

7 February 2007

Dear Fairtrade Labeling Organization Board,

United Students for Fair Trade has been disappointed by your recent decision not to raise the current fair trade price premiums for standard and organically grown coffee. The reason behind your decision was based on, "The different stakeholder groups come to very different views and thus a balanced solution is difficult to reach. Not enough common ground can be found between stakeholders to justify a decision without further research and analysis together with more time for consultation."

Anger and confusion within the advocate Fair Trade community is based on the fact that the Fair Trade price does not live up to the promises it sets forth, because the minimum price has not been raised in over ten years, in effect not following monetary inflation. In practical terms, the original intent of your organization is falling flat in light of the reality that producing communities are living and dealing with every day.

We can understand your point that more data is needed on differential production costs in different regions; it will indeed help stakeholders in fair trade to reevaluate how pricing is structured. However, the argument is lacking because we have known for many years that the price was inadequate and, in addition, there is data: the Latin American Fair Trade Producer Network (CLAC) commissioned a study in 2006 indicating that costs of production of coffee, for example, in Latin America had increased since the Fairtrade Minimum Price was established in 1994. Our own members are hearing over and over again on their visits to producer organizations in Latin America and Africa that producer families are barely breaking even—perhaps they have enough security with a minimum price to keep their land, but they cannot make improvements in their own lives and their farms, which severely limits their ability to fully realize themselves as human beings, an opportunity which most of us in consuming countries take for granted. This does not promote development, only survival, and that is not what thousands of students at over 120 campuses across the United States of America think of when they promote fair trade to their friends, families and communities. We absolutely cannot support this decision.

Furthermore, your statement, "the timing of a price change would be wrong. A decision now would only affect a relatively small number of producer groups, as many producers have already sold their coffee," is indefensible, because the ineffectiveness of the fair trade price was ineffective 5 years ago, still is today and will be for months or years. That is already more than clear.

We know that there are many traders, licensers and consumers that promote a minimum price increase. Transfair USA stated to us that "U.S. industry, on balance, was also willing to raise the minimum coffee price. In fact, U.S roasters licensed to sell FTC coffee are already paying an average \$1.48 per pound." We have heard the economic argument that keeping the minimum price as it is will allow for more entry of

traders and consumers into the fair trade market, but this makes no sense given the above statement from Transfair USA, and there is absolutely no data to support the low price-higher volume argument—after all, hasn't the fair trade market grown substantially in the last ten years with an artificially set minimum price that was usually above the C-market price? People get fair trade and they are willing to participate in it voluntarily, because they are people, not just consumers. As was stated recently by an active fair trader, the credibility of fair trade is on the line. It is time that FLO acts in the interest of the small producer and retains its commitment to them as human beings. The market will grow, just maybe not as quickly as we want, but at least we can say we act in line with our values. If FLO does not reconsider in a timely and constructive manner the minimum price issue, there will be a backlash; retailers and roasters are already leaving the FLO certification system, NGOs are no longer rallying around the fair trade label, and they and others are looking for alternatives.

We hope to hear of new developments very soon.

Sincerely,  
United Students for Fair Trade Coordinating Committee  
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