

Fair Trade USA

Pricing Announcement: Fresh Bananas

Summary of Consultation and Fair Trade USA Responses

January 2014

Background

Tens of millions of families depend on the banana industry for their livelihood. All but 2% of those families are excluded from the positive impact of Fair Trade which includes better income & benefits, a safe working environment, and protection of the local ecosystem. These farming families include farm workers that may have to handle agrochemicals without proper protective equipment and have no access to health care, as well as small farmers that are part of existing Fair Trade small farmer associations but, for lack of sufficient demand to date for Fair Trade in the U.S., have to sell their bananas at rock-bottom prices. What all these families have in common is their desire for an alternative to business as usual.

Since 2009 Fair Trade non-organic bananas have seen a 12% decline in volumes, whereas Fair Trade organic banana volumes have increased 282%. In the rest of the Fair Trade fresh produce category, both non-organic and organic products are growing at a similar pace—but with the current pricing structure non-organic banana farmers and farm workers are being left behind.

Currently in the U.S., Fair Trade represents less than 1% of the banana market (this compares to 50% in Switzerland, and 20% in the UK). We have also seen an increase in small producer organizations' share of the U.S. Fair Trade banana market from 58% to 65% in the last couple years, as small farmers dominate organic banana production in Peru and Ecuador, and have proven to be professional business partners that deliver high quality bananas to the most demanding US customers.

Here's the good news: there is growing interest from many U.S. retailers in offering Fair Trade fresh produce if the offering can be sustainable in the long term for all participants involved—for consumers, businesses, & producers alike. We've witnessed this in action over the last year as these business-conscious *and* social responsibility-minded retailers have driven growth in Fair Trade fresh produce outside of bananas. Fair Trade items such as tomatoes, peaches, melons and many other fresh produce items made up 50% of the new FT sales volume in 2012, and likely over 75% of the new volume in 2013. These sales resulted in more than \$1 million in Community Development Premiums earned by farming communities across the globe. These funds have gone towards life-changing programs such as educational scholarships for the children of both small farmers and farm workers that grow tomatoes in Mexico. This growth and impact has only been possible by harmonizing Fair Trade pricing in these new commodities for the U.S. market.

Consultation

The highly impactful pricing & premium model utilized for most of the fresh produce category outside of bananas (for example, for tomatoes, zucchini, asparagus) is based on producers and buyers agreeing to fair prices and beneficial terms in written contracts—audited and enforced by Fair Trade USA—and Fair Trade premiums that are set at about 5% of the country of origin value of the product. Based on the success of this model, Fair Trade USA has been in discussion with producers, labor groups and market

partners for several years about extending this model to Fair Trade non-organic bananas, where farmers & farm workers are experiencing declining sales and impact.

During 2013, Fair Trade USA consulted with about three dozen Fair Trade banana producer groups, including visits to Colombia, Ecuador and Peru to sit down with producers and understand their challenges and vision for the future of their Fair Trade banana business. We also consulted with more than a dozen U.S. retailers, distributors and importers.

Results

Thanks to this rich dialogue, Fair Trade USA concluded that the increases Fairtrade Labeling Organization or Fairtrade International (FLO) has proposed for 2014 in organic bananas from Ecuador and Peru ([see FLO pricing announcement here](#)) seem appropriate and feasible. Most market partners did not expect to have to cut back volume due to those price increases, and most producers felt like the local markets and production costs justified those increases. Fair Trade premiums on organic bananas will remain at \$1.00/box. For other potential origins, we will analyze & establish pricing for organic bananas as needed.

For non-organic Fair Trade bananas, many Fair Trade producer groups, particularly small farmer co-ops in Ecuador, support the idea of testing a new pricing model for non-organic bananas to see if we can find a home for their unsold Fair Trade bananas. Other producer groups (particularly those in Peru that produce only organic bananas) did not have strong feelings one way or another, but were sympathetic to their colleagues in Ecuador that desperately need a market for their Fair Trade non-organic bananas. Colombian producers (large farms) were either neutral or opposed to the idea because they enjoy strong demand from Europe and have little need for a market in the US. Farmers and farm workers that have no access at all to the Fair Trade markets are largely in favor of the new model because it gives them the best chance at accessing the benefits of Fair Trade.

Therefore, Fair Trade USA, market partners, and producers will be conducting a one-year test for non-organic bananas experimenting with contract pricing & a premium set at 5% of the country of origin value. This test premium is a minimum only—Fair Trade USA encourages producers & their buyers to negotiate more whenever possible.

Looking Ahead

Ahead of the initiation of this test, we've already witnessed positive steps towards bringing the benefits of Fair Trade to more farming families through a commitment from the market to grow Fair Trade non-organic banana volumes by 150% based on this new model. We plan to secure additional commitments over the next year, and will evaluate progress of this test on a regular basis and in depth during the second half of 2014.