

Generic guidance document on FOB price deductions for coffee Version 1

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Guidance on contracts and FOB price deductions

To support the implementation of the requirement 2.2.6 Price Breakdown of the Fairtrade Standard for Coffee, Fairtrade International has developed this generic guidance document which is applicable to all Fairtrade payers and conveyors globally. This guidance applies when coffee is not purchased from the producer organization as green exportable coffee at FOB level. This guidance document is also aligned with the Trader Standard requirements 4.1.3 and 4.2.3.

This guidance document provides a list of items that are allowed to be deducted and their respective definitions. Please keep in mind that you are allowed to deduct only costs that are included in the Fairtrade Minimum Price, and in no case the Fairtrade Premium can be modified.

2.2.6 Price breakdown

Applies to: Fairtrade payers and conveyors, if coffee is not purchased from the producer organization as green exportable coffee at FOB level	
Core	You include in the contract with the producer (or the conveyor if applicable) a detailed breakdown of the price calculation (deducted or added cost items, their value and conversion rate in case of processing). This applies in those cases where the coffee is purchased at a different level than green exportable coffee (FOB). No discount can be made from the Fairtrade Premium. If deducting costs from the Fairtrade Minimum Price, you only consider the items included in the generic guidance document issued by Fairtrade International.
Year 0	
<p>Guidance: Please note that this requirement complements the Trader Standard requirement 4.1.3 on Breakdown of price calculations in contract and 4.2.3 on Price adaptation to different levels in the chain.</p> <p>A breakdown of costs may be used as an addendum to each contract as long as it is provided, agreed and signed by the SPO and reviewed annually.</p>	

A detailed cost breakdown of the price calculation to be paid to the SPO should be included as part of the contract, which also has to be agreed and signed by the SPO.

Please note that for coffee sourced from Peru, the list of items to follow is available here: [Guía específica para Perú](#)

In the case of coffee contracts, it is necessary to indicate the following:

Contract details	Description
Form in which the coffee is purchased from the SPO – where ownership changes from the SPO to the exporter	Defines where the responsibility of the SPO ends
Humidity level of coffee purchased (indicate %)	Defines the stage at which the coffee is purchased
Real yield of green coffee (indicate %), detailing: parchment to green coffee, parchment to green exportable coffee. Indicate destination and purchase conditions of second and third level quality coffees.	Defines the stage at which the coffee is purchased, this is normally indicated in the milling report.
Place of delivery and party responsible	Defines who assumes the transport costs
Detail and cost of services delivered to the SPO	Details all additional costs that the SPO assumes

List of allowed items to be deducted

Contracts should have clarity on the services and responsibilities for easy identification of the items to be deducted from the Fairtrade FOB price for coffee. The exhaustive items listed below are the only cost items that can be deducted or added. Only the items which will be deducted should be listed. Items in the table below which are not deducted, do not need to be reported.

Please note that for coffee sourced from Peru, the list of items to follow is available here: [Guía específica para Perú](#)

Items	Definition of items to be deducted*
Transport to processing facilities costs	
Transport	This is the cost directly associated with coffee transport from the SPO to the processing facility of the exporter of a third party contracted by the exporter.
Transit loss	This is the cost directly associated with loss of coffee volume during the transport to processing facilities. The value of coffee volume loss, as well as any monetary losses from the transit should be indicated here.
Loading and Off-loading	This is the cost of loading and discharge of coffee for transport at processing facilities.
Insurance	This is the cost of the insurance certificate which covers the coffee from the farm or the cooperative's warehouse to the designated processing facilities. The details on loading and off-loading locations should be indicated here.
Others (associated with the transport to processing facilities)	This is the costs of other items directly associated with coffee transport to the processing facilities. Supporting documents should be included here.

Processing costs	
Processing	This is the cost from transforming Fairtrade produced coffee (dried cherry, parchment and any other form different from green coffee) into green coffee.
Processing loss	This is the cost directly associated with loss of coffee volume during coffee processing. The value of coffee volume loss, as well as any monetary losses from the processing loss should be indicated here. Volume loss may be attributed to natural materials recollected with the coffee, such as rocks, sticks or other debris.
Drying	This is the cost of the process to reduce coffee moisture. This may be done naturally (i.e. sun dried) or mechanically.
Bags	Refers to the cost of the bags which carry the coffee.
Labelling	This is the cost associated with labelling coffee bags. Labels are stamped on coffee bags and indicate information such as country, certification, ICO export number or other.
Storage	This is the cost of coffee storage for processing.
Others (associated with the processing of the coffee)	These are the costs of other items directly associated with coffee processing. Supporting documents should be included here.
Export costs	
Transport to port	This is the cost directly associated with the transportation of coffee to port.
Transit loss	This is the cost associated with loss of coffee volume during transportation to port. The value of coffee volume lost per bag and in total should be indicated. Costs should be calculated according to the unit of measurement relevant in the contract.
Loading and Off-loading	This is the cost of loading and discharge of coffee for transport at port.
Insurance	Cost of the insurance certificate which covers the coffee from loading in the processing facilities, until the coffee is loaded onto a vessel at the location stipulated in the contract. The details on loading and off-loading location points should be stipulated here.
Customs and handling	These are export costs associated with the preparation and delivery of documents related to terminal handling charges, export license or other needed authorization to export.
Sample	This is the cost of coffee sampling, including operational costs, labor required in this process and mailing of samples
Taxes	This refers to the cost of any duties or taxes imposed in the country of export.
Others (associated with the export of the coffee)	Those are costs of other items directly associated with coffee exports. The element others with its support documents should be included here. Marketing costs and cost related to trade and marketing events are not allowed to be included for deductions.

There may be other export cost items, for instance special services, such as: specialty coffee commercialization fee, special preparations and packing, or others. These are not considered in the generic list presented in this document. However, if those services are part of the contract and backed by documentary proof, these items can be included in the list above under the item “others”.

This list will be updated according to the feedback received, by the certifying body and the small producer organizations, when discrepancies are detected between industry practices and items included in this list.

The participation of exporters in the supply chain is crucial, and therefore its role is recognized and considered. The exporters’ margin is not included in the previous list as it is not a direct cost of export and it is not considered in the Fairtrade Minimum Price. Therefore, this margin is not to be discounted from the FOB price according to the definition of the Fairtrade Minimum Price¹. Nevertheless, it is recommended as a best practice, to report the exporter’s margin value.

¹ Refers to the minimum price, which covers the average costs of sustainable production (COSP) of producers. In the case of FOB price for coffee, the costs considered include the costs that producer organizations incur for producing, processing, commercializing and exporting coffee. Those costs are calculated using the [guideline for estimating costs of sustainable production](#).

*Only the items which specifically correspond to coffee volumes traded in Fairtrade terms are allowed to be deducted. Coffee traded in non-Fairtrade terms should not be considered here.