



## Fair Trade USA Consultation Findings on Coffee Pricing

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## Introduction

Coffee is a highly variable commodity and marketplace that impacts millions of coffee producers across the globe. These producers face challenges from pricing volatility to climate-driven extreme weather events which affect their production capabilities, capacity, and livelihoods. During the global COVID pandemic, despite higher prices, coffee farmer incomes fell notably due to higher production costs and supply chain disruptions. This has inhibited farmers from taking measures to increase their resilience to climate and economic fluctuations.

The Fair Trade model, used by Fairtrade International, and by Fair Trade USA, establishes a minimum “floor price” for coffee purchased on fair trade terms. The purpose of this minimum price is to protect coffee producers against large decreases in the market price of coffee and comes into effect when that market price goes below the established fair trade price. The fair trade minimum price includes an additional differential for organic, fair trade certified coffee.



## Background

In March 2023, Fairtrade International (FI/FLO), one of the largest ethical certification and labeling systems in the Fair Trade movement, announced that it would be increasing the minimum price and organic differential for fair trade coffee. Fairtrade International conducted a coffee price review and consultation to inform their decision. The decision behind these increases is based on the finding that coffee farmers are struggling to meet their most basic needs amidst global coffee pricing and purchasing volatility, and the rationale that raising the minimum price will directly translate to higher incomes for coffee farmers that will offset their increasing cost of production.


Based on existing research and the performance of the fair trade model over time, Fair Trade USA, the largest 3rd party certifier of Fair Trade products in North America, undertook its own consultation to determine whether it would also increase to the minimum price for coffee sold under its Fair Trade Certified™ label. This consultation process included surveys distributed to producers and industry representatives (roasters, importers, and brands), as well as in-depth interviews with producer organizations and industry stakeholders. The consultation reflected feedback representing 84% of U.S. fair trade coffee volumes.

## Fair Trade USA Stakeholder Consultation

One of the most important questions Fair Trade USA aimed to answer at this critical inflection moment for the fair trade movement was “Is the Fair Trade movement solving coffee producers’ biggest problems?”

The promise of “fair trade” is predicated on Producers’ (Coffee producers in this case) significant investment of time, energy, and financial resources into meeting the certification standards of fair trade. Attaining fair trade certification means that their coffee meets the highest sustainable and ethical production standards, which positions them to command a better price for their coffee. This in turn, leads to investment in social, environmental, and financial improvements for their farms, families, and communities. The role of fair trade organizations and stakeholders is to open markets and link their coffee to buyers (roasters, brands, retailers) who pay those sustainable prices. Those buyers benefit from the assurance that this supply chain certification meets their commitments and requirements for social, environmental, and financial compliance as they aim to

conduct their business ethically and reduce risk while adding value to their products. The question of whether the Fair Trade movement is solving the most pressing problems faced by producers is therefore an important one. And the evidence points to progress, but slow progress. 65% of Producer respondents reported that they only sell 30% of their coffee on fair trade terms.



**According to the most recent Coffee Barometer Report (2020), only forty percent (40%) of coffee produced on Fair Trade terms is actually sold on Fair Trade terms.**

<sup>1</sup> 391 producer organizations and 526 industry members were surveyed on the new price structure and the fair trade coffee model. In-depth interviews were conducted with 13 producer organizations, four importers, and 13 roasters, manufacturers, and brand representatives. The interviewees were selected with the goal of maximizing the representation of the U.S. Fair Trade coffee market.

## Fair Trade USA Consultation Results

Fair Trade USA's consultation aimed to answer that question broadly, while also seeking to understand if the minimum price increase would be a positive driver for increased sales and purchases of Fair Trade coffee.

### Industry Partner Responses

According to the Fair Trade USA survey results, 61% of industry respondents disagree with the prospect of Fair Trade USA following Fair Trade International (FTI/FLO) minimum price and organic premium increase, and 77% believe that sales of fair trade coffee will decline if Fair Trade USA does so. Only 4% believe that their sales would increase as a result of the change.

One industry respondent communicated that those who are committed to the fair trade movement will continue buying fair trade coffees regardless. However, when industry representatives were asked to characterize the responses that they had heard from their stakeholders (producers, importers, etc) regarding the price increase, two-thirds reported hearing concern about the future of fair trade coffee. Respondents noted that an increase in price would result in fair trade coffee being priced out of the market, which could result in a significant decrease in demand or shifts to non-fair trade sustainability certifications. Industry member respondents noted that the producers they work with are concerned about volumes being lowered and therefore receiving less money from Fair Trade overall.

The Fair Trade USA industry interview analysis supported the survey results; respondents in those interviews noted that the new price structure will be difficult to absorb into product costs given how consumers are also impacted by the economic downturn and rising inflation. They expect that an additional price increase to the end consumer could drive consumers to choose non-Fair trade certified brands.

### Importer Partner Responses

75% of importer respondents reported apprehension about the new price structure. While many reported an understanding of the logic behind such a change, they noted that, given the current soft and recessionary economy, the change was not well-timed.

### Producer Partner Responses

Approximately half of producer survey respondents (53%) believe that Fair Trade USA should follow Fairtrade International's (FTI/FLO) minimum price and organic premium increases and that it should be on the same timeline (taking effect in August 2023). However, the same number of producer respondents (53%) also believe that coffee demand by volume will decrease as a direct result of the Fairtrade International (FTI/FLO) price increases.

Some producer respondents asserted that increasing the minimum price is fair, since production and administrative costs have increased over the last five to ten years, and this has not been reflected in prices. However, many producers expressed concern about the minimum price increase – several shared that they will be almost incapable of selling coffee produced on fair trade terms in the near future due to decreasing demand.

Producer respondents believe that Fair Trade USA should work together with industry to find a balance between the interests of producers, buyers, and consumers. However, according to the Fair Trade USA interview analysis, the new price structure appears to be too much at once. If an increase in minimum price is to occur, many producers suggested that it be a gradual increase over time to allow for adjustment and subject to review every three or four years. Producers reiterated that the low demand for fair trade coffee and an increase in prices would have both buyers and consumers turning elsewhere, away from fair trade products.

**"The general demand for good coffees will go down and with higher minimum price; we may not be able to sell almost any in the near future."**

## Timing

Across the board, respondents noted that the short timeline to implement price increases was difficult for their operations, given the way coffee purchasing occurs. Industry representatives responded that price increases are best done progressively to make them more manageable.

### Increasing Demand for Fair Trade Certified Coffee

Across all respondents, the common thread is the gap between the volume of fair trade coffee produced and the volume of fair trade coffee sold. The opportunity to close that gap resonated in numerous statements made by both industry and producers regarding market demand. When producers were asked which changes to the Fair Trade model would help them grow, 44% of responses mentioned finding new markets, increasing demand, and more aggressively marketing and communicating to consumers – far more than any other responses in the aggregate.

According to respondents, demand for fair trade coffee has already been decreasing due to inflationary pressures across the supply chain. There is significant

concern that an increase in minimum price would likely further decrease demand, which is identified as the biggest barrier to growth and impact. In terms of innovation, both producers and industry would like to see Fair Trade USA focus on increasing consumer demand. Producers suggested additional studies and farm visits to better demonstrate the impact and importance to consumers and buyers.

Additional feedback on issues producers would like to see addressed in the model included simplifying audits and reporting. Regarding Fair Trade coffee standards, both industry and producers suggested a greater focus on environmental sustainability and climate resilience.

## Conclusion

Based on these results, Fair Trade USA's decision to keep the coffee minimum price for Fair Trade Certified coffee stable through the end of 2023 is aligned with the responses communicated during this extensive consultation process.

### The Path Towards Innovation

To ensure a strong, innovative process for advancing Fair Trade coffee, Fair Trade USA has launched its Innovation for Impact initiative that will leverage a Coffee Impact Advisory Board made up of global coffee leaders consisting of producer and industry experts and facilitated by IDEO.org. By listening to stakeholders with a focus on increasing demand, volume, and impact, this board along with Fair Trade USA is confident in the ability to deliver the greatest impact to coffee producers and their communities and to realize the promise of Fair Trade coffee.



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## About Fair Trade USA™

Fair Trade USA, a tax-exempt 501(c)(3) nonprofit organization, is the leading certifier of Fair Trade products in North America. Its award-winning, rigorous, and globally recognized sustainable sourcing certification programs improve livelihoods, protect the environment, and build resilient, transparent supply chains. The trusted Fair Trade Certified™ label on a product signifies that it was made according to stringent Fair Trade standards. Fair Trade USA is building an innovative model of responsible business, conscious consumerism, and shared value to eliminate poverty and enable sustainable development for farmers, workers, their families, and communities around the world.



### CONTACT

#### Fair Trade USA

E-mail: [info@fairtradeusa.org](mailto:info@fairtradeusa.org)

Website: [FairTradeCertified.org](http://FairTradeCertified.org)