



Fair Trade
USA™

**Organic Palm Oil – Colombia
New Palm Kernel Oil Premium for Consultation**

February 2020

Fair Trade USA often solicits feedback from industry experts when setting Premium rates as part of our standard Premium-setting procedure. This is to ensure we can balance our impact objective with market viability of Fair Trade Certified™ products. Fair Trade USA is soliciting feedback on proposed Premium rates as they apply to Organic Palm Oil from Colombia and in order to solicit feedback from industry partners and ensure that we are best positioned to optimize impact and simplify implementation as we expand our Palm Oil certification program

Palm Oil Program - Background

Fair Trade USA launched its Palm Oil program in 2016, with the certification of an exceptionally sustainable palm oil partner in Colombia, the first to receive RSPO Next certification. The purchase of palm products on Fair Trade terms has already resulted in over \$50,000 in Fair Trade Premium (hereafter referred to as *Premium*) that has been allocated to a group of 450 workers for investment in their communities. Palm oil workers face significant challenges and given these Premium resources, they are making sophisticated decisions and designing solutions that address their greatest needs. So far, workers have made plans to make critical investments in housing improvements, disaster relief funds, educational scholarships, and after-school programs.

Current Premium Review

The Colombian Organic Palm Oil Premium rate established by Fair Trade USA in 2016 is for crude palm oil (CPO), which is derived from the flesh of the fruit, at 50 USD per metric ton (available on the Price and Premium Database which can be referenced from our website here: <https://www.fairtradecertified.org/business/standards>). We have learned from partner feedback that the market is currently experiencing demand additionally for palm kernel oil (PKO), which is derived from the palm kernel. The following Premium proposed for PKO from Colombia has been set according to the following objectives:

- 1) **Maximize Impact** - In establishing Premium rates, it is the goal of Fair Trade USA to identify the dollar per metric ton rate that will be viable in the market in order to maximize the total Premium that growers and workers are able to earn. PKO is a lower yield product than CPO and it typically sells at a higher price, therefore we would like to set the Premium for PKO in consideration of this price differential to balance our impact objectives with market viability
 - a. As PKO is a smaller yield of the fruit as a whole and is valued higher, we believe setting the Premium rate at PKO such that the Premium as a percent of market price represents is comparable to the Premium rate as a percentage of the price of CPO will adequately depict what the market can bear and will ensure farmers earn sufficient Premium on the product they produce before processing.

- 2) **Simplify Implementation** - Fair Trade USA seeks to establish Premium rates that are easy for industry partners to implement and that allow for transparency and accuracy of Premium transactions throughout the supply chain. Although CPO and PKO can be further processed, we have decided to set Premium rates at the CPO and PKO level and no further due to the following factors:
 - a. Supply chain complexity - Due to the vast number of processes that palm fruit can be subjected to before its end state, the further the products are processed, the more difficult it is to ensure the accuracy of Premium calculation and traceability as it moves through the supply chain back to producers.



Organic Palm Oil from Colombia: Premium Proposal

In order to achieve our objectives of maximizing impact and simplifying implementation, Fair Trade USA proposes to introduce a new Organic Palm Oil Premium for PKO aligned with the rate for organic CPO from Colombia. Different rates for CPO and PKO were set primarily to reflect the differences in market price. The following rate is proposed by Fair Trade USA for Organic PKO from Colombia:

Product	Product Form	Quality	Region	Incoterm level	Premium Proposal
Palm Oil	Crude Palm Oil (CPO)	Organic	Colombia	EXW/FOB	USD 50/MT
Palm Oil	Palm Kernel Oil (PKO)	Organic	Colombia	EXW/FOB	USD 75/MT

Consultation

To participate in the consultation, please send your comments or questions to the Standards team at standards@fairtradeusa.org. The consultation period will end on **March 21th, 2020**. Please include *Palm Oil Premium Review* in the subject line.

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 methodology?
3. Please provide any additional feedback you would like to share at this time.