

Explanatory document to the prorate tool for banana Fairtrade Minimum Prices and Premium

Fairtrade Minimum Prices (FMPs) and Fairtrade Premium (FP) for banana are set per standard carton boxes of 18.14 kg of fresh banana; nevertheless, there are other packing materials and weight presentations for the packing box in the banana industry. For estimating the FMP and the FP, that would apply to packing boxes of different packing materials and weight presentations, it is needed to prorate the FMP value that has been set by Pricing Unit. For standardizing the prorate process of FMPs and FPs, Pricing Unit publishes the prorate tool every year, since 2018. The announcement dates of FMPs and the prorate tool vary. FMPs are usually published in October and the prorate tool in February of the next year of FMPs have been published.

Clarifications and information on the following topics related to banana pricing:

- 1) Ex Works and FOB Fairtrade Minimum Prices
- 2) Prices of standard carton boxes
- 3) Prorate process

1 Ex Works and FOB Fairtrade Minimum Prices

The Ex Works FMP for banana (EXW FMP) benefits Fairtrade certified producers that produce banana but do not export by themselves; while the FOB Fairtrade Minimum Price (FOB FMP) benefits Fairtrade certified producers that produce banana that is exported by themselves. The FOB FMP does not apply to exporters that do not produce fresh banana by themselves.

The EXW FMP includes labor cost for: a) packing (including palletization) and b) preparation of the fruit before loading it on the collecting vehicle (truck or container) only. These labor costs are covered by Fairtrade certified producers that do not export by themselves.

The costs of packing and palletizing materials are not included in the EXW FMP, but in the FOB-ExWorks differential. The Fairtrade Standards for Fresh Fruits indicate some of these packing and palletizing materials:

per banana cluster:

- Up to 3 Fairtrade labels per cluster of Fairtrade banana

per banana packed box:

- One standard carton box of 18,14 kg capacity of fresh Fairtrade bananas, which includes the bottom, the top and the liner of the box
- One banana packing bag (banavac or polypack) per standard carton box

per banana pallet:

- One pallet
- 5 edge protectors of plastic per pallet of packed boxes of 18.14 kg of Fairtrade banana
- 7 pallet straps per pallet of packed boxes of 18.14 kg of Fairtrade banana

Neither Ex Works nor FOB FMPs include costs for additional or special packing or palletizing materials such as “clusterbags” or “parafilm” and related services. The additional or special materials must be included in the contract and producers must be paid for those and for any associated services. The FOB – Ex Works differential of Fairtrade Minimum Prices does not consider the administrative costs of exporters that do not produce Fairtrade banana by themselves. The EXW and the FOB Fairtrade Minimum Prices are expressed in US dollars per packed box of 18.14 kg of Fairtrade banana, except for African origins, which are expressed in Euro per packed box of 18.14 kg of Fairtrade banana.

2 Prices of standard carton boxes

Table 1 shows prices of standard carton boxes of 18.14kg which were used for setting FOB Fairtrade Minimum Prices valid for 2021.

Table 1 Prices of standard carton boxes of 18.14kg, used for setting FOB FMPs valid for 2021

Country	Price of standard carton box	USD/box18.14kg	Price with/without value added tax	FOB FMP conventional, 2021, USD/box	Existing FOB FMP organic, 2021, USD/box
Panama	1.58	USD/box	without value added tax	9.90	-
Peru	1.55	USD/box	without value added tax	-	12.35
Colombia	1.14	USD/ box	without value added tax	9.80	-
Ecuador	1.35	USD/box	without value added tax	9.35	12.20
Windward Islands	1.70	USD/box	without value added tax	12.20	-
Costa Rica	1.35	USD/box	without value added tax	9.75	-
Dominican Republic	1.75	USD/box	without value added tax	11.00	13.60
Nicaragua	1.34	USD/box	without value added tax	9.40	-

3 Prorate process

The Ex Works and FOB Fairtrade Minimum Prices, in all cases, refer to the standard packing carton box, for a weight of 18.14 kg of fresh Fairtrade banana. If packing boxes differ from that; then the Fairtrade Minimum Prices and the Fairtrade Premium must be calculated by following the prorate process. For standardizing the prorate process, Pricing Unit publishes the prorate tool every year, since 2018.

The tool provides 2 examples. The first example prorates Fairtrade Minimum Prices and Premium to a special carton box, of the weight in kilograms and price indicated by the user in cells C18 and C19 of the tool, respectively. The second one prorates Fairtrade Minimum Prices and Premium to an IFCO box, of the weight in kilograms which is indicated by the user in cell C36 of the tool. The user of the tool must enter the information requested in the empty cells.

Notice that:

- 1) The examples provided by the tool are based in the variation of only 2 variables: a) the weight of fruit per box and b) the price of the type of packing box. Additional costs, or price variations of existing inputs, might be also involved; for prorating them the Fairtrade Standards for Fresh Fruits must always apply.
- 2) The tool only prorates country specific Fairtrade Minimum Prices that are valid for 2021. The tool recognizes whether prorate is requested for a country specific Fairtrade Minimum Price or not. When not, the prorate calculation is not possible and the tool will show the following message with the text in yellow:

Choose banana producer country:

Choose type of Fairtrade banana:

Choose price level:


Pro-rata cannot run. This table only estimates the pro-rated price value for banana types with country specific Fairtrade Minimum Prices. There is no country specific Fairtrade Minimum Price for organic banana from Colombia

Example 1: Prorate of FMPs valid for 2021 to a special carton box of 13 kg of Fairtrade banana

This example prorates the Ex Works and FOB FMPs valid for 2021 to a special carton box of 13 kg of conventional Fairtrade banana from Colombia. For illustrative purposes the price of the special carton box of 13 kg in Colombia is set in 1.20 USD/box13kg. Calculations are presented in table 2.

- The **FOB** FMP 2021 is **9.80** USD/StandardBox18.14kg or **7.41** USD/SpecialBox13kg.
- The **EXW** FMP 2021 is **7.20** USD/StandardBox18.14kg or **5.16** USD/SpecialBox13kg.

Table 2. Prorate of Ex Works and FOB FMPs to special carton box of 13 kg of Fairtrade banana



PRORATE OF FAIRTRADE MINIMUM PRICES AND PREMIUM THAT ARE VALID FOR 2021

This tool is for prorating the country specific Fairtrade Minimum Prices for banana, which are set for an standard carton box of 18.14 kg and valid for 2021. The tool provides 2 examples. The first one prorates Fairtrade Minimum Prices from the standard carton box of 18.14 kg to a special carton box (of a weight in kilos and price, indicated by the user in cells C18 and C19, respectively). The second example prorates Fairtrade Minimum Prices from the standard carton box of 18.14 kg to an IFCO box (of a weight in kilos, indicated by the user in cell C36). Please NOTE THAT the prorate examples ARE ONLY BASED on the variation of: a) the weight of fruit per box and b) the price of the type of packing box. ADDITIONAL COSTS, or PRICE VARIATIONS OF EXISTING INPUTS, might be also involved; for prorating them the Fairtrade Standards for Fresh Fruits must always apply.
PLEASE COMPLETE EMPTY CELLS WITH THE INFORMATION OF THE PACKING BOX YOU WANT TO RUN THE PRO-RATA

Choose banana producer country:

Choose type of Fairtrade banana:

EXAMPLE 1: PRORATE TO SPECIAL CARTON BOX OF 13kg FOR BANANA					
Standard carton box (Fairtrade) <ul style="list-style-type: none"> Price of the standard carton box (without including the value added tax), that was used for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia: Banana volume per standard carton box (that was used as unit of measurement for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia): 	<p>1.14 USD/box18.14kg</p> <p>18.14 kg</p>				
Fairtrade Minimum Price <ul style="list-style-type: none"> FOB Fairtrade Minimum Price 2021, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: Ex Works Fairtrade Minimum Price 2021, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: 	<p>9.80 USD/box18.14kg</p> <p>7.20 USD/box18.14kg</p>				
Special carton box <ul style="list-style-type: none"> Banana volume per special carton box (for which the Fairtrade Minimum Price will be prorated): Price of the special carton box (without including the value added tax), paid by the producer that exports by themselves: 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; text-align: center;">13.00</td> <td style="width: 40%; text-align: center;">kg</td> </tr> <tr> <td style="text-align: center;">1.20</td> <td style="text-align: center;">USD/box13kg</td> </tr> </table>	13.00	kg	1.20	USD/box13kg
13.00	kg				
1.20	USD/box13kg				
Prorate <ul style="list-style-type: none"> Prorated FOB Fairtrade Minimum Price 2021 per special carton box of 13kg of conventional Fairtrade banana from Colombia: Prorated Ex Works Fairtrade Minimum Price 2021 per special carton box of 13kg of conventional Fairtrade banana from Colombia: Prorated Fairtrade Premium 2021 per special carton box of 13kg of conventional Fairtrade banana from Colombia: 	<p>7.41 USD/box13kg = [(9.8-1.14)/18.14]*13+1.2 = 7.41</p> <p>5.16 USD/box13kg = [7.2/18.14]*13 = 5.16</p> <p>0.72 USD/box13kg = 13/18.14 = 0.72</p>				

Example 2: Prorate of Fairtrade Minimum Prices valid for 2021 to an IFCO box of 17 kg of Fairtrade banana

This example prorates the Ex Works and FOB Fairtrade Minimum Prices valid for 2021 to an IFCO box of 17 kg of conventional Fairtrade banana from Colombia.

- The **FOB FMP 2021** is **9.80 USD/StandardBox18.14kg** or **8.12 USD/IFCObox17kg**
- The **EXW FMP 2021** is **7.20 USD/StandardBox18.14kg** or **6.75 USD/IFCObox17kg**.

Table 3. Prorate of Ex Works and FOB FMPs to IFCO box of 17 kg of Fairtrade banana

EXAMPLE 2: PRORATE TO IFCO BOX OF 17kg FOR BANANA	
Standard carton box (Fairtrade) <ul style="list-style-type: none"> Price of the standard carton box (without including the value added tax), that was used for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia: Banana volume per standard carton box (that was used as unit of measurement for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia): 	<p>1.14 USD/box18.14kg</p> <p>18.14 kg</p>
Fairtrade Minimum Price <ul style="list-style-type: none"> FOB Fairtrade Minimum Price 2021, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: Ex Works Fairtrade Minimum Price 2021, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: 	<p>9.80 USD/box18.14kg</p> <p>7.20 USD/box18.14kg</p>
IFCO box <ul style="list-style-type: none"> Banana volume per IFCO box (for which the Fairtrade Minimum Price will be prorated): Price per IFCO box paid by the producer that exports by themselves: 	<p>17.00 kg</p> <p>0.00 USD/IFCObox17kg</p>
Prorate <ul style="list-style-type: none"> Prorated FOB Fairtrade Minimum Price 2021 per IFCO box of 17kg of conventional Fairtrade banana from Colombia: Prorated Ex Works Fairtrade Minimum Price 2021 per IFCO box of 17kg of conventional Fairtrade banana from Colombia: Prorated Fairtrade Premium 2021 per IFCO box of 17kg of conventional Fairtrade banana from Colombia: 	<p>8.12 USD/IFCObox17kg = [(9.8-1.14)/18.14]*17 + 0 = 8.12</p> <p>6.75 USD/IFCObox17kg = [7.2/18.14]*17 = 6.75</p> <p>0.94 USD/IFCObox17kg = 17/18.14 = 0.94</p>

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