

Fair Trade USA
Chilean Table Grape Minimum Price and Premium Review
Summary of Consultation
December 2017

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.

Premium Review – Summary and Objectives

The previous Chilean conventional table grape premium rate established by Fair Trade USA in 2009 was \$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 was \$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 had learned that the Fair Trade premium for Chilean table grapes was 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 was 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 completed 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 was completed 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 contributed 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.

Consultation

Fair Trade USA published notice of this premium review on our website and invited public commentary from November 15, 2017 to December 15, 2017. Additionally, Fair Trade USA collected price data from current and prospective Fair Trade partners in the Americas to better understand market realities and solicited feedback from them on the proposed premium change. Stakeholders feedback was limited but supported the proposed update.

Results

In order to achieve our objectives of maximizing impact and simplifying implementation, and in light of this feedback, Fair Trade USA introduces a new South American table grape premium that encompasses a larger geographic region and takes into account more recent market prices. We also are 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 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

Implementation

The effective date for all new contracts will be on December 18th, 2017. Contracts already in effect between producers and buyers should be fulfilled as previously negotiated with previous premium rates.