



Santander, Cauca, Colombia

February 14, 2019

**Subject:** Official Announcement of New SPP Cacao Sustainable Price

**Dear SPP Cacao Product Actors:**

Through this announcement, we wish to inform all SPP Cacao Product actors and the general public, that the effective date of the new SPP Cacao Sustainable Price is March 1, 2019.

It is a Provisional Adjustment resulting from the first phase of research and enquiry, in response to an urgent calling by the SPP cacao Small Producers' Organization from different countries and continents, due to the serious increase in the prices of organic cacao production in the last years. This calling was raised during the VII SPP Global General Assembly on June 21st and 22nd, 2018, as a result of a cacao producers' analytical workshop.

The provisional adjustment to the SPP Cacao Sustainable Price was proposed by the SPP Actors Work Team on January 15, 2019, approved by the 2019 *SPP Global* Standards and Procedures Committee during the regular meeting on January 31, 2019, and confirmed by the *SPP Global* Board of Directors on February 1, 2019.

The table below shows the composition of the SPP Cacao Sustainable Price effective as of February 28, 2019:

SPP Minimum Sustainable Price (FOB)	SPP Organic Recognition	SPP Incentive	SPP Organic Total
\$2,400 usd/t	\$ 300 usd/t	250 usd/t	2,950 usd/t

Below, is a table showing the new SPP Cacao Sustainable Price, effective as of March 1, 2019:

Minimum Sustainable Price	Organic Recognition	SPP Incentive	SPP <sup>1</sup> Organic Total
\$2,500 usd/t	\$ 450 usd/t	\$ 250 usd/t	\$ 3,200 usd/t

<sup>1</sup> Take notice that as of October 1, 2018 the SPP products must count with an organic certification or similar.



## Rationale for the Provisional Adjustment to the SPP Cacao Sustainable Price

- The current SPP organic cacao Sustainable Price is US \$2,700. The additional SPP Incentive of US \$ 250 is not destined to compensate the production costs at a producer or producers' organization level.
- For the last nine years, production costs have significantly increased if only due to the ordinary inflation present in every country. If inflation were 3% annually, we may consider that the price of 2700 in 2010 would be equivalent to US \$ 3522/t in 2019. In most countries involved, the annual inflation has been significantly higher.
- The first phase of research of the cacao production costs carried out by SPP Global, in collaboration with the SPP Small Producers' organizations, has generated results which indicate that the average production costs are even well above US \$ 3,200/t. These appreciations are supported in various studies carried out by research institutions both in Latin America and Europe.
- Moreover, *SPP Global* has verified that the production costs in some countries, such as Ecuador, are considerably higher than in other countries.
- *SPP Global* has begun a Comprehensive Revision process of the cacao's organic production costs in order to attain complete and profound information regarding production costs in the different latitudes. For this, it has established collaboration with the *Universidad Autónoma de Chapingo* (Mexico) and *Universidad Politécnica de Valencia* (Spain). This process is scheduled to conclude by the end of 2019.
- The cost study that *SPP Global* will engage will be focused on the production costs of small producers and their organizations, and will employ its particular focus, whose goal is to visualize those costs that the producers' families fail to report in the traditional production costs calculation, such as the family's manual labor and, on the other hand, to visualize the economic, social and environmental benefits that organic production and democratic organization generate, compared to other forms of production..
- The urgency to provisionally raise the price of cacao while all the studies are concluded is related to the unviability of a sustainable production that covers the actual production costs. That is, the provisional adjustments are necessary to avoid, as much as possible, eventual severe losses to the small cacao producers' families around the world.
- Fortunately, the SPP Final Buyers have been in favor of this provisional adjustment. Currently, these final buyers are paying prices well above the current minimum price, and even above the new SPP minimum price for cacao.
- Only by applying this new provisional price and by searching a new definitive price for the next few years, SPP, together with the small producers' organizations and companies that conform the SPP family, will be able to continue to ensure that the form of production supported by SPP fully respects the environment as well as labor and child rights.



- This way, SPP continues to differentiate itself from common abusive and exploitation practices in the cacao sector, extensively documented in the international press in the past years. Currently, the cacao international prices are around US, \$ 2,200, which only cause and perpetuate misery in cacao producing countries where the greatest amount of cacao is produced by small producers.

With nothing further, we bid you farewell and are open to answer any questions you may have.

For further information, please contact us at: [cert@spp.coop](mailto:cert@spp.coop)

Best Regards,

On behalf of the SPP Standards and Procedures Committee

**CORDIALLY,**

**Yuridia Pillimué, President**

President of the Standards and Procedures Committee

SPP Global