

| Consultation Results Synopsis Information to Stakeholders on the Outcome of the 2st Consultation on Limes Price & Premium Review 2020 | |
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| To | Interested stakeholders in Fairtrade Limes |
| Consultation Period | 08.09.2020 – 26.10.2020 |
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PART 1 Introduction

1.1. General Introduction

The consultation took place between September 9th until October 26th. By end of the consultation period, the S&P unit has received the responses of stakeholders and started the compilation and analysis process. A total of 16 stakeholders have provided their views in structured form to the proposals for Reviewing the Fairtrade Minimum Prices and Premiums for Limes. One stakeholder provided comments in written in non-structured form.

This document aims to present the outcome of the consultation in a transparent way without disclosing confidential stakeholder's information.

Should you have any queries or remarks concerning this report, please contact the Project Manager Eduardo Bluhm at e.bluhm@fairtrade.net.

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 on November 2020.

The overview of this projects since the 1st consultation is the following:

| 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 |
| 25 th – 26 th 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 or the Project Manager Eduardo Bluhm at e.bluhm@fairtrade.net

PART 2 Consultation - Outcome

2.1.1. Consultation process

The second consultation phase took place in between September 8th until October 26th. A consultation document in three languages was shared via email with certified producers' organizations, traders, with Fairtrade system staff and it was also published in our [website](#).

We received a total of 16 structured responses from stakeholders to the full consultation document and one non-structured response. The respondents were the following:

- A total of five (9) certified producers' organizations responded and one (1) producer organisation under application for certification.
- A total of three (3) Traders.
- From the Fairtrade system, three (3) NFOs and FLOCERT responded to the consultation.

Table 1 – Overview of Respondents and Countries

| REGION | Producer organization | Trader | Fairtrade System | Total |
|--------------|-----------------------|----------|------------------|-----------|
| Brazil | 5 | 0 | - | 5 |
| Sri Lanka | 2 | 0 | - | 2 |
| Europe | - | 3 | - | 3 |
| Colombia | 1 | 0 | - | 1 |
| Mexico | 2 | 0 | - | 2 |
| FT member | - | - | 3 | 3 |
| Total | 10 | 3 | 3 | 16 |

The project manager of the price review considered the response rate of this consultation lower than the first consultation round. In order to increase the response rate, the consultation period was extended and three email reminders were sent to the stakeholders.

Despite the low response rate, the project manager considered that the quality of responses obtained were sufficient to establish conclusions. Several responders provided answers that reflected the option of their trade chains and corresponding trade partners.

2.1.2. 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 information to all stakeholders while preserving anonymity in responses.

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.

Qualitative comments are included also under each question reflecting the view from the stakeholders.

2.1.3. Question 6 - proposals for updating the FMP for limes

The consultation inquired stakeholders if they were in agreement with the individual proposals of FMP for fresh limes.

In the questionnaire the proposals were presented in a new organised form, accommodating new price per regions, embracing both EXW and FOB price levels, and organic and conventional forms. The table below outlines the FMP proposals:

Table 2 – Proposal of FMP

| Product specific standard | Product | Form | Quality | Country | Price level | FMP (USD/kg) |
|---------------------------|--|----------------------------|--------------|--|-------------|------------------|
| Fresh fruit | Limes | Unpacked | Conventional | Central America, Mexico, and the Caribbean | EXW | 0.42 |
| | Limes | Unpacked | Organic | Central America, Mexico, and the Caribbean | EXW | 0.56 |
| | Limes | Packed | Conventional | Central America, Mexico, and the Caribbean | FOB | 0.76 |
| | Limes | Packed | Organic | Central America, Mexico, and the Caribbean | FOB | 0.90 |
| | Limes | Unpacked | Conventional | South America | EXW | 0.55 |
| | Limes | Unpacked | Organic | South America | EXW | 0.70 |
| | Limes | Packed | Conventional | South America | FOB | 0.79 |
| | Limes | Packed | Organic | South America | FOB | 0.94 |
| | Limes | Unpacked | Conventional | Southern Asia | EXW | 0.41 |
| | Limes | Unpacked | Organic | Southern Asia | EXW | 0.55 |
| | Limes | Packed | Conventional | Southern Asia | FOB | 0.55 |
| | Limes | Packed | Organic | Southern Asia | FOB | 0.69 |
| | Limes | Packed | Conventional | Rest of the world | FOB | 0.79 |
| | Limes | Packed | Organic | Rest of the world | FOB | 0.94 |
| | Prepared and preserved fruits and vegetables | | | | | |
| Limes | | For processing | Conventional | Worldwide | EXW | Commercial Price |
| Limes | | For processing | Organic | Worldwide | EXW | Commercial Price |
| | | | | | | |
| | Limes | Not from concentrate juice | Conventional | Worldwide | FOB | 1733 |
| | Limes | Not from concentrate juice | Organic | Worldwide | FOB | 2093 |

Almost all respondents that reacted to the questionnaire indicated agreement with the FMP proposals of fresh limes. Some stakeholders representing trade chains supplying from Brazil did not agree with FMP proposals indicating that the proposal would have a negative impact to their Fairtrade sales.

Herby below we outline overview of the answers:

Table 3 – Responses of FMP for “Limes Packed and Unpacked”

| Product | Form | Quality | Region | Price level | FMP (USD/KG) | Agree | Disagree |
|---------|----------|--------------|--|-------------|--------------|-------|----------|
| Limes | Unpacked | Conventional | Central America, Mexico, and the Caribbean | EXW | 0.42 | 4 | 0 |
| Limes | Unpacked | Organic | Central America, Mexico, and the Caribbean | EXW | 0.56 | 4 | 0 |
| Limes | Packed | Conventional | Central America, Mexico, and the Caribbean | FOB | 0.76 | 5 | 1 |
| Limes | Packed | Organic | Central America, Mexico, and the Caribbean | FOB | 0.90 | 4 | 1 |
| Limes | Unpacked | Conventional | South America | EXW | 0.55 | 8 | 1 |
| Limes | Unpacked | Organic | South America | EXW | 0.70 | 6 | 2 |
| Limes | Packed | Conventional | South America | FOB | 0.79 | 5 | 2 |
| Limes | Packed | Organic | South America | FOB | 0.94 | 5 | 1 |
| Limes | Unpacked | Conventional | Southern Asia | EXW | 0.41 | 4 | 0 |
| Limes | Unpacked | Organic | Southern Asia | EXW | 0.55 | 4 | 0 |
| Limes | Packed | Conventional | Southern Asia | FOB | 0.55 | 4 | 0 |
| Limes | Packed | Organic | Southern Asia | FOB | 0.69 | 4 | 0 |
| Limes | Packed | Conventional | Rest of the world | FOB | 0.79 | 5 | 0 |
| Limes | Packed | Organic | Rest of the world | FOB | 0.94 | 5 | 0 |

Concerning the respondents that disagreed with the FMP proposal, some of them provided a qualitative responses and indicated that the price levels for Brazil was proposed at a level higher than what the market can absorb.

Such proposal, which represented an increase to the current prices could have a negative effect in the competitive position of the Brazilian limes in the Fairtrade export market. One single stakeholder indicated a counter proposal as follows:

| Product | Form | Quality | Region | Price level | FMP (USD/KG) |
|---------|----------|--------------|---------------|-------------|--------------|
| Limes | Unpacked | Conventional | South America | EXW | 0.52 |
| Limes | Unpacked | Organic | South America | EXW | 0.59 |
| Limes | Packed | Conventional | South America | FOB | 0.65 |
| Limes | Packed | Organic | South America | FOB | 0.80 |

Two stakeholders representing trade chains from Mexico and Colombia indicated that the proposed prices were lower than the currently published Fairtrade prices and a disadvantage to their businesses. Their counter proposal was to not implement any changes to the currently published prices.

On another subject, concerning the FMP proposal for “limes for processing” the following result was obtained:

Table 4 – Responses of FMP for “Limes for processing”

| Product | Form | Quality | Country | Price level | FMP (USD/KG) | Agree | Disagree |
|---------|----------------|--------------|-----------|-------------|------------------|-------|----------|
| Limes | For processing | Conventional | Worldwide | EXW | Commercial Price | 9 | 0 |
| Limes | For processing | Organic | Worldwide | EXW | Commercial Price | 9 | 0 |

All respondents that reacted to the questionnaire indicated full agreement with the FMP proposals of fresh limes for processing.

Concerning the FMP proposal for limes juice, the following result was obtained:

Table 5 – Responses of FMP for “Lime Not from concentrate Juice”

| Product | Form | Quality | Country | Price level | FMP (USD/MT of juice) | Agree | Disagree |
|---------|----------------------------|--------------|-----------|-------------|-----------------------|-------|----------|
| Limes | Not from concentrate juice | Conventional | Worldwide | FOB | 1733 | 6 | 1 |
| Limes | Not from concentrate juice | Organic | Worldwide | FOB | 2093 | 5 | 1 |

In this case, it is important to evaluate the responses from the perspective that not all respondents are involved in the production and trade of limes juice. Despite the indication from stakeholders accepting the proposal, the project management team raises concern that not all answers concern stakeholders involved in the limes juice trade.

One single respondent, who is involved in the trade of lime juice indicated that the value of the proposal is substantially higher than the market prices. Alternative proposals offered were of 770 USD/MT for conventional juice and 1300/MT for organic juice.

All respondents that reacted to the questionnaire indicated full agreement with the FMP proposals of limes juice. A reservation point is raised by the project team that not all respondents are involved in the trade of lime juice. One stakeholder opposed to the proposal and offered a counter proposal.

2.1.4. Question 7 - proposals for updating the FP for fresh limes

The subject of establishing the value of Fairtrade premium faced reaction from the Brazilian trade chains concerning the increase of the premium value from 0.02 USD / Kg to 0.12 USD/Kg.

Table 6 – Responses concerning the proposal for the FP at 0.12 USD/Kg

| REGION | Agree | Not Agree | Total |
|-------------------|-----------|-----------|-----------|
| Brazil | 1 | 4 | 5 |
| Sri Lanka | 1 | 1 | 2 |
| Europe | 3 | 0 | 3 |
| Mexico & Colombia | 3 | 0 | 3 |
| FT Member | 2 | 0 | 2 |
| Total | 10 | 5 | 15 |

According to the answers from stakeholders, the majority of the traders and FT members indicate that the unique value for FP makes sense. This information was already concluded during the first round of consultation.

Nevertheless, the majority of producer organisations from Brazil indicated that a substantial increase of the Fairtrade premium could place the Brazilian limes in an uncompetitive position in face of the produce from other regions, mainly Mexico.

The qualitative comments from the stakeholders also recommend an increase of the FP for limes from Brazil to 0.05 or 0.06 USD/Kg. Additional qualitative comments indicated that the acceptance of a higher premium depends of the price position at retailer level. The responses were uniform form both HL and SPO setups.

A qualitative comment was provided concerning the volatility of lime prices which fluctuate with frequency. In a situation of retail high prices, the trade chains bear the premium values for Brazil, nevertheless when the prices drop, the trade chains will incline to balance the volumes from other sources or reduce the offer.

The majority of respondents indicated agreement with the proposal of unique FP of 0.12 USD/Kg for all regions. Nevertheless, the majority of the respondents from Brazil, were not in agreement and indicate the value of 0.05 or 0.06 USD/Kg.

2.1.5. Question 8 - about the proposal for the FP for limes for processing

Regarding the proposal for limes for processing, the project team identified that some stakeholders confused the definition of “limes for processing” as fresh limes destined to be sold as fresh limes but at the stage before the packing of the fruit.

The confusion of the terms led to the single negative response to this proposal as seen below. When the stakeholder obtained the explanation of the term for processing, then it came to an agreement with the proposal.

The term “processing” in the context of limes include the activities that transform the fruit into a different product form than its original fresh lime form. For example, the activities of peeling, cutting, removal of non-edible parts, squeezing, mixing, drying, and the final transformation to cut limes, lime juice and dried lime.

The almost totality of the respondents indicated agreement with the proposal of the FP being set 15% of the commercial price for limes for processing. The project team acknowledged that a clarification of the definition of processing is needed in order to prevent confusion in the interpretation of the standards.

Table 7 – Responses concerning the proposal for the FP for limes for processing

| REGION | Agree | Not Agree | Total |
|-------------------|----------|-----------|-----------|
| Brazil | 1 | 1 | 1 |
| Sri Lanka | 2 | 0 | 2 |
| Europe | 2 | 1 | 3 |
| Mexico & Colombia | 1 | 0 | 1 |
| FT Member | 2 | 0 | 2 |
| Total | 8 | 2 | 10 |

2.1.6. Question 9 - about the proposal for the FP for lime juices

Concerning the FP proposal for limes juice to 300 USD per MT, the following result was obtained:

Table 8 – Responses concerning the proposal for the FP for lime juice

| REGION | Agree | Not Agree | Total |
|-------------------|----------|-----------|----------|
| Brazil | 1 | 0 | 1 |
| Sri Lanka | 0 | 1 | 1 |
| Europe | 1 | 0 | 1 |
| Mexico & Colombia | 1 | 0 | 0 |
| FT Member | 0 | 2 | 2 |
| Total | 2 | 3 | 5 |

In this question, the number of respondents was lower than in other questions and reflected the little participation that stakeholders have in the trade of Fairtrade lime juice. This assumption is also reinforced based on the fact that the respondents that answered with agreement to the FP proposal are not currently trading lime juice currently.

A few stakeholders provided qualitative answers to this question and indicated that a more appropriate proposal would be a reduced value of the FP to 150 or 200 USD/MT, or 80 USD/MT to conventional and 100 USD/MT for organic juice, or even a 15% of the commercial value of the fruit. This last comment of having a 15% premium value also refers that a price proposal could be also based on the definition of a commercial price of Fairtrade lime juice.

Few respondents reacted to the proposal for the FP of lime juice, and those who reacted indicated that a FP value should be lower than what is proposed. Others who supported the proposal are not currently engaged in lime juice trade.

2.1.7. Question 1 – concerning the definition “Packed” and “unpacked” for FOB prices

This question concerns an intend from the Standards Pricing Unit to introduce a definition of the product form of limes which was not in place in the list of prices and it is only defined in detail for the product “bananas”.

The definition that was consulted is proposed to be added to the guidance text of the requirement 4.2.1 of the Fresh Fruit Standards version 2.3 for Small Producer Organisations and 5.4.1 of the Fresh Fruit Standards version 2.2 for Hired Labour. The overview of the responses was the following:

Table 9 – Responses concerning the proposal the term “Packed”

| REGION | Agree | Not Agree | Total |
|-------------------|----------|-----------|-----------|
| Brazil | 2 | 3 | 5 |
| Sri Lanka | 1 | 0 | 1 |
| Europe | 3 | 0 | 3 |
| Mexico & Colombia | 2 | 0 | 2 |
| FT Member | 0 | 3 | 3 |
| Total | 8 | 6 | 14 |

Due to the relative significant number of answers not in agreement with the proposal, a short follow up and analysis of the qualitative responses was conducted. The main conclusions of the follow up are the following:

- Some Fairtrade members indicated a non-agreement in introducing an exclusive definition for product form for limes mainly because It was unclear the reason why the limes need a differentiated definition than other fruits. In this case, a common definition should be brought in to all fruits and not only for limes.
- Other respondents did not understand the concept of the definition of “packed” in face of the existing EXW and FOB prices. One stakeholder misunderstood that the standards was defining a particular packaging form that limes should always be exported and therefore also defining a maximum value that exporters should sell the products.

- One stakeholder noted that the cost of labelling the fruit should also be included in the definition of “packed”.
- Two other stakeholders disapproved the proposal by indicating that a third definition of prices should also be defined for EXW “Packed” limes.
- Another Fairtrade member indicated that an EXW form definition should also accompany the definition of FOB “packed” product. In this case, the definition of EXW product form is indeed already defined in the guidance text of the requirement 4.2.1 of the Fresh Fruit Standards version 2.3 for Small Producer Organisations and 5.4.1 of the Fresh Fruit Standards version 2.2 for Hired Labour.

Despite the divided position of the respondents, the Standard Unit understands that the majority of the respondents were in favour of a definition in place but the text of the definition could be clearer if introduced to the standard of fresh fruit.

2.1.8. Question 2 – concerning the implementation date of the new FMP and FP

The question 11 obtained the responses for almost all participants. See detail below

Table 10 - Proposal to implement the new FMP and FP in December 2020

| REGION | Agree | Not Agree | Total |
|-------------------|-------|-----------|-------|
| Brazil | 4 | 1 | 5 |
| Sri Lanka | 1 | 0 | 1 |
| Europe | 2 | 1 | 3 |
| Mexico & Colombia | 2 | 1 | 3 |
| FT Member | 0 | 3 | 3 |
| Total | 7 | 5 | 15 |

The significant number of responses indicating disagreement with the proposal, have also recommended that new values of FMP and FP should be applicable from January 2021 onwards. The proximity of dates from decision making in late November to publication date to 1st of December 2020 would have been too short for trade chains to adapt. At the same level, some stakeholders indicated that their contracts are valid until December 2020 and in January 2021 the new contracts of the year will be established in the trade chains.

- End of the synopsis -