



## New Fairtrade Prices for Coffee

### Q&A

#### 1. What is changing about the Fairtrade Minimum Price for coffee?

The Fairtrade Minimum Price for coffee is increasing. As of 1 August 2023, the new Fairtrade Minimum Price for washed Arabica beans is \$1.80 per pound, an increase of 40 cents or 29 percent over the previous price of \$1.40 per pound. More than 80 percent of all Fairtrade coffee sold is washed Arabica.

For natural Robusta beans, which represent less than 10 percent of all Fairtrade coffee sold, the price will increase by 19 cents to \$1.20 per pound (an increase of about 19 percent).

The Fairtrade organic differential has been increased by a third, from 30 cents to 40 cents per pound.

The Fairtrade Premium, the additional amount on top of selling price that cooperatives choose how to invest in their businesses and communities, remains stable at 20 cents per pound.

#### 2. When do the new Fairtrade Prices take effect?

For all types of contracts (including fixed price contracts and price-to-be-fixed contracts) signed on or after 1 August 2023, the new Fairtrade prices must be respected.

For price-to-be-fixed contracts signed before 1 August 2023 but where the price fixation date is on or after 1 August 2023, the previous Fairtrade prices are considered to be in effect. For example, a price-to-be-fixed contract for conventional washed Arabica signed on 1 July 2023, where the price is fixed on 1 October 2023, will respect the Fairtrade Minimum Price of \$1.40/lb, not the new price of \$1.80/lb.

### **3. I am a buyer further along the supply chain (e.g. roaster/retailer/brand). When will my supplier start charging me the new Fairtrade prices?**

This will happen at some point after 1 August 2023 when contracts based on the new Fairtrade prices will start to be signed, but exact timing will vary based on a supplier's available stock purchased at current Fairtrade prices.

In accordance with the Fairtrade Trader Standard, suppliers of Fairtrade coffee (Fairtrade certified traders) should charge their customers according to the prices they paid for that coffee. In other words, for coffee beans that traders have purchased at the current Fairtrade prices, the sales onward to customers should reflect the current Fairtrade prices. The amount of time that a trader continues to offer current Fairtrade prices will depend on their available stock purchased at those prices.

It is, therefore, recommended that buyers of Fairtrade coffee request clarification from their suppliers about the value of the Fairtrade prices paid to Fairtrade small-scale producer organisations and how this translates into the price they are being charged for Fairtrade coffee.

Charging customers at the new Fairtrade Minimum Price and organic differential for stock delivered by Fairtrade producer organisations at the current Fairtrade prices is an example of "Unfair Trading Practices" (Requirement 4.8.1) that is prohibited in the [Fairtrade Trader Standard](#).

### **4. How were the Fairtrade Prices calculated?**

Fairtrade conducted a thorough cost of production analysis in 2022, based on 2021 harvest costs, and calculated the weighted average costs of production. For conventional washed Arabica coffee, for instance, it was calculated at 1.76 USD/lbs. In addition, the specific context for organic certified farmers, who may face even higher labour costs and other increased costs to comply with organic standards, was considered.

The next step was stakeholder consultation: more than 540 participants – 86 percent of whom were farmers – from 40 countries gave input through a consultation process that Fairtrade International conducted between December 2022 and February 2023. Participants were presented the analysis and several possible price options. Based on this feedback, Fairtrade presented a proposal to the Fairtrade Standards Committee on 24 March 2023 for its decision.

### **5. Why was this decision made?**

The Fairtrade Minimum Price is an important safety net for coffee farmers, especially because of the volatile nature of coffee prices due to speculation. Since the current Fairtrade Minimum Price went into effect in 2011, the Fairtrade Minimum Price has been above the global market price 52 percent of the time. During the most recent low point in 2019, where the NY C price dropped to 87 cents per pound, the Fairtrade Minimum Price was 52 cents higher (not including organic differential or Premium) than the market price – a 60 percent benefit for farmer cooperatives.

It is absolutely still relevant for farmers to have this price safety net. What farmers emphasized to us during our consultation is that they wanted the Fairtrade Minimum Price increase, despite the risk of losing sales, because they simply cannot afford to continue farming with prices that

consistently fail to cover their real costs. A majority of farmers who participated in the consultation endorsed increasing the Fairtrade Minimum Price at least to the level that was ultimately decided. At the same time, we know it's not enough for all farmers to progress towards a living income. That's why we also have a living income strategy which includes setting voluntary Living Income Reference Prices.

**6. The Fairtrade Minimum Price for coffee was last updated in 2011. Why has it been 12 years since the last price update?**

Fairtrade periodically monitors the relevance of the Fairtrade Minimum Price through smaller consultations with Producer Networks and producer organizations, for instance in a cost of sustainable production study and dialogue in 2017. Given that C market prices have been below the Minimum Price 52 percent of the time since 2011, farmers did not support a price review out of very real concerns that a Fairtrade Minimum Price increase at that time would result in loss of sales.

The global economic situation of high inflation, combined with increasing effects of climate change, caused us to move forward with a Fairtrade Minimum Price review in 2022, resulting in the decision now being announced.

**7. Does the new Fairtrade Minimum Price cover coffee farmers' average "costs of sustainable production"?**

As part of the price review process, we analyzed average cost of production data that had been collected in 2017 and was updated with 2021 prices. The approved new Fairtrade Minimum Price does cover the weighted average production costs found between different origins and countries.

That said, we know that these production costs do not include cooperatives' and farmers' costs to comply with new requirements related to HREDD, deforestation and other issues that buyers, consumers and governments increasingly demand, and that we are incorporating into our Fairtrade Standards. In that sense, the new Fairtrade Minimum Price does not yet take into account the future cost of these sustainability measures.

We are starting to plan an in-depth cost of sustainable production study in order to better understand how new sustainability requirements will influence productions costs.

**8. How did production costs change since the last cost of production study in 2010/2011?**

Production costs have increased over the past 12 years, which is in large part driving the urgency of the Fairtrade Minimum Price update.

In particular, costs of fertilizer, fuel, logistics, and labour costs have driven the increased production costs. For organic producers, higher labour needs required to follow organic farming methods contribute to higher production cost. In addition, there are costs to maintain organic certification and meet the organic requirements of importing countries.

**9. What are the benefits of Fairtrade, to justify the higher cost? How do coffee farmers benefit from Fairtrade, to make it worth companies and consumers paying more?**

Fairtrade brings benefits including fairer contract terms with buyers, support from the regional Fairtrade producer networks, and financial benefits such as the Fairtrade Minimum Price and Premium, and guaranteed organic differential.

- Fairtrade sales resulted in coffee cooperatives earning more than US\$ 82.3 million in Fairtrade Premium in 2021. They choose democratically how to spend the funds to benefit their businesses and communities. In 2020-2021, coffee producers invested Premium funds in their cooperative (29%), in improved production (28%), financial benefits for farmer members (25%), and social projects (14%).
- Fairtrade producer networks provide training and support services to certified coffee cooperatives, including in the Fairtrade Standards, good agricultural practices, climate change adaptation, and more. Additional funded programmes, such as youth leadership or climate academies, provide even more opportunities.
- Fairtrade supports coffee cooperatives to develop their market opportunities, such as hosting the Golden Cup quality coffee competitions in more than a dozen countries.

Fairtrade coffee farmers are doing their part, and the new Fairtrade Minimum Price is an important step forward. But we know that farmers will continue to face increasing costs to comply with requirements related to deforestation and other priorities of governments, brands, and conscious coffee drinkers. Reaching a living income for farmers is an issue that will require collective action across the industry, and is not something that Fairtrade alone can achieve. It is time for the global coffee industry to step up and “walk the talk.”

**10. Global prices have been high recently and coffee farmers are still in poverty. Is it really a problem of price?**

The truth is that industry players and consumers are accustomed to paying artificially low prices for coffee. We need to start talking about the true costs and the true value of quality coffee.

In general, price is one of many factors that go into a farming income, including yield, size of the farm land, and production costs (such as transport, equipment, and extra labour when needed). Coffee production has faced higher risk in recent years due to climate change, including weather events, and the spread of pests and plant disease like coffee leaf rust in particular for organic production.

When it comes to price, the global market for coffee is highly volatile, subject to rapid fluctuations. While the global price has reached \$2.50 per pound in the past year, it has sunk to 87 cents a few years ago, and has averaged \$1.42 per pound over the past decade. This volatility means farmers don't have the stability to make investments that would improve incomes longer-term. Temporary high prices also encourage farmers to sell to middlemen and undermine the stability of their cooperatives, which decreases farmers' bargaining power in the longer term. Ultimately, farmers and their organizations benefit most from stable, predictable markets that allow them to negotiate good terms of trade and plan for the future.

## 11. Does this new Fairtrade Minimum Price guarantee that farmers will be able to achieve a living income?

No. This is a step towards enabling Fairtrade certified coffee farmers to improve their incomes, with price being one element of a holistic strategy that includes different things such as improving yields and diversifying crops.

That said, the new Fairtrade Minimum Price and the organic differential combined will reach the export-equivalent values of the Living Income Reference Prices in two of the four coffee origins for which Fairtrade has set the reference prices: [Colombia](#) and [Uganda](#), both for organic Arabica. For the other two origins, the new Fairtrade Minimum Price and organic differential will close the gap to the respective Living Income Reference Prices by 45 percent ([Indonesia's Aceh region](#)) and 46 percent ([Honduras](#)), respectively. In addition to earning the reference prices, farmers need to also reach other parameters that are part of the living income equation, such as sustainable yields.

The table below compares our Living Income Reference Prices (at farm gate and converted to FOB equivalent) with the new Fairtrade Minimum Price (FMP) and organic differential.

	LIRP (USD/kg at farm gate)	LIRP FOB equivalent (USD/lb)	New FMP (USD/lb)	New organic differential (USD/lb)	New FMP + organic diff. (USD/lb)
Colombia conventional Arabica	\$3.03	<b>2.20</b>	1.80	n/a	<b>1.80</b>
Colombia organic Arabica	\$3.03	<b>2.20</b>	1.80	0.40	<b>2.20</b>
Indonesia organic Gayo	\$0.95 per kg of cherry	<b>2.81</b>	1.80	0.40	<b>2.20</b>
Uganda organic Arabica	\$3.06	<b>2.22</b>	1.80	0.40	<b>2.20</b>
Honduras organic Arabica	\$3.85	<b>2.79</b>	1.80	0.40	<b>2.20</b>

## 12. What is involved in Fairtrade's living income strategy for coffee?

A farmer being able to achieve a living income depends on his or her productive farm size, yield, sales on Fairtrade terms, and price received, as well as farm costs, amount of food produced for home consumption, and any other income being earned by the household.

A core part of our living income strategy is establishing Living Income Reference Prices based on local cost of decent living and other realistic and sustainable parameters to spell out what is actually needed for coffee farmers to reach a living income. These prices are currently voluntary, and have been set for four origins: Colombia, Honduras, Indonesia's Aceh region, and Uganda. Prices for Peru, Ethiopia and Nicaragua are also planned or in progress.

In addition to setting these prices, we work with companies and cooperatives to develop projects that integrate Living Income Reference Prices and tackle other aspects necessary for a living income, such as optimizing yields, diversifying income sources and developing opportunities for women. The regional Fairtrade producer networks support cooperatives and farmers to adopt efficient and sustainable farming practices

Finally, advocacy is also an important component of our strategy, so that living incomes are included in human rights and environmental due diligence legislation and other sustainability regulations and sector commitments. It is essential that farmer living incomes are the norm for doing business, rather than the exception.

**13. Does Fairtrade plan to raise its Fairtrade Minimum Price to the Living Income Reference Price over the next few years?**

Our desire is ultimately to progress towards prices that enable farmers to achieve a living income.

But raising the Fairtrade Minimum Price holds considerable risk: Fairtrade farmers may lose business if we do not gain market acceptance of higher prices. While Minimum Prices set a low-end threshold to protect farmers against lower prices, we will continue to work with cooperatives and buyers to demonstrate the value of moving towards a living income in a responsible way.

In parallel, we will also continue to advocate for a level playing field, through regulatory frameworks as well as consumer awareness and demand that will motivate companies to take action.