



Produce Category – Global: Premium Announcement November 2023

Fair Trade USA's mission is to build an innovative model of responsible business, conscious consumerism, and shared value to eliminate poverty and enable sustainable development for farmers, workers, their families, and their communities around the world. To ensure our model remains fit for purpose, Fair Trade USA™ is undertaking a thorough review of its strategies to ensure its ability to drive resiliency to producer partners, as well as providing industry partners the ability to forecast and responsibly invest in continued growth through fair trade.

Fair Trade USA also regularly reviews its Premium rates as part of our standard Premium-setting procedure, and conducts both scheduled, regular reviews as well as when we identify externalities that we believe will affect our producer and industry partners. As part of these regular activities, Fair Trade USA has completed a comprehensive review of all produce Premium rates to ensure that the Produce Program is best positioned to respond to current and emerging forces threatening farmer livelihoods and sourcing sustainability.

Produce Premiums – Background

Fair Trade USA certified the first produce farms in Mexico in 2012 and has since grown to include 156 produce Certificate Holders in 14 different countries including Mexico, Peru, Argentina, Chile, and Ecuador, among others. To date, over three billion pounds of Fair Trade Certified produce has been sold, generating \$94 million in Premium for farmers and workers to invest in addressing their and their communities' most pressing needs.

Premium Review Summary

The review of produce Premiums sought to address two challenges:

First, with the expansion of the produce program, Premium rates have become increasingly complex, with 31 different Premium rates (ranging from \$0.005/lb to \$0.07/lb) set for 88 distinct produce items. This presents a substantial challenge for partners, many of whom sell multiple products subject to a wide array of Premium rates.

Second, evidence points to the costliness of Premium as a barrier to market growth. Fair Trade Certified produce currently represents less than 1% of the overall produce market in the United States and Certificate Holders report only being able to sell a portion of their eligible product as Fair Trade Certified.

To support continued growth and impact, Fair Trade USA launched a review of produce Premium rates in 2023. The goal of the revision is to develop a new Premium rate model that will enable producers to sell 100% of their eligible product as Fair Trade Certified by simplifying implementation and maximizing impact for producers and workers.

Summary of Consultation

Fair Trade USA established these proposed rates using detailed analysis of all existing produce Premium rates and current volumes of product sold as Fair Trade Certified. As a result of this analysis, Fair Trade USA proposed a model that would simplify all produce Premiums to either \$0.01/lb or \$0.02/lb. Fair Trade USA sought further insights on this proposal through a stakeholder engagement process which included interviews and surveys.

An initial round of interviews was held in April and May of 2023 with more than 30 producer and industry partners from brands, retailers, exporters and suppliers to socialize and collect feedback on the produce Premium model. Interviews confirmed that industry partners believe that current produce Premium rates are too high and present the largest barrier to growth. Interviewed producers verified that less than 35% of current Fair Trade Certified produce is sold on Fair Trade terms, thus hindering overall Premium earnings.

Between June 1st and August 31st, 2023, Fair Trade USA solicited additional feedback from 200 additional stakeholders via a public consultation. Respondents represented 59 organizations, including Certificate Holders, farm/facility management, and workers. Over half of responding producers expressed concerns that the proposal would reduce total Premium funds generated; however, Certificate Holders confirmed interview findings regarding market access, with 75% of respondents stating that they sold 50% or less of eligible produce on Fair Trade terms.



Considering this feedback and the defined objectives, the following Premium rates are approved for all fresh fruits and vegetables **as of January 1, 2024**:

Product Characteristics	Proposed Premium
All produce products with Premiums currently EQUAL or ABOVE \$0.02	\$0.02/lb
All produce products with Premiums currently BELOW \$0.02	\$0.01/lb

View the updated produce Premium rate list [here](#). Note that these define *minimum* Premium rates for each product. Industry partners may – and are encouraged – to set higher Premium rates where possible to further maximize impact and investment.

Following this review, Fair Trade USA commits to monitor and evaluate the impact of this change over the next two years and will support producers and licensees in the implementation of the new premium rates.

Transition Policy

The updated produce Premium rates above are effective as of January 1, 2024.

For further support on the transition of the current produce Premium rates, please review the Transition Policy for Fair Trade USA Revised Premium Rates for Produce Products that is available on our Standards website: <https://www.fairtradecertified.org/business/standards>.