



FAIRTRADE AND MAKEPOVERTYHISTORY

WHY IS THE FAIRTRADE FOUNDATION A MEMBER OF MAKEPOVERTYHISTORY?

The Fairtrade Foundation awards the FAIRTRADE Mark to products that meet international Fairtrade standards. The FAIRTRADE Mark acts as an independent consumer guarantee that disadvantaged producers are getting a better deal from trade. Today more than 5 million farmers, workers and their families across 49 countries benefit from the international Fairtrade system. The Fairtrade Foundation has joined the **MAKEPOVERTYHISTORY** initiative because we believe that growing public support for Fairtrade could also catalyse wider change – in consumer awareness about poverty and trade, in business trading relationships, and in rules for global trade to benefit poor people and the environment. 2005 represents a significant opportunity for winning real political progress on issues of trade justice and international development.

WHAT IS MAKEPOVERTYHISTORY?

Today the gap between the world's rich and poor is wider than ever. Despite the promises of world leaders to halve global poverty by 2015, little progress is being made. World poverty is sustained not by chance or nature, but by a combination of, the huge burden of debt for developing countries, ineffective aid and injustice in global trade. Unfair trade rules deny poor countries nearly \$700 billion every year.

2005 represents an unprecedented opportunity for change. The UK will be in a powerful position, hosting the G8 summit of world leaders as well as holding the presidency of the EU from July to December.

MAKEPOVERTYHISTORY will be a massive, concerted effort to persuade world leaders to make 2005 the year that changed the face of poverty forever. In the UK, over 200 organisations have already joined the campaign. Globally, over 30 campaigns are working together in a Global Campaign for Action against Poverty. Together, we are united around three key demands:

- **trade justice**, not free trade – allowing poor countries to protect their own farmers and the environment, as well as an end to damaging rich country import tariffs and export subsidies
- **drop the debt** - full cancellation of unpayable debts for the poorest countries
- **more and better aid** - an extra \$50 billion in aid, and a binding timetable for all rich countries to spend at least 0.7% of GDP assisting the world's poorest people, as well as an improvement in the quality of aid

FAIRTRADE MAKEPOVERTYHISTORY

“Overcoming poverty is not a gesture of charity. It is an act of justice”

Nelson Mandela, speaking in Trafalgar Square, February 2005.

Fairtrade is about justice in international trade for disadvantaged farmers and workers in developing countries. The dramatic growth of the Fairtrade movement in the last decade sends a powerful signal to both governments and businesses that as consumers we want fairer global trade to benefit poor people and the environment. As shoppers, when we choose a Fairtrade product, we become part of a vibrant and growing movement that is changing the lives and opportunities for millions of farmers, workers and their families in many of the poorest countries of the world. Meanwhile farmers and workers are using improved income from Fairtrade to invest for the future. By strengthening their organisation and marketing skills, by improving local health, water and education facilities, by diversifying into new crops, or by improving environmental protection programmes – farmers and workers are able to make poverty history for themselves.

The FAIRTRADE Mark is an independent certification label awarded to products which guarantees that disadvantaged producers get a better deal. This brings real change for 5 million people in the developing world – farmers, workers and their families.

- The FAIRTRADE Mark guarantees farmers a fair and stable price for their products
- The FAIRTRADE Mark guarantees farmers and plantation workers the opportunity to improve their lives
- The FAIRTRADE Mark guarantees greater respect for the environment
- The FAIRTRADE Mark guarantees a closer link between shoppers and producers
- The FAIRTRADE Mark guarantees small farmers a stronger position in world markets

Check Out Fairtrade – look for the FAIRTRADE Mark on over 700 products in shops, cafés, workplaces, via mail order and online.

FAIRTRADE AND TRADE JUSTICE

Fairtrade shows that trade can be a means out of poverty, if the conditions are right. 5 million disadvantaged producers and their families gain directly from Fairtrade, but they and millions more still remain at the mercy of unfair international trade rules. That's why we must do more than buy Fairtrade products – we should also campaign for trade justice.

Whilst the overall volume of international trade has increased in recent years, the benefits of this trade have not been evenly spread – with the rich becoming richer, the poor becoming poorer, and power and wealth increasingly concentrated in larger transnational companies. With huge inequalities in the global market, for producers in developing countries free trade can exacerbate the barriers and problems they face, and result in further marginalization. For example, producers in poor countries suffer from an endemic lack of quality information about markets, and a lack of access to credit and financing opportunities. Whilst free trade preaches a 'survival of the fittest' (a level playing field in which players operate in the markets in which they are most competitive), the reality is that the field is anything but level, with poor communities lacking the necessary resources and information to be able switch to alternative sources of income generation in response to changes in the marketplace.

Fairtrade is a market-responsive mechanism in that it balances consumer demand and producer supply – the more consumers demand Fairtrade products, the more opportunities there will be for producer organisations to benefit from the system. The Fairtrade system seeks to tackle some of the inequalities by:

- providing minimum prices that cover the cost of production and a sustainable livelihood
- including premium payments to facilitate investment in future business improvements (including diversification projects) or community development,

- offering advance credit facilities and longer term trading relationships to increase stability for the farmers involved
- encouraging more direct trading relationships in the supply chain, so that producer groups get a bigger share of the export price
- encouraging small farmers to work together in co-operatives and associations, sharing market knowledge, strengthening their bargaining power in the market place, and combining their resources to invest in the improvements they want to bring

In a context of an imperfect and unbalanced marketplace, Fairtrade is able to demonstrate that it is possible for trade to be fairer for producers. On its own, however, Fairtrade is not a solution to all the injustices of international trade rules – which is why campaigning for trade justice is so important.

Despite their rhetoric of free trade, rich countries continue to maintain systems of domestic and export subsidies, and tariffs to protect domestic production. The same countries continue to demand liberalization of developing country markets via the World Trade Organisation and regional trade agreements, IMF and World Bank conditions.

- Whilst we can now buy Fairtrade sugar in supermarkets and shops, subsidies to the European sugar industry have led to an overproduction, with surpluses dumped onto world markets below the cost of production. This is estimated to have depressed global prices by at least 12%, and also distorts the markets in the countries and regions where subsidized sugar ends up, creating even more problems for local sugar farmers. Whilst the EU has proposed changes to the sugar regime being discussed in 2005, it seems unlikely that these will provide deep enough cuts in Western subsidies to make the difference that is needed.
- 2005 will stage the latest battle in the global banana war. Following pressure from the World Trade Organisation, the EU is set to change the rules for importing bananas, removing the quotas that have guaranteed preferential access to EU markets for producers in the Caribbean, and proposing a single tariff for all countries of origin. Caribbean bananas are largely grown on small hilly farms, making them more expensive than African or large-scale Latin American plantation bananas, and only a very high tariff for other countries (Africa and the Caribbean are exempt) will enable them to stay competitive. Meanwhile Latin American country producers must pay the tariff, and only a very low rate will enable them to be competitive with Africa. It appears a no-win situation – and the future for Caribbean islands such as Dominica, where 70% of banana farmers are now part of the Fairtrade movement, looks bleak unless the reform is postponed.

“My ambition is to help make 2005 a breakthrough year for the world’s poor. The year when we use the combined power of the European Union to put trade at the service of development.”

Peter Mandelson, EU Commissioner for External Trade

The Fairtrade Foundation is a member of the Trade Justice Movement, which is calling on the UK Government to fight to ensure that poor country governments can choose the best solutions to end poverty and protect the environment. It is calling for trade justice, not free trade, to be at the heart of the international system. Vote for Trade Justice, and support the banana farmers in Latin America and the Caribbean, by sending a postcard about bananas to Peter Mandelson, the EU’s trade commissioner. Call the Fairtrade Foundation order line on 020 7440 7676.

CASE STUDY: ETHIOPIA, POVERTY AND FAIRTRADE

Twenty years ago, in 1985, the world's attention was rocked by appalling food shortages in Ethiopia. Ethiopia is not just one of the world's poor and heavily indebted nations – it is also the birthplace of coffee and Africa's largest producer with 1.2 million coffee growers. Income from coffee sales has been crucial to the country's economy, including the payment of its external debts. However, just four years after Live Aid, the agreement that regulated international coffee prices collapsed, throwing millions of smallholder coffee growers worldwide to the mercy of the market. Since then, prices have regularly fallen well below the cost of production for coffee farmers, such as in 2001 when the price of Arabica coffee beans fell to just 45 US cents a pound. For Ethiopia, the collapse of prices has seen revenue from coffee exports fall by some 60%, with disastrous results for the country's longer-term food security and wider development.

The collapse of coffee prices that has resulted in the loss of revenue for Ethiopia is obviously very serious. Despite the improvement of the quantity and quality of coffee production in the last six years, Ethiopia lost nearly \$900 million over that period.
His Excellency Mr Fisseha Adugna, Ethiopian Ambassador to Britain, November 2004

Throughout this crisis, the international Fairtrade price for coffee has remained at US \$1.26 per pound – including a 5 cents premium for the farmers to invest in social, economic or environmental improvements. As well as the minimum price, Fairtrade has also encouraged longer-term contracts, up-front payments and other investments that have provided farmers with more stability in the face of the crisis.

“Fairtrade membership is very important to our organization and its members.”
Tadesse Meskela, Oromia General Manager

In Ethiopia, Oromia Coffee Farmers Co-operative Union brings together 35 co-operatives of small farmers. Eight of these, representing over 7,000 farmers, are now certified to international Fairtrade standards. They now have an alternative to the low-price coffee auctions, and are able to sell some of their coffee directly to the Fairtrade markets in Europe and North America. The premium received from

Fairtrade means that they have been able to invest in improving the quality of their coffee by installing machines to wash the beans, and by committing to organic farming methods. By planting citrus and bananas in between the coffee bushes, they are also reducing their dependence on income from coffee for their food security.

Under a quarter of Ethiopia's children complete primary education, with families unable to afford school uniforms and books, or even food at schools which can be up to 20 kilometres away from their homes. The Oromia co-operative is now building four primary schools to help farmers keep their children in school. They are also investing in two health clinics and two clean water pumps for local communities.

FAIRTRADE PRODUCERS MAKING POVERTY HISTORY

Kasinthula Cane Growers Project (KCG) in Malawi

The Kasinthula Cane Growers Project in Malawi supplies raw sugar cane to a commercial refinery. Located in an inhospitable region of Malawi prone to drought and floods, most families eke out a subsistence living from the arid land. After a near-catastrophic startup in 1996, sales to Fairtrade buyers mean KCG members at last have a cash income. KCG members are:

- now looking forward to building a secondary school and health clinic
- no longer have to rely on a crocodile infested river for water after paying to have bore holes dug.

El Guabo co-operative in Ecuador

The El Guabo co-operative in Ecuador used to sell their bananas to local traders which meant low wages and poor working conditions. Now they sell to Fairtrade and can:

- manage their own exports
- implement quality-monitoring and environmentally friendly production systems
- greatly improve living and working conditions for their workers.

The Kilimanjaro Co-operative Union in Tanzania

The KCU coffee co-operative in Tanzania sells only 5% of its members' coffee to Fairtrade buyers, but this has provided a lifeline during the prolonged crisis of rock-bottom coffee prices.

They have now:

- established a reserve fund allowing them to double payments for conventional sales
- increased shareholding in an instant coffee processing factory
- part-financed an organic conversion scheme and quality control programmes
- repaired farmers' buildings
- enabled members to pay for their families' clothing, school and medical expenses.

WHAT CAN WE DO?

- **Check Out Fairtrade** during Fairtrade Fortnight 1-13 March 2005 and make sure you look for the FAIRTRADE Mark whenever you are shopping. For a full range of Fairtrade products, more stories and information, go to www.fairtrade.org.uk
- **Vote for Trade Justice** – one of the three core demands of the **MAKEPOVERTYHISTORY** campaign – go online at www.tjm.org.uk for more details. You can also Vote for Trade Justice for banana farmers, by ordering the Fairtrade Foundation's banana action card online at www.fairtrade.org.uk/resources_order_form.htm or by calling the Fairtrade Foundation order line on 020 7440 7676.
- **Go to www.MAKEPOVERTYHISTORY.org** to find out to how make your voice heard at all the major summits and events discussing trade, debt and aid during 2005. Wear a white band around your wrist/arm – and send postcards to Tony Blair as he prepares to host the G8 summit in Scotland in June 2005.