



## **Fairtrade Labelling Organizations International (FLO) Introduces Regional Fairtrade Minimum Prices for Cotton**

***FLO continues to expand the benefits of Fairtrade certification to cotton  
producing communities***

FLO is pleased to announce another milestone in the development of Fairtrade standards: the establishment of regional Fairtrade Minimum Prices for organic and conventional seed cotton. The new minimum prices will be implemented from July 1<sup>st</sup>, 2008. The new Fairtrade Minimum Prices represent an average increase of 24 percent per kilo in comparison with the previous minimum prices. Another substantial difference is that the new Fairtrade Minimum Prices for cotton are set by regions while in the previous system prices were set by country.

In the new system, there are six regional Fairtrade Minimum Prices: 1) Central and South America, 2) Northern Africa, 3) Eastern Africa, 4) Western and Central Africa, 5) South Asia and 6) Kyrgyzstan. As a consequence of the introduction of a regional pricing system, the geographical scope of Fairtrade cotton has expanded. Cotton producer organizations from 76 producing countries now can access Fairtrade certification. Previously only producers in nine countries could do so.

### **The need for Fairtrade Minimum Prices**

The introduction of increased Fairtrade Minimum Prices for cotton will be significant development impacts for producers. Cotton is in many cases the unique source of revenue for farmers in some of the poorest countries of the world. For instance, cotton is one of the major sources of foreign exchange and government revenue for West African countries such as Burkina Faso, Mali, and Benin and it is estimated that 10 million people in the region depend directly on cotton production for their living. The prices that the farmers get for their seed cotton frequently does not cover the cost of production. Farmers are at the end of a powerful supply chain and have very limited capacity to negotiate prices.

Since the introduction of the first Fairtrade Minimum Prices for cotton four years ago, Fairtrade has demonstrated it can substantially improve the lives of cotton producing communities. For example, during the 2005/06 harvest, the income farmers received for Fairtrade cotton compared to the cotton traded under conventional terms was 40% higher in Senegal and 70% higher in Mali. By selling to the Fairtrade market, cotton farmers have the security that they will receive a minimum price which covers the cost of sustainable production as well as a Fairtrade Premium which allow them to invest in community projects, such as schools, roads or health care facilities.

With the increase of the minimum prices for cotton and the expansion of its geographical scope, FLO and its members, Fairtrade Labelling Initiatives and Producer Networks, are expecting to expand the benefits of Fairtrade to impoverished cotton communities in the global south.



### **Cotton price review**

The decision to introduce regional Minimum Prices for cotton, was unanimously adopted by all members of FLO's Standards Committee on 3 June 2008. It is the result of an extensive research and consultation process. The Minimum Prices for cotton are based on the cost of sustainable production (COSP) analysis and consultations with existing Fairtrade cotton producers and producers in countries for which there were previously no cotton minimum prices, traders, licensees, non governmental organizations (NGOs) and Fairtrade Labelling Initiatives (LIs).

The outcome of the process showed that the vast majority of those consulted - producers as well as other parties - opted for a regional price as the best option. Most of the consultation feedback received by the FLO Standards Unit confirmed that production systems, climatic conditions and institutional context are similar within each region. Another consideration taken into account by the Standards Committee was to avoid creating price competition between countries of the same region.

As per the organic differential, the Standards Committee decided to set organic minimum prices 20 percent higher than conventional minimum prices. The decision was motivated by different reasons. First of all, organic yields are generally lower, at least for the first 3 to 5 years, which means that farmers will get less seed cotton on the same piece of land. Organic production also requires crop rotation which means that producers are only able to produce one cash-crop which brings less revenue to the cotton farm.

FLO is confident that the new regional Fairtrade Minimum Prices for cotton reflect the core values of Fairtrade Labelling. It guarantees producers a fair and stable price and a Fairtrade Premium that helps to build the necessary infrastructure for sustainable development and encourages environmentally sustainable farming practises.

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