



Wild Caught Pacific Salmon – United States: Premium Review March 2021

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 is currently reviewing Premium rates as they apply to five species of wild caught Pacific Salmon from the United States: King, Chum, Coho, Pink, and Sockeye, 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 seafood program.

Wild Caught Pacific Salmon Program – Background

Fair Trade USA launched the wild caught Pacific Salmon Program in 2017, beginning with a group of fishers in Bristol Bay, Alaska. Since the Salmon program in the US began, sales of Fair Trade Certified™ product have contributed over \$7,600 in Premium to 147 fishers. This money has been spent to meet the needs of the greater community.

Current Premium Review

The current Premium review seeks to address two challenges that have been identified with the salmon Premium rates. First, the current Premium rate is the same across all species of Salmon. Data analyzed from the Alaska Department of Fish and Game¹ (Figure 1) suggests that there are vast price differentials between species, which may be acting as a barrier to market entry for those species with lower prices. Second, the current Premiums for salmon are set at the whole fish level which means that as product is processed, the volume of salmon reported must be converted back to the volume of whole fish to ensure the correct amount of Premium is paid.

This review, therefore, adjusts rates according to the different species, and a new method to address yield conversions.

A review of these premium rates has been initiated in order to achieve the following objectives:

- 1) **Adjust Premium to better match species' market value** – There are five species of Pacific salmon certified with Fair Trade USA: King (Chinook), Chum, Coho, Pink, and Sockeye. Currently the Premium rate is the same for all species, despite the drastic price differences (Figure 1).

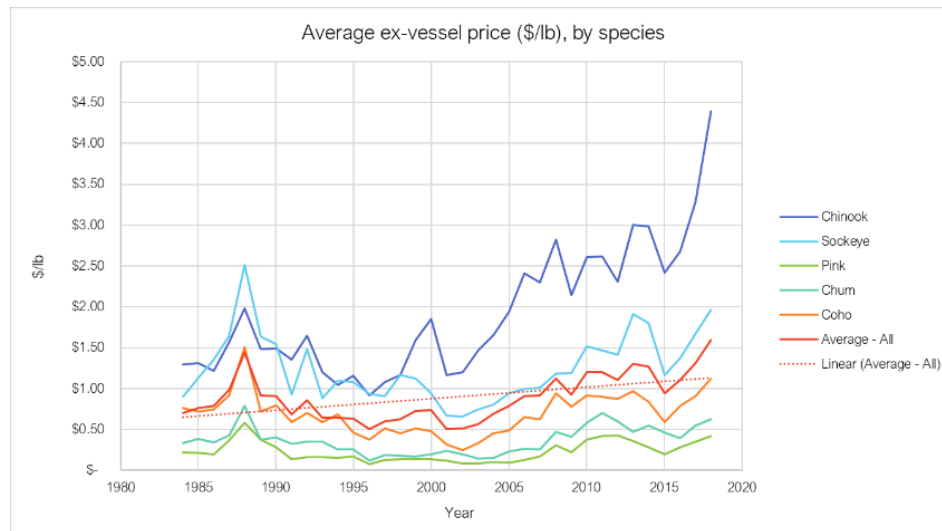


Figure 1. Ex-vessel prices for Pacific Salmon species in Alaska over time¹.

¹ The data used in analysis was obtained from the Alaska Department of Fish and Game website: https://www.adfg.alaska.gov/index.cfm?adfg=commercialbyfisherysalmon.salmoncatch_exvessel



If we maintain the current Premium rates to be the same across all salmon species, we have identified potential limitations to achieving this objective based on the following factor:

- a. *Lower price species may not be able to bear the Premium add-on:* It is the goal of Fair Trade USA to set Premium rates that can maximize the amount of Premium that goes back to producers while being viable in the market. Although there is variance among products, the price differences between these salmon species vary quite a bit and it is clear that the Premium relative to the price is imbalanced and is restricting market access for the lower price species.
- 2) **Simplify implementation** – Fishers are offered Premium for the total volume of whole fish caught that is sold on Fair Trade terms. If we maintain the current Premium rates set at the whole fish level, we have identified potential limitations to achieving this objective based on the following factors:
- a. *Accurate calculation of Premium* – The products that are sold on Fair Trade terms are processed products, and therefore when calculating and tracking Premium, volumes of final product have to be converted back to whole fish. This requires diligent tracking of conversion rates for each form that is sold as Fair Trade Certified™ in order to accurately track that the correct amount of Premium is paid.
- 3) **Maximize Impact** – With Premiums that are relatively high in comparison to the price for some species, the inability to access the market is hindering Premium earnings on these species. Additionally, converting back to whole fish and the ability to track the Premium accordingly can be a risk when it comes to tracking Premium accurately. If we maintain the current Premium, we have identified potential limitations to achieving these objectives based on the following factors:
- a. *Inability of lower value species to enter the market as Fair Trade Certified* – If product is not purchased from fishers on Fair Trade terms due to a high Premium rate that buyers are not willing to pay for, then fishers will not be able to earn Premium on those species. Premium that is more reflective of the market can garner additional Premium funds on product that could not previously be sold on Fair Trade terms.
 - b. *Ensuring the correct amount is paid* – There are more steps required to calculate Premium when using Premiums as converted back to whole fish rather than a flat rate per volume sold, which leads to a higher risk of inaccurate reporting and conveying. This means a higher risk of discrepancies between the amount getting to the producers compared to what they are owed based on what was agreed upon.

Premium Proposal for all species of wild caught Pacific Salmon from the United States

In order to achieve our objectives of simplifying implementation and maximizing impact, Fair Trade USA proposes the following option which accounts for the price differential between species that will no longer require conversion back to the whole fish level.

For each species, there will be two Premium rates: one rate that applies at the whole fish level, and one Premium rate applies to all processed forms reported to be sold on Fair Trade terms. The following rates were established by using conversion rates provided by the Alaska Department of Commerce, Community, and Economic Development² and are adjusted according to the ex-vessel price³ of each species.

Species	Product characteristic	Proposed Premium
King salmon (<i>Oncorhynchus tshawytscha</i>)	Whole	\$0.193/lb
	All processed forms	\$0.351/lb

² Conversion rates used to calculate proposed Premium for Option 1 were obtained from the Alaska Department of Commerce, Community, and Economic Development website:

<https://www.commerce.alaska.gov/web/ded/DEV/FisheriesDevelopment/SeafoodProcessingRecoveryRatesYields.aspx>. Conversion rates vary across processors, however these rates were used in an attempt to standardize rates that could apply universally.

³ Ex-vessel prices obtained for each species were also obtained from the Alaska Department of Fish and Game on their website:

https://www.adfg.alaska.gov/index.cfm?adfg=commercialbyfisherysalmon.salmoncatch_exvessel



Chum salmon (<i>Oncorhynchus keta</i>)	Whole	\$0.032/lb
	All processed forms	\$0.067/lb
Coho salmon (<i>Oncorhynchus kisutch</i>)	Whole	\$0.052/lb
	All processed forms	\$0.108/lb
Pink salmon (<i>Oncorhynchus gorbuscha</i>)	Whole	\$0.019/lb
	All processed forms	\$0.042/lb
Sockeye salmon (<i>Oncorhynchus nerka</i>)	Whole	\$0.098/lb
	All processed forms	\$0.218/lb

Consultation

To participate in the consultation, please send your comments or questions to the Standards team at standards@fairtradeusa.org. Please include *Premium Review Wild-capture Pacific salmon – Alaska, USA* in the subject line.

Feedback will be accepted until March 26th, 2021.

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 have any concerns with the proposal to switch from calculating Premium back to whole fish to this other approach? Why or why not?
3. For each species, do you agree that the rate proposed for the processed product is feasible for all processed forms? Why or why not?
4. Please provide any additional feedback you would like to share.