

## Project Assignment Coffee Price Review

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 Prices for coffee were established in 2011. The world market prices for coffee have fallen and surged significantly during the past years, resulting from a series of environmental and political events, the global pandemic, and the volatile nature of the coffee market.

As preparation for the Coffee Price review, Pricing unit is working on a project to obtain up-to-date data on the costs of sustainable production (COSP) for Fairtrade coffee, which is in collaboration with Producer Networks: CLAC (Red Café CLAC, and relevant national platforms), the Network of Asia Pacific Producers (NAPP) and Fairtrade Africa (FTA). The outcomes of the COSP study will serve as a basis and key inputs for the Coffee price review.

The rationales to update Fairtrade coffee prices are:

- Increasing production costs (effects of climate change, currency fluctuations, inflation etc.)
- Relations of Fairtrade Minimum Price (FMP), market prices and current cost of production have evolved over time.
- Environmental and political events in coffee producing nations (such as climate volatility in Brazil, national strike in Colombia, etc.) as well as potential impacts of COVID-19 pandemic which disrupted transportation to export hub and shipping logistics etc.
- Ongoing work to establish living income reference prices for coffee.

Considering these reasons, the Fairtrade Prices for coffee are now due for review.

### Risk assessment:

- The timelines do not include buffer time and we might face delays in delivering the project ; the short timeframe might not allow for in-depth research, sufficient engagement during consultation and could compromise on the level of details included in the final Standards Committee (SC) paper.  
Mitigation plan: The SC endorsed the timelines and the possible implications of working in such tight timelines. Pricing unit will work closely with the project team and proactively communicates the timelines and activities planned in this project.
- COVID-19 pandemic might impose restriction on travelling and conduct group activities.  
Mitigation plan: Ensure remote working and online workshops are possible when designing the project.
- The scope of this review is limited to the current price setting, a worldwide price for Arabica and Robusta coffee with differentiation for natural and washed, and it will not explore the possibilities to include other elements, such as social, environmental, compliance costs and living income component. Therefore the solutions might not be able to address the diversity of cost structure, qualities and market interests in each region.  
Mitigation plan: Share project assignment with relevant stakeholders for comment and make sure the sign off process is complete. The roadmap of Coffee workplan for next coming years should be shared and re agreed by relevant stakeholders.

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| <p><b>Project Start Event:</b><br/>Kick off meeting</p>   | <p><b>Project Start Date:</b><br/>October 2022</p>  |
| <p><b>Project End Event:</b><br/>Announcement of the new Fairtrade Price values for coffee.</p>   | <p><b>Project End Date:</b><br/>April 2023</p>  |
| <p><b>Project Goal and Objectives</b></p> <p><b>Goal:</b></p> <p>Update the Fairtrade Minimum Price (FMP), the Fairtrade Premium (FP) and the Organic Differential for coffee, with the objective to alleviate the risks on a sustainable business for SPOs and farmers.</p> <p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• Based on the findings of the COSP study, carry out a small scale global coffee cost of production assessment, considering different coffee varieties and processes relevant for Fairtrade coffee.</li> <li>• Consult all coffee stakeholders and receive their feedback.</li> <li>• Understand the impact of current Fairtrade prices to SPOs and farmers in comparison to the recent market development.</li> <li>• Develop price proposals, which benefit a majority of Fairtrade Coffee producers globally while providing a meaningful safety net for times of decreasing market prices.</li> <li>• Address high market prices, currency fluctuations and inflations.</li> <li>• Make organic production more financially viable.</li> </ul> <p><b>NEW: Connection with Theory of Change (ToC):</b><br/>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 &amp; certification for supply chain business.</p> |   |
| <p><b>Project scope:</b></p> <ul style="list-style-type: none"> <li>• Set worldwide prices at FOB level</li> <li>• Primary form (green beans)</li> <li>• Arabica and Robusta coffee for both conventional and organic coffee</li> <li>• Washed and natural processes</li> <li>• Fairtrade Minimum prices, Fairtrade Premium, Organic differential</li> </ul>  | <p><b>Out of scope:</b></p> <ul style="list-style-type: none"> <li>• Incorporate living income components in the price proposals</li> <li>• Incorporate additional cost types which are beyond the elements collected during COSP 2017 project</li> <li>• Set or review FT prices at different price level (i.e. EXW or country/ regional prices)</li> <li>• Review rules/ values for FOB deductions</li> <li>• Other coffee varieties, any secondary products and their derivatives</li> </ul> |

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| <p><b>Project timelines and information on opportunities to contribute:</b></p> <ul style="list-style-type: none"> <li>• 9<sup>th</sup> Nov 2022: Confirmation final global COSP report</li> <li>• End Nov 2022: Discussion on price proposals</li> <li>• End Nov 2022: Draft consultation document</li> <li>• Beginning Dec 2022: Preparation to launch public consultation</li> <li>• 10<sup>th</sup> Dec 2022 – 5<sup>th</sup> Feb 2023: Global public consultation</li> <li>• Feb 2023: Analyse consultation results</li> <li>• Feb - Mar 2023: Define decision points for SC approval</li> <li>• Mar 2023: Draft SC paper</li> <li>• April 2023: Decision making by SC</li> <li>• April/May 2023: Communication and publication of revised Fairtrade prices for coffee</li> </ul> <p><b>* More information will be provided closer to the consultation period on our <a href="#">website</a>. If you are identified as key stakeholders, you will receive an invitation to participate.</b></p> | <p><b>Decision making process:</b></p> <p>The SC will decide on the new prices for Fairtrade Coffee.</p>  |
| <p><b>Project Owner (Unit):</b><br/>Ricardo Guimaraes, Head of Pricing</p>   | <p><b>Project Manager (contact point for the project):</b><br/>Yun-Chu Chiu, Senior Project Manager Pricing<br/><a href="mailto:y.chiu@fairtrade.net">y.chiu@fairtrade.net</a></p> <p>Tatiana Casagua, Project Manager Pricing<br/><a href="mailto:t.casagua@fairtrade.net">t.casagua@fairtrade.net</a></p> |
| <p><b>Project Team (Unit):</b></p> <ul style="list-style-type: none"> <li>• GPM Coffee – Monika Firl,</li> <li>• Red Café/CLAC – Maria Trinidad, João Mattos, Luis Martínez</li> <li>• FTA – Getahun Gebrekidan, Faith Muthoni, Michael Kitetu</li> <li>• NAPP – Iresha Sanjeevanie, Hagung Hendrawan</li> <li>• Fairtrade Germany, Anna Kaiser</li> <li>• Fairtrade Canada, Julie Francoeur</li> <li>• Fairtrade Foundation, Eleonor Deans</li> </ul>   | <p><b>Project Environment (Stakeholder groups not part of the project team):</b></p> <ul style="list-style-type: none"> <li>• Standards Unit</li> <li>• GPM Living Income: Carla Veldhuyzen, Aaron Petri</li> <li>• FLOCERT</li> <li>• NFOs</li> </ul>  |