EXPLANATORY DOCUMENT FOR THE CHANGES IN THE FRUITS AND VEGETABLES PRICING METHODOLOGY

1. Purpose and background

On 17 September 2014, the Standards Committee approved changes in the pricing methodology for Fresh, Prepared and Preserved Fruits and Vegetables. The purpose of the new methodology is to accelerate the response to price requests for new products or new origins for a product with Fairtrade market opportunities. In addition, to avoid having outdated Minimum Prices that may hinder the development of the Fairtrade market.

As a result, the Pricing model for Fruits and Vegetables, Fresh and Prepared and Preserved, is improved by using two pricing options as follows:

Criteria A: For products yielding an annual aggregate Premium income below 100,000 USD and fewer than five certified producer organizations in the overall Fairtrade system, the Pricing team will apply a scheme that follows a Fairtrade Premium (FP) only model (FP calculated as a 15% of the negotiated price EXW)

And Criteria B: For products yielding an annual Premium above 100,000 USD and with at least five certified producer organizations in the overall Fairtrade system, the Pricing team will allocate resources in Price and Premium setting and assure regular reviews.

2. How would the new methodology work?

A list of products is selected according to the criteria mentioned above, meaning according to the annual aggregate FP and the number of producer organizations. The list of products will be revised in five years intervals (next revision September 2019), however an interim review may take place in case needed. As of September 2014, the list includes:

- Wine grapes
- Table grapes
- Oranges
- Orange juice
- Pineapple
- Mango

The price requests will be managed according to the criteria and process indicated in the following table:
In all cases consultations will take place with the respective stakeholders, and the changes will be reflected in the price table available online under: [http://www.fairtrade.net/price-and-premium-info.html](http://www.fairtrade.net/price-and-premium-info.html)

If there is sufficient justification to fix a FMP, meaning that even though criteria A are met and no FMP scheme is suggested, exceptions may apply. Exceptions will be considered in the following cases:

a) Producers are disadvantaged by their negotiation position with their buyers; or

b) There is evidence that Costs of Sustainable Production (COSP) are not met by the prices received.


Please direct all questions to the Standards & Pricing team at: standards-pricing@fairtrade.net