

Fair Trade USA
Chilean Table Grape Minimum Price and Premium Review
November 2017

Fair Trade USA regularly reviews price and premium rates, as part of our standard-setting procedure, and when we identify externalities that we believe will affect our producer and industry partners. Fair Trade USA is currently reviewing price and premium rates as they apply to Chilean table grapes in order to solicit feedback from industry partners and ensure that we are best positioned to optimize impact and simplify operational implementation as we expand our table grape certification program.

Table Grape Program - Background

Since the first Fair Trade Certified table grapes were sold in 2009, over \$2 million in Fair Trade Premium has been earned by table grape workers from certified producers for investment in their communities. The majority of this premium is going to table grape farmworkers in Mexico. Table grape workers face significant challenges and given these premium resources, they are making sophisticated decisions and designing solutions that address their greatest needs. The Fair Trade Minimum Price for grapes from Chile has never come into play as grape prices have remained well above the Minimum Price level since 2009.

Current Premium and Minimum Price Review

The current Chilean conventional table grape premium rate established by Fair Trade USA in 2009 is \$0.17 per kilogram (\$0.077 per pound) with a Fair Trade minimum price of \$0.88 EXW per kilogram (\$0.40 EXW per pound) and \$1.10 FOB per kilogram (\$0.50 FOB per pound) and this is published [here](#). The current Chilean organic table grape premium rate established by Fair Trade USA in 2009 is \$0.17 per kilogram (\$0.077 per pound) with a Fair Trade minimum price of \$1.01 EXW per kilogram (\$0.459 EXW per pound) and \$1.27 FOB per kilogram (\$0.577 FOB per pound) and this is published [here](#).

We have learned that the Fair Trade premium for Chilean table grapes is too high to function in the marketplace reflecting very low sales of Fair Trade table grapes from Chile in the USA. Additionally, partners shared with us that it is impossible to import organic Chilean table grapes to the USA due to USDA fumigation requirements. Partner feedback also showed that varying premium prices across countries can make it difficult to establish a Fair Trade table grape program with consistent pricing for their customers, limiting growth and potential impact of the program. A review of this premium rate has been initiated in order to set a single premium covering South America, while achieving the following objectives:

- 1) **Maximize Impact** – In establishing premium rates, it is the goal of Fair Trade USA to identify the per-lb rate that will be viable in the market in order to maximize the total premium that growers and workers are able to earn. If we maintain the current premium, we have identified potential limitations to achieving these objectives based on the following factors:
 - a. *Current premium rates may prohibit increased sales for Fair Trade Chilean table grape growers* – There is concern that the premium for Chilean table grapes was set too high for the market, thereby preventing category growth. As a result, workers on Fair Trade grape farms receive less premium because volume growth is limited.

- 2) **Simplify Implementation** – Fair Trade USA seeks to establish premium rates that are easy for industry partners to implement and that allow for transparency of premium throughout the supply chain. If we maintain the current premium, we have identified potential limitations to achieving these objectives based on the following factors:
 - a. *Geographic price* – Varying premium prices across countries can make it difficult for current and future vendors who source from multiple countries to establish a Fair Trade table grape program with consistent pricing for their customers. We are concerned that this could limit growth of the

certification program and impact for farm workers. Additionally, we have found that commercial prices for table grapes in South America are similar.

We have also learned that the Fair Trade Minimum Price for Chilean table grapes has never come into play, as the market price for table grapes from Chile is consistently double to triple the Minimum Price. We also found commercial prices for table grapes across South America to be similar. Partner feedback has shown that varying prices across countries is difficult to explain, track, and understand. Differing price rules across the region could make it difficult to establish a Fair Trade table grape program with consistent pricing for their customers, limiting growth and potential impact of the program. A review of the Minimum Price has been initiated in order to set consistent rules across South America, while also achieving our objectives of maximizing impact and simplifying implementation. Our research so far shows that the Minimum Price for Chilean table grapes has not contribute to the impact of the Fair Trade program, which has been primarily derived from Premium and working conditions for workers on grape farms, while differing pricing rules creates confusion for vendors who source from multiple countries.

Chilean Grape Premium and Minimum Price Proposal

In order to achieve our objectives of maximizing impact and simplifying implementation, Fair Trade USA proposes to introduce a new South American table grape premium that encompasses a larger geographic region and takes into account more recent market prices. We also propose eliminating the Chile specific Minimum Price, such that all grapes from the region will have the same requirements for both Price and Premium, to simplify communication and implementation. The proposed rates below were established with consideration of commercial prices for table grapes from South America.

Product	Quality	Region	Fair Trade Premium	Fair Trade Minimum Price
Table Grape	Organic & Conventional	South America	USD \$0.05/ lb	N/A

Consultation

To participate in the consultation, please send your comments or questions to the Standards team at standards@fairtradeusa.org. Please include Table Grape Premium and Price review in the subject line.

- 1. What are your thoughts on this approach? From your perspective, does it achieve the objectives of optimizing impact and simplifying implementation?**
- 2. Do you foresee any challenges with the proposed premium methodology?**
- 3. Do you have any concerns with the proposal to eliminate the country specific Minimum Price for grapes from Chile?**
- 4. Please provide any additional feedback you would like to share.**