

Project Assignment for Banana Price Review 2021 (20.10.20)

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).

Rationale for and justification of need for the project:

The Fairtrade Minimum Prices (FMP) for banana have been reviewed every year, since 2009. In 2020, it was expected running a banana price review that:

- a) would be based on collection of costs of sustainable production (COSP) and
- b) incorporates changes that will be approved in the Standards review. One of the changes would be to incorporate the incremental cost of paying the Fairtrade Base Wage (FBW) in the COSP.

Following requests from stakeholders and due to the delay during the revision of the Living Wage Standards for Hired Labour, which focused on bananas, the Standards and Pricing Unit decided to postpone the banana price review to 2021. Therefore, the Fairtrade Minimum Prices valid from 1st January 2020 will remain valid from 1st January 2021

Each review of the FMP, that is based on costs, always results in a better understanding and reflection of the costs incurred by producers and exporters. With the banana price review 2021, it is expected:

- a) to improve the understanding of the FOB-ExWorks differential costs of banana,
- b) to align the banana price review with the Living Wages in HL standards' review and the living wage strategy

Risk assessment:

1. Risk:

1. Risk: Most Fairtrade banana plantations do not provide COSP data. Therefore, a) COSP data on plantations are not available for all countries where there are Fairtrade certified banana plantations, and b) COSP data on plantations that provided data may not be representative for the whole country and also require validation.

Despite the workshops ran in situ to support cost collection and the tools prepared for this purpose, the response rate of Fairtrade banana plantations has always been very low. The Fairtrade Standards do not mandate producers to provide information on production costs. Most of the time, Minimum Prices end up for being set on the basis of production cost data provided by the small producer organizations.

Mitigation: be supported by the technical round tables organised by CLAC and include a mandatory requirement in the Fair Trade Standards for producers to provide data on their costs of production.

2. Risk: Producer countries, affected by the consequences of Covid-19, could report an increase in the cost of production, reflecting the health and safety measures taken to protect workers and mitigate the effects of Covid 19. Therefore, cost collection in 2021 could include inputs, materials or services that were not reported in previous years, putting pressure on price increases.

Mitigation: Engage in a discussion with stakeholders on whether costs incurred due to Covid 19 will continue to be reflected in the coming years or whether they will only apply in 2020 and 2021.

3. Risk: The Fairtrade email cannot be used for sending and receiving the Excel version of the banana tool for collecting COSP data.
Mitigation: Coordinate with FT IT to get a temporary solution for this.

Project Start Event:

Preparation of project assignment

Project Start Date:

11.08.2020

Project End Event:

Close of the project

Project End Date:

October 2021

Project Goal and Objectives:

Goal:

- Review the Fairtrade Minimum Prices for bananas in line with the Standards Review.
- That the average cost of production of producers and the position of the trader is reflected in the prices set.
- Banana prices are reviewed and announced in time for the signing of contracts.
- That the new prices are implemented from 1 January 2022.

Objectives:

- Collect data on costs of production
- Compile and analyse collected cost data
- Develop the price proposal for consultation to banana stakeholders
- Develop the price proposal for decision to the Standards Committee
- Publish the new Fairtrade Minimum Prices

Connection with Theory of Change (ToC):

The regular banana price reviews are connected with the ToC approach related to “Standards & Certification: Supply Chain” and the Fairtrade Goal 1 “Building benefits for smallholders and workers”, Goal 2 “Deepening impact through services and programmes” and Goal 3 “Building Fairtrade markets”.

Project scope:

- Banana quality: conventional and organic
- Price levels: Ex works and FOB
- Producer set-up: SPO and HL
- Geographical scope: worldwide
- TBD: Workshops for supporting cost collection and consultation:
 - a) In-person: CO, EC, PE, DO, MX, NI, GH, CM
 - b) Virtual: other banana origins

Note: The Fairtrade Standard for Fresh Fruit is complementary to the standard for producers (Fairtrade Standard for SPOs and Fairtrade Standards for HLs) and the standard for traders (Trader Standard). The standard applies to both

Out of scope:

- Incorporate the living income component in the price proposal for consultation or in the recommended price proposal to the Standards Committee (SC)
- Incorporate external costs of banana production in the price proposal for consultation or in the recommended price proposal to the SC
- Set or review the Fairtrade Premium
- Set or review Fairtrade Minimum Prices for domestic sales of banana
- Collect data on costs of production for non-Fairtrade producers.
- Compare production costs of banana between Fairtrade and non-Fairtrade banana

<p>producers and traders. For more information on Fairtrade Standards click this link.</p>	<ul style="list-style-type: none"> • Review or improve the exchange rate and consumer price index procedure
<p>Project timelines and information on opportunities to contribute:</p> <ul style="list-style-type: none"> • October – December 2020: Project Assignment • February 2020 – April 2021: cosp collection • May 21: Development of price proposal, questionnaire and consultation document • July – August 21: Analysis, proposal and wording SC paper • September 21: SC decision • October 21: Announcement <p>More information will be provided closer to the consultation period on our website. If you are identified as key stakeholders, you will receive an invitation to participate.</p>	<p>Decision making process: The results of the study will be presented to the Standards Committee (SC) and FT system.</p>
<p>Project Owner (Unit): Ricardo Guimaraes Head of Pricing</p>	<p>Project Manager (contact point for the project): Jose Paredes Project Manager Pricing</p>
<p>Project technical team (Unit): Jose Madriz (CLAC) Red Banano (CLAC)</p>	<p>Project Environment (stakeholder groups not part of the project team): CLAC Fairtrade Africa NFOs Exporters Importers</p>