Guidance for Certificate Holders in price-regulated markets for payment of the cocoa Fair Trade Minimum Price

Fair Trade USA
Version 1.0.0

A. Introduction

In all cocoa-producing countries where the government does not regulate prices, Certificate Holders are required to receive the market (ICE or LIFFE) export price (FOB) or the Fair Trade Minimum Price, whichever is higher. In Ghana and Côte d’Ivoire, where the government regulates prices, the relevant market price is the government price references, defined by the Conseil du Café-Cacao in Côte d’Ivoire and the Cocoa Marketing Company in Ghana at the beginning of the season twice a year.

B. Purpose

The purpose of this document is to define what Certificate Holders in price regulated markets, including Ghana and Côte d’Ivoire, need to do to comply with Objective 5.2.2. and Objective 5.2.3 of the Agricultural Production Standard in relation to payment of the Fair Trade Minimum Price.

It is intended to ensure that the prices received by Certificate Holders and individual farmers are in compliance with pricing requirements, to ensure transparency of payments and support maximization of income for individual farmers.

C. Scope

This document is applicable to Certificate Holders located in Ghana or Côte d’Ivoire certified against Fair Trade USA’s Agricultural Production Standard, representing a small producer organization / cooperative selling Fair Trade Certified™ cocoa.

D. Terms and Definitions

**Fair Trade Adjustment** – The Fair Trade Adjustment is equal to the difference between the required Fair Trade Minimum Price and the initial price paid. It is only applicable when the Fair Trade Minimum Price is above the relevant market price.

**Fair Trade Minimum Price (FTMP)** – The minimum price that must be paid by buyers to producers for a Fair Trade Certified product, not including any additional Fair Trade Premium. Where applicable, the Fair Trade Minimum Price represents a formal safety net that protects the producers when the market price is below the Fair Trade Minimum Price. The price paid to a producer cannot be less than the Fair Trade Minimum Price or the relevant market price, whichever is higher.
E. Related Documents

- Fair Trade USA Trade Standard
- Fair Trade USA Agricultural Production Standard (APS)

1. Value of the Fair Trade Adjustment

1.1. In the case of Ghana and Côte d’Ivoire, the Fair Trade Adjustment is equal to the difference between the government price and the FTMP. Certificate Holders will initially receive the defined government price and later a second payment of the Fair Trade Adjustment from their buyers.

1.2. The price differential and required Fair Trade Adjustment, if any, will be calculated based on the FOB reference price (Valeur FOB Garanti in Le Bareme) and converted to USD at a determined exchange rate from EUR to USD (exchange rates from CFA to EUR are fixed). As the prices and exchanged rates are fixed, the Fair Trade Adjustment owed will be defined for each delivery period. The reference exchange rate EUR to USD and required Fair Trade Adjustment will be provided twice a year at the beginning of the harvest seasons by Fair Trade USA.

2. Payment of the Fair Trade Adjustment to farmers

2.1. The Certificate Holder must pass 100 percent of the Fair Trade Adjustment payment to its members. The Certificate Holder may not withhold any of the Fair Trade Adjustment.

2.2. The Certificate Holder may determine if only members who delivered the Fair Trade USA sales volumes should receive the Fair Trade Adjustment or if the total value of the Fair Trade Adjustment received should be shared equally across all members.

2.3. The distribution process and method for calculation of the Fair Trade Adjustment to be received by each member must be clearly recorded in a written contract and communicated to all farms in a language that farmers understand (see 5.2.2.a of the APS).

3. Tracking of the payment of the Fair Trade Adjustment

3.1. To demonstrate compliance with 5.2.3.a of the APS, the Certificate Holder must have an accounting system in place that accurately and transparently tracks and identifies the payments of the Fair Trade Adjustment. This should include the Fair Trade Adjustment payments received by the Certificate Holder and the Fair Trade Adjustment payments made by the Certificate Holder to each member of their organization.