



EXPLANATORY DOCUMENT FOR THE CHANGES IN THE FRUITS AND VEGETABLES PRICING METHODOLOGY

1. Purpose and background

On 17 September 2014, the Standards Committee approved changes in the pricing methodology for Fresh, Prepared and Preserved Fruits and Vegetables. The purpose of the new methodology is to accelerate the response to price requests for new products or new origins for a product with Fairtrade market opportunities. In addition, to avoid having outdated Minimum Prices that may hinder the development of the Fairtrade market.

As a result, the Pricing model for Fruits and Vegetables, Fresh and Prepared and Preserved, is improved by using two pricing options as follows:

Criteria A: For products yielding an annual aggregate Premium income below 100,000 USD and fewer than five certified producer organizations in the overall Fairtrade system, the Pricing team will apply a scheme that follows a Fairtrade Premium (FP) only model (FP calculated as a 15% of the negotiated price EXW)

And **Criteria B:** For products yielding an annual Premium above 100,000 USD and with at least five certified producer organizations in the overall Fairtrade system, the Pricing team will allocate resources in Price and Premium setting and assure regular reviews.

2. How would the new methodology work?

A list of products is selected according to the criteria mentioned above, meaning according to the annual aggregate FP and the number of producer organizations. The list of products will be revised in five years intervals (next revision September 2019), however an interim review may take place in case needed. As of September 2014, the list includes:

- Wine grapes
- Table grapes
- Oranges
- Orange juice
- Pineapple
- Mango

The price requests will be managed according to the criteria and process indicated in the following table:

Criteria	Products	Status of Product	Assesment	Pricing outcomes	Consultation process	Expected results
A. For products yielding an annual aggregate Premium income below 100,000 USD and fewer than five certified producer organizations	All Fruits & Vegetables, except: wine grapes, table grapes, oranges, orange juice, pineapple, mango	New Products, to be included in the price table	Quick entrance procedure applies	Fairtrade Premium (FP) only model	Involved stakeholders accept or not the proposed value for the calculation of the FP	The product enters the price table with a FP only model, calculated as a 15% of the negotiated price EXW
		Existing Products in price table	If the existing prices are not suitable, and a request to revise the FMP (and FP) is submitted	Pricing offers the option to suspend the current FMP and apply a FP only model (FP calculated as 15% of the negotiated price EXW)	Involved stakeholders accept or not the proposal to suspend the current FMP	<input type="checkbox"/> All certified operators agree, or <input type="checkbox"/> Certified operators partly agree on the change; the FMP then remains active for those countries where the certified operators agree to keep the FMP at current levels without updating. For the rest of the countries, the FP only model (FP calculated as a 15% of the negotiated price EXW) will be applied; or, <input type="checkbox"/> Certified operators partly agree on the change, and even partly agree within the same country. In this case the majority's decision will prevail. If agreed, the FMP is maintained, aware of the fact that the FMP will not be updated. For the other origins the FP only model (FP calculated as a 15% of the negotiated price EXW) will be applied.
B. For products yielding an annual aggregate Premium above 100,000 USD and with at least five certified producer organizations	<ul style="list-style-type: none"> • Wine grapes • Table grapes • Oranges • Orange juice • Pineapple • Mango 	Existing Products in price table	All products have regular reviews	FMP and FP	Regular consultation process to all stakeholders	New revised FMP and FP

In all cases consultations will take place with the respective stakeholders, and the changes will be reflected in the price table available online under: <http://www.fairtrade.net/price-and-premium-info.html>

If there is sufficient justification to fix a FMP, meaning that even though criteria A are met and no FMP scheme is suggested, exceptions may apply. Exceptions will be considered in the following cases:

- a) Producers are disadvantaged by their negotiation position with their buyers; or
- b) There is evidence that Costs of Sustainable Production (COSP) are not met by the prices received.

The revised procedure included in the Standard Operating Procedure - Development of Fairtrade Minimum Prices and Premiums will replace the previous version and is valid as of date of approval. It is available in English on the website under:

http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2015-01-27_SOP_Development_of_Fairtrade_Minimum_Prices_and_Premiums.pdf

Please direct all questions to the Standards & Pricing team at: standards-pricing@fairtrade.net