Fair Trade USA
South America Mango Minimum Price and Premium Review
August 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 mangos 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 mango certification program.

**Mango Program in South America - Background**

Though our first Fair Trade Premium for South American Mangos was set in 2009, the large majority of Fair Trade Premium earned in Latin America has been earned by mango farmworkers in Mexico during the last two years. There is opportunity to increase the volume of Fair Trade produce in the US Market through different varieties of mangos grown in South America and the existing premium rate serves as a barrier to growth. The Fair Trade Minimum Price for mangos from South America has never come into play as mango prices have remained above the Minimum Price level since 2009.

**Current Premium and Minimum Price Review**

The current Organic South American Mango premium rate, established by Fair Trade USA in 2009 is $0.064 per pound (EXW) with a Fair Trade Minimum Price of $0.32 per pound (EXW) and $0.064 per pound (FOB) with a Fair Trade Minimum Price of $0.36 per pound (FOB), which is published here. The current Conventional South American Mango premium rate established by Fair Trade USA in 2009 is $0.064 per pound (EXW) with a Fair Trade minimum price of $0.36 per pound (EXW) and $0.064 per pound FOB with a Fair Trade Minimum price of $0.41 per pound (FOB), and this is published here.

It has been revealed through stakeholder engagement that the Fair Trade Premium rates for Mango varieties from South America are set at a rate that is hindering program development, reflected by very low sales volumes of Fair Trade Certified™ South American Mangos in the USA. Additionally, partners indicated that with a high shrink rate, traditionally slower sales of a ready to eat ripe product, and a current historically high market price, the Premium is acting as a barrier to sales of Fair Trade Certified Mangoes. Partner feedback also revealed that varying Premium rates across countries can make it difficult to establish a Fair Trade Mango 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 the existing Premium for mangos from Mexico and South America into one Premium rate for Latin 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 prohibit increased sales for Fair Trade Mango growers in Latin America – There is concern that the Premium for mangos from South America was set too high for the market back in 2009, thereby preventing category growth. As a result, it is theorized that workers on Fair Trade Mango farms receive less Premium because volume growth of sales on Fair Trade terms 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 rates across countries can make it difficult for current and future vendors who source from multiple countries to establish a Fair Trade Mango 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 mangos from different regions. We have also learned that
the Fair Trade Minimum Price for mangos from South America does not come into play, as the market price for mangos from South America consistently falls above the Minimum Price. 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 Mango 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 mangos from South America has not contributed to the impact of the Fair Trade program, which has been primarily derived from Premium and working conditions for workers on mango farms, while differing pricing rules creates confusion for vendors who source from multiple countries.

Mango 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 Latin American Mango Premium that sees the existing Premium for mango from Mexico applied in South America. This rate takes into account more recent market prices, which are comparable across Latin America, and opens up opportunity for mangos from different regions in Latin America. We also propose eliminating the Fair Trade Minimum Price, such that mangos 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 mangos from across all of Latin 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>Mango</td>
<td>Organic</td>
<td>Latin America</td>
<td>USD $0.03/ lb</td>
<td>N/A</td>
</tr>
<tr>
<td>Mango</td>
<td>Conventional</td>
<td>Latin America</td>
<td>USD $0.02/ 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 Mango Premium and Price review in the subject line. The consultation period will end September 23rd, 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 applied to mango production in Mexico as a Premium rate across all of Latin 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 Mangos?

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