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| **Second Consultation Document for Fairtrade Stakeholders:**Fairtrade Lime Price & Premium Review |
| Consultation Period | 8th – 30th September 2020 |
| Project Manager Contact Details | Eduardo Bluhm, Senior Project Manager,e.bluhm@fairtrade.net, +49 (0) 228 949 23 265 |

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## Acronyms

CLAC Coordinadora Latinoamericana de Productores de Comercio Justo

COSP **Cost of Sustainable Production** are the costs related to sustainably produce a product in a social, economic and environmental way in conformity with Fairtrade Standards.

EXW **Ex Works** means that delivery takes place when the seller places the goods at the disposal of the buyer at the premises of the seller or another named place (works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle

FMP **Fairtrade Minimum Price** is the lowest possible price that may be paid by buyers to producers for a product to become certified against the Fairtrade standards.

FP **Fairtrade Premium** is an amount paid to producers in addition to the payment for their products. The Fairtrade Premium is intended for investment in the producers’ business and community (for a small farmers’ organization or contract production set-up) or for the socioeconomic development of the workers and their community (for a hired labour situation).

FOB **Free on Board** means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. From that point forward, the buyer has to bear all costs and risks of loss or damage to the goods. Under FOB terms, the seller is required to clear the goods for export.

NAPP Fairtrade **Network of Asia & Pacific Producers**

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

PA **Project Assignment**

PO Producer Organization

SPO Small-scale Producer Organization

HL Hired Labour Organization

PN **Producer networks**, regional Fairtrade organizations in the producer markets

SC Fairtrade International Standards Committee

SPO **Small-scale Producer Organization**

S&P Fairtrade International Standards & Pricing Unit

# Introduction to the project

The main goal of this project is to review the Fairtrade Minimum Prices and Premiums for all lime products. To see the full project description, please look at the Project Assignment published online [here](https://files.fairtrade.net/standards/2020-02-10_Lime_Price_Review_PA_EN.pdf).

### Status of the project

The project first consultation took place during May-June 2020. The results of the first consultation round can be seen [here](https://files.fairtrade.net/standards/2020-07-08_Limes_Consultation_synopsis_EN.pdf). (in Spanish [here](https://files.fairtrade.net/standards/2020-07-08_Limes_Consultation_synopsis_SP.pdf)).

The most important outcome from this first consultation was the responses to question 7, where stakeholders were asked which model was preferred to review the FMP[[1]](#footnote-1) and FP[[2]](#footnote-2) for limes. The model with more votes from stakeholders has been the “Full price research” (see table 1 from the consultation synopsis), and also many producers provided their specific COSP[[3]](#footnote-3) as requested.

Given the results of this first consultation, we are now starting the second round of consultation, were we propose specific FMP and FP values for limes based on the COSP research (see annex in PART 3).

To see the full project timelines in the Table 1 below.

Table 1 Project timelines

|  |  |  |
| --- | --- | --- |
|  | **Time** | **Activity** |
|  | **October 2019 - January 2020**  | * Preparation of the Project Assignment
* Definition of the scope of the project with the project team
* Research on Fairtrade limes transactions
 |
|  | **February - March, 2020** | * Draft consultation document
 |
|  | **April – May 2020** | * Hold on due to Covid situation
* Discussion with the project team about next steps.
* Translation of consultation document
 |
|  | **May - June 2020** | * Consultation
 |
|  | **July 2020** | * Analysis of responses
* Decision to continue to a second consultation
* Analysis of the COSP received
 |
|  | **August, 2020** | * Preparation of 2nd public consultation
 |
|  | **September 2020** | * **2nd Consultation – This Document**
 |
|  | **October 2020** | * Analysis of responses from the 2nd Consultation
* Preparing document for SC decision
 |
|  | **25th – 26th November 2020** | * Presentation to the SC
 |
|  | **December 2020** | * Publication of new prices.
 |

### Next steps

Following the second consultation round, we will prepare a Synopsis paper compiling the comments made, in an aggregated and anonymous form, which will be shared with all participants and be available on the Fairtrade International’s website.

### Product and revision scope

This revision includes **all type of limes[[4]](#footnote-4)**, including fresh limes, limes for juice or limes for processing and lime juice. This includes conventional and organic limes. It does not include other citrus products like lemons or oranges.

The first round of consultation dealt with the revision of product definitions for limes for all stakeholders. As a consequence, one proposal for product definition has been established for limes which will be submitted for the Standards Committee.

### This consultation

You are kindly invited to participate in this second consultation reviewing the Fairtrade Prices and Premium for limes. For this purpose, we kindly ask to comment on the proposals suggested in this document and encourage you to give explanations, analysis and examples underlying your statements.

**Please note that all information we receive by respondents will be treated with care and kept confidential[[5]](#footnote-5).**

**Please submit your comments to the Project Manager,** Eduardo Bluhm e.bluhm@fairtrade.net **, by the 30th of September 2020.**

*This document is a “form” for that reason you can only indicate your input in the designated spaces and your choices in the multiple choice’s boxes. Please send this document back in Word format (****do not convert to PDF)***

# Consultation

## General Information

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| Question 1Please provide us with information about your organization. In case we require clarification, we will contact the person of reference mentioned here. Name of your organisation      Name of contact person      Email/phone number of contact person:      Country      FLO ID       |
| Question 2What is your responsibility in the supply chain? Please tick all applicable boxes[ ]  Producer [ ]  Exporter [ ]  Importer [ ]  Processor [ ]  Licensee [ ]  Fairtrade system staff[[6]](#footnote-6)[ ]  Other, please specify:       |
| Question 3Which form do you buy or sell Fairtrade limes?[ ]  Fresh for direct consumption Indicate if you [ ] Buy or [ ] Sell[ ]  Fresh for processing Indicate if you [ ] Buy or [ ] Sell[ ]  Juice Indicate if you [ ] Buy or [ ] Sell[ ]  other, please specify:       Indicate if you [ ] Buy or [ ] Sell[ ]  not applicable |
| Question 4From which country do you buy FAIRTRADE limes?[ ]  Mexico[ ]  Sri Lanka[ ]  Brazil[ ]  Other, please specify:      [ ]  Not applicable |

## Proposals for updating the FMP and FP for limes

Considering the responses from the first consultation and the COSP research Fairtrade International proposes the following table:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Product specific standard** | **Product** | **Form** | **Quality** | **Country** | **Price level** | **FMP (USD/kg)** | **FP (USD/kg)** |
| **Fresh fruit** | **Limes** | Unpacked | Conventional | Central America, Mexico, and the Caribbean | EXW | 0.42 | 0.12 |
| **Limes** | Unpacked | Organic | Central America, Mexico, and the Caribbean | EXW | 0.56 | 0.12 |
| **Limes** | Packed | Conventional | Central America, Mexico, and the Caribbean | FOB | 0.76 | 0.12 |
| **Limes** | Packed | Organic | Central America, Mexico, and the Caribbean | FOB | 0.90 | 0.12 |
| **Limes** | Unpacked | Conventional | South America | EXW | 0.55 | 0.12 |
| **Limes** | Unpacked | Organic | South America | EXW | 0.70 | 0.12 |
| **Limes** | Packed | Conventional | South America | FOB | 0.79 | 0.12 |
| **Limes** | Packed | Organic | South America | FOB | 0.94 | 0.12 |
| **Limes** | Unpacked | Conventional | Southern Asia | EXW | 0.41 | 0.12 |
| **Limes** | Unpacked | Organic | Southern Asia | EXW | 0.55 | 0.12 |
| **Limes** | Packed | Conventional | Southern Asia | FOB | 0.55 | 0.12 |
| **Limes** | Packed | Organic | Southern Asia | FOB | 0.69 | 0.12 |
| **Limes** | Packed | Conventional | Worldwide (except regions with specific prices) | FOB | 0.79 | 0.12 |
| **Limes** | Packed | Organic | Worldwide (except regions with specific prices) | FOB | 0.94 | 0.12 |
| **Product** | **Form** | **Quality** | **Country** | **Price level** | **FMP (USD/kg)** | **FP** |
| **Limes** | For processing | Conventional | Worldwide | EXW | Commercial Price | 15% of the commercial price |
| **Limes** | For processing | Organic | Worldwide | EXW | Commercial Price | 15% of the commercial price |
| **Prepared and preserved fruits and vegetables** | **Product** | **Form** | **Quality** | **Country** | **Price level** | **FMP (USD/MT of juice)** | **FP (USD/MT of juice)** |
| **Limes** | Not from concentrate juice | Conventional | Worldwide | FOB | 1733 | 300 |
| **Limes** | Not from concentrate juice | Organic | Worldwide | FOB | 2093 | 300 |

The rationales to come to these proposals are summarized as follows:

**Rationales for the fresh limes FMP for the 3 regions:**

The base reference of the COSP analysis is built at the level of “Fresh Limes” at EXW level, unpacked, and conventional (see annex). From this level, we build the incremental cost calculations as follows:

* FMP FOB packed (see Question 10) = FMP EXW unpacked + packing costs + export costs (for each region)
* Organic FMP = Conventional FMP + 0.144 (see annex regression coefficient for organic dummy)

**Rationale for the fresh limes FMP for the region Worldwide (except regions with specific prices)**

The proposal for FMP for the region “Worldwide (except regions with specific prices)” is created based on the maximum FMP value of the three regions. This price level should allow other countries, in case applicable, to access the Fairtrade market in the future without requesting a price setting procedure.

**Rationale for the FMP for limes for processing**

The COSP study only included data on fresh limes for fresh consumption, and the information from Fairtrade transactions of limes indicates the percentage of volume sales of the limes for processing is significantly low. Therefore, we propose to maintain the current prices as “Commercial prices” and FP as “15% of the commercial prices” at the EXW level only.

**Rationale for the Fairtrade Premium for all countries:**

The 1st consultation results to questions 10, 11 and 12 indicates that a fixed value of FP is preferred by majority and that 0.12 USD per kg of fresh fruit has most of the votes.

**Rationale for the FMP for limes juice**

Proposal to maintain only one worldwide price for this product at the FOB level.

COSP results for EXW used as start of this calculation, as average for the 3 regions (0.46), then Export costs (average 0.11) and processing costs (0.12 average) added. Then converted to USD per MT of juice with the conversion ratio 2.5 Kg of fresh limes needed to produce 1 kg of lime juice, and 1000 kg = 1 MT.

**Rationale for the FP for limes juice**

Keep the value of 0,12 and transform to USD per MT of juice with the conversion ratio 2.5 Kg of fresh limes needed to produce 1 kg of lime juice, and 1000 kg = 1 MT.

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| Question 5Do you agree with the FMP proposed for all limes products? Please indicate your responses in the following table:  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Product** | **Form** | **Quality** | **Region[[7]](#footnote-7)**  | **Price level** | **FMP (USD/KG)** | **Agree** | **Disagree** | **Rationale/ alternative** |
| **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 | Worldwide (except regions with specific prices) | FOB | 0.79 | [ ]  | [ ]  |       |
| **Limes** | Packed | Organic | Worldwide (except regions with specific prices) | FOB | 0.94 | [ ]  | [ ]  |       |
| **Product** | **Form** | **Quality** | **Country** | **Price level** | **FMP (USD/KG)** | **Agree** | **Disagree** | **Rationale/ alternative** |
| **Limes** | For processing | Conventional | Worldwide | EXW | Commercial Price | [ ]  | [ ]  |       |
| **Limes** | For processing | Organic | Worldwide | EXW | Commercial Price | [ ]  | [ ]  |       |
| **Product** | **Form** | **Quality** | **Country** | **Price level** | **FMP (USD/MT of juice))** | **Agree** | **Disagree** | **Rationale/ alternative** |
| **Limes** | Not from concentrate juice | Conventional | Worldwide | FOB | 1733 | [ ]  | [ ]  |       |
| **Limes** | Not from concentrate juice | Organic | Worldwide | FOB | 2093 | [ ]  | [ ]  |       |

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| Question 6Do you agree with the FP proposed for fresh limes as 0.12 USD per kg of limes?[ ]  Yes [ ]  No, alternative:      Rationale of your answer:       |

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| Question 7Do you agree with the maintenance of the FP proposed for limes for processing as 15% of the commercial price at the EXW level?[ ]  Yes [ ]  No, alternative:      Rationale of your answer:       |

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| Question 8Do you agree with the FP proposed for lime juice as 300 USD per MT of juice?[ ]  Yes [ ]  No, alternative:      Rationale of your answer:       |

#### Harmonization of definition of packed and FOB for limes:

The form “**Packed**” means:

“The packaging of fresh limes is intended to withstand transportation and handling, and arrive at port of destination in the conditions according to the quality specifications agreed between the exporter and the importer.

At FOB level, the packed lime prices include the costs for the following packing materials:

• Cardboard boxes

• EUR-pallet

• Materials for securing the Cardboard boxes in the EUR-pallet

The Ex Works and the FOB prices do not include the costs for labelling the fruits and additional packing materials. These additional materials and associated costs should be agreed between the seller and the buyer and described in the trade contract and product quality specifications.”

The definition above 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.

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| Question 9Do you agree with the definition of form “**Packed**” for FOB prices for Limes?[ ]  Yes [ ]  No, alternative definition:      Rationale of your answer:       |

## Other questions

Date of validity

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| Question 10The results of this consultation will presented to the Standards Committee Meeting in November 25th 2020.**Would you agree to have the new revised prices implemented as soon as possible in December 2020?** [ ]  Yes, the earliest possible (December 2020) [ ]  No, later. Specify a date:      Rationale of your answer:       |

Final comments

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| Question 11Please provide any other comment that you want to convey to us, in the following space:      |

# Annex

#### COSP research summary

Costs of Sustainable Production from Fairtrade lime producers have been collected during 1st consultation round (from May to June 2020). This was done by use of the generic COSP tool (see [LINK](https://files.fairtrade.net/COSP_EN.xlsx)). The tool was sent to all lime producer organizations (20) and a total of 9 POs (more than one third of the total) filled in the form and sent their data. The 9 organizations represent 24% of the volume sales for Fairtrade limes from 2018. Field support was provided by the field officers in each Producer Networks (CLAC, NAPP). Overall, the rate of response and quality of the data has been adequate to prepare FMP proposals based on the principle of covering average costs of sustainable production for limes fresh (EXW and FOB) and for lime juice. The data was compiled, cleansed and processed by the Pricing unit. Here an overview of the main results:

* 8 out of 9 organizations that presented the COSP sheet are producing fresh limes (most of them for exporting fresh). The other one was focus into limes for processing into juice.
* The average yield per region are 25; 30 and 21 MT per ha for South America, Southern Asia and Central America and Mexico and the Caribbean).
* Average of transformation, packing and export costs are shown in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| USD per kg of fresh limes | Transformation costs | Packing costs | Export costs |
| South America | 0.07 | 0.14 | 0.10 |
| Southern Asia | 0.17 | 0.10 | 0.05 |
| Central America, Mexico and the Caribbean | n.a. | 0.15 | 0.19 |
| Average of the 3 regions: | 0.12 | 0.14 | 0.19 |

The main analysis has been a regression formula with the EXW costs without packaging as a main dependent variable and 8 independent variables[[8]](#footnote-8). This formula is the basis to calculate proposals for EXW FMP unpacked (as Fresh fruits is usually unpacked). From this formula we also see that organic production appears to be on average 0.14 USD per kg higher than conventional production

|  |  |  |  |
| --- | --- | --- | --- |
| SUMMARY OUTPUT |  |  | *Coefficients* |
| *Regression Statistics* | Intercept | 0.272 |
| Multiple R | 0.977 | Yield | 0.007 |
| R Square | 0.955 | Transformation | 0.402 |
| Adjusted R Square | 0.299 | Packing | -0.29 |
| Standard Error | 0.099 | Export | -0.04 |
| Observations | 10 | Organic production | 0.144 |
|  |  | South America | 0.106 |
|  |  | Southern Asia | -0.08 |
|  |  | Mexico  | 0 |

1. The **Fairtrade Minimum Price** is the lowest possible price that may be paid by buyers to producers for a product to become certified against the Fairtrade standards [↑](#footnote-ref-1)
2. The **Fairtrade Premium** is an amount paid to producers in addition to the payment for their products [↑](#footnote-ref-2)
3. Generic COSP tool can be seen [here](https://images.fairtrade.net/COSP_EN.XLSX). [↑](#footnote-ref-3)
4. Please note that in this review, we include what in some Latin American countries is called: “Limón Tahití and Limón Persa”. [↑](#footnote-ref-4)
5. **Confidentiality:** All the 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 proposal. However, when analysing the data, we need to know which responses are from producers, traders, licensees, etc. so we kindly ask you to identify yourself in the following questions. [↑](#footnote-ref-5)
6. Fairtrade system staff refer to Fairtrade International, NFO, PN or FLOCERT staff [↑](#footnote-ref-6)
7. See countries included in each region here: <https://files.fairtrade.net/standards/Geographical_Scope_Policy_EN.pdf> [↑](#footnote-ref-7)
8. Yield (linear explanatory variable), organic/conventional production (as dummy), packing/not packing (as dummy), transformation/not transformation (as dummy), export/not export (as dummy), and the 3 regions with COSP provided (also dummies, Central America and Mexico and the Caribbean; South America; and Southern Asia. [↑](#footnote-ref-8)