

Annex 18 – How to Monitor Producer Organisations in the Food Sector

This annex of the [amfori BSCI System Manual](#) provides guidance to amfori BSCI participants and their business partners on how to monitor producer organisations in the food sector.

In addition, it complements [Part III of the System Manual](#), amfori BSCI Auditing Interpretation Guidelines.

INTRODUCTION

Producers (e.g. farmers and freelancers) can voluntarily unite forces through producer organisations to pursue commercial and social goals. amfori BSCI participants may find the following producer organisations in their supply chains, especially in the food sector.

Cooperatives: A cooperative is a legal entity composed of an association of individuals (or cooperatives) united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Cooperatives abide to the following principles:

- Voluntary and open membership
- Democratic member control
- Members' economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among cooperatives
- Concern for community

Cooperatives are often promoted through national legislation, in line with ILO Recommendation Number 193 on the promotion of cooperatives (2002).

Producer associations: Producer associations are legal entities voluntarily formed by individuals (or associations) to promote their common interests and achieve economies of scale.

Like cooperatives, producer associations conduct specific economic or commercial functions such as sales, marketing, processing, supply of inputs, technical and extension services, access to finance, and access to information, amongst others. However, they don't need to abide by the principles of cooperatives.

The legal framework that defines the scope of action of producer associations varies per country.

CLASSIFYING PRODUCER ORGANISATIONS

As part of the amfori BSCI due diligence implementation strategy, amfori BSCI participants may put producer organisations into the following groups, based on their structure:

- **1st-level producer organisation:** All its members are individuals.
- **2nd-level producer organisation:** All its members are legal entities (e.g. cooperatives or associations).
- **Hybrid producer organisation:** Its members are a mix of individuals and legal entities.

The figure below depicts these structures visually.

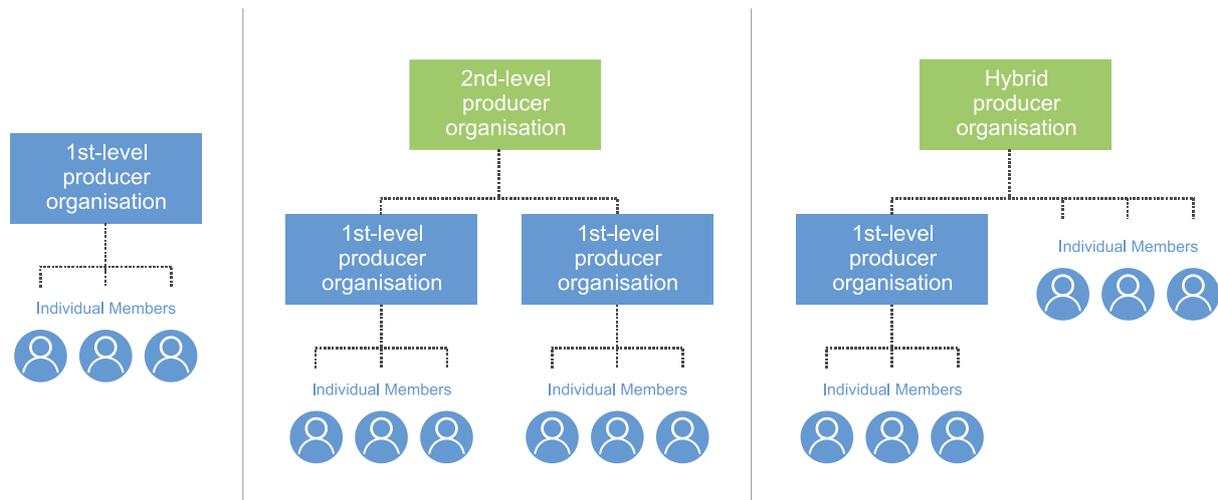


Figure 1: Producer Organisations

PRODUCER ORGANISATIONS AND WORKING RELATIONSHIPS

The structure of the producer organisations defines the working relations and conditions, which may have an impact on the amfori BSCI participants' due diligence strategy.

Within producer organizations, these are the most common working relationships:

- **Workers employed by the producer organisation:** The producer organisation may directly or indirectly hire workers to support its activities (e.g. administration, commercialization, processing, and production).
- **Members:** Individual members of the producer organisation may contribute with their expertise to the organisation's goals. These contributions are not ruled by labour law and therefore may be compensated in other ways without requiring labour remuneration.
- **Member-workers:** Individual members of the producer organisation may be hired by the producer organisation. This type of relationship is ruled by labour law and therefore these member-workers should be remunerated accordingly (e.g. wages and social security).
- **Workers employed by members of the producer organisation:** Members of the organisation (individuals or legal entities) may directly or indirectly hire workers to support their activities (e.g. workers on farms).

If the producer organisation has signed the [amfori BSCI Code of Conduct](#) and relevant [Terms of Implementation](#), it will need to take the necessary measures to ensure that working conditions are organised in line with the values and the principles of the amfori BSCI Code of Conduct. For more information, see the [amfori BSCI System Manual Part IV](#), Guidelines for Producers.

DEFINITION OF THE AMFORI BSCI AUDIT METHODOLOGY

Once an amfori BSCI participant has mapped out both the structure and the working relationships of the producer organisations in their supply chains, they may determine the amfori BSCI audit methodology that best fits their needs.

These are most common approaches within the amfori BSCI system:

1st Level Producer Organisations

amfori BSCI participants can:

- Include the organisation in the amfori BSCI platform with one DBID (i.e. one producer profile)
- Audit the 1st level producer organisation only (one-site) or include a sample of farms (multi-tier)

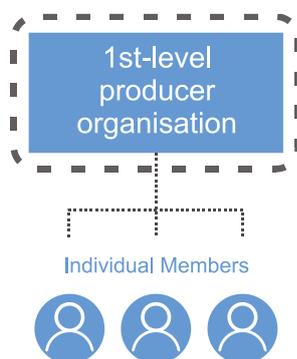


Figure 2: One-site audit

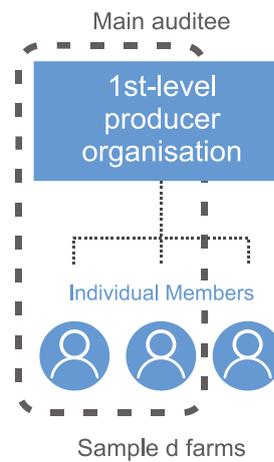


Figure 3: Multi-tier audit

2nd Level Producer Organisations

amfori BSCI participants can follow two different approaches:

Option 1:

- Include the organisation in the amfori BSCI platform with one DBID (i.e. one producer profile)
- Audit as one site (i.e. only the 2nd level producer organisation)
- Keep the 1st level producer organisations as part of the supply chain mapping (without being audited)

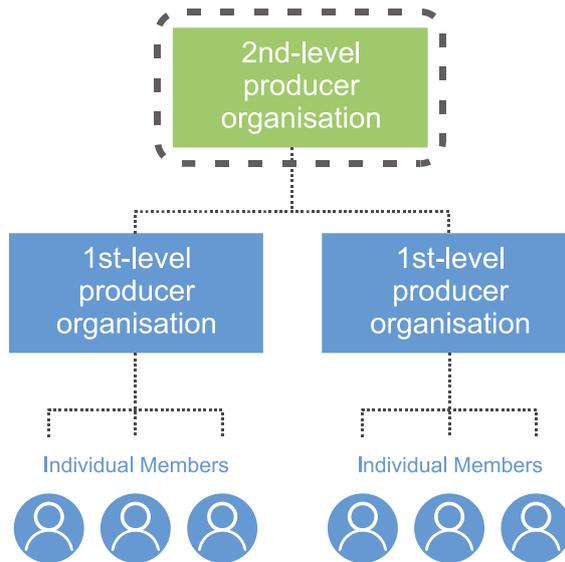


Figure 3: Option 1

Option 2:

- Include a separate DBID number for each 1st level producer organisation (i.e. one producer profile per 1st level producer organisation)
- Audit separately the 2nd level producer organisation from as many 1st level producer organisations as desired
- The RSP holder may include sampled farms in the audit scope since 1st level producer organisations have separate DBID numbers

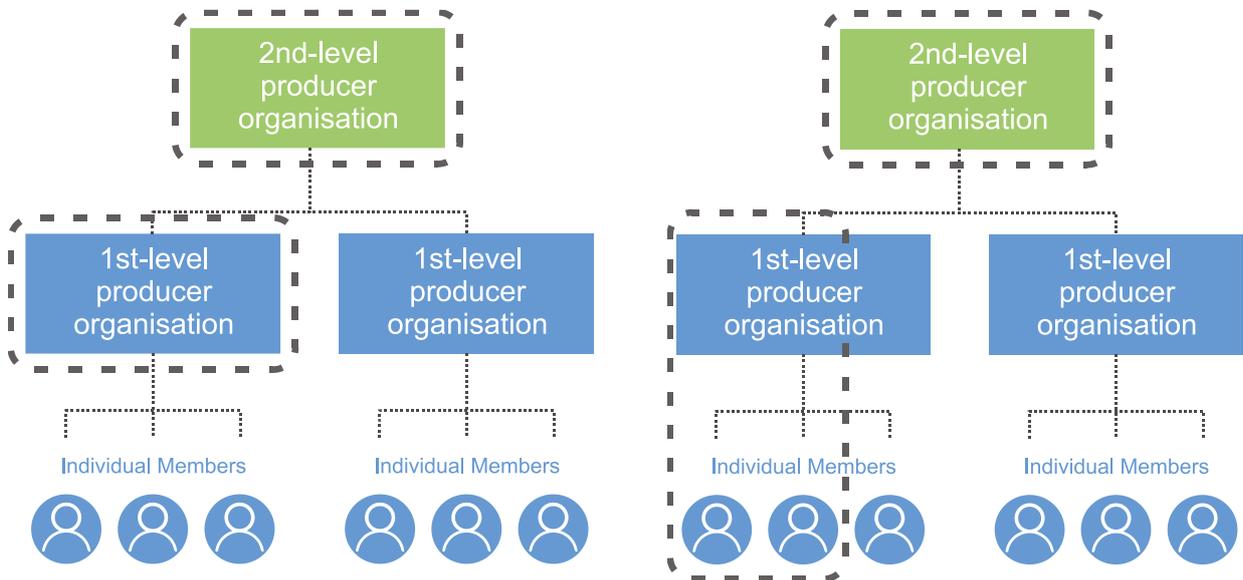


Figure 4: Option 2

Hybrid Producer Organisation

Option 1:

- Include the hybrid producer organisation in the amfori BSCI platform with one DBID (i.e. one producer profile)
- Audit as multi-tier (e.g. 2nd level producer organisation + sample of farms)
- Keep the 1st level producer organisations as part of the supply chain mapping (without being audited)

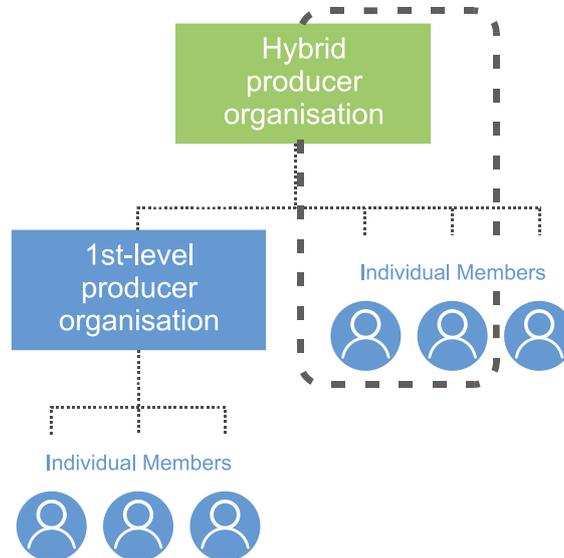


Figure 5: Option 1 multi-tier audit

Option 2:

- Include the hybrid producer organisation in the amfori BSCI platform with one DBID (i.e. one producer profile)
- Audit as multi-tier (e.g. 2nd level producer organisation + sample of farms)
- Create separate DBID numbers for as many 1st level producer organisations as desired to be audited separately

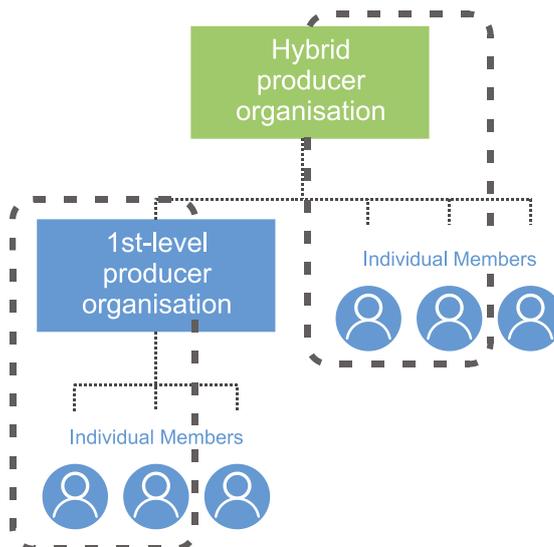


Figure 6: Option 2 Separate multi-tier audits