

Project Assignment Coffee pricing model dialogue (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).

Rationale for and justification of need for the project:

Following Fairtrade's Strategy 2016-2020, the global coffee plan underlines the importance of having Fairtrade's standards enabling fairness and positive impact. Given this fact, Pricing needs to make sure that a proper pricing scheme for coffee is in place. Therefore, it is proposed to have a dialogue that evaluates the current pricing mechanism, researches and proposes improvements, if available, which better fulfill the overall goal of enabling fairness and positive impact.

Background

In the past years, there has been ongoing work on costs of sustainable production (COSP) as well as an initial assessment of farmers' income. In addition, research and evidence shows that farmers are increasingly facing challenges like climate change, increasing costs of production and living, as well as a volatile market.

The information collected on COSP, still under exploration, exhibits challenges reflected in the difficulties to cover COSP at the current market prices and Fairtrade Minimum Price (FMP), which jeopardizes farmers' profitability. Moreover, the income assessment also showed that some farmers struggle to make ends meet and search for alternative sources of income to make a decent living. This is directly linked with the Fairtrade's strategy seeking to support farmers achieve a living income, enabling farmers and their families to attain a decent standard of living.

Currently, in the minimum price scheme, the price is set at FOB level, and several organizations are commercializing their coffee at different points in the supply chain. This fact has made it necessary for Fairtrade to have a framework for the price deductions to enable a fair price paid to producers. Furthermore, within Fairtrade, there are different and complex supply chains which require attention in order to facilitate a fair trading system; in this sense there is vast experience and learnings from FLOCERT's auditing work which highlights challenges identified in terms of price payment compliance.

In addition, there are topics that have been raised by Fairtrade stakeholders, like the inclusion of lower grade coffees in Fairtrade's scope, which was researched in between 2014- 2015 with no concrete changes or proposal in the pricing scheme.

The pricing unit carried out the last full price review for coffee in 2010, with valid prices since April 2011; and since then there has been no agreement on future price reviews or price review trigger mechanism to guide the work on pricing for coffee.

Proposal

The complex background above requests that Fairtrade assesses the current pricing mechanism in a wide multi stakeholder dialogue, which evaluates the current scheme and discusses any improvements that will render the most beneficial option to Fairtrade farmers.

Risk assessment:

The collection and consideration of feedback from stakeholders is crucial to the success of this project; therefore communication will be managed together with the national Fairtrade organizations and producer networks.

The nature of the project is exploratory, nevertheless any conclusions that will be actionable, such as the implementation of improvements to the pricing mechanism, or a concrete price review plan, must follow consensus amongst the stakeholders.

<p>Project Start Event: Publication of the project assignment</p>	<p>Project Start Date: April 2018</p>
<p>Project End Event: Report on final recommendations and presentation of agreements (webinar or physical meeting)</p>	<p>Project End Date: November 30th, 2018</p>
<p>Project Goal and Objectives:</p> <p>Goal: To evaluate the current FMP setting mechanism for coffee, discuss and evaluate improvement options to be applied in current coffee pricing scheme, which will enable fairness and positive impact to Fairtrade’s coffee trade.</p> <p>Objectives:</p> <ul style="list-style-type: none"> • To evaluate the current Fairtrade coffee pricing scheme, its challenges and opportunities; in order to propose improvements aligned with Fairtrade’s strategic objectives. • To facilitate a dialogue between Fairtrade stakeholders (producer networks, national Fairtrade organizations, producers and commercial partners, FLOCERT and advisors) on suitable improvements to the current Fairtrade coffee pricing scheme. • To agree with Fairtrade stakeholders, on concrete proposals for improvement of the current coffee pricing scheme which will be considered for a future price review. • To agree with Fairtrade stakeholders on a plan for a price review in 2019 or another agreed period. <p>Connection with Theory of Change (ToC): As mentioned earlier in this document, Fairtrade’s strategy clearly states three main goals, which include making trade fair; one key intervention in Fairtrade’s ToC to achieve this is to have Standards which enable fair trading conditions.</p>	
<p>Project scope: The scope of the pricing scheme evaluation will involve all coffee producing regions and destination markets. Worldwide, Arabica and Robusta coffee including organic and conventional.</p> <p>At no point in this project a new Fairtrade Minimum Price or Fairtrade Premium will be established.</p>	
<p>Project timelines and opportunities to contribute:</p> <p>1.Scoping:</p> <p><u>February – March 30th</u> (extended to mid-April 2018) *Meeting 1: Feb. 15th present project/collect feedback – virtual meeting project team *First input compilation done by March 29th, based on results and learnings from meetings held during 2017 *Meeting 2: April 12th -13th, webinars round to present project to internal stakeholders (NFOs, PNs)</p> <p>2.Research & stakeholder meetings:</p> <p><u>April 3rd – June 30th:</u> *Bilateral meetings to follow up on meetings held during 2017 (SCA Seattle) *Meeting 3: June 18th-19th with Global coffee team *Meeting 4: June 20th at SCA Amsterdam (Fairtrade Coffee Forum) *Presentation of advances to Standards Committee and request guidance: June 25th – 26th *Second input compilation done by June 29th</p>	

July 2nd – Sept. 14th:

***Meeting 5:** July/August – physical meetings or webinars to present advances on findings and initial recommendations to PNs, NFOs, and project team

*Third input compilation done by August 31st

***Meeting 6:** September 12th (tbc) - present recommendations – virtual meeting project team

3. Drafting proposals and price review future plan:

Sept 17th – Nov. 16th:

*1st draft and discussion with project team by: first week October.

***Meeting 7:** October 15th-19th, webinars to present learnings and proposals to internal stakeholders (NFOs, PNs)

*2nd draft and discussion with project team by: November 16th

4. Presentation and agreement reached with project team:

*Final documentation and meeting with project team by November 30th

Note: In addition to the meetings indicated above, further meetings maybe agreed to support the communication, information compilation, and follow up with specific stakeholders. These shall be agreed between the project manager and contact people in the respective NFOs and PNs.

Project Owner (Unit):

Ricardo Guimaraes, r.guimaraes@fairtrade.net

Project Manager (contact point for the project):

Alina Amador, a.amador@fairtrade.net

Project Team (Unit):

Fairtrade International

- Pricing unit: Alina Amador, Ester Freixa-Serra
- GPM Coffee: Rene Capote

Producer networks

- CLAC: Joao Mattos/Nicolas Leger/Maria Trinidad
- FTA: Chrispinus Oluoch (tbc)
- NAPP: Sureel Singh/Hagung Hendrawan

National Fairtrade organizations

- FT Germany: Anna Kaiser/Nina Winkler
- FTF UK: Anna Pierides
- MHNL: Jos Harmsen
- FT Australia & NZ: Will Valverde
- FT America/Canada: Elsebeth Nordlund/Sofia Molina

FLOCERT

- Debora Rosado (tbc)

Project Environment

(stakeholder groups not part of the project team):

Fairtrade partners and coffee experts
Global coffee team
NFOs
PNs
Pricing & Standards
Monitoring, Evaluation and Learning unit
Senior Advisors en Fairtrade International