

Consultation on price setting model for rice 2019 (04.04.2019)

This project assignment contains the most important information about the project. For additional information on the project, please contact the project manager (contact details below). The project will be carried out according to the Standard Operating Procedures for the Development of Fairtrade Standards/Minimum Prices and Premiums. More information on these procedures can be found on the website: <http://www.fairtrade.net/standards/setting-the-standards.html>

Rationale for and justification of need for the project:

Rice, as part of the Cereals category, is one of the products that Fairtrade sets FMPs and FPs for. Since 2004, multiple prices have been introduced for different varieties of rice, different processing stages and different origins. As a result, the pricing table for rice now includes over 42 prices covering 18 varieties of rice.

The list of rice varieties (rice cultivars) is long and complex as well as the requirement for calculating costs of production and setting a FMP that addresses the numbers of cultivars, stages of processing and origins. For instance, there are several grains called rice. Asian rice (*Oryza sativa*) is most widely grown, with two major subspecies and over 90,000 varieties. Rice may vary in genetics, grain length, colour, thickness, stickiness, aroma, growing method, and other characteristics, leading to a vast preponderance of varieties. Rice can be divided into different categories on the basis of each of its major characteristics. The two subspecies of Asian rice, *indica* and *japonica*, can generally be distinguished by length and stickiness. On the basis of processing type, rice can be divided into the two broad categories of brown and white. Brown rice is whole grain, with only the inedible hull of the seed removed, while white (milled) rice additionally has the bran and germ removed through the process of milling. Milled rice may not necessarily actually be white in colour; there are also purple, black, and red variants of rice, which can be eaten whole grain or milled.¹

Fairtrade Pricing Unit undertook some years ago a project to develop a clear rice classification, indicating which basic attributes (such as colour, size, aroma, etc.), processing (fresh paddy rice, dried paddy rice, brown rice, polished rice, parboiled, etc.), botanical name (varieties, species, etc.), commercial name, denomination of origins could be used for setting and classify the Fairtrade Minimum prices and Premium.

The project resulted in a better harmonization of our rice classification and prices setting. However, the complexities for price settings still remain and the resources required to address the requests from producers and trades and specific origins and market demands makes the current pricing model and classification not reasonable for a stand point of resources.

Standard Operating Procedures for the development of Fairtrade Minimum Prices and Premiums includes the Quick Entrance (QE) model. For this model, the Fairtrade Minimum Price is set as a commercial price and only a default Fairtrade Premium of 15% of the commercial price applies. This model reduces the risk of having outdated prices in the price list and enables Pricing team to provide quick response to price requests for new regions and new products.

Therefore, this project purpose is to bring the QE model as an alternative for price setting for rice in Fairtrade. We aim to consult with all rice stakeholders if an alternative for the current price model is feasible and acceptable by the majority of stakeholders.

Risk assessment:

1. Participation from rice producers from Thailand and India is crucial, and language differences might complicate the collection of responses from these two countries.

Mitigation: Ensure NAPP representatives for Thailand and India being part of the project team and fully involved since the beginning of the project.

¹ https://en.wikipedia.org/wiki/List_of_rice_varieties

<p>2. QE model might not be the desired model by stakeholders. Mitigation: consult also on different options for the Premium values/percentages. Allow the possibility to not change the model and keep the current pricing model for rice.</p>	
<p>Project Start Event: - Start defining the scope of the project</p>	<p>Project Start Date: - January 2019</p>
<p>Project End Event: - Announcement of decision on implementation of new pricing model for Fairtrade rice</p>	<p>Project End Date: - September 2019</p>
<p>Project Goal and Objectives:</p> <p>Goal: Enable producers of any cultivars of rice, from any origins, to have a quick access to and keep their benefit from the Fairtrade certification.</p> <p>Objectives:</p> <ul style="list-style-type: none"> Assess, via a broad consultation process with all rice stakeholders, alternatives for: 1) making the price setting model for rice simpler; 2) simplifying the current product classification for Fairtrade Rice; 3) reviewing the geographical scope of Fairtrade rice. To have approved and implemented a new Pricing model following the outcomes of the consultation with all stakeholders. 	
<p>NEW: Connection with Theory of Change (ToC): Implementation of Fairtrade Minimum Prices and Premiums is one of the main interventions to achieve Fairtrade goals and Vision. The path to these goals might have several outputs and outcomes, such as empowering producers in negotiations, giving them security against price risk and volatility, increasing profitability and investment in the organizations and communities, fostering development in the communities, within many others. For more information on Fairtrade ToC, please follow this link.</p>	
<p>Project scope: To set a QE model for Rice that will cover:</p> <ul style="list-style-type: none"> - Conventional and organic - At Ex works level - Both Small Producers and Contra Production Organizations - Worldwide: All certified and certifiable origins 	<p>Out of scope:</p> <ul style="list-style-type: none"> - To set nominal FMPs for new rice varieties or origins - To set quick entrance prices for new conventional or organic rice varieties or new origins - To review nominal Fairtrade Premiums - To collect costs of production, labour costs, wages paid, etc. - To conduct any comparisons on costs between Fairtrade and non-Fairtrade rice - To incorporate the living wage component into FMPs - To incorporate externalities component into FMPs - Review Fairtrade Standards for Cereals

Project timelines and information on opportunities to contribute:

Scoping: January-March, 2019

- PA draft shared with project for comments
- Final PA published in the web page
- Mapping stakeholders to be consulted
- Coordination with PNs support to the consultation

Research: March-April, 2019

- Research and draft of the consultation document
- Conclusion and approval of the Consultation document with the Project team.

Consultation*: April - May 2019

- Consultation*

Drafting Final proposal: May-June, 2019

- Analyse consultation and preparation of SC paper.
- Consultation Synopsis preparation

SC decision: September, 2019

- SC decision

Publication/implementation: September, 2019

- Announcement of Decision
- Review the Price table for Rice
- Communication Public

* More information will be provided closer to the consultation period on our [website](#). If you are identified as key stakeholder, you will receive an invitation to participate.

Decision making process:

The final decision will be taken by the Standards Committee (SC), a body made up of stakeholder representatives. The SC will aim at making a decision based on consensus. They may reword the final proposal if needed to reach consensus. If consensus cannot be reached, the SC will resort to voting.

Project Owner (Unit):

Ricardo Guimaraes (Pricing Unit)
r.guimaraes@fairtrade.net

Project Manager (contact point for the project):

Ester Freixa-Serra
e.freixa-serra@fairtrade.net

Project Team (Unit):

Standards & Pricing Team Members	Ester Freixa Serra Jose Paredes
Producer Networks	Amit Das & Sirisap Bijlmakers (Fairtrade Network of Asia & Pacific Producers, NAPP)
National Fairtrade Organizations	Thomas Meyer (Max Havelaar Switzerland)

Project Environment (stakeholder groups not part of the project team):

Fairtrade-certified rice producers and traders
NFOs
PNs
Standards & Pricing
FLOCERT