

Project Assignment
Revision of Cost of Sustainable Production for Seed Cotton
(Version 20.06.2024)

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:

The current Fairtrade Minimum Prices (FMP) for seed cotton were last reviewed in 2011. The world market prices for seed cotton have risen during the past years, resulting from a series of environmental and political events, long-term effects of the Covid-19 pandemic and worldwide inflation. Considering these reasons, the Fairtrade Minimum Prices for seed cotton are now due for review.

Thus, Fairtrade International reviewed its Cost of Sustainable Production (COSP) guidance document in 2023 where the methodological approach, data collection procedures and calculation of costs of production for all Fairtrade products were revised. The new COSP template will be reviewed to fit the specific needs of seed cotton production.

The price review will therefore include new cost items referring to standard changes that have incurred in the meantime, such as risen compliance costs with the standards, environmental and Human Rights and Environmental Due Diligence (HREDD) related costs.

Risk assessment:

- Limitations to collect COSP from all seed cotton producing regions
Mitigation plan: Concentrate on regions most relevant for the trade of the last years and certified producers, combine regions where possible
- Lack of expertise and support in the field on cotton
Mitigation plan: Operational work will be supported by NFOs and their field staff, a consultant experienced with cotton production and trading will be hired for supporting the project team

Project Start Event:

Publication of the PA

Project Start Date:

April 2024

Project End Event:

Decision-making by the Fairtrade Standard Committee

Project End Date:

March 2025

Project Goal and Objectives

Goal:

To review the existing seed cotton price model and prices values.

Objectives:

1. Evaluate if the current pricing model is fit for purpose

- With the intention to increase Fairtrade sales, farmers' incomes and commercial partners' willingness to pay.
- To incorporate HREDD and other environmental costs.
- To identify the biggest seed cotton producing regions and future trends
- To assess whether a global, country specific or regional FMP is the best solution
- To identify how to deal with local prices set by governments (e.g. India and Pakistan)
- To review the Fairtrade Premium of Seed cotton: Including the decision between a fixed Fairtrade Premium or percentage and new definition of the Premium value

2. Revision of COSP template

- To define Fairtrade standard compliance cost items and include them in the COSP template. This work involves the identification and inclusion of HREDD and other environmental costs applicable to seed cotton, following the COSP guidelines and generic COSP template approved by the SC in March 2023.

3. Collect COSP data

- Based on the established pricing model and COSP template, COSP data will be collected from seed cotton producers in the identified regions of importance
- Producer networks will be trained to collect the COSP data
- Producer networks will host workshops to collect the COSP data

4. Update the model (if necessary) and the values

- Based on the proposed Pricing model and COSP data, proposals for the FMP and FP will be calculated.
- The proposal will be discussed with the project team and undergo a consultation process
- The final proposal will be presented to the Standards Committee for decision.

NEW: Connection with Theory of Change (ToC):

This project relates to the first goal of Fairtrade International, which is to constantly pursue ways to make trade fairer. Specifically this project supports this through providing a Fairtrade Minimum Price as a safety net that covers the cost of sustainable production of producers, in line with compliance costs with the Fairtrade standards and establishment of a Fairtrade Premium.

Project scope:

- Adaptation of the generic COSP template for seed cotton
- Review of the seed cotton price model and definition by origin (country or region)
- Price review for seed cotton for Asia and Africa

Out of scope:

- Price review for cotton lint
- COSP data collection for seed cotton from Central and South America (currently no producers certified)
- Setting a LIRP for seed cotton
- Price review for Hired Labour

<p>Project timelines and information on opportunities to contribute:</p> <ul style="list-style-type: none"> - April 2024: Project Management, budgeting - May - June 2024: Kick-off meeting, Agreement on a Memorandum of Understanding and signature, Hiring a consultant - July - August 2024: Review of seed cotton price model and adaptation of COSP template, Plan COSP data collection with PNs, provide training - September 2024: COSP data collection and field workshops - October - November 2024: Data cleaning and analysis, COSP validation - December 2024: Draft of price proposal and preparation of consultation - January 2025: Consultation period* - February 2025: Evaluate results and draft of final proposal - March 2025: Decision of Standards Committee - April 2025: Publication <p>* 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.</p>	<p>Decision making process:</p> <p>The proposed FMP for seed cotton will undergo a consultation process. The final decision on the proposal will be taken by the Standards Committee.</p>
<p>Project Owner (Unit):</p> <p>Ricardo Guimaraes, Head of Pricing r.guimaraes@fairtrade.net</p>	<p>Project Manager (contact point for the project):</p> <p>Mona Wolf, Project Manager Pricing m.wolf@fairtrade.net</p>
<p>Project Team (Unit):</p> <p>NFOs Fairtrade Foundation – Subindu Garkhel, Max Havelaar France – Blaise Desbordes, Laurie Roubas, Sophie Maillard Fairtrade Germany – Nina Winkler</p> <p>PNs FTA – Michael Kitetu, Jonathan Lanidune, Kone Siaka NAPP – Abishek Jani, Manoj Kumar, Amit Das, Subhra Tudu</p>	<p>Project Environment (Stakeholder groups not part of the project team):</p> <p>Tytti Nahi Juan Pablo Solis</p>