



Organic Spaghetti Squash – Mexico: Premium Announcement October 2020

Fair Trade USA® regularly reviews Premium rates as part of our standard Premium-setting procedure, and when we identify externalities that we believe will affect our producer and industry partners. Fair Trade USA reviewed the Premium rate as it applies to organic spaghetti squash from Mexico, 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 squash program.

Fair Trade USA Squash Program Overview

Fair Trade USA launched the squash program in 2013, beginning with nine varieties of organic squash from Mexico. The program has since expanded into additional varieties and conventional production. Since the squash program began, sales of Fair Trade Certified™ product has contributed over \$1.4 million in Premium to thousands of farmworkers which has been spent to meet the needs of the greater community.

Current Premium Review

The former Premium rate for organic spaghetti squash from Mexico was set in 2013 at a rate of \$0.025/lb. The current Premium rate for conventional spaghetti squash is set at \$0.013/lb and was established in 2015. Based on feedback from partners, there had been some indication that the former rate was limiting program growth and adjusting this current rate would potentially open up new opportunities for this program. There had also been some indication that the prices between organic and conventional spaghetti squash in the market were too close to support the extent to which the former Premium rate for organic differed from that of conventional.

This Premium rate was revised with the goal of opening up new opportunities for our current producers, and to encourage and promote new program participants. This review, therefore, proposed a reduction to the current Premium rate as it applies to organic spaghetti squash from Mexico.

A review of this Premium rate was initiated in order to achieve the following objectives:

- 1) **Enable program expansion** – The current Premium rate for organic spaghetti squash is set at \$0.025/lb, which may be high relative to market value for this commodity. If we maintain the current Premium rate, we have identified potential limitations to achieving this objective based on the following factors:
 - a. *Limitation of producers to sell greater proportion of product on Fair Trade terms* – The existing rate for organic spaghetti squash maybe limiting our producers abilities to secure higher volume sales one Fair Trade terms, limiting the amount of Premium that goes back to producers. We believe by adjusting the current rate will position our producers better to obtain more Premium by decreasing the per unit cost and increasing the volume sold on Fair Trade terms.
 - b. *Deterring new Fair Trade squash producers* – The current rate may be deterring new entrants into the Fair Trade program due to Premium rates that maybe be too high relative to price. It is our objective to right-size this Premium rate to encourage new producers into the Fair Trade program, and extend Premium benefits to new squash producers throughout Mexico.
- 2) **Maximize impact** – With Premiums that are relatively high in comparison to the price, the inability to access the market is hindering Premium earnings on organic spaghetti squash. If we maintain the current Premium, we have identified potential limitations to achieving this objective based on the following factors:
 - a. *Inability of producers to sell increased volumes on Fair Trade terms* – If product is not purchased from producers on Fair Trade terms due to a high Premium rate that buyers are not willing to pay for, then producers will not be able to earn Premium on a large portion of eligible product. Premium that is more reflective of the market can acquire additional Premium funds on product that could not previously be sold on Fair Trade terms.



Consultation

Fair Trade USA published notice of this Premium review on our website and invited public commentary from August 25 through September 25th, 2020. Fair Trade USA reached out to several different stakeholders that occupy diverse positions in the supply chain to solicit feedback on the change in Premium. Largely, stakeholders were in support of the proposed change in Premium.

Results

In order to achieve our objectives of enabling program growth and maximizing impact, and in light of feedback received, Fair Trade USA introduces an adjustment Premium rate for organic spaghetti squash from Mexico. This rate is consistent with other varieties of winter squash, organic butternut squash and acorn squash, and is better suited to facilitate program growth. The following rate has been approved and **effective as of 10/12/2020**:

Product	Product characteristic	Quality	Region	Fair Trade Premium
Squash	Spaghetti	Organic	Mexico	\$0.020/lb