

Explanatory document to the prorate tool for banana Fairtrade Minimum Prices and Premium

Fairtrade Minimum Prices (FMPs) and Fairtrade Premium (FP) for banana are set per standard carton boxes of 18.14 kg of fresh banana; nevertheless, there are other packing materials and weight presentations for the packing box in the banana industry. For estimating the FMP and the FP, that would apply to packing boxes of different packing materials and weight presentations, it is needed to prorate the FMP value that has been set by Pricing Unit. For standardizing the prorate process of FMPs and FPs, Pricing Unit publishes the prorate tool every year, since 2018. The announcement dates of FMPs and the prorate tool vary.

Clarifications and information on the following topics related to banana pricing:

- 1) Ex Works and FOB Fairtrade Minimum Prices
- 2) Prices of standard carton boxes and FOB prices per port
- 3) Prices of banovac, pallets, inland freight, custom fees
- 4) Prorate process

1 Ex Works and FOB Fairtrade Minimum Prices

The Ex Works FMP for banana (EXW FMP) benefits Fairtrade certified producers that produce banana but do not export by themselves; while the FOB Fairtrade Minimum Price (FOB FMP) benefits Fairtrade certified producers that produce banana that is exported by themselves. The FOB FMP does not apply to exporters that do not produce fresh banana by themselves.

The EXW FMP includes labor cost for: a) packing (including palletization) and b) preparation of the fruit before loading it on the collecting vehicle (truck or container) only. These labor costs are covered by Fairtrade certified producers that do not export by themselves.

The costs of packing and palletizing materials are not included in the EXW FMP, but in the FOB-ExWorks differential. The Fairtrade Standards for Fresh Fruits indicate some of these packing and palletizing materials:

per banana cluster:

- Up to 3 Fairtrade labels per cluster of Fairtrade banana

per banana packed box:

- One standard carton box of 18,14 kg capacity of fresh Fairtrade bananas, which includes the bottom, the top and the liner of the box
- One banana packing bag (banovac or polypack) per standard carton box

per banana pallet:

- One pallet
- 5 edge protectors of plastic per pallet of packed boxes of 18.14 kg of Fairtrade banana
- 7 pallet straps per pallet of packed boxes of 18.14 kg of Fairtrade banana

Neither Ex Works nor FOB FMPs include costs for additional or special packing or palletizing materials such as “clusterbags” or “parafilm” and related services. The additional or special materials must be included in the contract and producers must be paid for those and for any associated services. The FOB – Ex Works differential of Fairtrade Minimum Prices does not consider the administrative costs of exporters that do not produce Fairtrade banana by themselves. The EXW and the FOB Fairtrade Minimum Prices are expressed in US dollars per packed box of 18.14 kg of Fairtrade banana, except for African origins, which are expressed in Euro per packed box of 18.14 kg of Fairtrade banana.



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2 Prices of standard carton boxes and FOB prices per port

Table 1 shows prices of standard carton boxes of 18.14kg, which were used for setting FOB Fairtrade Minimum Prices valid for 2022. The prices of standard carton boxes are updated to September 2021.

Table 1 Prices of standard carton boxes of 18.14kg, used for setting FOB FMPs valid for 2022

Country	Unit of measure	Price of standard carton box 18.14kg	Value added tax	Main port	FOB FMP 2022 for conventional banana	FOB FMP 2022 for organic banana	Secondary port	FOB FMP 2022 for conventional banana	FOB FMP 2022 for organic banana
Cameroon	EUR/box	1.73	price without value added tax	Douala	9.30	-	-	-	-
Colombia	USD/box	1.53	price without value added tax	Sta.Marta/Turbo	10.20	-	Barranquilla	10.30	-
DomRep	USD/box	2.05	price without value added tax	Manzanillo	11.70	14.20	Caucedo	11.75	14.25
Ecuador	USD/box	1.90	price without value added tax	Bolivar	10.05	12.85	Guayaquil	10.50	13.30
Ghana	EUR/box	1.74	price without value added tax	Tema	9.35	12.25	-	-	-
Nicaragua	USD/box	1.80	price without value added tax	Corinto	9.90	-	Cortés (HN)	10.35	-
Panama	USD/box	2.13	price without value added tax	Moin (CR)	10.70	-	Colón (PA)	11.80	-
Peru	USD/box	1.88	price without value added tax	Paita	-	12.85	-	-	-
St.Lucia	USD/box	2.22	price without value added tax	Castries	12.75	-	-	-	-

CR: Costa Rica; HN: Honduras; PA: Panama

3 Prices of banavac, pallets, inland freight, custom fees

Table 2 shows prices of banavac, pallets, inland freight and custom fees, by port, which were used for setting FOB Fairtrade Minimum Prices valid for 2022. The prices are updated to September 2021.

Table 2 Prices of banavac, pallets, inland freight and custom fees, by port, used for setting FOB FMPs valid for 2022

Country	Measure unit	Banavac	Pallet	Main port	inland freight	Custom fees	Secondary port	inland freight	Custom fees
Cameroon	EUR/box	-	0.1800	Douala	0.2400	0.3300	-	-	-
Colombia	USD/box	0.1614	0.2400	Sta.Marta/Turbo	0.1800	0.4000	Barranquilla	0.3000	0.4000
DomRep	USD/box	0.1263	0.4425	Manzanillo	0.2800	0.8000	Caucedo	0.4700	0.6800
Ecuador	USD/box	0.1477	0.1666	Bolivar	0.2200	0.2700	Guayaquil	0.5700	0.3500
Ghana	EUR/box	-	0.1950	Tema	0.1650	0.4200	-	-	-
Nicaragua	USD/box	0.1500	0.2247	Corinto	0.3500	0.1700	Cortés (HN)	0.8000	0.1700
Panama	USD/box	0.2300	0.2398	Moin (CR)	0.6000	0.1900	Colón (PA)	1.7000	0.2000
Peru	USD/box	0.2350	0.2778	Paita	0.3200	1.3400	-	-	-
St.Lucia	USD/box	0.2434	0.2037	Castries	0.2100	0.3600	-	-	-

4 Prorate process

The Ex Works and FOB Fairtrade Minimum Prices, in all cases, refer to the standard packing carton box, for a weight of 18.14 kg of fresh Fairtrade banana. If packing boxes differ from that; then the Fairtrade Minimum Prices and the Fairtrade Premium must be calculated by following the prorate process. For standardizing the prorate process, Pricing Unit publishes the prorate tool every year, since 2018.

The tool provides 2 examples. The first example prorates Fairtrade Minimum Prices and Premium to a special carton box, of the weight in kilograms and price indicated by the user in the tool. The second one prorates Fairtrade Minimum Prices and Premium to an IFCO box, of the weight in kilograms which is also indicated by the user in the tool. The user of the tool must enter the information requested in the empty cells, starting from: a) Language, b) Producer country, c) type of Fairtrade banana, d) the port, e) the weight of the new packing box and f) the price of the new packing box.

Notice that examples provided are based on the variation of only 2 variables: a) the weight of fruit per box and b) the price of the type of packing box. Additional costs, or price variations of existing inputs, might also be involved; for prorating them the Fairtrade Standards for Fresh Fruits must always apply. The tool only prorates country specific Fairtrade Minimum Prices that are valid for 2022.

Example 1: Prorate of FMPs valid for 2022 to a special carton box of 13 kg of Fairtrade banana

This example prorates the Ex Works and FOB (Santa Marta) Fairtrade Minimum Prices and the Fairtrade Premium valid for 2022 to a special carton box of 13 kg of conventional Fairtrade banana from Colombia. For illustrative purposes, the price of the special carton box of 13 kg in Colombia is set at 1.20 USD/box13kg. Calculations are presented in table 3.

- The **FOB** (Sta.Marta) FMP 2022 is **10.20** USD/StandardBox18.14kg or **7.41** USD/SpecialBox13kg.
- The **EXW** FMP 2022 is **7.30** USD/StandardBox18.14kg or **5.23** USD/SpecialBox13kg.
- The **Fairtrade Premium** 2022 is **1.00** USD/StandardBox18.14kg or **0.72** USD/SpecialBox13kg.

Example 2: Prorate of Fairtrade Minimum Prices valid for 2022 to an IFCO box of 17 kg of Fairtrade banana

This example prorates the Ex Works and FOB (Santa Marta) Fairtrade Minimum Prices and the Fairtrade Premium valid for 2022 to an IFCO box of 17 kg of conventional Fairtrade banana from Colombia. Calculations are presented in table 4.

- The **FOB** (Sta. Marta) FMP 2022 is **10.20** USD/StandardBox18.14kg or **8.13** USD/IFCObox17kg
- The **EXW** FMP 2022 is **7.30** USD/StandardBox18.14kg or **6.84** USD/IFCObox17kg.
- The **Fairtrade Premium** 2022 is **1.00** USD/StandardBox18.14kg or **0.94** USD/IFCObox17kg

Table 3. Prorate of Ex Works, FOB FMPs and FP to special carton box of 13 kg of Fairtrade banana


 PRORATE OF FAIRTRADE MINIMUM PRICES AND PREMIUM THAT ARE VALID FOR 2022	
<p>This tool is for prorating the country specific Fairtrade Minimum Prices for banana, which are set for an standard carton box of 18.14 kg and valid for 2022. The tool provides 2 examples. The first one prorates Fairtrade Minimum Prices from the standard carton box of 18.14 kg to an special carton box (of a weight in kilos and price, indicated by the user in cells C22 and C23, respectively). The second example prorates Fairtrade Minimum Prices from the standard carton box of 18.14 kg to an IFCO box (of a weight in kilos, indicated by the user in cell C40). Please NOTE THAT the prorated examples ARE ONLY BASED on the variation of: a) the weight of fruit per box and b) the price of the type of packing box. ADDITIONAL COSTS, or PRICE VARIATIONS OF EXISTING INPUTS, might be also involved; for prorating them the Fairtrade Standards for Fresh Fruits must always apply. PLEASE COMPLETE EMPTY CELLS WITH THE INFORMATION OF THE PACKING BOX YOU WANT TO RUN THE PRO-RATA</p>	
Choose banana producer country:	Colombia
Choose type of Fairtrade banana:	conventional Fairtrade banana
Port:	Sta.Marta/Turbo
<p>EXAMPLE 1: PRORATE TO SPECIAL CARTON BOX OF 13kg FOR BANANA</p>	
<p>Standard carton box (Fairtrade)</p> <ul style="list-style-type: none"> Price of the standard carton box (without including the value added tax), that was used for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia: Banana volume per standard carton box (that was used as unit of measurement for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia): 	<p>1.53 USD/box18.14kg</p> <p>18.14 kg</p>
<p>Fairtrade Minimum Price</p> <ul style="list-style-type: none"> FOB Fairtrade Minimum Price 2022, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: Ex Works Fairtrade Minimum Price 2022, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: 	<p>10.20 USD/box18.14kg</p> <p>7.30 USD/box18.14kg</p>
<p>Special carton box</p> <ul style="list-style-type: none"> Banana volume per special carton box (for which the Fairtrade Minimum Price will be prorated): Price of the special carton box (without including the value added tax), paid by the producer that exports by themselves: 	<p>13.00 kg</p> <p>1.20 USD/box13kg</p>
<p>Prorate</p> <ul style="list-style-type: none"> Prorated FOB Fairtrade Minimum Price 2022 per special carton box of 13kg of conventional Fairtrade banana from Colombia: Prorated Ex Works Fairtrade Minimum Price 2022 per special carton box of 13kg of conventional Fairtrade banana from Colombia: Prorated Fairtrade Premium 2022 per special carton box of 13kg of conventional Fairtrade banana from Colombia: 	<p>7.41 USD/box13kg = [(10.2-1.53)/18.14]*13+1.2 = 7.41</p> <p>5.23 USD/box13kg = [7.3/18.14]*13 = 5.23</p> <p>0.72 USD/box13kg = 13/18.14 = 0.72</p>

Table 4. Prorate of Ex Works and FOB FMPs and FP to IFCO box of 17 kg of Fairtrade banana

EXAMPLE 2: PRORATE TO IFCO BOX OF 17kg FOR BANANA	
Standard carton box (Fairtrade)	
<ul style="list-style-type: none"> Price of the standard carton box (without including the value added tax), that was used for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia: 	1.53 USD/box18.14kg
<ul style="list-style-type: none"> Banana volume per standard carton box (that was used as unit of measurement for estimating the Fairtrade Minimum Price for Fairtrade banana from Colombia): 	18.14 kg
Fairtrade Minimum Price	
<ul style="list-style-type: none"> FOB Fairtrade Minimum Price 2022, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: 	10.20 USD/box18.14kg
<ul style="list-style-type: none"> Ex Works Fairtrade Minimum Price 2022, in US dollars per box of 18.14kg of conventional Fairtrade banana from Colombia: 	7.30 USD/box18.14kg
IFCO box	
<ul style="list-style-type: none"> Banana volume per IFCO box (for which the Fairtrade Minimum Price will be prorated): 	17.00 kg
<ul style="list-style-type: none"> Price per IFCO box paid by the producer that exports by themselves: 	0.00 USD/IFCObox17kg
Prorate	
<ul style="list-style-type: none"> Prorated FOB Fairtrade Minimum Price 2022 per IFCO box of 17kg of conventional Fairtrade banana from Colombia: 	8.13 USD/IFCObox17kg = [(10.2-1.53)/18.14]*17 + 0 = 8.13
<ul style="list-style-type: none"> Prorated Ex Works Fairtrade Minimum Price 2022 per IFCO box of 17kg of conventional Fairtrade banana from Colombia: 	6.84 USD/IFCObox17kg = [7.3/18.14]*17 = 6.84
<ul style="list-style-type: none"> Prorated Fairtrade Premium 2022 per IFCO box of 17kg of conventional Fairtrade banana from Colombia: 	0.94 USD/IFCObox17kg = 17/18.14 = 0.94

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