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| Public Consultation for Fairtrade Stakeholders:**Review of the Fairtrade Pricing for Cocoa**for all producing countries except Côte d’Ivoire and Ghana |
| **Consultation Period** | 26st August – 11th October 2024 |
| **Project Managers** | Yun-Chu Chiu & Sandra Yañez-QuinteroPricing Unit, Fairtrade International |

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# PART 1 Introduction

## 1. Phased Review Process

This consultation document is part of the 2023-2025 global review of the Fairtrade pricing for cocoa. Pricing proposals will be consulted in two consecutive phases, as decided by Fairtrade and its members.

**1st phase:** Cocoa price review and consultation for all Fairtrade cocoa-producing countries except Côte d’Ivoire and Ghana, with subsequent decision-making and Fairtrade price announcement.

**2nd phase:** Cocoa price review and consultation for price-regulated markets, namely Côte d’Ivoire and Ghana, with subsequent decision-making and Fairtrade price announcement.

**This consultation document refers to the 1st phase and covers all Fairtrade cocoa-producing countries except Côte d’Ivoire and Ghana.**

The phased process allows to consider the different conditions in price-regulated versus non-regulated producing countries and to better tailor the consultation proposals to those conditions. It is important to consider that Fairtrade’s price model relies on different reference prices in each set-up: In all other countries except Côte d’Ivoire and Ghana, the international market price (either New York ICE FUTURES US or London ICE FUTURES EUROPE) serves as reference to compare the Fairtrade Minimum Price against, whereas in Côte d’Ivoire and Ghana the respective price regulation is employed as a reference for the Fairtrade Minimum Price.[[1]](#footnote-2)

At the end of 2023, Fairtrade collected data on the costs of sustainable production (COSP) in major Fairtrade cocoa-producing countries worldwide and is now launching the first phase of the consultation based on this data. As COSP data shows that producers globally are facing higher costs, it is essential to revise Fairtrade prices as soon as possible.

Yet, Fairtrade decided to run the consultation in all countries except Côte d’Ivoire and Ghana in 2024 and to proceed with the consultation for the two price-regulated countries in the first half of 2025. This is considered important as the price review takes place in a turbulent global cocoa market with an unprecedented rise in prices, originating from a decline in production in West Africa. Extreme climate patterns and crop diseases amongst other factors contributed to a decline in cocoa yields from both Côte d’Ivoire and Ghana, which together supply around two thirds of the world’s demand. The phased process will allow us to formulate the proposals for Côte d’Ivoire and Ghana by taking into account the next main harvest in October 2024 and thereby better understand the upcoming supply trends for these two countries.

We kindly request your input on the questions and encourage you to provide explanations for your selected choices. **Please submit your feedback to** **standards-pricing@fairtrade.net** **by 11 October 2024.** More information on the overall review can be found in the [**Project Assignment**](https://files.fairtrade.net/standards/Project-Assignment-Cocoa-Price-Review_EN.pdf).

## 2. Background

Fairtrade last adjusted the Fairtrade Minimum Price (FMP) and Fairtrade Premium (FP) for cocoa in 2019, also introducing an Organic Differential. Since then, a series of events need to be considered:

* As mentioned above, the sharp increase in global cocoa prices, driven by a decline in production in Côte d’Ivoire and Ghana, has led to uncertainty in the cocoa sector worldwide.
* In this new reality of global shortage combined with lower farm productivity in many cocoa-producing countries, farmers’ incomes will be significantly impacted by selling less volumes.
* For supply actors further along the chain, cocoa prices at current exceptionally high levels lead to increased costs for cocoa and chocolate, contributing in turn to higher consumer prices.
* New regulations in consuming regions, such as the EU Deforestation Regulation and the EU Organic Regulation are coming into force[[2]](#footnote-3) and require significant investments by producer organisations as well as throughout the entire supply chain.
* Meanwhile, as seen, climate change significantly impacts cocoa production worldwide, albeit to varying degrees. Extreme weather phenomena affect yields and require adaptation and mitigation measures. This leads to increased costs for all supply chain actors, especially for farmers and cooperatives.
* The [revised Fairtrade Cocoa Standard](https://files.fairtrade.net/standards/Cocoa_SPO_EN.pdf)includes new requirements on Human Rights and Environmental Due Diligence (HREDD) and deforestation prevention. [Find more information here.](https://www.fairtrade.net/standard/revised-fairtrade-standard-for-cocoa-3)Implementing the new standard requirements require efforts and resources from Small Producer Organisations (SPOs) as well as from their commercial partners.
* In the current uncertain cocoa market situation, predicting future price and supply trends is challenging, especially given factors such as climatic conditions, local developments in producing countries, and the futures market. Consequently, the Fairtrade Minimum Price (FMP) remains a crucial intervention, providing producers with a safety net if cocoa prices drop again during these times of uncertainty.
* Over the past years, there has been approximately three times more Fairtrade-eligible cocoa production than actual sales under Fairtrade terms (713,000 MT production vs. 232,000 MT Fairtrade sales in 2022). That is why it is a top priority of SPOs to maintain and further increase the part of their production they are able to sell on Fairtrade terms. Fairtrade’s monitoring and evaluation work has shown that Fairtrade can only positively impact farmer livelihoods when farmers are able to sell a significant part of their production as Fairtrade (as minimum 30%). However, with the recent decline in cocoa production from Côte d'Ivoire and Ghana, Fairtrade’s cocoa production volumes from those countries have likely been impacted as well.
* Structural differences in cocoa pricing as well as in the production process between price-regulated and non-regulated producing countries require specific consideration: On the one hand, in Fairtrade’s largest cocoa origin by sales, Côte d’Ivoire, the FMP of 2,400 USD/MT at the FOB level was active in previous seasons, with the FMP differential showing significant volatility. On the other hand, in non-regulated producing countries, mainly in Latin America and the Caribbean, most producer organisations have received on average higher prices than the FMP. This was mostly due to their specialisation in fine/flavour and/or organic cocoa (97% of Fairtrade’s organic sales come from non-regulated producing countries). During the specific period from October 2019 up to August 2024, the Fairtrade Minimum Price (FMP) for conventional cocoa was activated 22% of the time (trading days), indicating that market prices (New York futures) fell below the FMP during this period.
* Farmers in the top three Latin American and Caribbean (LAC) Fairtrade cocoa-producing countries reach on average higher yields and have a larger land size than West African farmers. Additionally, in some LAC producing countries, cooperatives assume more stages and greater responsibility in the post-harvest process, including fermentation and drying, which are managed at the SPO level. This allows SPOs in LAC to better control and maintain cocoa quality during post-harvest processing, leading to higher production costs at the SPO level. In contrast, in Côte d'Ivoire and Ghana, fermentation and drying are primarily conducted at the farmer level using basic methods.

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| **Non-regulated markets****(all countries except Côte d’Ivoire and Ghana)** |
| **Main Fairtrade cocoa origins** | **Fairtrade Sales %** |
| * Peru
* Dominican Republic
* Sierra Leone
* Ecuador
* Others
 | * 22% of total FT cocoa sales
* 97% of FT organic sales
 |

## 3. Objectives of this Review (Phase 1):

* Assess the current Fairtrade pricing model with the intention to increase cocoa sales on Fairtrade terms, contributing to cocoa farmers’ income improvement in line with the 2021-2025 Fairtrade Global Strategy. It is important to note that while new Fairtrade prices for cocoa are based on recent COSP data, they also need to reflect current market realities and the latest price developments. New prices should enable cooperatives to sustainably increase their sales under Fairtrade terms and thereby positively impact farmer livelihoods.
* Based on the Fairtrade pricing model, revise the values of the Fairtrade Minimum Price, Fairtrade Premium and organic differential for all countries except Côte d’Ivoire and Ghana. The calculations are based on the analysis of the Cost of Sustainable Production and HREDD-related cost data collected in 2022-2023, as well as a wide consultative process with Fairtrade member organisations .

 **Excluded from phase 1:**

* Explore potential adaptations on the current pricing model for regulated markets in Côte d’Ivoire and Ghana. The intent is to bring more stability to the Fairtrade pricing mechanisms for farmers, SPOs and all supply chain actors while continuing to address farmer poverty. As Fairtrade’s cocoa price review takes place in a turbulent sector context, proposals for Côte d’Ivoire and Ghana will be presented in the second phase of the consultation, starting in 2025. This will allow Fairtrade to formulate the proposals for regulated producing countries by taking into account the next main harvest in October 2024 and related supply trends for West Africa.
* The Living Income Reference Prices (LIRPs) for Côte d’Ivoire and Ghana are currently under review. New cocoa LIRP values for these countries will be publicly announced by the end of 2024 with the view to be implemented for October 2025 harvest.

## 4. Timeline Phase 1

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| **Timeline** | **Activity**  |
| Oct-Nov 2023 | COSP data collection in West Africa and Latin America and the Caribbean |
| Dec 2023-March 2024  | COSP data analysis and stakeholder interviews on potential pricing proposals  |
| **26 August – Mid-October 2024** | **Public consultation in non-regulated markets** (all producing countries except Côte d’Ivoire and Ghana) |
| March 2025 | Announcement of pricing decisions for non-regulated markets taken by Fairtrade Standard Committee (with implementation to be consulted upon) |

The detailed timeline for Phase 2 is still under internal discussion. Fairtrade International will provide an update in due course.

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## 5. Confidentiality

All information we receive from 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 proposals. However, when analysing the data, we need to know which responses are from producers, traders, licensees, etc., so we kindly ask you to provide us with information about your organisation.

## 6. Target groups and consultation structure

**The target groups of this consultation are:**

* Fairtrade certified cocoa Small Producer Organizations from all cocoa-producing countries except Côte d’Ivoire and Ghana
* Fairtrade licensees and retailers, as well as Fairtrade certified traders sourcing – directly or indirectly - from those non-regulated producing countries
* Producer Networks, National Fairtrade Organizations, Fairtrade International, FLOCERT, governmental bodies, industry bodies, NGOs, researchers and subject matter experts.

**Structure of the questionnaire:**

For each pricing proposal, the rationale and implications are outlined. Stakeholders are invited to select a response and provide their views. If you are an SPO, we encourage you to involve your members.

At the end of the document, in Annex 1, you will find a detailed description of the current Fairtrade pricing model and values. Annex 2 includes a summary of the COSP study, covering the sampling methodology for data collection, cost structure, data validation, aggregated figures for reference, and definitions. Annex 3 explains the calculation of the FMP proposals for conventional cocoa. Finally, annex 4 describes the conceptual difference between the FMP and Living Income Reference Price.

**Acronyms and definitions**:

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| FIFMPFP | Fairtrade InternationalFairtrade Minimum PriceFairtrade Premium |
| GA | General Assembly |
| HREDD | Human Rights and Environmental Due Diligence |
| NFO | National Fairtrade Organisation |
| PN | Producer Network |
| SPOCOSP | Small Producer OrganizationCost of Sustainable Production |

## 7. Information about you and your organization

Please complete the information below:

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| **Q 1.** **Please provide us with information about your organization so that we can analyse the data precisely and contact you for clarifications if needed.** [ ]  Name of your organisation Click or tap here to enter text.[ ]  Name of contact person Click or tap here to enter text.[ ]  Email Click or tap here to enter text.[ ]  Country Click or tap here to enter text.[ ]  FLO ID Click or tap here to enter text. |
| **Q 2. What is your responsibility in the supply chain? Please tick all applicable boxes**Producer only [ ]  Producer who also exports [ ]  Exporter[ ]  Importer[ ]  Processor[ ]  Licensee[ ]  Retailer[ ]  Fairtrade system staff (Fairtrade International, NFO, PN or FLOCERT staff)[ ]  Other (please specify)Click or tap here to enter text. |
| **Q 3. Information about the interviewer (for project team members only)****This interview is conducted by:**Name of interviewer: Click or tap here to enter text. Date: Click or tap here to enter text. |

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# PART 2 Pricing Proposals

## Review of the FMP, FP and Organic Differential values in all cocoa producing countries except Côte d’Ivoire and Ghana

## Fairtrade Minimum Price

The Fairtrade Minimum Price (FMP) aims to cover the average costs of sustainable production while considering market acceptance, ensuring that Fairtrade producers can sell their products under Fairtrade terms.

According to the 2023 Cost of Sustainable Production (COSP) study[[3]](#footnote-4) and an analysis of various external studies, the key findings are as follows:

* The increase in production costs is due to global and regional/country-specific situations, reflected at different stages in the production process.
* Several events have negatively impacted production costs and yields in recent years. Climate change and extreme weather conditions such as El Niño, which in turn cause diseases and crop losses; internal and external migration in producing countries, leading to labour shortages coupled with higher labour costs; and the war in Ukraine, hampering the availability and cost of fertilizers.
* Moreover, higher oil and energy prices have increased costs for chemical inputs and transport compared to the previous COSP study in 2017.
* It is expected that increasing yields would lower the costs of production. However, producers need significant investments to improve their yields under these critical circumstances. Higher yields are often accompanied by higher labour and input costs.
* The increase in the COSP reflects currency fluctuations, but above all, inflation. This phenomenon has particularly affected Fairtrade cocoa-producing countries and is likely to continue.
* The COSP results captured the compliance costs incurred up to the 2023 production cycle. In other words, it does not include the expenses for activities that took place or are taking place after this reference period, in particular those related to HREDD and new EU legislation.

Outside of Côte d'Ivoire and Ghana, main countries for Fairtrade conventional cocoa sales are from Peru and Ecuador. Cost of production varies greatly amongst SPOs in those countries; some are way above the existing FMP, while others are below the current FMP. Overall, in Latin America and the Caribbean, cocoa farmers received on average, higher cocoa prices than the current FMP value due to their specialisation in fine flavour and/or organic cocoa production.

To address the increased COSP for Fairtrade producers and the high inflation of recent years, Fairtrade is proposing two value options for the FMP for conventional cocoa beans. These options aim to enable farmers to produce in an economically sustainable manner:

* **2,800 USD/MT** is calculated based on weighted average of COSP, including current compliance costs, and correction for country inflation was applied up to early 2024. Compliance costs refer to resources needed to comply with the newly approved Fairtrade Cocoa Standard as well as with new regulation.
* **3,100 USD/MT** follows the same methodology as above and adds estimated compliance costs intended to fund activities planned for the next two to three years to be in compliance with the new standard and EU regulations.

The proposed values are established based on the available COSP data. For more information, please see Annex 3.

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| **Q1. The current FMP for conventional cocoa is 2,400 USD/MT. Please indicate which of the FMP values you consider most appropriate for conventional cocoa.**[ ]  2,800 USD/MT[ ]  3,100 USD/MT[ ]  Other. I will propose another value, please specify: Click or tap here to enter text.**Please explain your rationale**Click or tap here to enter text.**Please note the FMP for conventional cocoa from Côte d'Ivoire and Ghana will remain at 2,400 USD/MT (or 2,206 EUR/MT). The FMP for these countries will be consulted during the 2nd phase, which is planned for 2025.** |

## Fairtrade Premium

The FP is intended to provide investment capacity for cooperatives. The current FP for cocoa is 240 USD/MT which represents 10% of the existing FMP for conventional cocoa. The use of this additional income is decided democratically by the cooperative members at their General Assembly (GA). In the past, Fairtrade cocoa SPOs invested their FT Premium in improving production and farming practices, local education and health services, benefits for employed workers and environmental protection measures. They further spent it on financial benefits for farmers, as direct payments to top up incomes or credit services. For more information, please see [here](https://www.fairtrade.net/impact/top-7-products-dashboard).

Fairtrade recognises the rising expectations and related regulation to mitigate Human rights and environmental risks and harms along the supply chain. Requirements regarding these topics have recently been introduced in the Fairtrade Cocoa Standard[[4]](#footnote-5). As such, the FP is playing a crucial role to finance the associated activities.

While the FP is critical, it adds costs to Fairtrade cocoa. Particularly in high market price situations such as nowadays, the FP comes on top of an already very high market price. Given the recent worldwide economic conditions, high inflation, and increased energy prices, supply chain actors are operating in a very turbulent sector context. When answering the following question, our recommendation is to consider both low and high market price situations and to be mindful of the risk of losing Fairtrade sales and market share in a very uncertain environment.

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| **Q2. The current FP for Fairtrade cocoa is 240 USD/MT. Do you agree to maintain the FP value as it is?**[ ]  Yes, keep it as it is (240 USD/MT)[ ]  No, I will propose another value, please specify: Click or tap here to enter text.**Please explain your rationale**Click or tap here to enter text.**Please note the FP for Côte d'Ivoire and Ghana will remain at 240 USD/MT (or 221 EUR/MT). The FP for these countries will be consulted during the 2nd phase, which is planned for 2025.** |

## Organic Differential

The current price setting for Fairtrade organic cocoa is calculated by adding an extra amount, currently set at 300 USD/MT, on top of the FMP for conventional cocoa or the market reference price, whichever is higher. The rationale for this approach is that not only are costs of sustainable production for organic products higher than for conventional ones, but producers should also be incentivised to produce organically. To achieve this objective, the Organic Differential mechanism guarantees that there are still price benefits for organic producers, especially when market prices exceed the FMP for conventional cocoa. Organic producers face increasing labour costs as well as additional costs of the organic certification, while organic practices typically lead to lower production volumes. Given this, the higher production costs and reduced income due to lower yields need to be compensated by the Organic Differential. For more information, see Annex 2.

Most of the world’s fine flavour and organic cocoa is produced in Latin America and the Caribbean. Over the last three years (2020-2022), this region has accounted for up to 81% of the Fairtrade organic cocoa sales. Notably, organic sales from Sierra Leona have been increasing throughout the same period.

To provide financial support to producers for organic certification and compliance costs related to regulations, such as the [new EU organic regulation](https://www.fairtrade.net/news/fairtrade-statement-on-eu-organic-regulation), Fairtrade is proposing to set the Organic Differential at 390 USD/MT. This amount is calculated as 12.5%[[5]](#footnote-6) of the higher FMP value proposed for conventional cocoa ($3,100 USD/MT). The proposed value as Organic Differential is compared with the COSP results, which show that, on average, the COSP for organic cocoa is above 4,000 USD/MT. It is evident that the proposed price for organic cocoa may not fully cover the COSP for Fairtrade farmers. Given that quality and/or origin differentials paid in the market today are often higher than the current FT Organic Differential[[6]](#footnote-7), Fairtrade members believe that an increase of 30% (90 USD/MT) will help recoup the investments required to produce organically whilst still enabling further FT organic cocoa sales.

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| **Q3. The current Organic Differential for Fairtrade cocoa is 300 USD/MT. Do you agree that Organic Differential should be set at 390 USD/MT?**[ ]  Yes, it should be set at 390 USD/MT[ ]  No, I will propose another value, please specify: Click or tap here to enter text.**Please explain your rationale**Click or tap here to enter text.**Please note the Organic Differential for Côte d'Ivoire and Ghana will remain at 300 USD/MT (or 276 EUR/MT). The Organic Differential for these countries will be consulted during the 2nd phase, which is planned for 2025.**  |

## Implementation of Fairtrade prices

Fairtrade International is aware of the commercial realities of cocoa contracting and is suggesting that new prices be implemented with a minimum transition period of six months. This allows commercial partners to prepare for any changes to Fairtrade cocoa pricing. This means that for all cocoa-producing countries except Côte d’Ivoire and Ghana, contracts agreed for Fairtrade cocoa before the date of validity would refer to the current Fairtrade prices. For contracts which are agreed after the validity date, the new Fairtrade prices for cocoa should be respected.

For Ghana and Côte d’Ivoire, all contracts will still reference the current Fairtrade prices[[7]](#footnote-8).

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| **Q4. How long should the transition period be before the implementation of the new Fairtrade cocoa prices?** [ ]  6 months[ ]  12 months[ ]  I would like to propose a different transition period: Click or tap here to enter text.**Please explain your rationale**Click or tap here to enter text.**Please note transition is defined as the period between the announcement and application of the new prices. The announcement of new prices is planned for early April 2025 at the latest.** |

## General comments

In this section you are invited to provide additional feedback or general comments.

Fairtrade Cocoa has historically maintained a global price model and global price values. However, due to aforementioned reasons, we are proposing two separate phases of the review process. This might ultimately result in different Fairtrade Minimum Prices, Fairtrade Premiums and/or Organic Differential.

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| **Q5. You are invited to comment on this pricing approach, where Fairtrade prices might differ in regulated vs. non-regulated markets and how this could impact your business:****Please explain your rationale**Click or tap here to enter text.**Q6. Comments to any other pricing related topics:** Click or tap here to enter text. |

# Annex 1: Current Fairtrade Price Model for Cocoa

The FMP, FP and Organic Differential shown in the table below apply to all cocoa origins, while the values for Côte d'Ivoire are priced in EURO, converted on the basis of the USD/EUR exchange rate on 1 April 2023. This change was introduced from October 2023 in order to reduce the impact of strong exchange rate fluctuations on the FMP differential for Côte d'Ivoire and to better reflect trading realities.

Current price setting for Fairtrade Cocoa:

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| --- | --- | --- |
| Fairtrade Price | All cocoa origins(Except Côte d’Ivoire) | Côte d’Ivoire Only |
| Fairtrade minimum price | 2,400 USD/MT | 2,206 EUR/MT |
| Fairtrade premium | 240 USD/MT | 221 EUR/MT |
| Organic Differential | 300 USD/MT | 276 EUR/MT |

# Annex 2: Summary of Cost of Sustainable Production analysis

This section contains information on the Cost of Sustainable Production (COSP) analysis conducted by Fairtrade International. Details of the COSP structure, cost items, and the methodology for COSP collection and calculations are further explained below.

In 2023, following the latest generic COSP guidelines, Fairtrade engaged with external experts to revise the Fairtrade Cost of Sustainable Production (COSP) data collection tool. As a result, the structure and cost items of this tool were reviewed. Compliance cost items, particularly those related to Human Rights and Environmental Due Diligence (HREDD), were identified and incorporated.

**Sampling methodology for the collection of COSP data**

* The sampling strategy includes a minimum of 10% of the total Fairtrade-certified SPOs in a country. To further ensure that the sample size is representative and allows us to generalise the findings to the larger population, a set of criteria was developed to identify subpopulations within a country. These criteria include specifications of cocoa product (bulk, fine flavour, conventional, organic), business activities conducted by SPOs (producing, processing, exporting), and Fairtrade sales volume in the last two to three years. At the farm level, selection of individual farmers also considered variables such as the location and size of the farm, yields level, degree of application of farm record bookkeeping and farming practices.

**COSP structure and data collection**

* The costs were collected at both the farmer level and SPO level, with fixed costs and variable costs being assessed.
* At the organisational level, the following cost items were also collected: costs associated with farmer capacity building, training for hired labour, investment in cocoa farms towards Good Agriculture Practices, annual payments for cooperative membership, farm management costs, and wages of household members. Costs related to certification fees, internal control systems, investments in community development and Human Right and Environmental Due Diligent (HREDD) projects were also taken into account.

**Time reference**

* The COSP data collected represent the costs incurred during the 2022-2023 production period, covering a complete cycle of a main crop and a mid-crop harvest.

**Data validation and analysis**

* All data was aggregated, and outliers were identified at the country level and replaced with median values. The nominal values were then adjusted using the country consumer price index (CPI) to reflect inflation/deflation since data collection. Exchange rates were also applied to convert values in local currency to a USD per kilogram basis.
* Fixed costs and variable costs were collected and depreciated based on the estimated lifespan. For example, the annual cost of a tool is depreciated by dividing by its lifespan. The total COSP at the farmer level and at the SPO level was then adjusted based on the proportion of overall income versus income generated from other crops and other non-cocoa business, if any.
* The results were cross-checked with previous COSP studies and secondary data sources. Multiple validation sessions with field staff from Producer Networks were also carried out.

**Participation of SPOs in the COSP data collection**

* The primary data was collected from 51 SPOs, involving 162 individual cocoa farmers in key Fairtrade cocoa origins.
* The costs of production figures presented in the table below are aggregated at the country level and rounded to the nearest hundred to maintain the confidentiality of the data from individual producers. Please note that the country average figures are calculated based on SPOs in the same country, who might have different production practices, e.g., conventional versus organic, exporting versus non-exporting, etc.

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| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Country** | **Number of SPOs (Conventional vs Organic)** | **Individual producers consulted**  | **Average cocoa yield (kg/ha)** | **Average Land size (ha)** | **Average COSP at FOB****(USD/MT)** | **Note:** **farmer members** |
| **Africa** | Ghana | 3 (2:1) | 14 | 649 | 1.23 | Available upon request | - |
| Sierra Leone | 3 (0:3) | 15 | 613 | 1.65 | 1,400 | 10,440 farmers |
| Côte d’Ivoire | 22 (22:0) | 72 | 631 | 2.74 | Available upon request | - |
| **Latin America** | Dominican Republic | 3 (0:3) | 9 | 940 | 4.62 | 4,300 | 2,800 farmers |
| Ecuador | 9 (8:1) | 22 | 1,371 | 7.17 | 1,100 | 2,780 farmers |
| Honduras | 4 (0:4) | 9 | 507 | 1.35 | 9,700 | 1,150 farmers |
| Peru | 6 (2:4) | 17 | 854 | 2.67 | 4,100 | 4,580 farmers |
| **Asia** | India | 1 (0:1) | 4 | 1,236 | 1.21 | NA | 3,970 farmers |
| **Total** | 8 | 51(34:17) | 162 | - | - | - |  |

# Annex 3: Calculation of the FMP for conventional cocoa

The FMP proposals for conventional cocoa are based on the weighted average COSP for Peru and Ecuador, which supply most of the conventional Cocoa in Fairtrade, outside of Côte d’Ivoire and Ghana. The findings indicate that the COSP for conventional cocoa, including current compliance costs, for Peru is 4,130 USD/MT, while for Ecuador is 1,140 USD/MT. The very low cost for Ecuador is largely due to the country’s success in developing production technologies that have resulted in significant yield increases in recent years. An estimated cost of compliance for the next two to three years was also calculated, resulting in a COSP of 4,500[[8]](#footnote-9) USD/MT for Peru and 1,290 USD/MT for Ecuador. The weighting factors are calculated on the basis of Fairtrade’s sales volume in 2022, i.e. Peru: Ecuador = 0.55: 0.45.

Calculations of the FMP proposals are as follows:

**Option 1** (4,130x0.55)+(1,140x0.45) = 2,785

**Option 2** (4,500x0.55)+(1,290x0.45) = 3,056

The final proposed values are rounded to the nearest hundred, see Question 1, in the section of the FMP.

# Annex 4: Living income Reference Price

**Please note that the COSP data used for calculating the Fairtrade Minimum Price and the Fairtrade Living Income Reference Price are not directly comparable, as they are based on different assumptions and calculation models. In addition, separate data sets were collected and used to calculate each of these prices. Both the Fairtrade Minimum Price and Fairtrade Living Income Reference Price data sets have been cross-referenced with secondary research and underwent a defined validation process to serve their purpose. Below, you will find the definition of these prices for your reference.**

* **The Fairtrade Minimum Price** is based on data collected directly from farmers and Small Producer Organisations. This data is intended to reflect the actual productivity and farm efficiency levels. In addition, the revised COSP template comprises cost items related to sustainable production. For example, it covers costs related to farmer capacity building, training of hired labour, investment in cocoa farm towards Good Agriculture Practices, wages of household members, investment in community development, and Human Rights and environmental due diligence (HREDD) related projects, etc.
* **The Fairtrade Living Income Reference Price,** in contrast, is not based on current or actual production figures. It is based on a minimum viable farm size, sustainable cocoa yields as a productivity benchmark, the cost of a decent standard of living (living income benchmark), and the cost of sustainable production (to achieve above-mentioned productivity benchmark). Living Income Reference Prices are set as national or regional values. The production costs associated with these conditions were projected using references from literature and industry, as well as inputs from farmer representatives. For more specific information, please refer to: [Fairtrade Living Income.](https://www.fairtrade.net/issue/living-income)
1. In Côte d’Ivoire, the FOB price announced by the Conseil Café Cacao (CCC) and in Ghana, the FOB price agreed between the buyers and the Cocoa Marketing Company (CMC) are used as reference. [↑](#footnote-ref-2)
2. The EU Deforestation Regulation will apply to all products placed on the EU market from 30 December 2024. The new EU Organic Regulation and its requirements related to group size will have to be complied with by 1 January 2025 for groups of operators in non-EU countries. [↑](#footnote-ref-3)
3. See Annex 2 [↑](#footnote-ref-4)
4. The revised Fairtrade Cocoa standard includes the following main areas of changes: Human Rights and Environmental Due Diligence; Labour Conditions, Child Protection and Social Development; Deforestation Prevention & Environmental Development; and Living Income. [↑](#footnote-ref-5)
5. This follows the current ratio of Organic Differential and FMP for conventional, 300/2400=0.125. [↑](#footnote-ref-6)
6. Self-reported information by producers. [↑](#footnote-ref-7)
7. In regulated markets, Fairtrade Minimum Price of 2400 USD/MT (or 2206 EUR/MT for CDI), the current Fairtrade Premium of 240 USD/MT (or 221 EUR/MT for CDI) and the Organic Differential of 300 USD/MT (or 276 EUR/MT for CDI) should be respected. [↑](#footnote-ref-8)
8. The additional compliance cost was established by using a proxy variable calculated as an average compliance costs of all countries except Côte d’Ivoire and Ghana [↑](#footnote-ref-9)