Project Assignment

Flowers and Plants Fairtrade Premium Review

(TIMELINE UPDATED APRIL 2018)

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:

Fairtrade Flowers and Plants do not have Fairtrade Minimum Prices (FMP), only Fairtrade Premium (FP). The current form of premium, 10% of commercial price at FOB level, is relatively unusual for major products. Among Fairtrade products only sports balls, some juices, cane sugar, herbs & spices, some fruits, and 'quick entrance' products have a percentage set as FP.

The direct connection of the premium to the market price leads consequently to a FP impact much limited in markets and countries where prices are lower (e.g., Ethiopia) than in producing countries with higher market prices. Many Fairtrade stakeholders also suspect that some vertically integrated farms keep their FOB prices low on purpose to have a low premium addition to their final selling price. In respect of this, there are cases as well where the calculation of the FP is not always straight and clear, as sometimes FOB price levels have to be calculated backwards from CIF.

A percentage FP in flowers and plants increases the attractiveness of countries with low selling prices, as the relative cost of premium is lower as well. Such a FP creates distortion on the volume of premium received by workers among the different producing countries: The amount of FP received per worker varies largely depending on the market prices and volumes sold in Fairtrade terms. They differ as well between countries per stem even if the production of stems per square meter is the same.

A review of the FP model is therefore necessary to assess a better effect among different origins, productivities and workers, and increase thus the Fairtrade impact.

From the market side, German and Swiss licensees and traders have been advocating that an alternative FP (e.g., fixed or minimum premium) would be the best way to address the imbalance in premium and prices among the different flowers origins.

Another challenge to be addressed is the low FP value paid for young plants. The current FP share for young plants (10% of the commercial price) is way too low and some traders and retailers already pay double of the premium out of their free will to improve the impact.

Risk Assessment:

- Complexity of the flower pricing leads to many different premium calculation. A fixed or minimum premium, for example, which will result in a well-accepted solution with similar impacts, might be difficult. Contrasting views by stakeholders could lead to decisions that do not meet everybody's aspirations.
Mitigation: The project will ensure good, transparent, inclusive and pertinent communication, and thorough consultation with all parties be involved making sure that all parts are heard, and their arguments are taken into account in the final decision.

- The current FP model leads to different FP levels received by workers and paid. Changes in these values might have resistance for those that might to have to pay more in order to bring an enhanced impact of the Fairtrade Premium.
Mitigation: The project team will do deeper analysis of the FP values and how it will impact in different stakeholders. The aim is to set values that maintain the overall volume of sales and, at the same time, do not penalize workers in the total volume of FP received.

Project Start Event:	Project Start Date:
Publication of the Project Assignment (PA) for feedback.	June 2017
Project End Event:	**Project End Date:**
Announcement of the new Fairtrade Premium for flowers, together with a close down meeting with the Project Team.	September 2018

Project Goal and Objectives:

Goal:
Set a new Fairtrade Premium for the four Fairtrade Flowers and Plants products: Cut flowers, cut flowers and cut foliage, ornamental plants, and young plant material, adapting them to producer realities and market developments.

Objectives:
- Assure that the FP model and values are updated, considering the structure, levels and context of the workers, producers and market;
- Assess the impact of changes in the FP model on the volume of FP to be received by workers and the overall costs and competitiveness of certified producers;
- Assure that all relevant stakeholders are invited to participate in the consultation process and provide their feedback.

Connection with Theory of Change (ToC):
The Fairtrade Minimum Price and the Fairtrade Premium are part of the interventions used to contribute to change the small producer and worker organizations, supply chain business practices, consumer behavior and civil society actions. FP is an economic tool which aims to enable small producers and workers to invest in economic, social and environmental development, in line with their democratically-agreed priorities.

For more information on Fairtrade's ToC see this **link**.

Project Scope: Review the current Fairtrade Premium of cut flowers (single stem), cut flowers and cut foliage (bouquets and bunches), ornamental plants (pot plants, bedding plants and bulbs), and young plant material. All products conventional, worldwide and HL producer scope. *The Fairtrade Standard for Flowers and Plants is complementary to the Standard for Hired Labour, and the Trader Standard. So it applies to both producers and traders. For more information on Fairtrade Standards consult this site.	**Out of Scope:** - Review the Fairtrade Minimum Price; - Review the Flowers Standard; - Develop or propose any mechanism or piloting of FP transfer and Living Wage implementation.
Project Timelines and Information on Opportunities to Contribute: **Scoping:** May-June 2017 **Research:** June-August 2017 **Consultation*:** May 22-July 6 2018 **Drafting final proposal:** July - August 2018 **SC decision:** September 27/28 2018 **Publication:** October 2018 **Implementation:** to be defined *More information will be provided closer to the consultation period on our website. If you are identified as key stakeholders, you will receive an invitation to participate.	**Decision Making Process:** The final decision will be taken by the Standards Committee.
Project Owner (Unit): Ricardo J.R. Guimarães, Head of Pricing Standards & Pricing r.guimaraes@fairtrade.net +49 (0)228 94923 234	**Project Manager (contact point):** Miguel A. Alva Pricing Team m.alva@fairtrade.net +49 (0)228 94923 262
Project Team: - Melanie Dürr (GPM Flowers) - FLOCERT [t.b.d.] - Chris Oluoch (Fairtrade Africa) - Katharina Schwab (Fairtrade Germany)	**Project Environment (stakeholder groups not part of the project team):** - All certified flowers producers; - All certified flowers traders and licensees; - National Fairtrade Organizations