Break-even price per unit:** Price at which each product unit must be sold to reach the break-even point; that is, the minimum price you can sell your product for and still cover your costs for a determined time frame.
- **Accumulated Net Profit,** the sum of current year's Net Profit and previous year's net profit. This information is used to calculate profit margin, according to a given break-even point.

Based on the results described above, determined break-even point is used to calculate the components of the SPP Minimum Sustainable Price as shown below:

Base Price (USD)	Break-even Point - Organic Costs
Organic Recognition (USD)	Organic costs
SPP Incentive (USD)	In a 10-15% range in relation to the SPP Base Price



<b>SPP Minimum Sustainable Price (USD)</b>	<b>= Base Price + Organic Recognition + SPP Incentive</b>
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### 3. Cost Methodology for Non Main Products

To collect costs regarding a Non-Main Product, organizations involved are asked to fill out the Universal Form with data from an average producer or one who is representative of the organization. In the case of organizations that are 2nd, 3rd or 4th level, the costs of a representative organization of each level must be reported.

Optionally, the organization can choose to sample producers, considering 1% of total number of members. (Sample cannot be less than 3 producers) In case of exceeding 1,000 members, a sample of at least 10 producers is to be considered. Following the sampling guidelines explained above (Phase 2. Data collection).

For this type of study, the annual production costs for the product in question are collected, classifying them as either generic or organic, and taking into account the general definitions listed on the procedure for main products (see chapter 8.2.1 of this document).

Based on collected data, the annual costs, both at the producer level and at the SPO level, are calculated, including the amortization of long-term assets (explained in [Phase 2](#) of this annex)

Once the total annual costs are determined, the components of the Minimum Sustainable Price are calculated and the Update Margin is applied in the same way as for main products.

## ANNEX 3. COST FORM

The Cost Form is a tool used to compile information on production costs (both generic and organic) and living costs. The Production Costs Form is a separate Excel document different from the Living Costs Form. Each is described below.

### 1. Production Costs Form

The Universal Cost Form has general sections to enter cost information for any product. This form is used for non-main products.

To prepare Specific Forms, in-depth research is conducted regarding the production stages needed for each product, as well as initial surveys for producers to corroborate that what was found via desk research is congruent with Producers' realities.

With this information, the Universal Form is modified and a form for said product is created, divided according to researched production stages.

The Cost Form is divided into "Costs for the Producer" and "Costs for the Organization". The following elements are also included:

#### Producer Costs

- **General Information**
  - Plot-related information
  - Cost of land use
  - Producer's production yield
- **Land Preparation and Adaptation Stage**
  - Initial and long-term investments (facilities, machinery, equipment, etc.) with a useful life of more than 10 years
  - Land preparation tasks
  - Organic workforce and inputs (seeds, seedlings, compost, fertilizers, etc.)
  - Workforce (family and hired)



- Tools to prepare land
- Utility expenses (water for irrigation, electricity, etc.)
- Financial costs (agricultural insurance, interest payments)
- **Cultivation Stage**
  - Workforce (family and hired)
  - Crop maintenance tools
  - Organic workforce and inputs (pest and weed control, fertilizers, etc.)
  - Crop maintenance tasks
  - Biosecurity expenses (Personal Protection Equipment and safety equipment supplies)
- **Harvest Stage**
  - Harvesting tools
  - Workforce (family and hired) for harvest
  - Transportation
  - Environment conservation activities
  - Others (Taxes, etc.)

### Organization Costs

- **General Information**
  - General Information of the Organization
  - Crop information
  - Cost of Land Use
  - Productivity and yield of the SPO
- **Preoperational Stage**
  - Long-term investments (facilities, vehicles, machinery and equipment) with a useful life of more than 10 years.
- **Stages of product processing**
  - Financial costs (Loan payments, interests, insurance)
  - Workforce (family and hired)
  - Tools
  - Biosecurity expenses (Personal Protection Equipment and safety equipment supplies)
  - Machinery for product processing
- **Storage and Commercialization**
  - Financial costs (Loan payments, interests, insurance)
  - Infrastructure (warehouses, storerooms)
  - Tools
  - Workforce (family and hired)
  - Offices and administration
  - Transportation and export costs
  - Promotion
  - Trainings
  - Certifications (organic, fair trade, etc.)
  - Other

Cost Forms, both universal and specific forms, are subject to change according to the needs of each product to be studied. More cost items to take into account can be added, so as to ensure a comprehensive analysis.

## 2. Living Costs Form

For each cost study regarding main Products, a survey of living costs is incorporated, in addition to the specific Cost Form of the product. The purpose of this survey is to gather information on expenses concerning goods and services that producers have to pay to live a dignified life. Contemplated expenses are divided as follows:



- **General Information**
  - Organization producer is part of
  - Number of family members living together
- **Food and Housing**
  - Meals
  - Housing cost (owner or renting)
  - Services (water, electricity, gas, telephone, internet, television)
  - House maintenance (cleaning, repairs)
- **Clothing and Personal Hygiene**
  - Clothing (shirts, pants, shoes, jackets, etc)
  - Personal hygiene items (toothbrushes and toothpaste, shampoo, soap, etc.)
- **Education**
  - Fees/Tuition
  - Uniforms
  - School supplies (books, notebooks, pencils, pens, etc)
- **Health**
  - Purchase of medicines
  - Medical consultations
  - Insurance
  - Disability-related costs
  - Retirement contributions
- **Transportation**
  - Fuel
  - Own vehicle maintenance
  - Cost of public transportation
- **Recreation and Cultural Activities**
  - Family outings and celebrations
  - Cultural activities (visits to museums, archaeological sites, etc.)
  - Sports

There is a support section where food expenses can be calculated, by detailing the items on which the expenses are focused, e.g.: meat, fruits, vegetables, legumes, cereals, dairy products, etc.

Organizations are asked to fill out at least one survey or form, reporting data from a single producer who is representative of the living situation shared by the majority of the producers in the organization. If the SPO wishes so, it can fill out more than one form and then the average cost for each item will be calculated.