Shared Responsibility
Sustainability Differential and Sustainability Investments in Processed Fruits Program

December 2022 | Matthew Ford | Christiane Hornikel

Anti - Trust Statement

There shall be no discussions of agreements or concerted actions that may restrain competition. This prohibition includes the exchange of information concerning individual prices, rates, coverage, market practices, claims settlement practices, or any other competitive aspect of an individual company's operation.

Each participant is obligated to speak up immediately for the purpose of preventing any discussion falling outside these bounds

Agenda

1. **Update on the Processed Fruits Program**

2. **Why Shared Responsibility?**

3. **How to meet the Shared Responsibility Requirements:**

   - **Paying the SD & SI: First Buyer**

   - **The value of the SD & SI**

   - **The beneficiary of the SD**

   - **Sustainability Investment and Investment Plan**

   - **Including SD & SI in contracts**

   - **Assurance: what is checked during the audit?**

   - **Reporting SD & SI in MultiTrace**

4. **Questions and Answers**
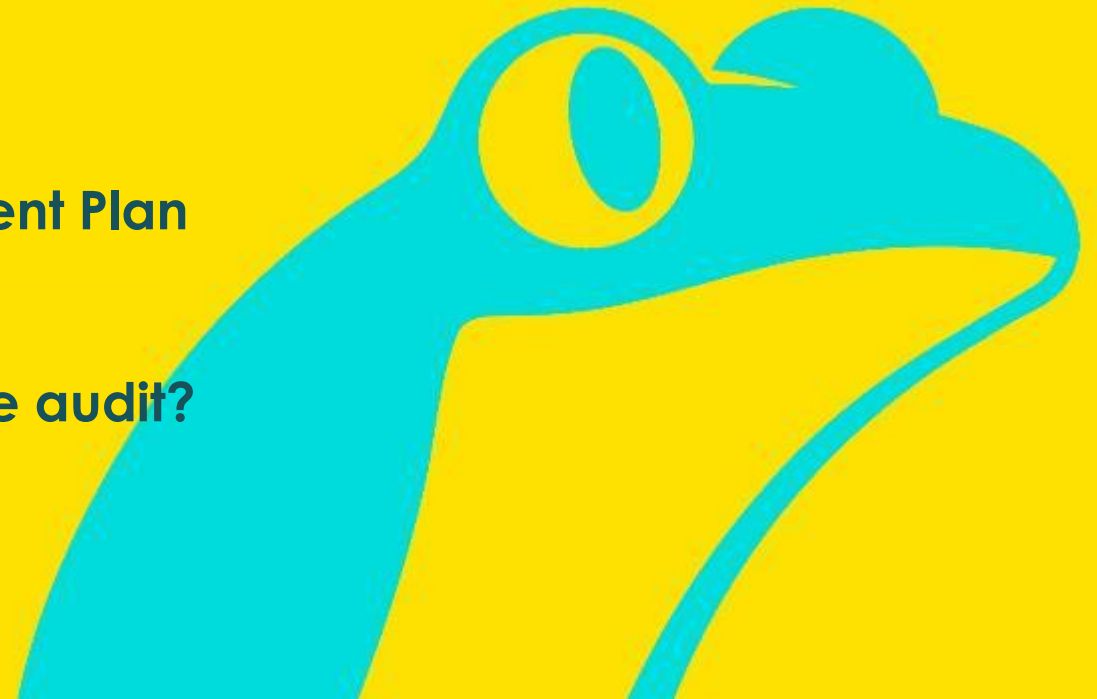
Updates on the Rainforest Alliance Processed Fruits Program

Registration and certification for the 2020 Certification Program

Please register and go through the certification process as soon as possible, if you haven't done so yet.

SCA need to conduct audits before 31st December 2022, certificates have been extended until 31st March 2023.

Farm audits should be organized during the harvest.

Update on online traceability

Traceability strengthens assurance, builds trust and increases supply chain transparency. It enables products to be traced back to a Rainforest Alliance Certified farm.

- Online Traceability is a mandatory requirement; of Chapter 2 of the 2020 Sustainable Agriculture Standard.

- **Orange juice and coconut oil traceability ends in Marketplace** on 5th December and will **reopen in MultiTrace on January 1st, 2023.**

- **Processed fruit** traceability begins in MultiTrace **from January 1st, 2023.** Other fresh fruits are already reported in MultiTrace.

- You can find MultiTrace within the Rainforest Alliance Certification Platform (RACP) – once you have a valid 2020 certificate

- If you have not received your license (or access to old/new MultiTrace), but have a prior RA account/ license, signed the 2020 License Agreement and finished the registration in RACP – we may issue a temporary license until 31st March, 2023.

Traceability guidance is found here.

This interactive guide to the standard is useful, here.

Questions? Contact customersuccess@ra.org

RAINFOREST ALLIANCE

Royalty fee

The Rainforest Alliance incurs costs that arise from standards and policies development and interpretation, managing a certification database and a quality control system, managing complaints and appeals, tracing certified products throughout the supply chain to validate certification claims, promoting the Rainforest Alliance Certified seal in the marketplace, measuring results, and creating communications tools that raise public awareness.

$0.015 per pound of soluble orange juice solids and soluble solids of all other juices and purees

$0.005 per pound of soluble banana puree solids**

$1.00 per metric ton of drained weight of canned fresh fruit**

$3.00 per metric ton of fresh pineapple*****

$25.00 per metric ton of crude coconut oil***

More details [here](#).

Royalty Responsibility and Invoice Frequency

Royalty is charged once in the supply chain triggered by the **confirmation of the incoming transactions:**

Product	Charge to	Based on
Processed fruits	First buyer of the processed fruit (FB after the primary processor)	Incoming volume
Coconut oil	First buyer of crude coconut oil	Incoming volume

Invoices are sent **monthly** at the beginning of the month, based on the previous month's incoming volumes.

Processed fruits royalty is applicable for shipments on or after 1st January 2023 – bananas, fresh fruits, OJ and CNO already have royalties in place.

Mass balance possible for processed fruits

Mass balance possible from 1 January 2023 for processed fruits. NOT for fresh.

Mass balance is a sourcing method that allows for certified and non-certified ingredients to become mixed during the manufacturing processes and only requires administrative traceability.

The seal can be used following the new Labelling Guidelines.

- Introduction to mass balance traceability here
- 28-minute video introducing mass balance
- 3-minute video explaining how to report mass balance in MultiTrace.
- Our traceability guidance and implementation guide provide further examples.
- Further guidance coming soon
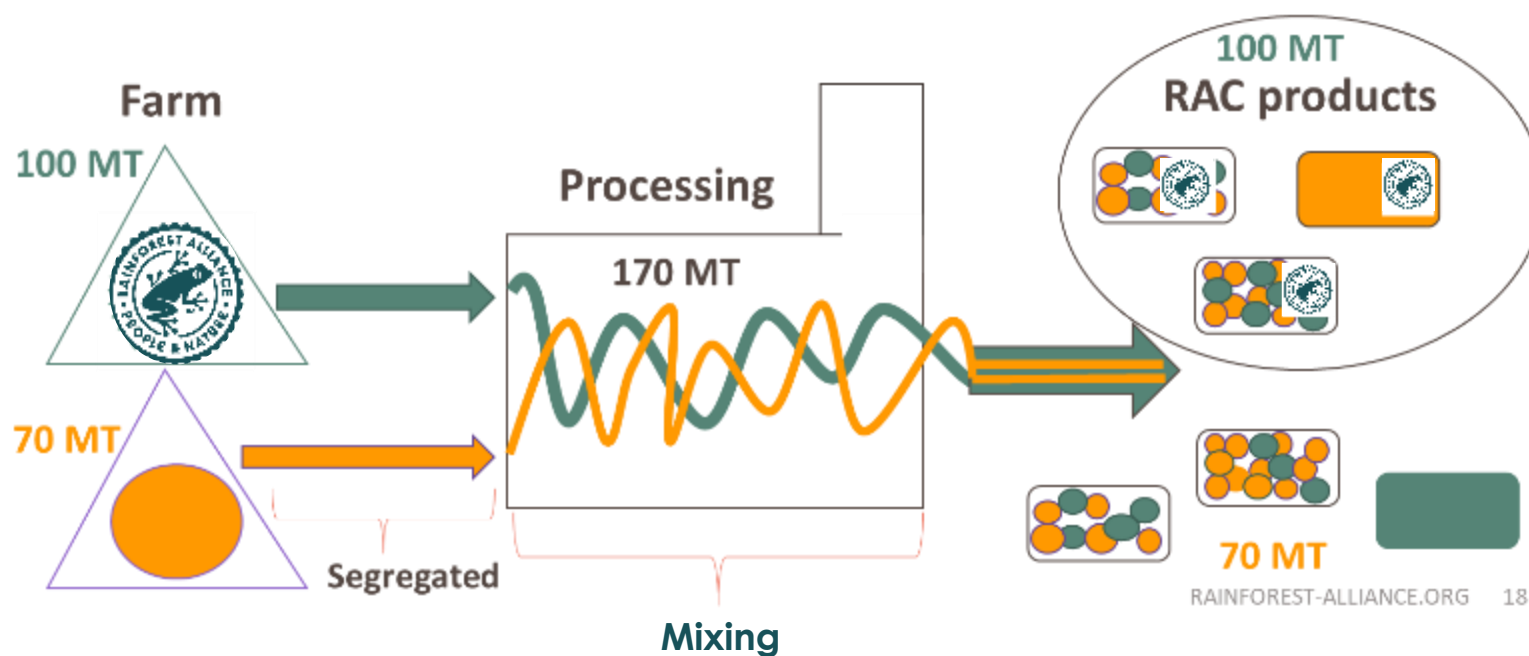
Webinars on online traceability for processed fruits

Training webinars are offered:

- 9th January 2023, 4pm CET (in Spanish)

- 10th January 2023, 9am CET (in English)

- 12th January 2023, 4pm CET (in English)

You can sign up for these webinars and access the recordings on our Events page.

RAINFOREST ALLIANCE

Why Shared Responsibility?

Shared Responsibility

With the new certification programs, we are placing more emphasis on sharing responsibility throughout the entire supply chain to protect social and environmental rights.

From farmer to brand owner, we encourage all actors to invest in sustainable agriculture and responsible purchasing practices.
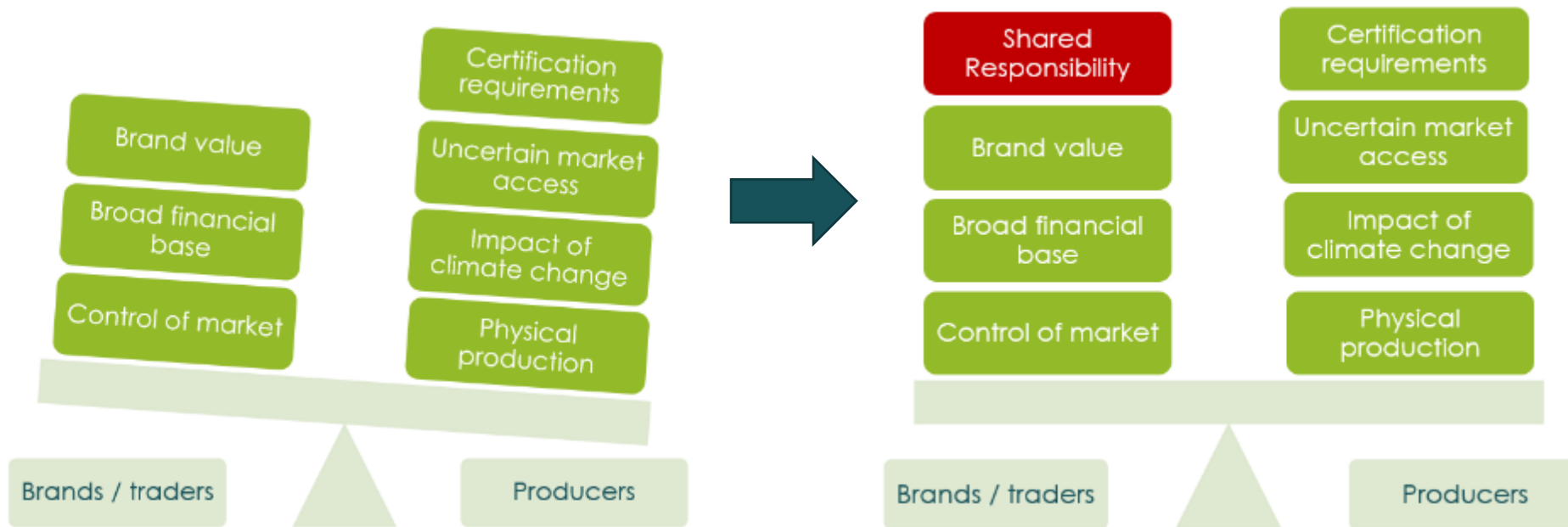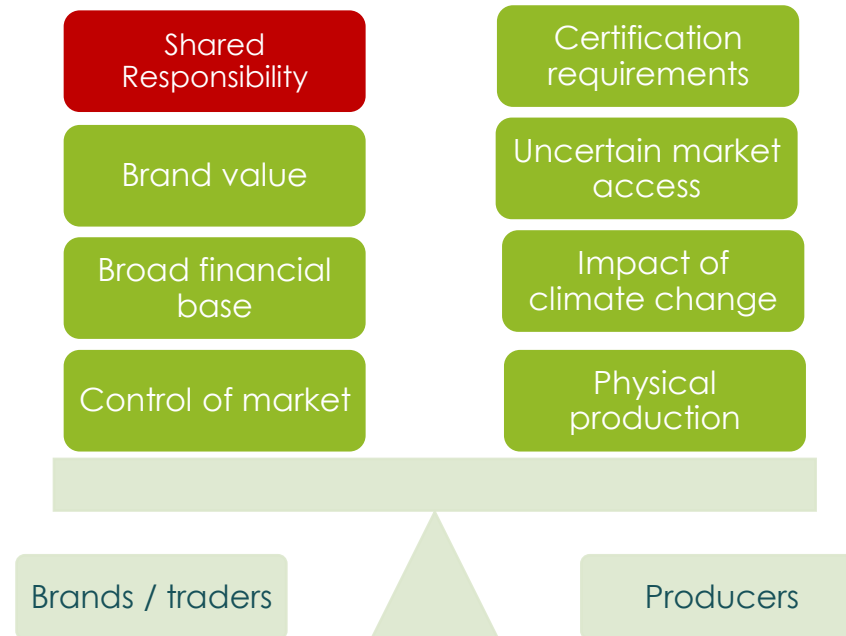
Why Shared Responsibility?

Existing certification places an unfair level of burden on producers. We need to balance the rewards for sustainable production and share the risks and enable the supply chain to:

- Contribute toward the investments needed to become and remain certified = **Sustainability Investments**

- Reward the sustainability efforts of producers = **Sustainability Differential**

Shared Responsibility	Certification requirements
Brand value	Uncertain market access
Broad financial base	Impact of climate change
Control of market	Physical production

Brands / traders

Producers

Components of Shared Responsibility: SD & SI

1. Sustainability Investments (SI)

Cash or in-kind investments to contribute to the investments needed to **attain and maintain certification**.

Negotiated amount

2. Sustainability Differential (SD)

An additional amount on top of the market price to **reward producers' sustainability efforts**.

Negotiated amount

3. Transparency is key:

SD & SI are recorded in the traceability platform and information is visible to downstream supply chain actors.

Overview: SD/SI in the Processed Fruits Program

- The **first buyer** is responsible for paying the SD & SI to the RA 2020 Farm Certificate Holder.

- The **amount of the SD & SI is negotiable** between the first buyer and the RA 2020 Farm CH.

- SD & SI need to be **included in contracts** and invoices.

- SD & SI needs to be paid for the purchase of all volumes certified against the RA 2020 standard **on or after 1.1.2023.** Existing contracts can be honored.

- **SD must be paid to group members** or spent for the benefits of workers.

- Farm CH need to have an **investment plan** with their certification needs and on how to spend the Sustainability Investment.

- Assurance: **adherence of agreements**, transfer of SD, spending of SI.

- RA 2020 Farm CH **records agreed payments in MultiTrace**.

The SD & SI is different from the royalty:

- SD & SI is paid to Farm CHs, to support their sustainability journey.

- Royalty is paid by to RA to support RA's investment in the certification program.

The SD & SI is different from the Living Wage contribution:

- SD and SI payments are always mandatory for supply chain actors, while Living Wage contributions are not.

- Incremental wage increases towards closing the living wage gap can be part of the Investment Plan in line with the Farm CHs own wage improvement plan and salary matrix.

- The buyer may have separate monetary flows for Living Wage contributions and for SD and SI (➜ see 5.4.3 Living Wage requirements)

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More info here:
https://www.rainforest-alliance.org/business/sustainable-farming/farm-certification/how-much-does-rainforest-alliance-certification-cost/

Paying the SD & SI:
The First Buyer after the RA 2020 Farm CH ("First Buyer")

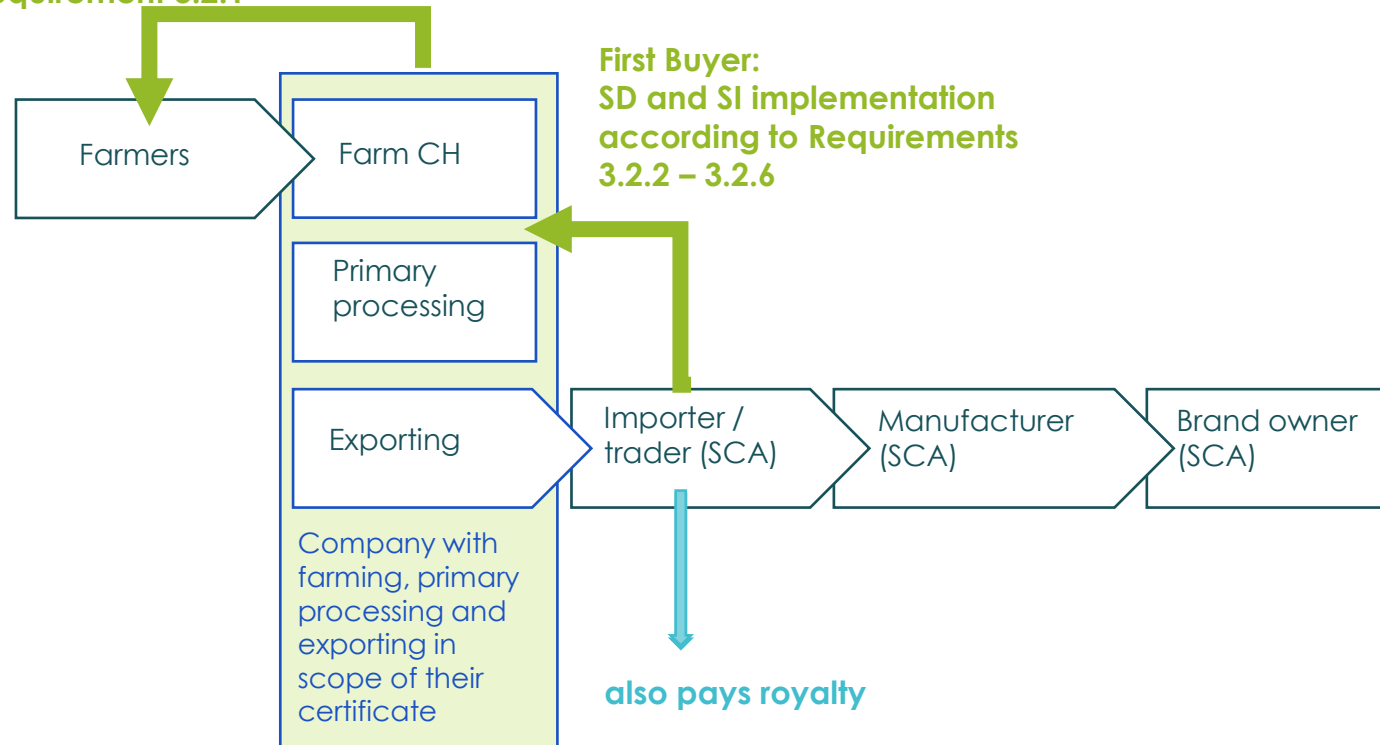# Who is the First Buyer responsible for paying the SD & SI?

- The First Buyer is defined as the supply chain actor purchasing from an RA 2020 Farm CH.

  - Typically, the First Buyer is the first RA 2020 Supply Chain CH in the chain.

  - If an RA 2020 Farm CH purchases from another RA 2020 Farm CH, the purchasing CH becomes the First Buyer and is responsible for paying SD and SI.

RA: 3.2.3 and RA: 3.3.4: Payments are made by the first buyer.

The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH
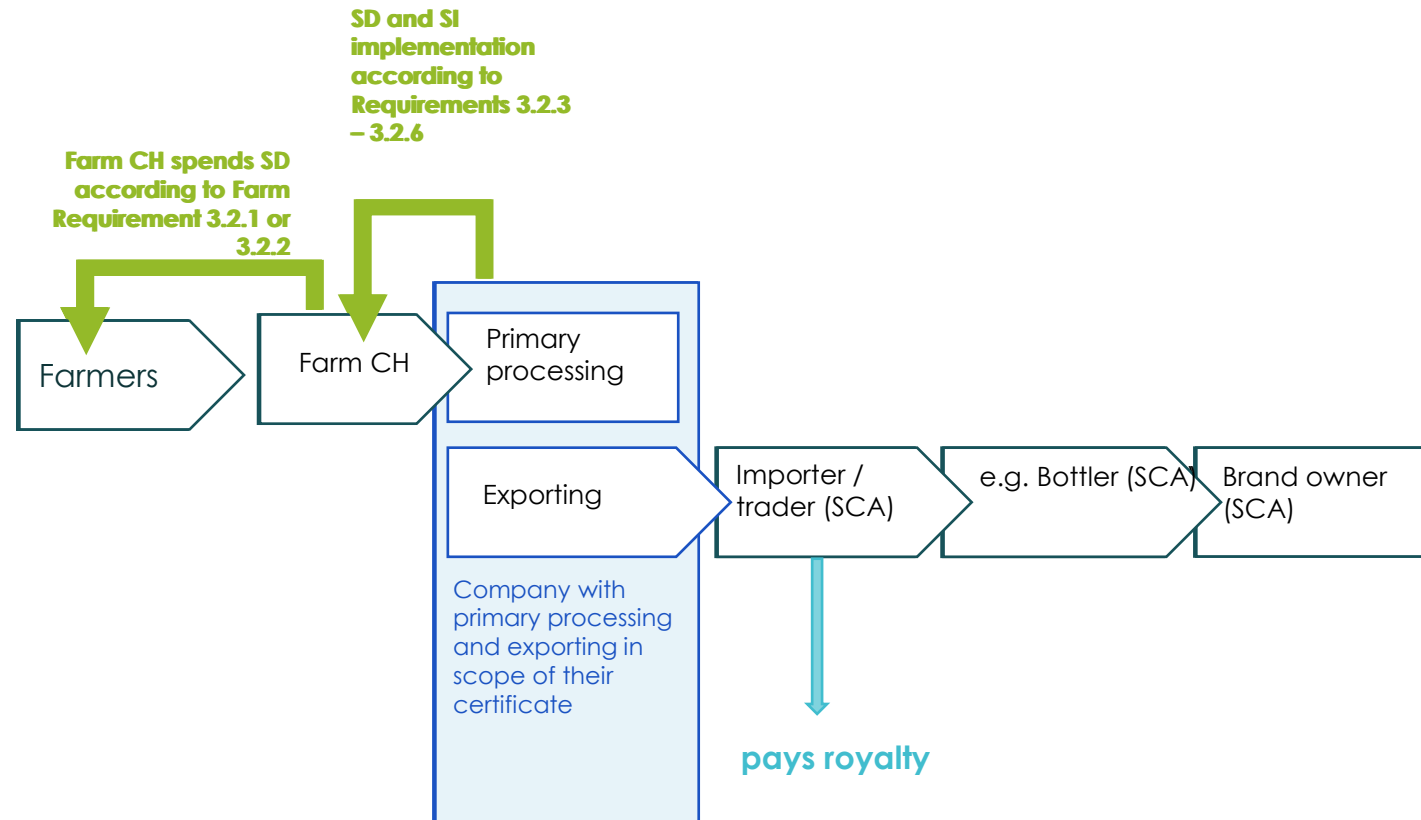
1. Company with farming, primary processing and exporting in scope of their farm certificate

Group certification: Transfer of SD according to Farm Requirement 3.2.1

First Buyer: SD and SI implementation according to Requirements 3.2.2 – 3.2.6

Farmers

Farm CH

Primary processing

Exporting

Company with farming, primary processing and exporting in scope of their certificate

Importer / trader (SCA)

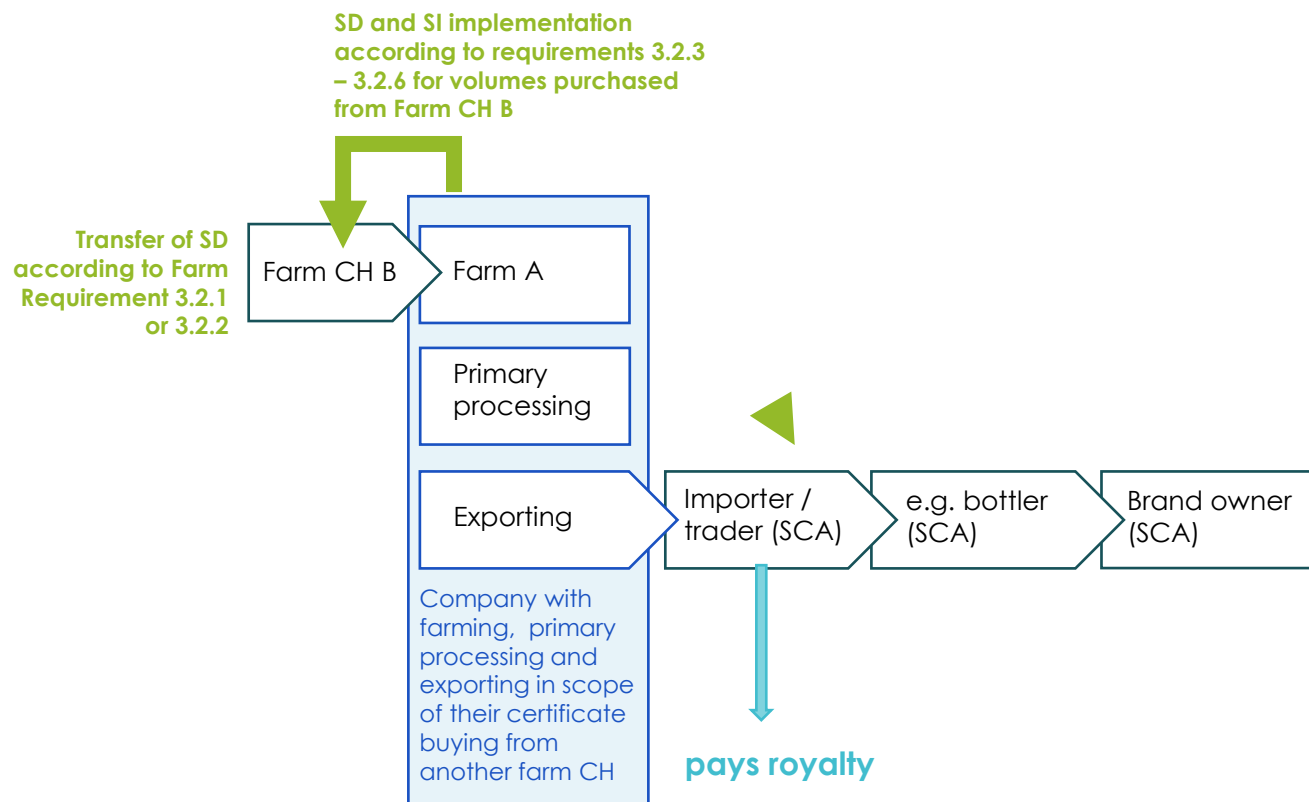Manufacturer (SCA)

Brand owner (SCA)

also pays royalty

The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH (ctd.)

2. Company with primary processing and exporting activities in scope of their certificate purchasing certified input from a farm CH

SD and SI implementation according to Requirements 3.2.3 – 3.2.6

Farm CH spends SD according to Farm Requirement 3.2.1 or 3.2.2

Farmers

Farm CH

Primary processing

Exporting

Company with primary processing and exporting in scope of their certificate

Importer / trader (SCA)

e.g. Bottler (SCA)

Brand owner (SCA)

pays royalty

The first CH purchasing from a FCH is responsible for paying the SD/SI to the FCH (ctd.)

3. Company with farming, primary processing and exporting activities in scope of their certificate, purchasing certified inputs from another farm CH

SD and SI implementation according to requirements 3.2.3 – 3.2.6 for volumes purchased from Farm CH B

Transfer of SD according to Farm Requirement 3.2.1 or 3.2.2

Farm CH B → Farm A

Primary processing

Exporting

Importer / trader (SCA) → e.g. bottler (SCA) → Brand owner (SCA)

Company with farming, primary processing and exporting in scope of their certificate buying from another farm CH

pays royalty

The value of the SD & SI

Value of the SD & SI: negotiable

- The SD and SI amounts are **negotiable** between the First Buyer and RA 2020 Farm CH

- **Supply - demand** mechanisms will guide the negotiation on SD

- The **Investment Plan** will guide the negotiation for the SI

- For the time being we will focus on the implementation of the requirements and monitor the reported data. If required and in consultation with producers and industry, we might introduce guiding, minimum or fixed SD or SI values for selected crops.

The beneficiary of the SD

The beneficiary of the SD

- Objective of the SD is to reward and incentivize for certification.

- Therefore:

Group certification (small farms)	Individual certification (medium and large farms)
- The SD is transferred to the group members - Group members can spend the SD at their own discretion.	- The SD can be used for the benefits of the workers. - In case of SD is used for the benefit of workers, the SD must be spent in consultation with worker representation.

Sustainability Investments & Investment Plan

Requirements for Farm CHs on SI

- SI is directed **towards investments that are needed to achieve core compliance criteria and mandatory improvements** of the RA 2020 Farm Standard.

- The CH should draw up **an investment plan** in consultation with field operators / group members.

- Investment needs may fall under any **categories of the RA 2020 standard:**

  1) Management, 2) Traceability, 3) Shared Responsibility, 4) Farming, 5) Social, 6) Environment, 7) Audit costs, 8) Other (training, printing, IMS maintenance etc.)

- SI is received by the RA 2020 Farm CH **in kind or in cash.**

- Sustainability investments **cannot replace the cash Sustainability Differential**.

SI: RA: 3.3.1

Investment Plan

The investment plan defines the investments needed to improve sustainability and obtain certification.

PART B2: SUSTAINABILITY INVESTMENT PLAN ADJUSTMENT BASED ON RAINFOREST CERTIFIED VOLUMEN AND SALES (FINAL REAL SALES)

Instructions: Upon completing the Excelsheets A1 & A2, the tool transfers the activity information and amounts to column E (pre-harvest estimator). The CH can adjust the amount invested for each activity as a function of sales of certified product for a new SI Plan (B1). As a function of the priority indicated by the CH, the tool adjusts the available amounts for the new SI Plan, according to sales of certified product.

You'll find the template in Annex S16 on the Rainforest Alliance website.

Investment template

Sustainability Investments

A. SUSTAINABILITY INVESTMENT (based on estimates)	$	31,055	Estimated sales (kg)	379,040	Sustainability Investment Price (US$/kg)	$	0.082

INVESTMENT CATEGORY	INVESTMENT PLAN 2019		%	Certified Holder Investment		Farms Investment	COMMENT
1 Administrative management	$	14,932	48%	$	12,196	2,736	
2 Agriculture	$	2,115	7%	$	1,088	1,028	
3 Social (INCLUDING WORKER BENEFITS)	$	9,521	31%	$	4,802	4,720	
4 Environmental	$	4,487	14%	$	4,487	-	
TOTAL	$	31,055	100%	$	22,572	$ 8,483	

Average investment per farm $ 127

Sources of the Investment Plan:
- Farm management plan
- Risk assessment
- (internal or local) monitoring system and internal inspections
- Audit report

And of course the CH's own planning documents.

Including SD & SI in contracts

Including SD & SI in contracts

- All contracts between RA 2020 Farm CHs and their buyers need to include SD & SI.

- The **SD & SI must be clearly distinguished from price, quality and other premiums** (RA 3.2.3).

- **Written agreements must be transparent and should be based on mutual agreement**. They must include product volume, terms of payment, duration and calculation of the SD and SI.

- Invoices (or other equivalent documents such as purchase orders) must include the following order specific information: date, product volume, description of certified product, amount of SI and SD, delivery terms.

- The **SD and/or SI due must be paid no later than 12 months after shipment** (RA: 3.2.5).

RA 3.2.4: Terms are stipulated in contractual agreements with suppliers.

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Assurance: What is checked during the audits?

Autiting SD & SI

Are SD & SI reflected in agreements?

Was payment made in time?

Did the field operators/group members receive the SD they ought to receive based on volume delivery?

Is the amount of SD/SI paid to supplier according to amount agreed per volume * volume purchased as certified?

Is there an Investment Plan? Did the CH spend the SI according to the Investment Plan?

Main principle:
Agreements between supplier and buyer are respected

i.e. SD & SI amounts and terms as implemented align with contractual agreements, reports/documents, system records as well as CB's observations

CB can raise NC on the level of the First Buyer and RA 2020 Farm CH as appropriate.

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First Buyers: What to check

Include SD & SI amounts per MT/ kg in:
- the contract and agreements (3.2.4)
- the tender (if relevant)
- invoices

After shipment check:
- Is the agreed amount included in the invoice?
- Has the volume supplied been registered in the traceability platform?
- Ask for confirmation of payments of SD&SI (invoices and agreements, proof of transaction) to their upstream supplier (3.2.3 and 3.3.4)

3.2.3 The buyer of certified products ensures that the seller receives the Sustainability Differential in the form of a cash payment on top of the market price, quality premiums or other differentials.
3.2.4 Buyer and seller have a contract in place in which the Sustainability Differential amount payable and the terms and conditions are agreed upon.
The Sustainability Differential is clearly distinguished from price, quality premiums and other differentials.
3.3.4 The buyer of certified products ensures that the farm certificate holder receives the Sustainability Investment. Sustainability Investments align with the needs identified
in the investment plan of the farm certificate holder.
3.3.5 An annual report of investments made to farms is compiled and available. The investments:
• Align with the investment needs identified in the investment plan of the farm certificate holder
• Are substantiated with proof of payment
• Are recorded in the traceability platform at an annual basis

Reporting SD & SI in MultiTrace

MultiTrace Training webinars are offered:

- 9th January 2023, 4pm CET (in Spanish)

- 10th January 2023, 9am CET (in English)

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Transparency to encourage commitment

- The SD and SI value agreed between first buyer and farm CH will be captured in the Rainforest Alliance traceability platform and be visible for SC CHs beyond the first buyer.

- By providing transparency of SD and SI values, Rainforest Alliance aims to incentivize all actors of the supply chain to contribute to SD and SI - even if payment is not yet required for CHs beyond the first buyer.

- While sourcing certified processed fruits, brand owners should work with their suppliers to understand agreements and commitments on SD and SI between the farm CH and the first buyer and contribute accordingly.

Producers: Report agreed SD & SI in MTT

Report new trade

Trade

- ● Single Ingredient   Commodity * : orange
- ○ Multi Ingredient

Change of responsibility date * : 2022-09-05

This date is the date of change of ownership and therefore also the change of responsibility

Seller

Reference

Contract Number

Buyer

Buyer * : search by name/id

Membercode *

Name

Position

From Owner : Orange juice farmer

From Position : Certified Volume, Not Applicable, Dried Cinnamon, Identity Preserved, India, 998... ▾

Origin Information: Orange juice farmer
RA_00015852209 / India, 998000, KG

Traceability level:
Identity Preserved ▾

Volume (in) : KG   1000

- ● SD/SI   ○ Not Required   ⓘ

SD Agreed (USD/MT) : 10   Total (USD) : 10

SI Agreed (USD/MT) : 20   Total (USD) : 20

SD Agreed = Amount agreed in contracts/ commitments between farm CH and first buyer
SI Agreed = Amount agreed in contracts/ commitments between farm CH and first buyer

First Buyer: Check SD/SI in MultiTrace

RA: 3.2.6 (for SD) and 3.3.5 (for SI): Confirmation of payments is recorded, timely and accurately.

First buyers should check if it has been reported correctly

Other SCA can see SD & SI paid.

THE Q&A

# Shared Responsibility for Processed Fruits at a glance

- Paid once in the supply chain.
- Paid by the First Buyer after the FCH
- Sustainable Differential (= reward) and Sustainability Investments (= to cover certification costs) are negotiable between the first buyer and the Farm CH.

Farm CH:
- **Negotiates SD/SI** with their First Buyer
- **Reports SD/SI** in MultiTrace

The First Buyer:
- **Negotiates the SD/SI** with Farm CH
- **Pays** the SD/SI to the FCH

| Farm Account | First Buyer (1st SCA) | 2nd SCA | Retailer, Brand |
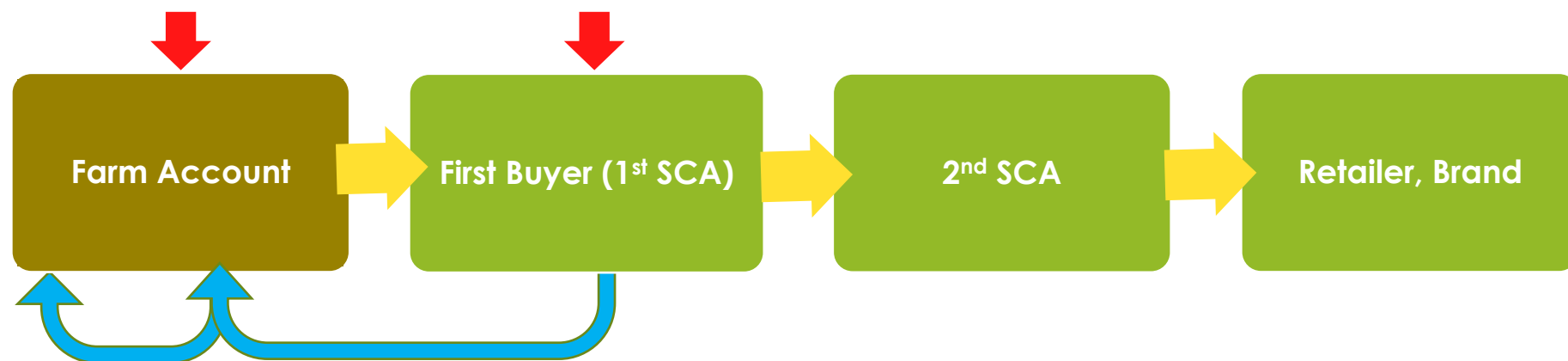
Farm CH pays SD to farmers, and uses SI to support Sustainability Investment Plan

First Buyer pays SD/SI to Farm CH

- More detail here

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More information

More information on Shared Responsibility

Web explainers

- Shared Responsibility: Balancing Sustainability Values and Costs for Farmers and Companies

Rainforest Alliance 2020 Standard

- 2020 Certification Program

Training videos of RA (including SD, SI, Investment Plan)

- Rainforest Alliance Learning Network "https://learn.ra.org" (SAS 2020 E-Course)

- Rainforest Alliance Asset Management: "https://dam.ra.org" (2020 Sustainable Agriculture Standard).

- Please also refer to your Rainforest Alliance Trainer. See; https://www.rainforest-alliance.org/business/sustainable-farming/farm-certification/how-to-get-training-from-rainforest-alliance/

- Online courses and short explaining videos: www.sustainableagriculturetraining.org

Recap: Requirements for RA 2020 Farm CHs on SD & SI

RA 2020 Farm CH must:

- document SD received by buyers.

- transfer full amount of SD to group members/field operators.

- OR spend SD for the benefits of workers/pickers.

- develop an Investment Plan.

- spend SI according to the Investment Plan.

- document that SD and SI payment occurred, report in MTT.

- document spending of the SI according to the Investment Plan.

Recap: Requirements for First Buyers on SD & SI

Supply Chain CH (First Buyers) must:

- agree on SD & SI with their suppliers (Farm Certificate Holders).
- include SD & SI in contracts with their suppliers (Farm Certificate Holders).
- make SD & SI payments according to the agreement.
- check recording of payment of SD & SI in MultiTrace.

THANK YOU

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