

Standards Committee Statement on Fairtrade Coffee Price Review

The Latin American Producer Network (CLAC) commissioned a study during 2006 indicating that costs of production of coffee in Latin America had increased since the Fairtrade Minimum Price was agreed in 1994. At the FLO Board meeting in November 2006 the CLAC therefore requested that FLO increase the Fairtrade Minimum Price. CLAC also requested that FLO increase the price for organic coffees and the Fairtrade Premium to enable the strengthening of the producer organisations. The FLO Board endorsed the request and commissioned FLO Standards Unit to undertake an urgent review of Fairtrade coffee prices and the Standards Committee to decide on prices as quickly as possible.

In view of the urgency of this decision in terms of allowing any changes decided upon to have an effect on coffee sales of producers in Central America this season, the Standards Unit, with support from Labelling Initiatives, carried out a broad but very rapid consultation with other stakeholders – producers in all regions, traders within the FLO system and Labelling Initiatives as members of FLO.

The consultation showed very clearly that there were a wide variety of views about the need to increase the price, and the rationale, timing and wisdom of doing so. Many traders and Labelling Initiatives believe that the result of a rapid or large increase would be to significantly reduce sales or limit growth, which would actually harm producers most. Stakeholders also noted that other studies showed that production costs have not risen that much, due to productivity improvements.

Given that the consultation was necessarily rapid and many affected stakeholders could not respond within the time, that there was no consensus, and that there is the need to study the cost and market data not available to the Standards Unit, the Standards Committee decided not to increase either the Minimum Prices or Premiums at this time.

It was also noted that this season's coffee sales of Central American producers have generally been completed, reducing the immediate urgency of a decision.

The Standards Committee has asked the Standards Unit to obtain and study the existing Cost of Production data available for all coffee regions (including the study provided by the CLAC), and to seek further data where this is lacking. It has also asked for information to allow a proper assessment of the market impact of different pricing options.

The intention is that, with this information, a proposal can be put forward giving time for a more thorough consultation process and a decision of the Standards Committee about coffee pricing for implementation in October 2007. The coffee price review process is requested to the Standards Unit to be presented at the next Standards Committee meeting in February 2007.

Bonn, January 19th 2007