

Consultation Results Synopsis Information to Stakeholders on the Outcome of the 1st Consultation on Limes Price & Premium Review 2020	
To	Interested stakeholders in Fairtrade Limes
Consultation Period	20.05.2020 – 20.06.2020
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PART 1 Introduction

1.1. General Introduction

Fairtrade International's Standards & Pricing (S&P) Unit would like to thank all stakeholders for the time and effort they have put into participating in the consultation on the definition on Fairtrade Limes Price & Premium Review 2020.

The consultation took place between May 20th and July 20th but some responses have been also welcomed after this timeline.

By end of June 2020, the S&P unit has received all responses and has started the compilation and analysis process. A total of 20 stakeholders have provided their views to the proposals for Reviewing the Fairtrade Minimum Prices and Premiums for Limes.

This document aims to present the outcome of the consultation in the most transparent possible way without disclosing confidential stakeholder information. Should you have any queries or remarks concerning this report, please contact the Project Manager Ester Freixa Serra at: e.freixa-serra@fairtrade.net or call +49 (0) 228 949 23 242.

1.2. Abbreviations

COSP: Cost of Sustainable Production

FMP: Fairtrade Minimum Price

FP: Fairtrade Premium

HL: Hired Labour Organization

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

SC: Standards Committee

SPO: Small-scale Producers Organization

S&P: Standards & Pricing

1.3. Project objectives

The overall goal of the project, as stated in the project assignment, is to review the Fairtrade Minimum Prices and Premiums for all Limes products.

The specific objectives to achieve this goal are:

- Propose alternative price models for Fairtrade limes
- Consult with all relevant stakeholders.
- Implement alternative model if accepted by stakeholders.
- Establishment of new FMP and FP for all lime products.
- Clarification of the definition of limes products

For more information on the scope and specific objectives of the project, you may consult the [project assignment](#).

1.4. Next Steps

The results of this consultation are shared in our website, with all respondents via email, and specially with the SC members, in preparation to bring this project for their decision by the end of 2020.

This results will be discussed during July 2020 by the project team, and will be the basis for the decision on the next steps. There are two possible scenarios for the next steps:

If the results of this first consultation round indicate a clear agreement by majority of stakeholders with a “no FMP” model or with a “negotiated FMP model, the next steps will be:

Time	Activity
July - August, 2020	<ul style="list-style-type: none"> • Preparing document for S&P Director approval • Approval by S&P Director and publication of new prices
September, 2020	<ul style="list-style-type: none"> • Date of validity of the new prices




If the project team decides this project needs further research and/or consultation with stakeholders, next steps will be:

Time	Activity
July 2020	<ul style="list-style-type: none"> • Analysis of the COSP received
August, 2020	<ul style="list-style-type: none"> • Preparation of 2nd public consultation
September 2020	<ul style="list-style-type: none"> • 2nd Consultation
October 2020	<ul style="list-style-type: none"> • Analysis of responses from the 2nd Consultation • Preparing document for SC decision
25th – 26th November 2020	<ul style="list-style-type: none"> • Presentation to the Standards Committee.
December 2020	<ul style="list-style-type: none"> • Publication of new prices.

If there are further inputs the stakeholders may contact directly the Project Manager the Fairtrade Standards and Pricing unit at standards-pricing@fairtrade.net.

PART 2 Consultation - Outcome

2.1. Consultation process

The consultation phase took place in between May 20th and June 20th. A consultation document in 3 languages ( [English](#),  [Spanish](#) and  [Portuguese](#)) was shared via email with 25 certified producers' organizations, with 81 traders, with Fairtrade system staff and it was also published in our [website](#).




Moreover, specific follow up/support was provided by the project team in different forms: In Latin America, CLAC collected the feedback from 4 countries (via group workshops and individual calls/visits); in NAPP the field officers have follow up via email and phone with producers and traders from Asia; for the traders from Europe (Netherlands, Germany and Switzerland), they were encouraged to participate with additional follow up emails from the NFO representatives. All this project team support has made it possible to reach majority of relevant stakeholders (with transactions).

We received a total of 19 responses from stakeholders to the full consultation document. A total of 11 producers' organizations (one of them also trader) responded, as well as a total of 7 Traders. From the Fairtrade system a total of 2 full questionnaires were received. In addition, input on specific items was received separately via e-mail from one representative of a market organization (NFO). Those will also be considered and commented in the overview of responses below

REGION	Producers' organization	Producers' organization and Trader	Trader	Fairtrade System	Total
Africa		1			1
Asia	2		2		4
Europe			4	3	7
Latin America, Mexico and Caribbean	8				8
Total	10	1	6	3	20

2.2. Consultation results overview

This section summarizes the responses to the consultation by topics and questions. This document is synthesized as much as possible to provide concise information to all stakeholders while preserving anonymity in responses. This section, is an important input for deciding on the next steps of the project, but further research and discussion with the project team will take place to determine the next steps.

The following sections presents the responses to the main questions following the same order than the consultation document and quoting the question numbers from the consultation document ( [English](#),  [Spanish](#) and  [Portuguese](#)).

Please consider that not everyone answered to all questions, so the totals from some questions might not be equal to 20 responses.

Varieties of limes produced by the stakeholders

The variety mostly produced / bought as Fairtrade limes for the stakeholders that responded to the consultation is *Citrus x latifolia* (Persian / Tahiti lime/lemon), with 13 respondents choosing this as main variety. Some other operators also indicated Key lime (*Citrus x aurantifolia*, 4 respondents) and *Citrus limetta* as being produced and sold as Fairtrade (1 operator). Only one operator indicated other variety (Eureka lemon) as being sold as Fairtrade.

Defining the approach for setting FMP

The responses to the question 7, which asked to all stakeholders about the preferred price model to set prices for Fairtrade limes is presented in the Table 1 presents the responses per region. We see that 9 respondents (from which 7 are producers) prefer a Full Price research to set specific FMP for limes, whereas 5 voted to not have a FMP and 5 voted for the new model proposed as negotiated price. In terms of regions, in Asia the operators would be more open to not have FMP 3 responses, while producers from Latin America, Mexico and Caribbean want to keep FMP set by a full price research.

Comments

Some operators that voted for the “model b) negotiated price based on COSP” stated that it would be best to use COSP as it is more stable and does not have so much variability as market.

Main reasoning behind producers from LAC is that they prefer to maintain fix FMP to provide security and be able to pay to their individual members fairly for their production. But some operator indicated the need to update the values, which are very outdated in some cases.

Table 1 Number of responses to question 7, by region and stakeholder type

REGION	Type of stakeholder	No FMP	Negotiated price	Full Price Research
Africa	HL - Multistate	0	1	0
	SPO - 1st grade	2	0	0
Asia	Trader	1	1	0
	Trader	2	2	0
Europe	Other	0	0	2
Latin America, Mexico and Caribbean	HL - Single Plantation	0	0	5
	SPO - 1st grade	0	1	2
Grand Total		5	5	9

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

Question 8 and 9 asked to all stakeholders about the definition of the specifics rules that should apply if the model b) negotiated price was preferred.

Question 8 first asked if the COSP tool used in negotiations should be fixed to a period or flexible to every transaction. In Table 2 we see the number of responses to this question. 9 stakeholders indicated that, this COSP tool should be fixed for a certain period of time, and some comments

pointed out that the COSP should not differ in short periods of time, while the market situation to decide on contract might do. 4 stakeholders prefer this COSP tool to be flexible per transactions, with some comments stating that the prices on and off season vary too much.

Table 2 Number of responses to question 8, by type of stakeholder.

Stakeholder type	fix for a certain period of time	flexible to every transaction
Producers' organization	3	1
Producers' organization + Trader	1	0
Trader	3	3
Other	2	0
Total	9	4

From those respondents that indicated the COSP should not change for a period, the responses to the length of this period vary from 3 to 18, being 12 months (1 year) the most voted (5 operators). (see Table 3). Comments indicate that 1-year period allows to better planning.

Table 3 For the answers that indicated preference to “fix for a certain period of time”, number of months indicated

Number of months indicated	Number of responses:
3	1
6	1
12	5
18	1

Question 9 asked about how should the negotiated prices be related to COSP. 7 respondents indicated that the negotiated prices should “always be equal or above the producers’ specific COSP”, indicating in their comments that if this is not the case business is not sustainable, or from the auditing perspective, this is the clearer way to define and audit this model. 5 stakeholders voted for the option “consider market acceptance and just use producers’ specific COSP as additional reference”. And 2 stakeholders voted that prices “be on average (through the period defined) equal or above the producers’ specific COSP” and that this would also allow sustainable business to the whole value chain.

Table 4 Responses to question 9.

Values	Producer	Producer + Trader	Trader	Other	Total
always be equal or above the producers’ specific COSP	1	0	4	2	7
be on average (through the period defined) equal or above the producers’ specific COSP	1	1	0	0	2
consider market acceptance and just use producers’ specific COSP as additional reference	3	0	2	0	5
other, please explain below	0	0	0	0	0

Defining the approach for setting FP

The definition on the approach for setting the FP for limes were ask in question 10, 11 and 12.

First, it was asked in question 10, if the approach should be to set FP as % to the EXW price, or if it should be a fix value. Majority of responses (16) prefer to have the FP set as a fix value per kg. some comment indicated that maintaining a fix prices is easier to use and allows better planning by the workers and members. Only 3 respondents preferred the option with a FP % of the EXW price and the only comment is that this is due to the variation of prices at the moment of negotiating.

Table 5 Number of responses to question 10, by type of stakeholder.

Stakeholder type	FP set as percentage of the EXW price	FP set as fix value per kg
Producers' organization	HL - Single Plantation	0
	SPO - 1st grade	2
	HL – Multiestate + trader	0
Trader	1	5
Other	0	2
Total	3	16

Question 11 about the % to the EXW, had to be answered by all stakeholders, regardless to their response to the question 10. The preferred percentage to set the FP for the Conventional limes is 8% (6 responses) followed by 10% (5 responses) and only 3 responses indicated the 15%.

The preferred percentage to set the FP for the organic limes is 10% (7 responses) followed by 15% (5 responses), which is slightly higher responses than conventional qualities and the reason behind is to motivate producers to opt for the organic production.

Table 6 Percentage of the EXW price chosen for Conventional qualities, by type of stakeholder

Stakeholder type	8%	10%	15%	other
Producers' organization	4	2	1	1 (2 %)
Producers' organization + Trader	0	1	0	0
Trader	2	2	1	0
Other	0	0	1	0
Total	6	5	3	1

Table 7 Percentage of the EXW price chosen for Organic qualities, by type of stakeholder

Stakeholder type	8%	10%	15%	other
Producers' organization	3	3	2	0
Producers' organization + Trader	0	1	0	0
Trader	1	3	2	0
Other	0	0	1	0
Total	4	7	5	0

Question 12 about the value of the FP if fix, had to be answered by all stakeholders, regardless to their response to the question 10.

13 respondents agreed to set the FP as a unique Fix FP for all limes worldwide and the values preferred were 0.12 USD per kg of fresh limes (6 respondents), followed by 4 responses to 0,05 USD/kg (all 4 producers from Brazil) and only 1 response to 0,10 USD per kg.

From the 5 respondents that chose option “No, I have another proposal” the alternatives proposed were between 0.01 and 0,04 USD per kg.

Table 8 Number of responses to question 12, per type of stakeholder

Stakeholder type	yes, unique worldwide	No, other proposal
Producers' organization	8	3
Producers' organization + Trader	1	0
Trader	4	2
Other	0	0
Total	13	5

Table 9 For answers as “unique worldwide”, responses per value chosen, per type of stakeholder.

	0.12 USD/kg of fresh limes	0.10 USD/kg of fresh limes	0.05 USD/kg of fresh limes	Other
Producers' organization	3	0	4	1 (0.01 USD / kg)
Producers' organization + Trader	1	0	0	
Trader	2	1	0	1 (0.01 USD / kg)
Total	6	1	4	

Table 10 ONLY producers Organizations responses to question 12, per country.

Country and Type of producers' organization	0.12 USD/kg of fresh limes	0.10 USD/kg of fresh limes	0.05 USD/kg of fresh limes	Other	
Brazil	HL - Single Plantation	0	0	3	
	SPO - 1st grade	0	0	1	
Colombia	SPO - 1st grade	1	0	0	
Egypt	HL - Multiestate	1	0	0	
Mexico	HL - Single Plantation	1	0	0	
	SPO - 1st grade	1	0	0	
Sri Lanka	SPO - 1st grade	0	0	0	1 (0.01 USD / kg)
Total	4	0	4		

Table 11 Only for Traders or NFOs, responses to question 12, per country where the Fairtrade

Country where the Fairtrade limes are bought from (from Question 5)	0.12 USD/kg of fresh limes	0.10 USD/kg of fresh limes	0.05 USD/kg of fresh limes	Other
Brazil	0	1	0	
Mexico	1	0	0	
Mexico and Brazil	1	0	0	
Sri Lanka	0	0	0	1 (0.01 USD / kg)
Total	2	1	0	

Date of validity

Responses to the date of validity vary between 3 agreeing to the date proposed September 2020, and other dates after that:

Table 12 Number of responses to question 13, date of validity.

Later → date specified)	Number of Responses
September 2020	3
Before November 2020	1
November 2020	1
January 2021	5

Final comments

Other comments provided:

- In addition to the above, some situations make Brazil less competitive at certain times. Currently the lack of tariff agreements is detrimental to trade, Brazil has structured labour legislation which increases worker safety and exporter costs. Environmental law guarantees reserves and business sustainability. There are also high packaging costs to guarantee the quality of the Fairtrade product, which, due to the requirements of both Fairtrade and the customer, must be differentiated
- - When questions on price and premium are put, you get answers which are most convenient for those stakeholders (esp. not committed traders!). But the starting-point should be what is needed from a Fairtrade perspective.
 - For that reason we strongly recommend not to get rid of all minimum prices as long as there is no better tool to achieve a guaranteed minimum income for producers. Moreover, it's one of our main USP's. We do understand that it implicates work for the Pricing Unit, but there should be a way to solve that in a pragmatic way. Once having decided to get rid of minimum prices, it will be very difficult to introduce them again.
 - Regarding the premium, we are strongly in favour of a fixed premium. For all stakeholders, for communication and for audits, this is most transparent, clear and easy to work with. When you propose a percentage, there is a chance you also get it, realizing that it might not be an improvement for our Fairtrade system
 - In limes we do have minimum prices and fixed premiums already, so consider changes strongly before throwing the current achievements away (see also former discussions and experience with rice).
- Regarding the Fairtrade premium paid to the growers in Brazil and Mexico, I think both premiums should be equal, as Mexican growers already have an advantage in European Market, as their limes are free of import Taxes, where the Brazilians are paying 13% import duties on top of their CIF cost.
- I believe the FMP should be increased as the prices are out of date, from 2004. Many customers use this value as an excuse to drive down the price, making the Fairtrade Lime business

unsustainable when they reach those levels. I do not think the FP should be increased in a drastic manner as this would make selling limes when the market is oversupplied very difficult. In the attachment, COSP file, you will see the cost of production in Brazilian Reals. The numbers are misleading if you look at it today, given the current exchange rate, the current exchange rate is at roughly \$1=R\$5. This is an all-time high for the exchange rate. Over the last couple of years, our trading partners have always been able to achieve higher values for our organization because the \$0.49/kg FMP was a negative result. I think optimally the FMP should be increased to around \$0.80/kg EXW

- Overall, we feel it needs to be kept simply. All details / options that give room for interpretation automatically mean a lot of effort in terms of ensuring an aligned audit approach - clarifying uncertainties - dealing with complaints / appeals
- It would be important for Fairtrade to periodically provide the dynamics of international market prices for organic and conventional Tahiti files as a basis for the process of negotiation between producer organizations and customers