

Questions and Answers about Fairtrade certified cotton

Fairtrade certified cotton carrying the FAIRTRADE Mark was launched in the UK in November 2005.

1. What is Fairtrade cotton? How is it different from ordinary cotton?

It is cotton which has met the international Fairtrade standard for production of seed cotton¹ and is therefore eligible to carry the FAIRTRADE Mark. The Mark is an independent product certification label which guarantees that cotton farmers are getting a better deal - receiving a fair and stable Fairtrade price and Fairtrade premium, receiving pre-financing where requested and benefiting from longer-term, more direct trading relationships.

The Fairtrade minimum price is set at the farm gate level and is based on actual costs of sustainable production. If the local market price is higher than this minimum price, then the market price applies. An additional payment of a Fairtrade premium is set aside for farmers' organisations to spend on social and environmental projects or to strengthen their businesses. This ensures that communities have the power and resources to invest in long-term improvements. Elected farmer committees decide democratically how these premiums are spent.

2. Why do farmers need Fairtrade cotton?

Cotton farmers are in a very vulnerable position at the bottom of supply chains and as such are particularly susceptible to exploitation and injustice in the trading system. They have been severely affected by the fluctuations in world cotton prices which fell to \$0.92/kg in 2001/02, their lowest level in 30 years. World cotton prices are currently averaging \$1.15/kg. The price decline is in part due to increasing competition from synthetic fibres such as nylon and polyester which have increased their share of fibre production. But the main influences are the trade-distorting subsidies of rich nations, particularly the US, EU and China.

Domestic support in these countries directly correlates with the depression in prices, damaging a number of developing countries which rely on cotton exports for vital foreign exchange earnings which could be allocated to a range of needs including health and education programmes. Cotton is also a crucial cash crop for farmers, often providing the only source of income to meet essential needs such as food, medicines, schoolbooks and tools. It is estimated that as many as 100 million rural households worldwide are involved in cotton production. Studies have indicated that there is a close correlation between cotton prices and poverty. In Benin for example, it has been estimated that a 40% decrease in farm gate cotton prices leads to a 21% drop in farmers' income and a 6-7% increase in rural poverty².

Fairtrade certification of cotton is intended to redress this injustice and focus on improving the position of cotton smallholders.

3. Where does Fairtrade cotton come from and what difference will it make?

Farmers' groups currently selling into the UK market are from India, Peru, Mali, Cameroon, and Senegal. For these cotton farmers the guaranteed Fairtrade minimum price, which covers the cost of sustainable production, can make a crucial difference to their ability to meet their basic needs. A study in India has shown that the purchase of cotton under fair trade practices has led to increased earnings for rural families and even the first signs of migration back to the villages³.

¹ Seed cotton is the content of the cotton boll which consists of the seeds with the fibre attached as harvested from the cotton plant. Following the ginning process the seed cotton is separated into the cotton fibre (or lint) and seeds.

² Minot, N. and L. Daniels. 2002. *Impact of Global Cotton Markets on Rural Poverty in Benin*. IFPRI, Washington DC: November.

³ Dalal Mott MacDonald. 2004. *Agri Impact Assessment Study for Organic Cotton Farmers of Kutchchh and Surendranagar*. Agrocel Industries, Gujarat: October.

The farmers groups also democratically decide which business, social and economic development projects to invest their Fairtrade premium in, for the benefit of the farmers, their families and the wider community. Initial sales of Fairtrade certified cotton in France have already enabled producers in Mali to plan projects which include digging a well, and building a school and health centre.

The cotton farmers who have been certified in India through the Agrocel Pure & Fair Cotton Growers' Association are highly dependent on cotton for their cash income. Sales in the UK of their Fairtrade certified cotton and the premium will enable them to keep their children in school, plant fruit trees as an alternative source of income and improve rainwater conservation thus allowing diminishing groundwater levels to be replenished. Agrocel report that in spring 2006 their organisation received up to 37% more from Fairtrade sales compared to local market prices.

Producer groups from Burkina Faso have recently been Fairtrade certified and there are plans to extend certification to more producer groups from countries including Pakistan, Egypt and Brazil.

4. Doesn't giving producers a higher price just encourage them to stay in cotton farming which has no future? Shouldn't they be encouraged to get out of cotton farming, into something more sustainable?

Vulnerable cotton farmers in Africa and Asia have often been forced to sell their cotton at prices below the cost of production even though they are among the lowest-cost producers in the world. Farmers in Benin for example, produce cotton at approximately \$0.30/lb compared to American farmers whose production costs are around \$0.68/lb⁴. African and Asian farmers have a competitive advantage in terms of production costs and without massive government subsidies, US cotton production is simply uneconomical. It is the unsustainable production of cotton in rich countries which needs to be addressed more urgently.

Having said that, reliance on cotton as the only income source does put farmers in a very vulnerable position. But they are often unable to diversify into growing alternative crops or developing other livelihoods due to the lack of guaranteed access to markets, inputs, credit or training. Fairtrade can facilitate farmers' efforts to diversify when cash crop income is insufficient. In the Fairtrade cotton standard, producer organisations are expected where possible to demonstrate efforts to promote other crops in farming rotation patterns both for home consumption and also for sale on local and export markets. This will enable them to decrease their economic dependence on cotton by providing additional sources of income which in turn will result in improved livelihoods. In Mali for example, Fairtrade is enabling the cotton producers to increase their maize production in order to ensure self-sufficiency and expand sales to local markets.

5. Will products made with Fairtrade cotton cost more?

Some Fairtrade products are aimed at premium markets and will inevitably be more highly priced than others. But many Fairtrade products are competitively priced and don't necessarily cost more than their conventional equivalents. There appears to be little correlation between price and ethics in the cotton and textile industry. Cotton products on sale in the UK already vary considerably in price depending on a range of factors including where you buy them, their quality, branding, designer labels as well as economies of scale. A typical T-shirt made from Fairtrade certified cotton may not be the cheapest on the market, but it does mean that shoppers can be confident that the cotton farmers have received a price that provides a decent income and a little extra to invest in a better future for their families and communities.

⁴ Oxfam. 2004. *White Gold Turns to Dust: Which Way Forward for Cotton in West Africa*. Briefing Paper No 58. Oxfam International, Oxford: March.

6. What products are available, and where can I get them?

By the end of 2006, we expect that over 450 products made from Fairtrade certified cotton will be available, including cotton wool, T-shirts, socks, hooded tops, baby wear and bed linen. The range of products is growing all the time and details of all the products and the companies selling them can be found on our website at www.fairtrade.org.uk.

7. Can I buy clothes made with Fairtrade cotton in my normal high street clothing store?

Products made from Fairtrade cotton can now be found both on high street and also from the small pioneering fair trade companies via mail order or online (further details can be obtained from our website www.fairtrade.org.uk) or in fair trade shops (details from www.bafts.org).

8. How does a company get the Fairtrade label for a cotton product? Can any company get the Fairtrade label for cotton products?

The FAIRTRADE Mark certifies individual products and not whole companies. The Mark indicates that the products have complied with internationally agreed standards for Fairtrade certification. Fairtrade certified cotton products are sourced from smallholder cooperatives in India, Mali, Senegal, Cameroon, and Peru that are independently certified by our international body, Fairtrade Labelling Organisations International (FLO). All the traders in the supply chain have been registered with the Fairtrade system and work to our trading standards. These include sourcing from certified associations of smallholders, paying the agreed minimum Fairtrade price and social premium, providing pre-financing where requested, committing to long-term, more direct trading relationships, and independent auditing of their supply chains. Any company that is able to comply with these trading standards for their products is eligible to apply for the FAIRTRADE Mark.

9. Surely Fairtrade should be a better deal for everyone in the supply chain, not just the farmers? What about the people working in clothes factories? How is Fairtrade helping them?

Fairtrade certification is a development tool which primarily focuses on and addresses the problems faced by vulnerable producers of agricultural commodities such as coffee and bananas. Fairtrade certification of cotton aims to improve the situation of the cotton farmers at the very bottom of supply chains, recognising that they are at the sharp end of exploitation and injustice in international trade in the same way as many other producers of agricultural commodities. We also recognise that there are other vulnerable people further along the supply chain who could, in theory, benefit from Fairtrade certification. That is why we are currently exploring whether and how we can develop a standard which would extend the benefits of Fairtrade further along the supply chain to those involved in cotton garment and textile manufacturing. This process is underway but is complex and requires much time and resources. In the meantime, there is an urgent need to tackle the injustices affecting cotton farmers and to improve their economic position.

10. Could a Fairtrade cotton item still be manufactured in a sweatshop?

Fairtrade cotton, like all Fairtrade certified products, comes through fully registered and transparent supply chains. The Fairtrade trading standard requires all operators that handle Fairtrade cotton throughout the supply chain from ginner, spinner, knitter, weaver, dyer, garment factory, including any subcontractor, to submit independent verification which documents their efforts to meet recognised labour standards. Updated evidence must be submitted every two years.

The monitoring of labour conditions is an incredibly complex issue. Organisations such as the Ethical Trading Initiative, the Fair Wear Foundation and Social Accountability International have made enormous efforts to improve working conditions in the garment industry and our efforts are intended to complement this work. While there is still a long way to go, the requirement for all operators to submit independent verification demonstrates how Fairtrade certification of cotton

can be a way of leveraging change and improvements for workers throughout the entire supply chain.

11. Are Fairtrade clothing and ethical clothing the same thing?

Fairtrade is often confused with ethical trade but they are different. Ethical trading (or sourcing) is a business model that aims to ensure that acceptable minimum labour standards are met in the supply chains of the whole range of a company's products. Fairtrade specifically aims to improve the position of marginalised producers in the South, and enable trade to contribute to sustainable development initiatives that have a wider community benefit.

Key - and unique - aspects of Fairtrade are that:

- There is a focus on disadvantaged smallholders at the bottom of supply chains
- Producers receive a fair and stable price which covers the costs of sustainable production and a Fairtrade premium for investment in social development projects
- It helps producer groups organise themselves democratically to protect their rights
- It empowers producer groups through provision of information on markets and supply chains
- It uses the FAIRTRADE Mark as a tool to build a social consumer movement pushing for change in global trading.

12. There are millions of people in the cotton industry, but Fairtrade is only working with a few farmers' organisations. What about wider reform of international trade for cotton producing countries?

Fairtrade certification of cotton is currently helping over 95,000 people - farmers, workers and their families - to improve their lives, as well as the wider community, through receipt of a fair price for their cotton and a Fairtrade premium. And our aim is to bring as many poor cotton farmers into the Fairtrade system as is feasible.

But Fairtrade is only one approach to improving the lives of cotton producing communities of the global South, and we agree that further action is also needed. That is why we are also members of the Trade Justice Movement (TJM) that campaigns to put poverty reduction and sustainable development at the heart of international trade negotiations. We support TJM demands that rich country governments commit to eliminating unilaterally all agricultural export subsidies by 2010 and to ensuring that none of their agricultural exports, including cotton, are dumped on the markets of developing countries. You can find out more about the campaign against cotton subsidies at www.oxfam.org.uk.

13. Does this mean that there is no problem with the clothes industry any more?

The FAIRTRADE Mark on an item of clothing indicates that the cotton it contains has been certified and that the cotton farmer has received a better deal. Companies will be required to submit independent verification regarding their compliance with recognised labour standards at all production sites. The work of the Clean Clothes Campaign, Labour Behind the Label, Ethical Trading Initiative, Pesticides Action Network and the international Trade Union movement amongst others has raised public and corporate consciousness and is also essential in tackling the very complex issues in cotton and clothing supply chains. Fairtrade certification of cotton is intended to address the problems of vulnerable cotton farmers and complement these other initiatives which address the problems related to working conditions and workers' rights in garment and textile production.

14. Is Fairtrade cotton organic? If it isn't, what is Fairtrade doing about the terrible problems of pesticides in the cotton farming industry?

As of October 2006, thirteen cotton producer groups have been Fairtrade certified. They represent a total of over 270 village co-operatives and more than 19,000 farmers. Four of the producer groups also have organic certification, while a number of the village co-ops are either certified organic or are in conversion to organic production. While Fairtrade standards encourage producers to become certified organic where possible, it is not a prerequisite for Fairtrade certification. Where farmers are not certified organic, we do require them to implement a system

of integrated crop management which enables them to establish a balance between environmental protection and business results through the permanent monitoring of economic and environmental indicators. This integrated crop farming approach progressively replaces traditional inputs with organic fertilisers and biological disease control and enables farmers to convert gradually to organic farming. This approach mitigates the drop in yield and financial risk which often occur with organic conversion.

All Fairtrade certified cotton producers are required to demonstrate increased diligence in choosing appropriate non-harmful chemicals or a biological or home-made alternative wherever possible. As would be expected, farmers are prohibited from using pesticides in the Pesticide Action Network's "dirty dozen" list and those in the FAO/UNEP's Prior Informed Consent Procedure list.

15. Are cotton farmers allowed to use genetically-modified seeds?

No. The Fairtrade environmental standard explicitly prohibits the use of GMOs in either the production or processing of their cotton. The standard also requires that the producer organization ensures that its members monitor possible GMO usage by neighbours and where necessary take additional precautions to ensure that their crops or any seed or propagation material saved for future plantings are not contaminated by GMO traits.

16. If I pay more for Fairtrade products, do the supermarkets pocket the difference?

The price difference on the shop shelf will also reflect the price at which the products are sold to the retailer in the first place by the brand owner or manufacturer. The normal retail price or any special offer will be agreed between them, and Fairtrade products are sometimes a little more expensive to source than conventional ones for reasons explained above. The Fairtrade Foundation has conducted its own surveys of retail pricing in supermarkets. Different retailers appear to operate to different profit margins, and frequently apply different profit margins for different product categories. However studying shelf prices on any given day does not reveal clear cut pricing patterns for either Fairtrade or conventional products overall. Ultimately, it is down to all of us as individual shoppers to decide whether we feel products represent good value for us.

17. Should supermarkets make any profit from Fairtrade products?

The Fairtrade movement has sought to prove that it is possible to make trade work for disadvantaged producers in developing countries and still run a successful business. It isn't about charity or handouts, but a better trading relationship. In this model, we must acknowledge that supermarkets do not operate as charities. That means they should treat Fairtrade products like other products – they should certainly not increase their profit margins over conventional products, but nor should they be expected to reduce or give up their profits altogether. Because if Fairtrade products are not profitable at all, then any new business pressure on these companies could result in their removal from the shop shelves altogether and replacement with more profitable alternatives. That would certainly be a disaster for the producers involved in Fairtrade.

18. So is the Fairtrade Foundation concerned about the power of supermarkets at all?

Yes, the Fairtrade Foundation believes that shops and supermarkets have immense power to ensure that the products on their shelves are sourced in a way that gets a decent return to the grower, and that they also have a responsibility to offer products to their customers who are concerned about these very issues. The businesses that supply them share in this responsibility. We as shoppers also have a responsibility to look at our own purchasing habits, and buying products with the FAIRTRADE Mark is one way to send a strong message to companies when we shop. The Fairtrade Foundation is very concerned about all these issues, but we also believe that in addition to voluntary schemes, there is an important role to be played by government regulators in ensuring better corporate social responsibility and minimum standards within supply chains. There are a range of interesting campaigns that are looking at the power of supermarkets and wider corporate social responsibility issues. The Fairtrade Foundation and its member organisations support many of these. They include:

www.bananalink.org.uk
www.corporatewatch.org.uk
www.foe.org.uk/campaigns/corporates/issues/corporate_power/index.html
www.womens-institute.org.uk/campaigns/supermarket-c.shtml
www.actionaid.org.uk/100033/stop_corporate_abuse.html
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