

Project Assignment

Revision of Cost of Sustainable Production for Coffee

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:

In the first quarter of 2023, Fairtrade International reviewed its Cost of Sustainable Production (COSP) guidance document where the methodological approach, data collection procedures and calculation of costs of production for all Fairtrade products were revised. In the new COSP guidance document, areas with costs incurred related to the Fairtrade Standards, such as compliance costs, environmental costs, Living Income indicators and implementation phase of Human Rights and Environmental Due Diligence (HREDD) were also identified.

In this project, the coffee COSP template will be revised with the objective to capture new elements mentioned above as part of costs of sustainable production (COSP) calculations for Fairtrade coffee. In addition, the project aims to define a method translating the compliance costs of coffee production into a tangible and measurable way thereby allowing meaningful data collection in the field.

In addition, to streamline COSP collection for the purpose of updating/calculating Fairtrade Living Income Reference Price (FLIRP) as part of regular data collection, the cost items for FLIRP will be integrated in the existing COSP template. The revised coffee COSP template and methodology will be used in the future coffee COSP collection, following the agreed COSP collection cycle and procedure.

As a next step following the recent revision of Fairtrade Coffee prices and to monitor the evolution of the costs for Fairtrade coffee producers, the project aims to reach an internal agreement in regard to the cycle of COSP data collection and regular price review cycle. The deliverables of this assignment will set the basis for calculating Fairtrade prices for coffee and work plan for the following years.

Risk assessment:

- Limitations to include/capture all HREDD and compliance related elements into the revised COSP template and calculation framework.
Mitigation plan: The project team will aim to include the most relevant/major cost elements taking into account the realities of Fairtrade coffee producers and will actively engage with the HREDD Centre of excellence.
- Limitations to include all Living Income cost elements for the types of coffee in the countries where FLIRP currently exists.
Mitigation plan: With intention to include generic Living Income cost items, where possible.
- Expectation that a COSP collection will always trigger a Fairtrade Minimum Price review.
Mitigation plan: Communicate the outcome of the agreed planning for COSP collection and Price review cycle with relevant stakeholders.

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| <p>Project Start Event: Draft Project assignment for comment</p> | <p>Project Start Date: July 2023</p> |
| <p>Project End Event: Final Coffee COSP template and its report shared with relevant Fairtrade coffee stakeholders, the Director of Standards & Pricing and the Standards Committee.</p> | <p>Project End Date: January 2024</p> |
| <p>Project Goal and Objectives</p> <p>Goal:</p> <p>To strengthen and improve the existing COSP template with its calculation methodology; setting a procedure for recurring COSP collection and price review cycle for Fairtrade coffee.</p> <p>Objectives:</p> <ul style="list-style-type: none"> • Revise existing Coffee COSP template to align with the new COSP guidance document and to capture compliance costs, especially in the area of HREDD and environmental/deforestation regulations, etc. • Integrate cost items related to FLIRP in the existing COSP template. • Validate sampling strategy and calculation methodology to capture the actual costs incurred at both organizational and farmer level as well as export costs. • Test run the revised COSP template with a small group of producers in selected regions. • Develop a guidance document and training materials for future COSP collection. • Set a procedure and recurring cycle for COSP data collection, coffee price review and frequency of updating FLIRP in countries where applicable. <p>NEW: Connection with Theory of Change (ToC):</p> <p>This project relates to the first goal of Fairtrade International, which is to make Trade Fair, and that is by providing the tools to enable Fairtrade Minimum Price and Premium payment compliance. This is specifically, the intervention related to standards & certification for supply chain business.</p> | |
| <p>Project scope:</p> <ul style="list-style-type: none"> - Worldwide for all types of coffee available in Fairtrade system - Cost of sustainable production (COSP) template, calculation framework and sampling strategy - Integration of FLIRP cost elements | <p>Out of scope:</p> <ul style="list-style-type: none"> - COSP data collection - Updating coffee prices and FLIRP - Review of FLIRP concept, country model and its calculations as well as applicability |
| <p>Project timelines and information on opportunities to contribute:</p> <ul style="list-style-type: none"> - July-August 2023: Hiring consultant - August 2023: Finalization of project assignment - August-September 2023: Revise coffee COSP template - September 2023: Planning procedures and pilot testing | <p>Decision making process:</p> <p>The results of this project will be shared and endorsed by the Standards Committee.</p> |

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| <ul style="list-style-type: none"> - October 2023: Dialog on coming timelines for COSP data collection and price review cycle - November 2023: Rollout pilot testing in selected key origins - December 2023 – January 2024 : Finalization of new Coffee COSP template <ul style="list-style-type: none"> * 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>Project Owner (Unit):</p> <p>Ricardo Guimaraes, Head of Pricing</p> | <p>Project Manager (contact point for the project):</p> <p>Tatiana Casagua, Project Manager Pricing t.casagua@fairtrade.net</p> <p>Yun-Chu Chiu, Senior Project Manager Pricing y.chiu@fairtrade.net</p> |
| <p>Project Team (Unit):</p> <ul style="list-style-type: none"> - GPM Coffee – Monika Firl, Alexandra Urban - Red Café/CLAC – Maria Trinidad, João Mattos, Luis Martínez, Paulo Ferreira Junior - FTA – Getahun Gebrekidan, Faith Muthoni, Michael Kitetu - NAPP – Hagung Hendrawan | <p>Project Environment (Stakeholder groups not part of the project team):</p> <ul style="list-style-type: none"> - <u>HREDD Centre of Excellence</u>: Tytti Nahi - <u>GPM Living Income</u>: Carla Veldhuyzen |