

Fair Trade USA Strawberry Premium Review December 2016

Fair Trade USA regularly reviews premium rates, as part of our standard-setting procedure, and also 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 organic Mexican strawberries 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 strawberry certification program.

Strawberry Program - Background

Since the first Fair Trade Certified strawberries were sold in late 2015, over \$100,000 in Fair Trade Premium has been earned by strawberry workers from certified producers for investment in their communities. Strawberry workers face significant challenges and given these premium resources, they are making sophisticated decisions and designing solutions that address their greatest needs.

Current Premium Review

The current Mexican strawberry premium rate established by Fair Trade USA is \$0.07 per pound for Mexican organic strawberries and \$0.05 per pound for Mexican conventional strawberries (published [here](#)). With interest in Fair Trade strawberries grown in other countries, we have learned from partner feedback that varying premium prices across countries can make it difficult to establish a Fair Trade strawberry program with consistent pricing for their customers, limiting growth and potential impact of the program. A review of this premium rate has been initiated in order to set a single premium covering both the USA and Mexico, while achieving the following objectives:

- 1) **Maximize Impact** – In establishing premium rates, it is the goal of Fair Trade USA to identify the per-lb. rate that will be viable in the market in order to maximize the total premium that growers and workers are able to earn. If we maintain the current premium, we have identified potential limitations to achieving these objectives based on the following factors:
 - a. *Current premium rates may discourage purchases of organic strawberries* – There is concern that a lower premium for conventional Fair Trade strawberries creates a disincentive to purchase organic strawberries, with the associated higher Fair Trade premium. As a result, workers on organic Fair Trade Certified strawberry farms could receive fewer premiums than those on conventional strawberry farms.

- 2) **Simplify Implementation** – Fair Trade USA seeks to establish premium rates that are easy for industry partners to implement and that allow for transparency of premium throughout the supply chain. If we maintain the current premium, we have identified potential limitations to achieving these objectives based on the following factors:
 - a. *Geographic price* – Varying premium prices across countries can make it difficult for current and future vendors who source from multiple countries to establish a Fair Trade strawberry program with consistent pricing for their customers. We are concerned that this could limit growth of the certification program and impact for farm workers. Additionally, we have found that commercial prices for strawberries from Latin America and the USA are similar.

Strawberry Premium Proposal

In order to achieve our objectives of maximizing impact and simplifying implementation, Fair Trade USA proposes to introduce a new strawberry premium that encompasses a larger geographic region and eliminates the disparity between conventional and organic strawberries. The proposed rates below were established with consideration of commercial prices for conventional and organic strawberries from the USA and Latin America and consistency with Fair Trade USA's other produce premiums in terms of percentage of FOB price.

Product	Quality	Region	Fair Trade Premium
Strawberry	Organic & Conventional	Americas	USD \$0.05/ lb

Consultation

- 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.**

Please send feedback to standards@fairtradeusa.org by January 13, 2017.