



## **Pilot project extension**

# **Fairtrade Premium for sugar sales in India**

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### **List of Acronyms**

CAP:	Common Agricultural Policy
EU:	European Union
EXW:	Ex Works
FTFI:	Fairtrade Foundation India
FOB:	Free On Board
FP:	Fairtrade Premium
INR:	Indian Rupee
S&P:	Standards and Pricing
SC:	Standards Committee
SPO:	Small Producer Organisation

## 1 Background and rationale of the project

In the EU, the sugar market is facing challenges. Due to the Common Agricultural Policy (CAP) reforms, sugar prices and imports in the EU are dropping. This affects Fairtrade sugar volumes and Fairtrade Premium (FP) income for Small Producer Organizations (SPOs). Therefore, it is interesting to look at opportunities for improving Fairtrade sugar sales on domestic markets of Fairtrade producers.

This pilot project aims at improving Fairtrade sugar sales in domestic markets, by introducing a differentiated Fairtrade Premium (FP) for these markets. This document focuses on setting a FP exclusively<sup>1</sup> for Fairtrade sugar sales in India. By offering a lower FP for consumers in domestic markets, it might be possible to open new market channels and generate additional volumes sold of Fairtrade sugar. The sales of Fairtrade sugar on domestic markets (at a lower Premium level) would generate Premium income that is additional to the already existing sales on the conventional markets (at the full FP level). In addition, the current FP for sugar is set in USD. In some producer countries, local currencies depreciate steadily against the USD. This affects the commercial feasibility of the FP on these markets. Therefore, setting the FP in a local currency should increase the commercial feasibility of Fairtrade sugar sales on domestic markets. In the case of India, it was agreed to set the FP in INR.

The general idea for setting a different FP for sales on domestic markets was proposed during the initial stages of the Standard and Price review for cane sugar. This review was carried out between January and June 2015. The proposal was included in the public consultation of the Fairtrade Standard and Price review for cane sugar, where the majority of the participants voted in favour of the proposal for introducing a different FP level for sales on domestic markets. For more detailed information on the consultation results, please refer to the synopsis paper (click [here](#)).

The results of the consultation were presented to the Standards Committee (SC) in June 2015, where the trial period was initially approved. Since the SC approval, the pilot has been implemented in India, with a FP of INR 1.000<sup>2</sup> (per MT of non-organic Fairtrade sugar) for sales within India. During the consultation process a workshop was held it was argued that by setting the FP in local currency and by reducing the FP value, the commercial feasibility of selling Fairtrade sugar within India would increase.

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<sup>1</sup> Although this paper focuses exclusively on India, other regions are allowed to request a pilot project aimed at promoting sugar sales on domestic markets in their respective region. Any stakeholder that wishes to request a pilot project for his region can do so by sending an e-mail to [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net). S&P will then define the specific FP value for this region. Participation is limited to markets that are within the Fairtrade geographical scope.

<sup>2</sup> 1000 INR (Indian rupees) are equivalent to 12.0851 USD (average bid exchange rate according to [www.oanda.com](http://www.oanda.com) at date 05/09/2018)

The pilot was scheduled to end on May 31<sup>st</sup> 2019; nevertheless in its 81<sup>st</sup> meeting on September 2018, the SC agreed to extend the pilot for 24 months to allow more time to businesses for local markets to be created and to monitor further the market development and perspectives. In the following section the terms and conditions of this extension are presented.

## **2 Terms and conditions of the pilot project**

The following section describes the terms and conditions of this pilot project for introducing the FP for Fairtrade sugar sales in India. Please note that this pilot can be applied to all Fairtrade sugar sales, whether retail, composite, or FSI. These terms and conditions will be published, after the approval of this paper.

1. Scope: The pilot project will continue implementing a Fairtrade Premium level for Fairtrade sugar sales within India. This FP level is exclusively available for sugar that is bought from Fairtrade certified producers in India and sold as Fairtrade sugar in India. Excluded from this pilot project is any Fairtrade sugar that is either produced or sold outside of India.
2. Premium level: The FP level for Fairtrade sugar that is produced and sold to consumers in India is INR 1.000 per Metric Ton of conventional (non-organic) Fairtrade sugar. For Fairtrade sugar that is sold elsewhere, the ordinary FP level applies (click [here](#)). Usually, the FP applies to the FOB level of the Fairtrade sugar. However, in this pilot project, the Fairtrade sugar will be traded domestically. For this reason, the FP for India will apply to the EXW level at the sugar mill. This does not imply any changes to the premium amount, as the premium is fixed.
3. Timeline: The pilot project will continue after its current end date (May 31<sup>st</sup> 2019), extending for additional 24 months, with a new end date of May 31<sup>st</sup> 2021.

During this period, S&P will monitor and evaluate the pilot project. If the pilot project is considered positive, the intention would be to formally include a differentiated FP for domestic sales in India. In November/December 2020, the SC will be asked to decide on approving the differentiated FP for domestic sales of sugar cane in India. In case the pilot does not result in the approval of the FP by the SC, the affected licensees will be allowed a period of 6 months after the end date of the pilot to sell any remaining stock of Fairtrade sugar under Fairtrade terms.

4. Additional requirements: Additional to the requirements in the Fairtrade Trader Standard and the Fairtrade Cane Sugar Standard, participants in this pilot must comply with the following requirements:
  - a. Prior to using the FP level for Fairtrade sugar sales in India, the licensee (either by itself or through FTFI) must request participation in this pilot project for the entire supply chain(s), including all operators. Participation can be requested by sending an e-mail to [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net). The request should at least present the following information:
    - Name and FLO-ID of the licensee

- Name and FLO-ID of the SPOs that will supply the Fairtrade sugar
- Name and FLO-ID of any other operators in the sugar supply chain
- Projection of the volume of Fairtrade sugar to be sold under this pilot project
- Description of the final product to be sold on the consumer market in India

The FP level for Fairtrade sugar sales in India can only be used after the application has been approved by the Director of S&P.

- b. The licensee and the suppliers of Fairtrade sugar keep records of all purchases of Fairtrade sugar that is bought using the FP for India. Additionally, the licensee keeps records of the sales of the Fairtrade sugar that was bought with the FP for India. In case the Fairtrade sugar was used for producing composite products, the sales records should refer to the sales of the composite products that were produced with the Fairtrade sugar that was bought with the FP for India. These records should allow the certification body (and/or FTFI) to trace the Fairtrade sugar to the retail markets in India. These records should cover the period from the date on which S&P gave the approval for participation to the licensee, until the end date of the pilot project (May 31<sup>st</sup>, 2021). The existing rules for retro-certification will also apply to the FP for Fairtrade sugar sales in India.
- c. In case the licensee does not sell directly to the retail market, the licensee includes a clause in their sales contracts, stating that the Fairtrade sugar bought with the FP for India is not exported and that its primary use is for products to be sold to consumers within this country.
- d. In case the licensee sells Fairtrade sugar to the retail market inside India, as well as to markets outside India, the licensee keeps separate records of the volumes of Fairtrade sugar bought and sold with both the FP for India and the ordinary FP level. These records should allow the certifying body (and/or FTFI) to trace the origins and volumes of Fairtrade sugar sold to retail markets inside India and outside the country. These records should cover the period from the date on which S&P gave the approval for participation to the licensee, until the end date of the pilot project (May 31<sup>st</sup>, 2021).

If you have any questions, or if you have interest to apply to participate in this pilot, please send an email to S&P, [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net)