

Fairtrade International Reference Guide on Prevailing Differentials

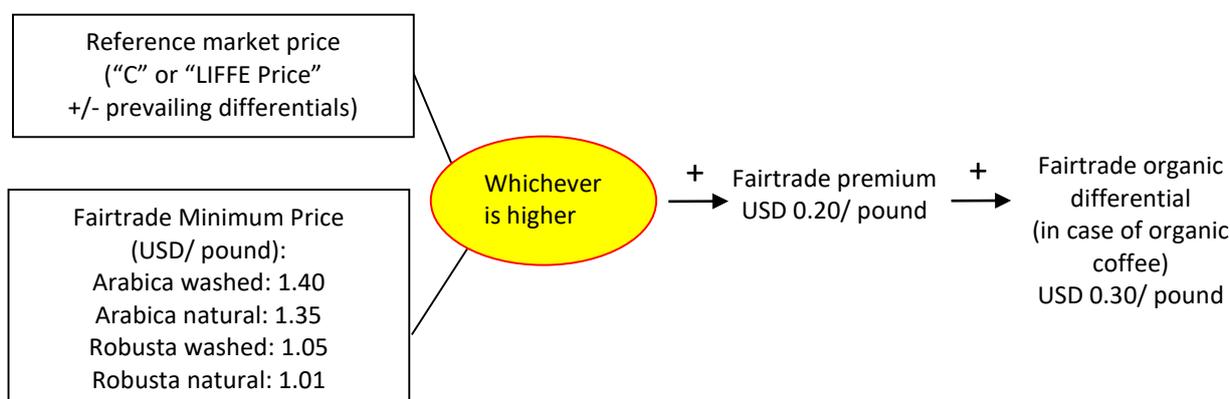
Period: May 06 – May 17, 2019

Background:

Fairtrade standards outline requirements on the level of price that Fairtrade coffee certified producer organizations should be paid when selling their coffee under Fairtrade terms. There are two major price scenarios:

- When the Reference market price is below or equal to the Fairtrade Minimum price.
- When the Reference market price is above the Fairtrade Minimum price.

In these two price scenarios the Fairtrade price is determined as it is summarized in the following diagram:



When the Reference market price is below or equal to the Fairtrade Minimum price

As it is understood from the Fairtrade Standard for Coffee for Small Producer Organizations, for both Arabica and Robusta coffee the price paid to the producer organization cannot be below the Fairtrade Minimum Price plus the Fairtrade premium, plus (in case of organic coffee) the Fairtrade organic differential. A negative differential cannot be applied to the Fairtrade Minimum Price.

Therefore, when the Reference market price (“C” or “LIFFE Price” +/- prevailing differentials) is below or equal to the Fairtrade Minimum price, the Fairtrade price would be (USD / pound) at least:

| | |
|-------------------------|-----------------------------|
| Arabica washed | = 1.60 = 1.40 + 0.20 |
| Arabica washed organic | = 1.90 = 1.40 + 0.20 + 0.30 |
| Arabica natural | = 1.55 = 1.35 + 0.20 |
| Arabica natural organic | = 1.85 = 1.35 + 0.20 + 0.30 |
| Robusta washed | = 1.25 = 1.05 + 0.20 |
| Robusta washed organic | = 1.55 = 1.05 + 0.20 + 0.30 |
| Robusta natural | = 1.21 = 1.01 + 0.20 |
| Robusta natural organic | = 1.51 = 1.01 + 0.20 + 0.30 |

When the Reference market price is above the Fairtrade Minimum price

When market prices for coffee are higher than the Fairtrade Minimum Price, traders and producers are to agree coffee prices using the Fairtrade reference for market prices as follows in the table below:

| | | | |
|---|--|----------------------------|--------------------------|
| Reference market price ("C" or "LIFFE Price" +/- prevailing differentials) <i>(never below Fairtrade Minimum Price)</i> | + Fairtrade Organic differential <i>(in case of organic coffee)</i> | + Fairtrade Premium | = Fairtrade Price |
|---|--|----------------------------|--------------------------|

Producers and buyers must agree upon a differential, using the differential that prevails in the mainstream market for non-Fairtrade coffee, as a baseline, and taking into account actual quality, shipment date, logistics, risk, availability, etc.

Please find below a reference guide on prevailing differentials, which can be used as a guiding baseline. Other public sources of differential information may also be used, where available. The Coffee Help Desk can also, on request, provide information on prevailing market differentials. Please do not hesitate to contact the Coffee Help Desk: coffeehelp@fairtrade.net

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Indicative information on coffee prevailing differentials on the mainstream market for representative Fairtrade coffee countries and qualities based on a compilation of available commercial sources. Baseline offers in the market for actuals.

Find the most current information on our website at <http://www.fairtrade.net/coffee.html>

Information source: Fairtrade International GPM Coffee.

| ARABICA | | | | |
|-----------------|--|------------------|------------------------|--------------------|
| Origin | Quality | Shipment | Differential reference | Differential range |
| Colombia | UGQ | FOB, for Jun-Sep | NYC, relevant month | +28¢ to +29¢ |
| | EP | FOB, for Jun-Sep | NYC, relevant month | +29¢ to +30¢ |
| | Supremos screen 17/18 | FOB, for Jun-Sep | NYC, relevant month | +33¢ to +34¢ |
| Brazil | Santos 2s, screen 17/18, fine cup | FOB, for Jun-Aug | NYC, relevant month | +3¢ to +5¢ |
| | | FOB, Sep-Dec | NYC, relevant month | 0¢ to -1¢ |
| | Santos 2/3s, medium to good bean, fine cup | FOB, for May-Aug | NYC, relevant month | -3¢ to -4¢ |
| | | FOB, for Sep-Dec | NYC, relevant month | -6¢ to -7¢ |
| | Santos 3/4s | FOB, for Jun-Aug | NYC, relevant month | -7¢ to -8¢ |
| | | FOB, for Sep-Dec | NYC, relevant month | -10¢ to -13¢ |

(cont.) Fairtrade International Reference Guide on prevailing differentials for Coffee - Period: May 06 – May 17, 2019

| ARABICA | | | | |
|-------------------|---|--------------------------------|------------------------|--------------------|
| Origin | Quality | Shipment | Differential reference | Differential range |
| Mexico | Prime | FOB Laredo for May/June | NYC, July | +12¢ to +13¢ |
| | Prime Washed | FOB Veracruz for Jul-Sep | NYC, relevant month | +10¢ to +11¢ |
| | Extra prime | FOB Veracruz for Jun-Sep | NYC, relevant month | +16¢ to +18¢ |
| | High grown, European preparation | FOB Veracruz for Jul-Oct | NYC, Sept | +22¢ to +23¢ |
| | Strictly High grown, European preparation | FOB Veracruz for Jul-Oct | NYC, relevant month | +26¢ to +28¢ |
| Guatemala | Prime | FOB, per 46 kilos, for Jun-Aug | NYC, relevant month | +\$10 to +\$11 |
| | Hard bean, European preparation | FOB, per 46 kilos, for Jun-Sep | NYC, relevant month | +\$22 to +\$24 |
| | Strictly hard beans, European preparation | FOB, per 46 kilos, for Jun-Aug | NYC, relevant month | +\$32 to +\$35 |
| Costa Rica | Hard bean, European preparation | FOB, per 46 kilos, for Jun | NYC, July | +\$84 to +\$85 |
| Nicaragua | Strictly high grown, European preparation | FOB, per 46 kilos, for Jun-Aug | NYC, relevant month | +\$10 to +\$12 |
| Honduras | High grown, European preparation | FOB, per 46 kilos, for Jun-Aug | NYC, relevant month | +\$1 to +\$3 |
| | Strictly high grown, European preparation | FOB, per 46 kilos, for Jun-Aug | NYC, relevant month | +\$6 to +\$7 |
| Peru | Hard bean, MCMs grade 1 | FOB, per 46kg, for Jun-Aug | NYC, relevant month | +\$10 to +\$14 |
| | Hard bean, MCMs grade 2 | FOB, per 46kg, for Jun-Aug | NYC, relevant month | +\$6 to +\$9 |
| | Hard bean, MCs | FOB, per 46kg, for Jun-Aug | NYC, relevant month | +\$3 to +6¢ |



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| Origin | News obtained on | Description |
|--------|------------------|--|
| Kenya | 6/05/2019 | Kenya sold 5,307 metric tons of Arabica coffee at auction in April at an average price of \$100.59 for a 50-kilo bag. |
| | 7/05/2019 | The average price across all grades at the auction was \$86.33 for a 50-kilogram bag compared with \$76.11 a bag at the previous auction on April 30th |

| ROBUSTA | | | | |
|-----------|---------------------------|----------------|------------------------|--------------------|
| Origin | Quality | Shipment | Differential reference | Differential range |
| Brazil | Conillon, 5/6s, screen 13 | FOB for Jun | London, July | -1¢ to -2,5¢ |
| Uganda | Screen 15 | exdock for Jun | London, July | +17¢ to +18¢ |
| Vietnam | Grade 1 | exdock for Jun | London, July | +13¢ to +14¢ |
| Vietnam | Grade 2 | exdock for Jun | London, July | +11¢ to +13¢ |
| Indonesia | Grade 4, 80 defects | exdock for Jun | London, July | +15¢ to +16¢ |