Fair Trade USA
South America Apple Minimum Price and Premium Review
September 2019

Fair Trade USA regularly reviews Fair Trade Minimum 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 the Fair Trade Minimum Price and Premium rates as they apply to apples from South America 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 apple certification program.

Apple Program in South America - Background
There is limited background of Apples sold as Fair Trade. In 2016 and 2017 there were sales of apples during one quarter per year, but the program discontinued after just two years.

Current Premium and Minimum Price Review
The current premium rate for Organic Apples from Argentina, adopted in 2015 is $0.036 per pound (EXW) with a Fair Trade Minimum Price of $0.263 per pound (EXW); $0.036 per pound (FOB) with a Fair Trade Minimum Price of $0.286 per pound (FOB), which is published here. There aren’t any set premium rates in place for Conventional apples, nor apples from other countries in South America.

A review of this Premium rate has been initiated in order to set a single Premium for apples in all of 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 are not in use for Fair Trade Certified Apple growers in Latin America – There is concern that the Premium for apples from South America is set too high, thereby preventing category growth. As a result, there aren’t Fair Trade CertifiedTM Apple growers in the program.

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 rates across countries can make it difficult for current and future vendors who source from multiple countries to establish a Fair Trade Apple program with consistent pricing for their customers. We are concerned that this could limit growth of the certification program and impact of the program for farm workers by creating competition in the market between apples from different regions. 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 Apple program with consistent pricing for their retailers, 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 shows that the Minimum Price for apples from South America has not contributed to the impact of the Fair Trade program, as apples are priced well above the minimum price.
Apples from South America Premium and Minimum Price Proposal

In order to achieve our objectives of maximizing impact and simplifying implementation, Fair Trade USA proposes to introduce a combined South America Premium for Apples. This rate takes into account more recent market prices, which are comparable across countries in South America. We also propose eliminating the Fair Trade Minimum Price, such that apples 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 apples from across all of South America.

<table>
<thead>
<tr>
<th>Product</th>
<th>Quality</th>
<th>Region</th>
<th>Fair Trade Premium</th>
<th>Fair Trade Minimum Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apples</td>
<td>Organic</td>
<td>South America</td>
<td>USD $0.025/lb</td>
<td>N/A</td>
</tr>
<tr>
<td>Apples</td>
<td>Conventional</td>
<td>South America</td>
<td>USD $0.025/lb</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Consultation

To participate in the consultation, please send your comments or questions to the Standards team at standards@fairtradeusa.org. Please include Apple Premium and Price review in the subject line. The consultation period will end October 30th, 2019.

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 rate?

3. Do you have any concerns with adopting the Premium rate across all of South America and/or grouping the Premium in this way?

4. Do you have any concerns with the proposal to eliminate the country specific Minimum Price for South American Apples?

5. Please provide any additional feedback you would like to share.