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| **Consultation document for Fairtrade Stakeholders:**  Fairtrade Lime Price & Premium Review | |
| Consultation Period | 20th May – 20th June 2020 |
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## Table of contents

[Table of contents 1](#_Toc40687412)

[Acronyms 2](#_Toc40687413)

[PART 1. INTRODUCTION 3](#_Toc40687414)

[1.1 Project description 3](#_Toc40687415)

[Background 3](#_Toc40687416)

[Project planning 5](#_Toc40687417)

[Product and revision scope 5](#_Toc40687418)

[1.2 This consultation 6](#_Toc40687419)

[PART 2. CONSULTATION 7](#_Toc40687420)

[2.1. General Information 7](#_Toc40687421)

[Information about you and your organization 7](#_Toc40687422)

[2.2. Defining the Price model for Limes 9](#_Toc40687423)

[Defining the approach for setting FMP 9](#_Toc40687424)

[Defining the approach for setting FP 11](#_Toc40687425)

[Other questions to define the Price Model for limes 12](#_Toc40687426)

[Final comments 12](#_Toc40687427)

[PART 3. ANNEX 13](#_Toc40687428)

## Acronyms

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.

EXW **Ex Works** means that delivery takes place when the seller places the goods at the disposal of the buyer at the premises of the seller or another named place (works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle

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).

FOB **Free on Board** means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. From that point forward, the buyer has to bear all costs and risks of loss or damage to the goods. Under FOB terms, the seller is required to clear the goods for export.

NAPP: Fairtrade **Network of Asia & Pacific Producers**

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

PA **Project Assignment**

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

SPO: **Small-scale Producer Organization**

S&P Fairtrade International Standards & Pricing Unit

# INTRODUCTION

## Project description

### Background

#### Fairtrade Price for Limes need review

Fairtrade certifies both fresh and processed, conventional and organic, limes. With almost 4 thousand tonnes of Fairtrade limes sold, generating 188,198 USD of Premium income for producers in 2018 (and growing in 2019), limes still remain a minor product within the Fairtrade system.

Most of the limes FMP and FP were set based on COSP in different years (2004, 2007, 2008, 2011) and other Fairtrade lime prices were introduced by using existing prices from other producing origins. FMPs values for fresh limes so far range from 0.49 and 1.16 USD per kg, and FPs range from 0.02 and 0.23 USD per kg, depending on the origin (see Table 1 in the ANNEX). These differences reflect the approach used by Fairtrade to set country specific prices for limes. This situation creates a discrepancy and potentially an unfair context among countries which should be addressed.

It is therefore clear that the FMP and FP for limes should be updated to reduce the discrepancies, by also trying to adapt to the market evolutions on this product, which is difficult for products where prices fluctuate broadly between the harvest and post-harvest periods.

Therefore, in this project, we will propose alternatives for the current price model for limes. The intention is to check with stakeholders these proposals and see whether there could be a better alternative price model for this product.

In case there is no clear preference by majority of stakeholders for any of the alternative models, or, if producers request a full price review (implying COSP[[1]](#footnote-1) analysis), another round of consultation will be undertaken before a final proposal is made.

#### Fairtrade’s pricing models and tools

The Fairtrade pricing **model** refers to how Fairtrade’s pricing **tools** (FMP and FP) are implemented. This requires the definition on: (1) how the FMP is set, (2) how the FP is set and (3) how is the geographical scope and product description set.

The **Fairtrade Premium** is an amount paid to producers in addition to the payment for their products.

The **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.

#### Three alternatives for setting the Fairtrade Minimum Prices for limes

The Fairtrade system faces challenges for maintaining the Fairtrade Minimum Prices relevant for limes, given the complexity of the product (Fresh fruit).

A full review of FMPs is complex and resources demanding. This work includes the collection of Cost of sustainable production (COSP) from different countries and producers, but also has to consider the range of market prices and varieties. The result is fixing FMPs and FPs worldwide/per region for the different products and organic and conventional qualities, without flexibility during the year, until a next Full price review take place.

Therefore, this consultation is proposing to consider alternative approaches for the setting of the Fairtrade Minimum Prices, which are meant to be more flexible and adapted to each situation.

**The approaches proposed for the setting of FMP are**:

1. **No FMP**, and commercial prices applied instead.
2. **FMP set as negotiated price** between buyer and seller, **based on COSP**: this model proposes that producers and their buyers agree in prices that reflects producers’ COSP. Later in this document, it is also consulted more in detail how this alternative model could be further specified.
3. FMP based on a **Full Price Review** with average COSP: producers are requested to share their COSP. Based on the COSP[[2]](#footnote-2) reported we will develop the FMP proposal and engage with you in a second around of consultation to decide on the final values.

### Project planning

The project planning includes two possible scenarios. The scenarios depend on the outcome of the first consultation round and on whether the stakeholders accept or not accept any of the alternative models. See the alternative timelines in the following table:

|  |  |  |
| --- | --- | --- |
|  | **Time** | **Activity** |
|  | **October 2019 - January 2020** | * Preparation of the Project Assignment * Definition of the scope of the project with the project team * Research on Fairtrade limes transactions |
|  | **February - March, 2020** | * Draft consultation document |
|  | **April – May 2020** | * Hold on due to COVID-19 situation * Discussion with the project team about next steps. * Translation of consultation document |
|  | **May - June 2020** | * **Public consultation (THIS DOCUMENT)** |
|  | **July 2020** | * Analysis of responses |
| * **If proposals for “NO FMP” or “Negotiated FMP” approach is preferred by the majority of the stakeholders:** | | |
|  | **July - August, 2020** | * Preparing document for S&P Director approval * Approval by S&P Director and publication of new prices |
|  | **September, 2020** | * Date of validity of the new prices |
| * **If proposal for “Full FMP Review” is preferred by the majority of the stakeholders:** | | |
|  | **July 2020** | * Analysis of the COSP received |
|  | **August, 2020** | * Preparation of 2nd public consultation |
|  | **September 2020** | * 2nd Consultation |
|  | **October 2020** | * Analysis of responses from the 2nd Consultation * Preparing document for SC decision |
|  | **25th – 26th November 2020** | * Presentation to the Standards Committee. |
|  | **December 2020** | * Publication of new prices. |

### Product and revision scope

This revision includes **all type of limes[[3]](#footnote-3)**, including fresh limes, limes for juice or limes for processing and lime juice. This includes conventional and organic limes. It does not include other citrus products like lemons or oranges. The revision will also be an opportunity to clarify and harmonize the product definitions and translations for limes for all stakeholders.

## This consultation

You are kindly invited to participate in this consultation reviewing the Fairtrade Prices and Premium for limes. For this purpose, we kindly ask to comment on the proposals suggested in this document and encourage you to give explanations, analysis and examples underlying your statements.

**Please note that all information we receive by respondents will be treated with care and kept confidential:** Results of this consultation will only be communicated in aggregated form. All feedback will be analysed and used to draw up the final proposal. However, when analysing the data, we need to know which responses are from producers, traders, licensees, etc. so we kindly ask you to identify yourself in this section’s questions.

**Please submit your comments to the Project Manager, Ester Freixa Serra at** [e.freixa-serra@fairtrade.net](mailto:e.freixa-serra@fairtrade.net) **, by the 20th June 2020.**

*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’s boxes. Please send this document back in Word format (****do not convert to PDF)***

Following the consultation round, we will prepare a Synopsis paper compiling the comments made, in an aggregated and anonymous form, which will be shared with all participants and be available on the Fairtrade International’s website.

# CONSULTATION

## General Information

### Information about you and your organization

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| --- |
| Question 1  Please provide us with information about your organization. If clarifications are needed, we will contact to this reference.  Name of your organisation  Name of contact person  Email/phone number of contact person:  Country  FLO ID |
| Question 2  What is your responsibility in the supply chain? Please tick all applicable boxes  Producer  Exporter  Importer  Processor  Licensee  Fairtrade system staff[[4]](#footnote-4)  Other, please specify: |
| Question 3  Indicate which lime[[5]](#footnote-5) products do you buy or sell as Fairtrade (click links to see the Wikipedia definitions):  Kaffir lime ([*Citrus hystrix*](https://en.wikipedia.org/wiki/Kaffir_lime)*)*  Key Lime *(*[*Citrus × aurantifolia*](https://en.wikipedia.org/wiki/Key_lime))  Persian / Tahiti lime ([*Citrus × latifolia*](https://en.wikipedia.org/wiki/Persian_lime)*)*  Sweet lime/lemon ([*Citrus limetta*](https://en.wikipedia.org/wiki/Citrus_limetta))  Australian lime (e.g. [*Citrus glauca, Citrus australis, Citrus australasica*](https://en.wikipedia.org/wiki/Australian_lime))  Other, please specify:  Common name / name that you use :  Botanical name or hybrids name if possible: |
| Question 4  Which form do you buy or sell Fairtrade limes?  Fresh for direct consumption Indicate if you Buy or Sell  Fresh for processing Indicate if you Buy or Sell  Juice Indicate if you Buy or Sell  other, please specify:       Indicate if you Buy or Sell  not applicable |
| Question 5  (for buyers only)  From which country do you buy FAIRTRADE limes?  Mexico  Sri Lanka  Brazil  Other, please specify:  Not applicable |
| Question 6  If you have bought or sold **non-Fairtrade** limes in the past two years, can you indicate:  Producer country of the (non-Fairtrade) limes?  And, were the prices for these limes:  Always above the FMP set by Fairtrade  Most of the time above the FMP set by Fairtrade  Usually above the FMP set by Fairtrade  Never above the FMP set by Fairtrade  I do not know |

## Defining the Price model for Limes

In order to set the Price model for limes, we will ask you questions about Setting the FMP and about setting the FP in two differentiated sections.

### Defining the approach for setting FMP

The 3 approaches proposed for the set of the FMP for limes are the following:

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| --- | --- | --- |
| FMP set as commercial prices[[6]](#footnote-6) for all limes products. | Each producer fills in their own COSP tool. This tool has to be used during negotiations with the buyers and presented during audits, to compare to the prices paid[[7]](#footnote-7). | FMP set based on average COSP per region/origin[[8]](#footnote-8). |

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| Question 7  Which model do you think Fairtrade should follow to define the FMP for Limes?  a) No FMP. Only commercial prices  b) Negotiated price between buyer and seller based on specific producers COSP.  c) Full Price Review takes place.If you are a producer and have selected this option, please send your COSP together with your responses to this consultation 🡪 find the COSP tool [here](https://files.fairtrade.net/COSP_EN.xlsx) and the Guidance document [here](https://files.fairtrade.net/Guidance-COSP_EN.pdf).  Please explain your rationale |

#### Questions about the New Model proposed (proposal b from question 7)

The model b) (negotiated price) is new in the Fairtrade system. The basis is to use the COSP of each specific producer to reflect their specific situation, and to use this tool for negotiations with buyers. Nevertheless, if this model is preferred by stakeholders, we will need to define clearly how to implement it. Therefore, we need all of you (even if you chose another option) to respond to the following questions:

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| Question 8  Do you think a COSP tool should be filled in by producers in every negotiation of each contract, or should be done once for a specific period of time (to be defined)?  fix for a certain period of time, how many months:       months.  flexible to every transaction  Please explain your rationale |
| Question 9  Do you think that negotiated prices based on COSP should?  always be equal or above the producers’ specific COSP.  be on average (through the period defined) equal or above the producers’ specific COSP  consider market acceptance and just use producers’ specific COSP as additional reference  other, please explain below  Please explain your rationale |

### Defining the approach for setting FP

The current Fairtrade Premium for Limes is set differently depending on the origin and product. In terms of fixed values, we find values between 0.02 USD per kg (Brazil and Peru conventional fresh limes) to 0.23 (case of Caribbean fresh organic limes). There is also limes for processing, which have a percentage premium of the EXW price (see all FMP and FP for limes in Table 1 in the ANNEX.

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| Question 10  Which approach for setting the FP for limes do you think Fairtrade should follow?  FP set as percentage of the EXW price.  FP set as fix value per kg  Please explain your rationale |

No matter what you answer in Question 10 above, please answer to the two following questions:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Question 11  If majority of stakeholders decides the FP for lime products should be a percentage of EXW price, which FP percentage should be applied?  Select one question for lime conventional and one for lime organic (only one answer per row):   |  |  | | --- | --- | |  | % of the EXW price | | Lime Conventional | 8% of the EXW price  10% of the EXW price  15% of the EXW price  Other percentage. Please indicate which:      % | | Lime Organic | 8% of the EXW price  10% of the EXW price  15% of the EXW price  Other percentage. Please indicate which:      % |   Please explain your rationale |

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| Question 12  If majority of stakeholders prefer to set the FP for lime products as a fix value, do you agree that the FP for lime products should be unique for all products and regions?  yes, unique FP for limes worldwide, then please select which should be the FP:  FP = 0.12 USD/kg of fresh limes[[9]](#footnote-9)  FP = 0.10 USD/ kg of fresh limes9  FP = 0.05 USD/ kg of fresh limes9  No, I have another proposal, please explain in the space below.  Please explain your rationale |

### Other questions to define the Price Model for limes

Date of validity

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| Question 13  In case you opted for one of the 2 alternative models (a or b from Question 7) by when should the changes be implemented (date of validity of new prices):  The earliest possible (September 2020)  later, specify a date:  Rationale of your answer: |

### Final comments

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| Question 14  Please provide any other comment that you want to convey to us, in the following space: |

# ANNEX

Table 1 Current FMP and FP for all Lime products (limes fresh, limes for processing and lime juice)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Product** | **Form** | **Quality** | **Country** | **Price level** | **Currency / Unit** | **FMP** | **FP** | **Date of validity** |
| **Limes** |  | Conventional | Peru | FOB | USD/kg | 0.49 | 0.02 | 15/02/2016 |
| **Limes** |  | Conventional | Brazil | FOB | USD/kg | 0.49 | 0.02 | 29/11/2004 |
| **Limes** |  | Conventional | Egypt | FOB | EUR/kg | 0.33 | 0.05 | 01/08/2007 |
| **Limes** |  | Organic | Egypt | FOB | EUR/kg | 0.43 | 0.05 | 01/08/2007 |
| **Limes** | fresh | Conventional | South Africa | FOB | EUR/Kg | 0.33 | 0.05 | 23/01/2017 |
| **Limes** | fresh | Organic | South Africa | FOB | EUR/Kg | 0.43 | 0.05 | 23/01/2017 |
| **Limes** | packed | Conventional | Mexico | EXW | USD/kg | 0.82 | 0.12 | 01/04/2011 |
| **Limes** | packed | Conventional | Mexico | FOB | USD/kg | 0.97 | 0.12 | 01/04/2011 |
| **Limes** | packed | Organic | Mexico | EXW | USD/kg | 1.11 | 0.12 | 01/04/2011 |
| **Limes** | packed | Organic | Mexico | FOB | USD/kg | 1.26 | 0.12 | 01/04/2011 |
| **Limes** | unpacked | Organic | Colombia | EXW | USD/kg | 0.89 | 0.12 | 18/12/2019 |
| **Limes** | unpacked | Organic | Colombia | FOB | USD/kg | 1.09 | 0.12 | 18/12/2019 |
| **Limes** |  | Conventional | Caribbean | FOB | USD/kg | 1.16 | 0.23 | 02/10/2008 |
| **Limes** |  | Organic | Caribbean | FOB | USD/kg | 1.51 | 0.23 | 02/10/2008 |
| **Limes** |  | Organic | Dominican Republic | FOB | USD/kg | 1.51 | 0.23 | before 2004 |
| **Limes for processing** |  | Conventional | Worldwide | EXW | - | Commercial price | 15% of the commercial price | 10/10/2014 |
| **Limes for processing** |  | Organic | Worldwide | EXW | - | Commercial price | 15% of the commercial price | 10/10/2014 |
| **Lime juice** | Not from concentrate juice | Conventional | Worldwide | FOB | USD/MT | 670 | 70 | 23/06/2004 |
| **Lime juice** | Not from concentrate juice | Organic | Worldwide | FOB | USD/MT | 760 | 80 | 23/06/2004 |

1. By use of the generic Fairtrade COSP tool [(here](https://images.fairtrade.net/COSP_EN.XLSX)) and guidance document ([here](https://images.fairtrade.net/3.1_Guidance-COSP_EN.PDF)). [↑](#footnote-ref-1)
2. Fairtrade COSP tool ([here](https://files.fairtrade.net/standards/3.1_COSP_sheet_20110207.xlt)) and guidance ([here](https://files.fairtrade.net/standards/3.1_Guidance_COSP_EN_2011-11-21.pdf)). [↑](#footnote-ref-2)
3. Please note that in this review, we include what in some Latin American countries is called: “Limón Tahití” and “Limón Persa”. “Limón” translates to “lemon”, but these two products are clearly matching the definition of limes. [↑](#footnote-ref-3)
4. Fairtrade system staff refer to Fairtrade International, NFO, PN or FLOCERT staff [↑](#footnote-ref-4)
5. You can also check other examples of fruits named as Limes in: <https://en.wikipedia.org/wiki/Lime_(fruit)> [↑](#footnote-ref-5)
6. Commercial prices are the prices negotiated between buyers and sellers. Commercial prices are not the same as market prices. Commercial prices can be higher than market prices if the buyer and the seller agree. Fairtrade commercial prices can never be below the relevant market prices. The relevant market price is the price that prevails on the non-Fairtrade market for equivalent products. See [Trader Standard](https://files.fairtrade.net/standards/TS_EN.pdf) section 4.2. [↑](#footnote-ref-6)
7. In Question 9 we will ask more detail on how do you think the producers’ COSP tool should be use during negotiations. [↑](#footnote-ref-7)
8. See [SOP](https://files.fairtrade.net/standards/SOP_Development_Fairtrade_MinimumPrice_Premium.pdf) chapter 3 for more details on this approach [↑](#footnote-ref-8)
9. FP applicable to processed lime (e.g. juice) is the FP for the fresh limes by applying the specific producers’ conversion ratios (kg of processed lime/kg of fresh lime). [↑](#footnote-ref-9)