|  |  |
| --- | --- |
| **Consultation document for Fairtrade Stakeholders:**  Review of Orange juice Minimum Prices and Premiums | |
| Consultation Period | **06.05.2019 – 24.05.2019** |
| Project Manager Contact Details | Alina Amador, Senior Project Manager, a.amador@fairtrade.net, +49 (0) 228 949 23 276 |

# **PART 1 Introduction**

1. General Introduction

Fairtrade Minimum Prices and Premiums for Orange juice have been set in June 2013 and are currently being reviewed by Fairtrade International’s Pricing team. The purpose of this document is to obtain stakeholder views on proposals for the Fairtrade Minimum Prices and Fairtrade Premiums for Orange juice and the current price model. These proposals are not definitive, so your feedback is important to help us develop final recommendations, balancing the interest of all stakeholders. In June 2019, the Standards Committee (SC) of Fairtrade International will review the recommendations and decide on changes to be implemented.

Your contribution is crucial and this questionnaire is the best way to communicate your individual response and helps us better understand common issues and challenges. Please include a rationale or analysis with your answer, so we can understand your arguments.

*Please note that this document is a “form”. You cannot click on the background text, you can only click on the multiple choices, and enter your answers in the grey text boxes.*

If you have any questions, please contact the Project Manager. Please send this filled form by latest **May 24th 2019.** to Alina Amador, Project Manager at Fairtrade International,[**a.amador@fairtrade.net**](mailto:a.amador@fairtrade.net)**.** Please keep in mind that the timeframe for this project will not be changed therefore the deadline will not be extended.

The participants of this consultation will receive a synopsis of the consultation results in an aggregate form. The anonymity of the results will be maintained for all reporting purposes. However, when analysing the data, we need to know which responses are from producers, traders and licensees, etc. which is why we kindly as you to identify yourself and your organization below.

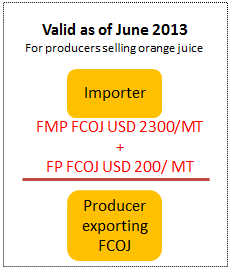
Final recommendations for the orange juice price review based on the consultation results will be presented to the Standards Committee for approval.

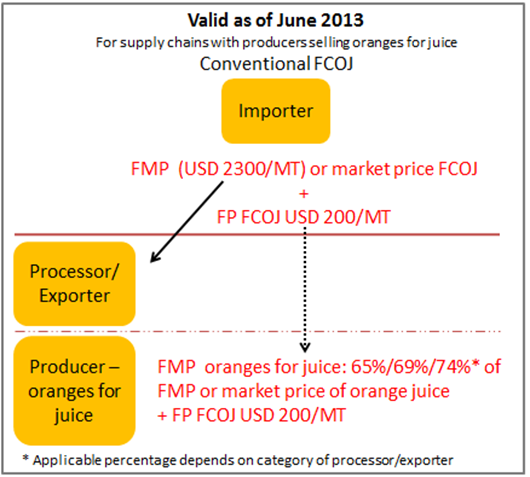
1. Background

The current FMP and FP for Orange juice and price model have been in place since June 2013. Orange juice became part of the Fairtrade system in 1999 and before the 2010 price review, only Fairtrade Minimum Prices (FMP) and Fairtrade Premiums (FP) for Frozen Concentrate Orange Juice (FCOJ) and Not from Concentrate (NFC) orange juice existed. In the 2010 Price Review a worldwide FMPs and the FPs for conventional and organic orange juice (both FCOJ and NFC) was determined and FMPs and FPs for oranges for juice were introduced for the first time, as well as orange juice by-products. The prices became valid July 31, 2010. In March 2013, the SC was presented with the proposals for decision on the pricing model for Fairtrade ‘oranges for juice’ and ‘orange juice’, including FCOJ and NFC, as well as specific values for each model, the currency, and the validity date. The result is the current model applicable since June 2013.

### **Current price model**

The Fairtrade Orange juice price, in its current version, was introduced in June 2013, it replaced the prior version from July 2010. The current model applicable to Fairtrade orange juice is as follows:

In the cases where the producer organizations sell orange juice the FMP for orange juice applies. For producer organizations selling oranges for juice to be processed into FCOJ or NFC, there is no one fixed FMP for oranges for juice, but a percentage of the price to be paid as a minimum to the producer organization applies. This model is based on a sharing mechanism in which the importer pays the FMP or market price for orange juice to the processor/exporter and the processor/exporter shares a minimum percentage of this orange juice price with the producer organization as payment for the oranges for juice. Similar to the FMP mechanism, in this case the % is considered a minimum as the seller/buyer could mutually agree a higher % to the producer. For FCOJ value chains, these percentages vary depending on three processor/exporter categories and whether the production is organic or conventional. For NFC value chains, these percentages vary depending on organic or conventional production. In order to define the price to be paid to the producer organization, the producer and processor/exporter must determine what defined percentages apply to their specific value chain.



The current consultation places great interest into increasing benefits to producer organizations based on the current price model. As such, the consultation covers the review of the FMP and FP for orange juice and the price model. To evaluate the current model is necessary to consider the key issues of concern that have risen in this process as well as some issues that were addressed in the previous price review, some of which are still relevant today:

1. First, of the approximately 18 producer organizations within the Fairtrade orange juice sector, only 3 are currently certified for orange juice, and thus receiving the benefit from the orange juice FMP; the other producers sell the oranges for juice and although interesting it is not necessarily possible to invest on their own processing industry. Therefore, it is important that producers that sell orange for juice are benefiting from the current model and to find ways to improve/increase the value that producers producing oranges for juice receive for their product, while recognizing the producer organizations’ dependence on independent processors.

2. It is important that all producer organizations (whether selling oranges for juice or orange juice) should receive the benefit of high orange juice prices, when above FMP. The current model has improved the revenue sharing along the value chain not only benefiting the independent orange juice processors.

3. At the same time, the current market prices for FCOJ are below the FMP although the prices have fluctuated in the past, the market prices have now seen a downward trend since the start of last harvest season. The expectation for this upcoming harvest in Brazil is positive, with an expected rebound of production which paired with a decreasing worldwide demand – consumers are interested in consuming drinks with less sugar content and healthier options- seem to continue challenging any potential increase in prices. Nonetheless, the Fairtrade market has seen a conservative but steady increase of around 2% in the last year, continuing the growth trend from past years.

4. There are concerns about the incentives to work with multinational organizations, at least in the case of Brazil, where the higher percentage of the price that is paid to the producer organization is higher when working with bulk processors. Nevertheless, it is true that producer organizations are limited in terms of choosing a processor to work with due to availability and distance to processing facility.

5. Stakeholders from Mexico have voiced their concerns (letters received in 2013 and 2015) in regards to price model. The challenge that has been expressed is that the producers have limited knowledge of the price to be paid only until the moment when the processor has a contract with their buyer. They have requested in the past that the price is set for the fruit as this creates more certainty for producer organizations.

6. The very limited information received on costs of processing, basically only available from producer organizations and not from processors, has challenged the review process. This has been a key issue in this process for the Pricing Unit as well as a matter of great concern also in producing regions on the critical issue of transparency in orange juice value chains.

7. The exchange rate in Brazil was an important topic in the price review in 2012/2013, with an exchange rate of nearly 2.0 Reais /USD. When the prices were announced the exchange rate was 2.17 Reais /USD. The period where the majority of producers reported COSP was June 2017 – June 2018 with an exchange rate of 3.8 Reais /USD. Currently the exchange rate is 4 Reais /USD. This has impact on the income producers receive.

8. Finally, with the participation of larger actors within the sector (with increased processing and exporting efficiencies), there are concerns about competition between different Fairtrade value chains.

1. Objectives of the current project

The goal of this price review is to announce new Fairtrade Minimum Prices and Premiums for orange juice, the specific objectives of the project are:

1. To collect and analyse available data on COSP from the relevant countries Brazil, Mexico, Ghana and Egypt.
2. To ensure the FMP and FP are appropriate to ensure increased benefits to producers.
3. To define whether FOB and EXW level prices, as currently defined in the price model, are appropriate and ensure increased benefits to producers.

As such, this consultation document intends to collect your feedback on the options for the FMP an FP and the price model presented below, keeping in mind that the aim is to ensure increased benefits for producers. Therefore, it is very important that the current price model is cautiously considered and assessed, and weighed against proposed alternatives.

*This document is a “form” for that reason you can only indicate your input in the designated spaces and your choices in the multiple choice boxes*.

The consultation section starts with the information about yourself and the organization you represent, followed by some additional background information to what was presented in previous section. The last section are the questions were you can provide your input. Once you have finished, please send the filled out document back to the Project Manager at [a.amador@fairtrade.net](mailto:a.amador@fairtrade.net)

1. Project and Process Information

Progress to date and next steps

|  |  |  |
| --- | --- | --- |
| Feb.–  March 2019 | * Define scope and project planning * Contact with key stakeholders (NFOs, PN) to define the objectives of the project |  |
| April – 2019 | * Contact producers and collection of COSP * Desk Research on production and market * Compilation and analysis of information * Preparation of proposals for the consultation |  |
| May 6 –24. 2019 | * Consultation of stakeholders | X |
| May –  June 2019 – | * Compilation of responses from the consultation process * Preparation of a consultation synopsis stakeholders and for discussion with the SC prior to decision * Final price proposals presented to Fairtrade International SC for approval – extraordinary meeting |  |
| July 1st 2019 | * Publication of new/revised prices and other revisions * Proposed date of validity of the new Prices |  |

1. Confidentiality

All the information we receive from respondents will be treated with care and kept confidential. Results of this consultation will only be communicated in aggregated form. All feedback will be analyzed and used to draw up the final proposal. However, when analyzing the data we need to know which responses are from producers, traders, licensees, etc. so we kindly ask you to identify yourself below.

1. Acronyms and definitions

COSP: Cost of Sustainable Production are the costs related to sustainably produce a product in a social, economic and environmental way in conformity with Fairtrade Standards.

FCOJ: Frozen concentrate orange juice

FMP: Fairtrade Minimum Price is the lowest possible price that may be paid by buyers to producers for a product to become certified against the Fairtrade standards.

FP: Fairtrade Premium is an amount paid to producers in addition to the payment for their products. The Fairtrade Premium is intended for investment in the producers’ business and community (for a small farmers’ organization or contract production set-up) or for the socioeconomic development of the workers and their community (for a hired labour situation).

HL: Hired Labor Organizations

NFC: Not from concentrate orange juice

SC: Standards Committee

SPO: Small Producer Organization

S&P: Standards & Pricing

PO: Producer organizations

NFO: National Fairtrade Organization, Fairtrade country organizations in the consumer markets

PN: Producer networks, regional Fairtrade organizations in the producer markets

1. Annexes
2. Price table pertaining to orange juice and oranges for juice.

# **PART 2 Consultation**

1. Information about you and your organization

|  |  |
| --- | --- |
| Contact details of the person completing this questionnaire: | Contact details of the Fairtrade certified operator: |
| Person:  E-mail:  Telephone number: | Organization:    FLO-ID (If any):    Location (Country):    Service (as it is mentioned in your certification):  Producer SPO  Producer HL  Trader – Payer  Trader – Non Payer  NFO  Other:  Commercial Function (as it is mentioned in your certification, allows for multiple choices):  Producer  Producer exporting for themselves  Exporter  Manufacturer/processor  Importer  Distributor  Other: |

1. Background Information

Please read through this background section before continuing to the next section with the questionnaire. The structure of this background section is as follows: first general information on the FMP, particularities of pricing for orange juice including a summary table on the advantages and disadvantages of the current and previous price model. Second, a set of sections are presented with the information and options for consultation, starting with the current model and potential changes, and the second to the FMP based on the COSP research, followed by proposals for secondary products, currency and validity date. Please make sure to read this part in its entirety before proceeding to answer the questions.

**Background**

The Fairtrade Minimum Price mechanism aims to help producers cover the costs of sustainable production, while the Fairtrade Premium is intended for use as decided by the general assembly of each Small Producer Organization. Identifying suitable price levels for the FMP and FP within the orange juice sector is complicated by a complex production, processing, and export chain that is characterized by differences between producing regions and supply chains (i.e. agricultural practices, processing capacity, bulk vs. drum cargo systems). Additionally, within Fairtrade orange juice, there is a need to not only cover producer organizations’ average costs of production, but also to create fairer competition between actors within the sector and differing producer set-ups (i.e. those selling oranges for juice to processing facilities and those selling orange juice directly to importers).

In this context the current price model was conceived, assessed and implemented, as presented in the background section 2 (page 2).

The following table presents a set of topics that have risen from the research phase important to consider in the evaluation of the current price model and the assessment of the proposals presented for consultation. The information on the model based on the EXW and the FOB price level is shared in the table below to highlight insights and experience with the stakeholders on each models’ intent and implementation. During the research phase, several meetings were held with representatives of the main producing countries, as well as E-mail communication to complete the market overview. In those meetings information on the previous model and learnings on the EXW price model was requested.

|  |  |  |
| --- | --- | --- |
| **Price model** | **Advantages** | **Disadvantages** |
| **Previous model: Ex Works oranges for juice price (valid 2010 – 2013) and FOB for orange juice** | 1. Defines the price to be paid for the oranges for juice and orange juice, reduces uncertainty.  2. Majority of organizations sell the oranges for juice and not the juice  3. Price is based on the COSP available  4. In case of low market prices of the juice the producers could be better off with the oranges prices. | 1. Applying the two price levels, distorts the level playing field for value chains where the producer sells the juice, versus a supply chain where the organization sells the oranges for juice.  2. At the FOB level for the orange juice the processing yields are considered, but not in the EXW price level. This resulted in the price suspension of oranges for juice EXW price for Ghana in 2012. |
| **Current model: FOB price for the orange juice and determined percentages of the FOB price paid to the organization** | 1. The OJ price with fixed % guarantees a minimum price to producers irrespective of the processing yields processors, and clarifies a cost structure for the processors.  2. The producers could benefit of high orange juice prices, in times of high market price. | 1. The lack of information available on processing costs challenges setting the prices at FOB level for Orange juice.  2. The percentage distribution could create a bias for organizations to prefer a bulk processor (normally multinationals) over a smaller processor. |

***Section A: The current price model for FCOJ***

Background: The current model (**Table 1**)with a price at FOB level for the orange juice, and determined percentages aims to allow oranges for juice producers to benefit from higher orange juice prices and to set a minimum percentage that could be considered the processing and export cost structure from the processors. Stakeholders are asked if they are in favor or not of maintaining the overall price model and are invited to provide other alternatives and rationale.

**Table 1 – Current price model, FMP and FP and the percentage of the price for PO**

|  |  |  |  |
| --- | --- | --- | --- |
| Oranges for juice | FMP | FP | Percentage paid to PO |
|  | (USD/MT FCOJ) | |  |
| Conventional | 2300 | 200 | 74% of FOB FCOJ FMP or market price (bulk export techniques) |
| 2300 | 200 | 65% of FOB FCOJ FMP or market price (using 6 extractors or less) |
| 2300 | 200 | 69% of FOB FCOJ FMP or market price (all other processor/exporter set-ups) |
| Organic | 3250 | 300 | 78% of FOB FCOJ FMP or market price (bulk export techniques) |
| 3250 | 300 | 72% of FOB FCOJ FMP or market price (using 6 extractors or less) |
| 3250 | 300 | 75% of FOB FCOJ FMP or market price (all other processor/exporter set-ups) |

Option 1: Maintain the principles (e.g. FMP and FP at FOB for orange juice, percentage to be paid to the producer organization) of the current price model for all orange juice Fairtrade value chains.

Option 2: Stakeholders are invited to provide any other alternatives and their rationale.

***Section B: Fairtrade Minimum Price at FOB and percentage paid to PO***

Pricing Model for Frozen Concentrate Orange Juice

I. Fairtrade Minimum Price

Background: The price review process focused on collecting cost of sustainable production (COSP) data from Fairtrade producer organizations, and as explained in the background document, this information concentrated mainly on COSP data for oranges for juice. Some of the key information is summarized below:

• The average COSP data defined by pricing methodology ranged from an average of USD 2.74 / 40.8 kg box in Africa and an average of USD 5.58 / 40.8kg box in Brazil. The depreciation of the Brazilian real has decreased the price per box compared to the previous price review (USD 6.29 / 40.8 kg).

• The calculations show that considering the highest price per box reported in the COSP work, (7.35 USD/ 40.8 kg box) the average price of the orange juice considering a yield of 270 box per MT of juice is 2,456.12 USD/MT FCOJ.

• Given the current market trends an increase of the FCOJ price is not likely to be positive for the development of the orange juice Fairtrade market.

*Proposal options:*

Conventional FCOJ

• Option 1: Maintain the FMP at USD 2300 / MT for conventional FCOJ at FOB level.

• Option 2: Increase the FMP to USD 2350 / MT for conventional FCOJ at FOB level.

Organic FCOJ

• Option 1: Maintain the FMP at USD 3250 / MT for organic FCOJ at FOB level.

• Option 2: Stakeholders are encouraged to provide alternative proposals.

**Proposed changes to the current model**

Background: The current model with a price at FOB level for the orange juice, and determined percentages, may be revised given the experiences in its application since its validity on June 2013. The majority of the processing of FCOJ is done in bulk or with 6 extractors, with these, the 6 extractors or less and other processing techniques can be grouped into one single category. In addition, there are efficiencies in the industry, meaning that the costs of processing per MT of FCOJ are reduced. In Brazil, the exchange rate depreciation and inflation due to increase in transport costs among other items (4.66% annual inflation April 2017- April 2018), provides an opportunity to revise the determined percentages to be paid to the producer organizations. First, stakeholders are presented with two options, the option 1 considers keeping the current model, and option 2 presents revised percentages re-grouping the processing techniques into two major categories.

Option 1: Maintaining the current 3 different types of processing techniques.

Option 2: Group the 6 extractors or less and the other processing techniques into one category. Therefore, there will only be two categories: bulk and all other processor/exporter techniques

**Table 2**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Current percentage paid to PO | Maintaining current types of processing techniques and increasing the percentages | | | Merging current types of processing techniques[[1]](#footnote-1) | Merging current types of processing techniques | | |
|  |  | Increase of 1% | Increase of 3% | Increase of 5% |  | Increase of 1% | Increase of 3% | Increase of 5% |
| **Conventional** | **74%** of FOB FCOJ FMP or market price (bulk export techniques) | 75% | 77% | 79% | **74%** of FOB FCOJ FMP or market price (bulk export techniques) | 75% | 77% | 79% |
| **65%** of FOB FCOJ FMP or market price (using 6 extractors or less) | 66% | 69% | 70% | 67% of FOB FCOJ FMP or market price for all other processor/export techniques | 68% of FOB FCOJ FMP or market price for all other processor/export techniques | 70% | 72% |
| **69%** of FOB FCOJ FMP or market price (all other processor/exporter set-ups) | 70% | 72% | 74% |
| **Organic** | **78%** of FOB FCOJ FMP or market price (bulk export techniques) | 79% | 81% | 83% | 78% | 79% | 81% | 83% |
| **72%** of FOB FCOJ FMP or market price (using 6 extractors or less) | 73% | 75% | 77% | 74% of FOB FCOJ FMP or market price for all other processor/export techniques | 75% of FOB FCOJ FMP or market price for all other processor/export techniques | 77% | 79% |
| **75%** of FOB FCOJ FMP or market price (all other processor/exporter set-ups) | 76% | 78% | 80% |

Second, stakeholders are presented with the option to maintain current percentages, or to increase the percentages as indicated in **Table 2**.

Option 1: Maintain the current percentages as currently applicable.

Option 2: Increasing the percentages as proposed in **Table 2**

Please note that in case of merging the two categories an average of the two percentages is proposed. This would mean that merging the two categories already represents an increase for the cases of processing with 6 extractors or less.

Stakeholders are invited to propose alternative on the percentages to be paid to the PO.

II. Fairtrade Premium

Background:

All producer organizations receive the FP based on the total amount of orange juice sold. Producer organizations that sell oranges for juice to processing facilities can potentially receive an equivalent of FP per box that is greater than if the FP was defined at EXW level per box, depending on their processing yield. The following tables present scenarios based on producers’ yield that were reported per country, the calculations are done with both current FP and increased FP. The increase in the FP follows the increase in the FMP proposed above. In the case of organic, there was no information on COSP reported, nevertheless stakeholders are also invited to provide their feedback on a potential change of the FP.

**Table 3** shows the current conventional FCOJ FP and increased FP, in per box terms, depending on the processing yields. The bottom rows present the FP as a percentage of the FMP. The two scenarios are depicted, one with the current FMP and the second with the increased FP.

**Table 3 – Current and increased FP for conventional FCOJ as % of FMP and FP per box**



Following the preferred option regarding the FMP, stakeholders are invited to indicate their preference in regards to maintaining or increasing the FP for conventional FCOJ:

Option 1: To maintain the FP at 200 USD/MT of FCOJ

Option 2: To increase the FP to 250 USD/MT of FCOJ

**Table 4** shows the current organic FCOJ FP, in per box terms, depending on the processing yields. The bottom row presents the FP as a percentage of the FMP.

**Table 4 Current FP for organic FCOJ as % of FMP and FP per box**



Following the preferred option regarding the FMP, stakeholders are invited to indicate their preference in regards to maintaining or changing the FP for organic FCOJ:

Option 1: To maintain the FP at 300 USD/MT of FCOJ

Option 2: Stakeholders are encouraged to provide alternative proposals.

***Section C: Pricing Model for Not from Concentrate Orange Juice***

Background: The pricing model and proposals for Not from Concentrate Orange Juice follow the parameters defined above for FCOJ, but are adapted to the different costs structures of processing and exporting NFC. In the current project, Pricing was not able to collect data for NFC production. As such, stakeholders engaging with Fairtrade NFC are encouraged to provide their feedback if the current model is suitable or if there are changes to be proposed.

1. The current price model for NFC.

**Table 5**

|  |  |  |  |
| --- | --- | --- | --- |
| Oranges for juice | FMP | FP | Percentage paid to PO |
|  | (USD/MT of NFC) | |  |
| Conventional | 650 | 60 | 50% of FOB NFC FMP or market price |
| Organic | 970 | 90 | 57% of FOB NFC FMP or market price |

Option 1: Maintain the current price model

Option 2: Stakeholders are invited to share any alternatives

II. Fairtrade Minimum Price

*Proposal options:*

• Option 1: Maintain the FMP at FOB level at USD 650 / MT for conventional NFC and USD 970 / MT for organic NFC.

• Option 2: Stakeholders are encouraged to provide alternative proposals.

III. Fairtrade Premium

*Proposal options:*

• Option 1: Maintain the FP at FOB level at 60 USD/MT for conventional NFC and 90 USD/MT for organic NFC.

• Option 2: Stakeholders are encouraged to provide alternative proposals.

IV. Percentage paid to producer organizations

*Proposal options:*

Option 1: Maintain current applicable percentages for conventional and organic NFC as in **Table 5**.

Option2: Stakeholders are invited to share any alternatives.

***Section D: Oranges for Juice***

Background: This section is NOT presented as an alternative to the options presented above. The pricing model defined above, remains with only prices for orange juice FOB prices within all orange juice value chains. Although, a price for oranges for juice is still needed for specific value chains in which producer organizations export oranges for juice directly for processing in destination countries.

I. Fairtrade Minimum Price

*Proposal options:*

• Option 1: Maintain the FMP at EXW level at USD 5.00 / 40.8 kg box for conventional oranges for juice and USD 7.50 / 40.8 kg box for organic oranges for juice worldwide.

• Option 2: Stakeholders are invited to provide alternatives for the FMP for oranges for juice.

II. Fairtrade Premium

*Proposal options:*

• Option 1: Maintain the FP at EXW level at USD 0.50 / 40.8 kg box for conventional oranges for juice and USD 0.80 / 40.8 kg box for organic oranges for juice worldwide.

• Option 2: Stakeholders are invited to provide alternatives for the FP for oranges for juice.

***Section E: Orange Juice Secondary-Products***

Background: As of February 2, 2012, a secondary product pricing procedure (which includes by-products) has been put in place in order to facilitate the sale of secondary products within the Fairtrade system. As such, a non-exhaustive list of products “Fairtrade Secondary Products list” fitting the definition of secondary products and their derivatives is published on the [Fairtrade International website](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/Fairtrade_Secondary_products_list.pdf), which includes orange juice by-products (peels, cores, segment membranes, citrus molasses, orange oil phase essence, orange water phase essence, essential oil as by-products of the juice industry). As is currently the case in orange juice, prices for secondary products and their derivatives produced in the country of origin are negotiated between the Fairtrade producer and its next buyer (Fairtrade payer). A default Fairtrade premium of 15% of the negotiated price for the secondary product and/or its derivatives must be paid in addition to the negotiated price. The Pricing unit is looking into this option as a way to increase benefits for producers of oranges for juice producers.

*Proposal options:*

• The Pricing unit proposes to include the secondary products from oranges juice in the scope of certification for processors. The proposal follows the secondary product rule in which if the secondary product is commercialized as a Fairtrade product the producer organization must receive a 15% of the commercial price as Fairtrade Premium for that product. This FP will be additional to the Premium received for the oranges for juice which is based on the main product - orange juice.

Stakeholders are invited to provide their feedback on including the secondary products of orange juice in the scope of certification of the processors.

Stakeholders are also invited to assess whether a percentage of 15% of the commercial price as Fairtrade Premium for the secondary products of orange juice is an acceptable level.

The following options are presented:

Option 1: A 15 % of the commercial price as Fairtrade Premium for the secondary product is acceptable

Option 2: Stakeholders are invited to share their views on an acceptable percentage of the commercial price to be paid as Fairtrade Premium for the secondary products.

**Adding Orange juice fruit cells in the secondary product list**

Stakeholders in producing countries have voiced interest to have orange juice fruit cells in the secondary product list. In this consultation the Pricing unit is requesting feedback from stakeholders whether this is a product of interest to be added to the secondary product list.

***Section F: Currency***

Background: The currency of the orange juice FMP and FP is set in USD. The currency used also follows the market price reference in the ICE orange juice futures contracts. Stakeholders are invited to confirm if this is the preferred currency.

***Section G: Validity Date***

Background: June is the month where the harvest season starts in Brazil. The earliest validity for the revised FMP for FCOJ can be as July 2019, which according to stakeholders is still a relevant month for the newly started harvest season in Brazil.

Proposal options:

• Option 1: Validity date of the changes to the revised orange juice FMP and approved changes in the price model would be July 1, 2019. Applicable to all new contracts with producer organizations for oranges for juice and subsequently new contracts with orange juice buyers.

• Option 2: Stakeholders are encouraged to provide alternative proposals and rationale.

1. Questionnaire (22 questions)

Section A: The current price model for FCOJ

|  |  |
| --- | --- |
| Question 1: Do you agree to maintain the principles of the price model for all orange juice Fairtrade value chains? E.g. the current price model as a revenue sharing model whereby there exists a FMP at the orange juice FOB level and fixed percentages to be paid to the producer organization according to the processing technique for the oranges for juice. | |
| Yes | Please add any comment you may have on the model: |
| No | Please provide your rationale and any alternative: |

Section B: Fairtrade Minimum Price for FCOJ

|  |  |
| --- | --- |
| Question 2: Are you in agreement with an increase of the FMP for conventional FCOJ to 2350 USD/ MT? | |
| Yes |  |
| No, the FMP must remain at the current level | Please provide your rationale and any alternative you may have: |
| Question 3: Are you in agreement with maintaining the FMP for organic FCOJ to 3250 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale:  The FMP (USD/MT) should be: |

Proposed changes to the current model

|  |  |
| --- | --- |
| Question 4: Are you in agreement with maintaining the 3 categories set pertaining to the processing / exporting techniques as in the current model? | |
| Yes | Please continue to question 5. |
| No | Please provide your rationale:  Continue to question 6 |
| Question 5: Are you in agreement with changing the percentages as in Table 2 for the current 3 categories? | |
| Yes | by an increase of 1%  by an increase of 3%  by an increase of 5% |
| No | Please provide your rationale:  If the percentages presented are not acceptable, how much can the increase be, if any?: |
| Question 6: Are you in agreement with simplifying the categorization by grouping the category 6 extractors or less together with all other set ups? Therefore having only two categories instead of 3, namely bulk and all other set ups. | |
| Yes |  |
| No | Please provide your rationale: |
| Question 7: Are you in agreement with changing the percentages as in Table 2 if merging the categories? | |
| Yes | by an increase of 1%  by an increase of 3%  by an increase of 5% |
| No | Please provide your rationale:  If the percentages presented are not acceptable, how much can the increase be, if any?: |

Fairtrade Premium for FCOJ

|  |  |
| --- | --- |
| Question 8: Are you in agreement with increasing the FP for conventional FCOJ to 250 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |
| Question 9: Are you in agreement with maintaining the FP for organic FCOJ at 300 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |

Section C: Pricing Model for Not from Concentrate Orange Juice

|  |  |
| --- | --- |
| Question 10: Do you agree to maintain the principles of the price model for all NFC orange juice Fairtrade value chains? E.g. the current price model as a revenue sharing model whereby there exists a FMP at the orange juice FOB level and fixed percentages to be paid to the producer organization according to conventional and organic production. | |
| Yes | Please add any comment you may have on the model: |
| No | Please provide your rationale and any alternative: |

|  |  |
| --- | --- |
| Question 11: Are you in agreement with maintaining the FMP for conventional NFC at 650 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |
| Question 12: Are you in agreement with maintaining the FMP for organic NFC at 970 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |

Fairtrade Premium for NFC orange juice

|  |  |
| --- | --- |
| Question 13: Are you in agreement with maintaining the FP for conventional NFC at 60 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |
| Question 14: Are you in agreement with maintaining the FP for organic NFC at 90 USD/ MT? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |

Section D: Oranges for Juice to be processed in destination countries

|  |  |
| --- | --- |
| Question 15: Are you in agreement with maintaining the FMP, EXW level, at USD 5.00 / 40.8 kg box for conventional oranges for juice and USD 7.50 / 40.8 kg box for organic oranges for juice worldwide? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |
| Question 16: Are you in agreement with maintaining the FP, EXW level, at USD 0.50 / 40.8 kg box for conventional oranges for juice and USD 0.80 / 40.8 kg box for organic oranges for juice worldwide? | |
| Yes |  |
| No | Please provide your rationale and any alternative you may have: |

**Section E: Orange Juice Secondary-Products**

|  |  |
| --- | --- |
| Question 17: Are you in agreement with including the secondary products in the scope of the certification of independent orange juice processors? The FP for secondary products sold under Fairtrade terms is to be paid directly to the producer organization sourcing the oranges for juice, in addition to the orange juice Fairtrade Premium. | |
| Yes |  |
| No | Please provide your rationale and alternative: |
| Question 18: Are you in agreement with having a percentage set at 15% of the commercial price for orange juice secondary products? | |
| Yes |  |
| No | Please provide your rationale:  Continue to question 19 |
| Question 19: Are you in agreement with having a percentage set at 10% of the commercial price for orange juice secondary products? | |
| Yes |  |
| No | Suggested percentage: |

**Adding Orange juice fruit cells in the secondary product list**

|  |  |
| --- | --- |
| Question 20: Are you in agreement with including the orange juice fruit cells in the secondary product list? | |
| Yes |  |
| No | Please provide your rationale: |

**Section F: Currency**

|  |  |
| --- | --- |
| Question 21: Are you in agreement with maintaining the currency for all prices as mentioned above in USD? | |
| Yes |  |
| No | Please provide your rationale: |

**Section G: Validity Date**

|  |  |
| --- | --- |
| Question 22: Are you in agreement with setting the validity date of the changes to the price model and revised FMP and FP as of July 1st 2019? | |
| Yes |  |
| No | Please provide your rationale and alternative: |

**Annex.**

The following table summarizes the model that applies:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Specific Product Standard** | **Product/Quality** | **Country / Region** | **Producer Scope** | **Price level** | **Currency/**  **Unit** | **Fairtrade Minimum Price** | **Fairtrade Premium** | **Date of validity** |
| Fresh Fruit | Orange for FCOJ / Conventional | Worldwide | SPO / HL | EXW, Producers working with processor/exporter using bulk export techniques | USD / MT (juice equivalent) | 74% of FOB FCOJ FMP or market price | 200.00 | 19/06/13 |
| Fresh Fruit | Orange for FCOJ / Conventional | Worldwide | SPO / HL | EXW, Producers working with processor/exporter using 6 extractors or less | USD / MT (juice equivalent) | 65% of FOB FCOJ FMP or market price | 200.00 | 19/06/13 |
| Fresh Fruit | Orange for FCOJ / Conventional | Worldwide | SPO / HL | EXW, Producers working with all other processor/exporter set-ups | USD / MT (juice equivalent) | 69% of FOB FCOJ FMP or market price | 200.00 | 19/06/13 |
| Fresh Fruit | Orange for FCOJ /Organic | Worldwide | SPO / HL | EXW, Producers working with processor/exporter using bulk export techniques | USD / MT (juice equivalent) | 78% of FOB FCOJ FMP or market price | 300.00 | 19/06/13 |
| Fresh Fruit | Orange for FCOJ / Organic | Worldwide | SPO / HL | EXW, Producers working with processor/exporter using 6 extractors or less | USD / MT (juice equivalent) | 72% of FOB FCOJ FMP or market price | 300.00 | 19/06/13 |
| Fresh Fruit | Orange for FCOJ / Organic | Worldwide | SPO / HL | EXW, Producers working with all other processor/exporter set-ups | USD / MT (juice equivalent) | 75% of FOB FCOJ FMP or market price | 300.00 | 19/06/13 |
| Fresh Fruit | Orange for NFC / Conventional | Worldwide | SPO / HL | EXW | USD / MT (juice equivalent) | 50% of FOB NFC FMP or market price | 60.00 | 19/06/13 |
| Fresh Fruit | Orange for NFC / Organic | Worldwide | SPO / HL | EXW | USD / MT (juice equivalent) | 57% of FOB NFC FMP or market price | 90.00 | 19/06/13 |
| Prepared and Preserved Fruit & Vegetables | Orange Juice FCOJ / Conventional | Worldwide | SPO / HL | FOB | USD / MT | 2300.00 | 200.00 | 19/06/13 |
| Prepared and Preserved Fruit & Vegetables | Orange juice FCOJ / Organic | Worldwide | SPO / HL | FOB | USD / MT | 3250.00 | 300.00 | 19/06/13 |
| Prepared and Preserved Fruit & Vegetables | Orange juice NFC /Conventional | Worldwide | SPO / HL | FOB | USD / MT | 650.00 | 60.00 | 19/06/13 |
| Prepared and Preserved Fruit & Vegetables | Orange juice NFC / Organic | Worldwide | SPO / HL | FOB | USD / MT | 970.00 | 90.00 | 19/06/13 |

1. The percentage for all other processor/export techniques is an average of the two categories in the current model. [↑](#footnote-ref-1)