



**Fair Trade USA
South America Pear Minimum Price and Premium Review
Summary of Consultation
December 2019**

Pear Program in South America - Background

There is limited background of Pears sold as Fair Trade. In 2016 and 2017 there were sales of pears 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 Pears from Argentina, adopted in 2015 was \$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 were no set premium rates in place for Conventional pears, nor pears from other countries in South America.

A review of this Premium rate took place in order to set a single Premium for pears in all of South America, while achieving the following objectives:

- 1) **Maximize Impact** – In establishing Premium rates, the goal of Fair Trade USA is 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 maintained the current Premium, we identified potential limitations to achieving these objectives based on the following factors:
 - a. *Current Premium rates are not in use for Fair Trade Certified Pear growers in Latin America* – There is concern that the Premium for pears from South America is set too high, thereby preventing category growth. As a result, there weren't Fair Trade Certified™ Pear 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 Pear 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 pears 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 Pear 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 pears from South America has not contributed to the impact of the Fair Trade program, as pears are priced well above the minimum price.

Consultation

Fair Trade USA published notice of this premium review on our website and invited public commentary from October 1-30, 2019. 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 feedback received, Fair Trade USA introduces a combined South America Premium for Pears. This rate takes into account more recent market prices, which are comparable across countries in South America. We also eliminated the Fair Trade Minimum Price, such that pears 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 pears from across all of South America.

Product	Quality	Region	Fair Trade Premium	Fair Trade Minimum Price
Pears	Organic	South America	USD \$0.02/lb	N/A
Pears	Conventional	South America	USD \$0.02/lb	N/A

Implementation

The effective date for all new contracts will be on December 18th, 2019.