



**Fair Trade USA  
Cocoa Price and Premium Announcement  
Summary of Consultation  
June 2019**

Fair Trade USA regularly reviews Premium rates, as part of our standard-setting procedure, and when we identify externalities that we believe will affect our producer and industry partners.

**Cocoa Price and Premium Review – Summary and Objectives**

Since the launch of the Fair Trade Certified cocoa program in 2002, over \$24,980,000 in Fair Trade Premium has been earned by cocoa producers for investment in their communities. Cocoa producers must deal with challenging market conditions like low prices that leads to many of them living in poverty, the premium has helped to address their greatest needs.

The previous cocoa Price and Premium rates established by Fair Trade USA in 2011 were as follows:

Product	Product Form	Quality	Region	Incoterm level	Fair Trade Minimum Price	Fair Trade Premium
Cocoa	Beans	Conventional	World-wide	FOB	USD \$2000 / MT	USD \$200 / MT
Cocoa	Beans	Organic	World-wide	FOB	USD \$2300 / MT Organic Differential	USD \$200 / MT
Cocoa	Liquor	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$250 / MT
Cocoa	Butter	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$530 / MT
Cocoa	Powder	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$470 / MT
Cocoa	Butter & Powder	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$250 / MT

Cocoa prices plummeted by more than 30 percent in 2017/18, and cocoa communities in West Africa have been hit hard. In the Ivory Coast, with a current market price of \$2,124 per MT for cocoa beans, cocoa farmers are making less than \$1 per day. And while fair trade is the only certification to require a mandatory minimum price and premium, research found that more than half of certified cocoa farmers in the Ivory Coast were still earning well below a living income.

A review of the above Price and Premium rates has been completed in order to evaluate the impact and effectiveness of an increase in both Fair Trade Minimum Price and Premium rates for cocoa worldwide, with a particular objective to improve farmer livelihoods in West Africa.

**Consultation**

Fair Trade USA conducted a lengthy consultation and evaluation process throughout Q1 and Q2 of 2019 following the announcement of Fairtrade International to increase their cocoa minimum price and premium. Select brands, traders and producers were directly contacted about the proposed changes and to solicit their feedback. The results of this consultation and market research showed such changes were necessary to help farmers cover the costs of sustainable production while investing in the long-term viability of cocoa farming communities.



## Results

To achieve our objectives of maximizing impact and simplifying implementation, and in light of his feedback, Fair Trade USA has increased our Price and Premium rates for cocoa and cocoa products by 20 percent. The updated rates below are established for cocoa purchases worldwide. The goal is to move farmers closer to a living income and reduce the extreme poverty and child labor that is prevalent in West Africa's cocoa fields. Fairtrade International has also announced the same increases in cocoa minimum price and premium.

Product	Product Form	Quality	Region	Incoterm level	Fair Trade Minimum Price	Fair Trade Premium
Cocoa	Beans	Conventional	World-wide	FOB	USD \$2400 / MT	USD \$240 / MT
Cocoa	Beans	Organic	World-wide	FOB	USD \$300 / MT Organic Differential	USD \$240 / MT
Cocoa	Liquor	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$300 / MT
Cocoa	Butter	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$638 / MT
Cocoa	Powder	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$566 / MT
Cocoa	Butter & Powder	Conventional / Organic	World-wide	FOB	See Special Price and Premium Terms	USD \$300 / MT

## Implementation

For price regulated markets (Ghana, Côte d'Ivoire), the new Fairtrade Minimum Price and Premium is to be paid on deliveries as of 1 October 2019.

For non-regulated markets (worldwide except Ghana, Côte d'Ivoire), the new Fair Trade Minimum Price and Premium is to be paid on contracts signed as of 1 October 2019. For contracts signed between thru 30 September 2019 in non-regulated markets, the current Fair Trade Minimum Price and Premium apply where cocoa deliveries are to be made by 31 December 2019. For any deliveries to be completed after 31 December 2019, the new Fairtrade Minimum Price and Premium applies.

The reference for the delivery date:

- Côte d'Ivoire: The reference is the factory entry bill of lading (connaissance entrée usine) when the Fair Trade Cooperative is selling to a Fair Trade Conveyor. And the reference is the shipment bill of lading when the Fair Trade Cooperative is exporting.
- Ghana: The delivery is defined as the date indicated in the producers' pass books of when the cocoa was delivered to the LBC (Licensing buying company).
- The rest of the world: The reference is the applicable delivery documentation following local/regional trading practices when the Fair Trade Cooperative is selling to a Fair Trade Conveyor. And the reference is the shipment bill of lading when the Fair Trade Cooperative is exporting.