



DEVELOPMENT OF FAIRTRADE MINIMUM PRICES AND PREMIUMS - SHORT SUMMARY

The Fairtrade Minimum Price is based on the principle of covering average costs of sustainable production of the products, while enabling the average producer to produce in an economic and financial sustainable way without systematic economic losses. Fairtrade also determines a Fairtrade Premium, which is paid in addition to the price. The Premium is intended for investment in the Fairtrade producers' community.

A Fairtrade Minimum Price can be determined through a full price research, which includes the collection of costs of sustainable production. This procedure can apply in all cases. In specific cases, quicker procedures may apply. The price extension procedure makes it possible to fill pricing gaps by deriving new Fairtrade Minimum Prices and Premiums from already existing ones. The quick entrance procedure can only apply for minor products covered by an existing Fairtrade product Standard. Lastly, existing prices may be updated by use of the exchange rate and consumer price index methodology, to compensate for losses in real value over time.

Definition of project scope and planning

Stakeholders may submit a Pricing project request for setting a new Fairtrade Minimum Price and Premium or reviewing one. Projects start with drafting a project assignment, which summarizes the terms of references of the project. The project assignment for major projects is placed on the Fairtrade International website (www.fairtrade.net) to give all stakeholders (including the public) the opportunity to comment on it. Based on the comments obtained, the project assignment can still be modified before it becomes final. Stakeholders may also submit a quick entrance request to request the inclusion of a new product in an existing Fairtrade product Standard.

Research

After the planning phase, the assigned project manager conducts a research. If it is a full price research, this involves collecting costs of sustainable production data from producers. The project manager may involve stakeholders in the research as needed to develop a Fairtrade Minimum Price and/or Premium proposal.

Consultation

A consultation document with proposed Fairtrade Minimum Prices and Premiums is sent to the identified stakeholders and posted in the website for feedback. Those stakeholders usually include producers, Producer Networks, suppliers, retailers and national Fairtrade organizations. For the quick entrance procedure, consultation is not compulsory and the approval is taken by the Director of Standards & Pricing.

Approval and publication

New Fairtrade Minimum Prices and Premiums for major products need to be approved by the Fairtrade Standards Committee which is a multi-stakeholder committee of producers, traders, national Fairtrade



organizations and external experts. For minor products decision making can be delegated to the Director of Standards & Pricing. After approval the new Minimum Prices and Premiums are announced directly to stakeholders and on the website.

Complaints

Stakeholders can complain against Fairtrade Standards following the Standard Operating Procedures for complaints against Fairtrade Standards setting.