

## Project Assignment for comment Coffee COSP study

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). The project will be carried out according to the Standard Operating Procedures for the Development of Fairtrade Standards/Minimum Prices and Premiums. More information on these procedures can be found on the website: <http://www.fairtrade.net/standards/setting-the-standards.html>

### Rationale for and justification of need for the project:

The current Fairtrade Minimum Prices for coffee were established in 2011. The world market prices for coffee have fallen and surged significantly during the past years, resulting from a series of environmental and political events, the global pandemic, and the volatile nature of the coffee market. Considering these reasons, the Fairtrade Minimum Prices for coffee are now due for review.

As preparation for the upcoming coffee price review, the project aims to obtain up-to-date data on the costs of sustainable production (COSP) for Fairtrade coffee. This will also include a detailed price analysis, providing insights into the production costs for coffee producers who are currently in the Fairtrade system. The COSP data collected in 2016/2017 from producers in Latin America, Africa and Asia and the data gathered during the Living income reference price project in several regions for coffee will be used as basis for this project.

The upcoming COSP study is justified based on some structural changes derived from the COVID-19 pandemic, changes in Standards and the increase in costs and global inflation.

This work will be conducted by Standards and Pricing unit (S&P), with close collaboration and coordination with the GPM coffee team, GPM living income team, as well as the corresponding Producer Networks: CLAC (Red Café CLAC, and relevant national platforms), the Network of Asia Pacific Producers (NAPP) and Fairtrade Africa (FTA) to obtain feedback from coffee SPOs (Small Producer Organizations).

The COSP study will be used to understand the overall current coffee COSP composition and provides key inputs for the potential price review for coffee.

### Risk assessment:

- The existing COSP related data in Fairtrade is likely not consistent amongst different projects, as variables, indicators and collection times may vary. *Mitigation plan:* Assess the available data sets in the beginning of the project and identify methods for comparison when possible. Make sure the time/ human resource for data integration is considered when designing the project.
- Expectation that the COSP study will include a Fairtrade Minimum Price review in parallel. However, it is not in the scope of the current project and will be a follow-up project. *Mitigation plan:* Share the objectives of the current project and Fairtrade's work plan for coffee in the coming years with stakeholders.
- COVID-19 pandemic might impose restriction on travelling and conduct group activities and likely leads to possible modifications on the timelines. *Mitigation plan:* ensure remote working and online workshops are possible when designing the project.

<p><b>Project Start Event:</b> Publication of the PA for comment</p>	<p><b>Project Start Date:</b> January 2022</p>
<p><b>Project End Event:</b> Final analysis report shared with interested Fairtrade coffee stakeholders, the Director of Standards &amp; Pricing and the Standards Committee. Final webinar with coffee stakeholders (CLAC, NAPP, Fairtrade Africa, NFOs, and other interested members) to share the findings of the COSP study.</p>	<p><b>Project End Date:</b> November 2022</p>
<p><b>Project Goal and Objectives</b></p> <p><b>Goal:</b></p> <p>Conduct COSP study and analysis which includes an overview of the production costs for Fairtrade coffee from key origins, to support the upcoming Coffee Price review.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• Define the cost items to be taken into account in the calculation of COSP for Fairtrade coffee.</li> <li>• Achieve revision, update and alignment on COSP template for data collection at farm gate, cooperative and export level.</li> <li>• Attain data from representative sample size, including selected origins for Fairtrade coffee. SPOs that have been in the system for at least 5 years will be targeted and prioritized according to the Fairtrade sales volume and other production factors.</li> <li>• Identify external and Fairtrade specific factors that influence the production costs, such as costs of inputs, inflation, exchange rate, and cost of compliance with Standards.</li> <li>• Carry out analysis to determine cost differences between producing countries and identify correlations based on coffee type, organic production, processing method(s) and trading activities carried out by the SPOs, etc.</li> <li>• Carry out COSP assessment at EXW/FOB level, considering the different coffee varieties and processes.</li> </ul> <p><b>NEW: Connection with Theory of Change (ToC):</b></p> <p>This project relates to the first goal of Fairtrade International, which is to make Trade Fair, and that is by providing the tools to enable Fairtrade Minimum Price and Premium payment compliance. This is specifically, the intervention related to standards &amp; certification for supply chain business.</p>	
<p><b>Project scope:</b></p> <ul style="list-style-type: none"> <li>- Worldwide</li> <li>-Arabica and Robusta coffee for both conventional and organic coffee</li> <li>- Washed and natural processes</li> </ul>	<p><b>Out of scope:</b></p> <ul style="list-style-type: none"> <li>-Price/Premium review for Arabica and Robusta coffee for both conventional and organic coffee</li> <li>-Coffee farmers net income or living income benchmark calculations</li> </ul>

<p><b>Project timelines and information on opportunities to contribute:</b></p> <ul style="list-style-type: none"> <li>- January 2022 – Finalization of PA</li> <li>- Jan-Feb 2022 – Data analysis from all available internal Fairtrade sources</li> <li>- Feb-March 2022 – Preparation for data collection</li> <li>- March-June 2022 – Data collection from selected origins</li> <li>- July 2022 - Data validation on each origin. Data cleaning and validation supported by research institutes, universities and external consultants.</li> <li>- August-Sept 2022 – Data analysis</li> <li>- October 2022 - Preliminary report of initial COSP findings in selected origins and preparation of final COSP report</li> <li>- November 2022 – Share findings on SC</li> <li>- November 2022 – Final presentation with coffee stakeholders (Red Café-CLAC, NAPP, Fairtrade Africa, NFOs, and others interested)</li> </ul> <p><b>* More information will be provided closer to the consultation period on our <a href="#">website</a>. If you are identified as key stakeholders, you will receive an invitation to participate.</b></p>	<p><b>Decision making process:</b> The results from this study will be shared and discussed with the Standards Committee.</p>
<p><b>Project Owner (Unit):</b> Ricardo Guimaraes, Head of Pricing</p>	<p><b>Project Manager (contact point for the project):</b> Tatiana Casagua, Project Manager Pricing <a href="mailto:t.casagua@fairtrade.net">t.casagua@fairtrade.net</a></p> <p>Yun-Chu Chiu, Senior Project Manager Pricing <a href="mailto:y.chiu@fairtrade.net">y.chiu@fairtrade.net</a></p>
<p><b>Project Team (Unit):</b></p> <ul style="list-style-type: none"> <li>- GPM Coffee Manager – Alison Streaker</li> <li>- Red Café/CLAC – Maria Trinidad, Joao Mattos, Luis Martínez</li> <li>- FTA – Getahun Gebrekidan, Faith Muthoni</li> <li>- NAPP – Iresha Sanjeevanie, Hagung Hendrawan</li> </ul>	<p><b>Project Environment (Stakeholder groups not part of the project team):</b></p> <ul style="list-style-type: none"> <li>- GPM living income: Carla Veldhuyzen, Aaron Petri</li> <li>- NFOs</li> </ul>