

Fairtrade Foundation submission to the International Development Committee's inquiry on the impact of the coronavirus on developing countries around the world and the UK's response.

April 2020

1. Introduction

- 1.1. The Fairtrade Foundation welcomes the opportunity to respond to the International Development Committee's inquiry on the impact of the coronavirus on developing countries. The following submission focuses on the current situation and immediate risks and threats, while we note the opportunity to submit further evidence on longer term issues, implications and lessons to be learnt by Friday 8 May.
- 1.2. Fairtrade in the UK is part of a global Fairtrade system which supports 1.71 million Fairtrade workers in 73 countries around the world. Our vision is to make trade fair and secure a better deal for farmers and workers, contributing to the UK's wider international development efforts and achievement of the Sustainable Development Goals (SDGs).
- 1.3. The Fairtrade Foundation has been monitoring the impact on Fairtrade producers, smallholder farmers and workers in developing countries during the COVID-19 emergency. We are already seeing a devastating impact in some sectors, leading to heavy job and/or income losses amongst groups who were already vulnerable, and will increase poverty unless urgent support is given.
- 1.4. There is an urgent need for a coordinated response to the crisis facing developing countries, which includes the protection of jobs and livelihoods, provision and support for Personal Protective Equipment (PPE) alongside immediate support to strengthen already fragile healthcare systems. We would also like to see the UK Government take the lead on a coordinated global response through a comprehensive set of wider economic measures.

2. Key messages

- 2.1 Smallholder farmers and farm workers, including Fairtrade farmers, in the UK's food and clothing supply chains are at high risk of illness and mortality from COVID-19. Government authorities and producers face complex and far-reaching decisions balancing crucial public health measures and maintaining business continuity / employment.
- 2.2 Government crisis response needs to address overseas food imports, including developing country food imports: 10-15% of the UK's food comes from developing countries, and 50% from overseas. By supporting producers through this emergency, both economically and in public health, we will support UK food security during the crisis and in recovery.
- 2.3 Some sectors are seeing a rapid and severe drop in orders. We confirm that this is now leading to heavy job losses and/or income amongst groups who were already vulnerable, and is likely to increase poverty; these groups are also a priority for public health responses. The Fairtrade Foundation is seeing population groups becoming suddenly vulnerable due to unemployment and/ or a drop in income, which would not normally be seen as a priority for assistance. These groups also need to be supported as a priority now.

- 2.4 Other sectors are seeing high demand but serious challenges in shipping / airfreighting goods, and in ensuring the health and safety of workers. We are receiving consistent and widespread messages about the impact of movement restrictions, the closure of markets/auctions, and of port/transport restrictions.
- 2.5 Social protection and business continuity support needs to be set in place rapidly, to support laid-off workers; and to prevent producer groups going out of business. Governments in some origins will struggle to provide emergency household income and funding for job retention, as the UK government has established domestically. Alongside supporting a proactive government approach to such measures, it is important that international stimulus packages are designed to enable the direct support of workers and farmers.
- 2.6 Human rights risks could rise in factories and agricultural settings, both because poor incomes and job losses lead to distress strategies, and because movement restrictions lead to a lack of independent observation and inspection. Business decisions in response to the virus will have profound impacts on vulnerable people in UK supply chains. We are keen to see responsible business practices which could help cushion the blow for vulnerable people in the supply chain, and good information sharing which informs responsible decision making.
- 2.7 There is a rapidly closing window to work with producer countries which are not yet experiencing lockdown to support urgent healthcare measures. These include accurate health information and education to address “fake news” about the virus and public health.

3. Impact on Fairtrade commodities

3.1 Tea

- 3.1.1 The tea sector has been seriously affected by the COVID-19 pandemic. Impacts were felt early, and are now deepening with cancellation of orders and of shipping contracts and significant delays to shipments worldwide. Some of the major tea buying auctions have been suspended and/or postponed.
- 3.1.2 Impacts appear to have so far been most acute in Asia, and particularly in North East India, where it is currently peak harvest season. However, increasing precautionary measures and lock downs in East African producing countries, including Kenya and Malawi, are likely to increase difficulties.
- 3.1.3 India has now extended its national lockdown to 3rd May. The approach taken by tea estates and state government to supporting workers varies considerably state by state, and the Ministry of Labour and Employment has now taken steps to investigate wage grievances. Some state governments have allowed tea estates to resume operations with a reduced workforce.
- 3.1.4 Workers on plantations in North East India are already poorly paid. Failure to pay or support workers presents a serious risk to workers as it will restrict their access to cash and essential provisions.

3.2 Flowers

- 3.2.1 The flower industry in all origins has been severely impacted by the onset of the COVID-19 pandemic.
- 3.2.2 In East Africa, Fairtrade producer networks have assessed that the biggest risks are to salaries, food, and protective equipment.
- 3.2.3 Many workers are migrants. This means that many workers will seek to return home and risk spreading the disease, or they will be left without pay away from their homes, making paying rent and buying food a significant burden on their finances. Many workers have been sent home with half or no pay, and with no social security available for those who have been laid off this is a huge risk. For those still earning, they now have many more dependents to support as their family members have lost jobs too, so their wages must now go much further.
- 3.2.4 In addition, there are complex decisions to be made between balancing crucial public health measures and maintaining business continuity and employment. If the farms send too many workers home and can't maintain the greenhouses, it takes 12 months before production can start up again and 24 months before they can reach the pre-COVID-19 production levels. This would wipe the businesses out and many are now focusing on keeping a skeleton workforce.
- 3.2.5 In Kenya, the Kenya Flower Council now estimate that \$300,000 is being lost a day to the industry as a result of COVID-19, with 50 tons of flowers being dumped daily. Most farms are exporting merely 20-30% of daily production to traditional markets such as Germany and the UK. The impact on livelihoods is already clear: 30,000 temporary workers have already been sent home and 40,000 permanent staff have been placed on compulsory annual leave.
- 3.2.6 The Government of Kenya introduced a series of stimulus measures including reducing value-added tax (16% to 14%) and corporation tax (30% to 25%) expediting tax refunds. The move is expected to cushion both producers and workers during this time of uncertainty. However, there is an urgent need to provide support to currently unemployed farmworkers.
- 3.2.7 In Uganda, there is a similar assessment of the risks facing workers. The government has an existing food aid programme, which to some extent may cushion the impact of the loss of salaries. However, there is still a need to ensure that workers are able to access this programme.
- 3.2.8 Across origins, accessing air freight is a growing problem meaning that even if production is able to continue with a skeleton workforce, farmers may struggle to export.

3.3 Wine

- 3.3.1 South Africa is now on lockdown (currently until 17 April) as infection rates increase. Borders have been closed which means shipping is paused and this is a concern for

wine exports and sales. Harvesting has been allowed to continue with public health controls in place.

- 3.3.2 Workers cannot be forced to take annual leave, however, the Government has made funds available for companies should they need to do so.

3.4 Cocoa

- 3.4.1. The impact of COVID-19 on cocoa farmers is beginning to be felt throughout West African and Central/South America and Caribbean origins, with one of the main concerns being the continued reduction in the price of cocoa, by around 25%. Before the pandemic, the price was around 3,000 dollars per metric ton while the price has now dropped to around 2,200 dollars per metric ton.
- 3.4.2. Cocoa Farmers in the main West African origins are continuing to supply pre-existing contracts for the 2019/20 cocoa season which started last October and will end in June. Fairtrade producer organisations have implemented movement restrictions. Some West African origins such as Sierra Leone have only recently been through the experience of Ebola, which means there is some experience in controlling serious epidemics in the region.
- 3.4.3. Central/South America and Caribbean origins are now harvesting and reporting the impact of movement restrictions and logistical challenges, along with significantly lower demand.
- 3.4.4. As with other commodities, the transport and export of cocoa is likely to become increasingly challenging due to border closures.

3.5 Coffee

- 3.5.1 The overall picture emerging is of high concern along similar lines to other commodities.
- 3.5.2 Poverty levels are already high in many coffee growing communities, and many live in remote areas with limited access to adequate healthcare facilities. World market prices remain at low levels, hovering at a \$1.20 / lb vs Fairtrade Minimum Price + Premium of at least \$1.40+\$0.20 (for non-organic Arabica), despite having risen over the past year. There is a longer lag time for coffee production and transport.
- 3.5.3 The immediate vulnerability of farmers to economic damage depends on the timing of the harvest season which varies around the world – for example, the Rwandan harvest takes place now, the Indian harvest has just concluded, and the harvest in Peru, Colombia and Brazil normally takes place between April and August. If movement restrictions continue this will affect output.
- 3.5.4 Multiple reports from most origins suggest a high level of concern that demand is dropping or could drop, along with many concerns that port restrictions and

lockdowns will hinder transport and export. There are also several reports of a lack of containers available for shipments.

3.6 Bananas

- 3.6.1 So far, demand for bananas has remained high, which are a popular “core basket” product, driven by changes in shopper behavior.
- 3.6.2 Fairtrade banana production has been able to continue, for the time being, in key countries of origin, although several countries have recently announced country wide lockdown measures. In most cases, the agricultural sector is exempt from the lockdown.
- 3.6.3 However, new precautions are now in place, such as new sanitary measures and physical distancing on farms and especially in processing, which may lead to reduced output.
- 3.6.4 Cargo shipments are currently not affected by the Government restrictions, but there is a possibility of impact if the situation extends beyond the next three months.
- 3.6.5 There is also likely to be an increase in the cost of production as a result of the need to take increased sanitary measures.
- 3.6.6 Activities on banana farms continue in South American / Caribbean origins, but with reduced workers on farms at any one time to ensure physical distancing and hence slower output, and older workers not coming to work as a protective measure. Reports from West African plantations are that sites are operating with reduced staffing to reduce the risk of virus transmission, and hence lower productivity.
- 3.6.7 The immediate impact is on prices - price for fruit and other commodities is continuing to fall.

4. Fairtrade actions

- 4.1 Coordination processes have been established between Fairtrade International, Producer Networks and national Fairtrade members, including the Fairtrade Foundation. These are now delivering a regular information flow on supply chain issues, and enabling decision making on response.
- 4.2 A temporary change has been made in Fairtrade Standards to give producer groups additional flexibility in use of Fairtrade Premium during the COVID response. In particular, that substantially more of the Premium can be used as cash payments subject to the agreement of FP Committees¹.

¹ Details are contained in a Letter to Fairtrade producer groups: https://files.fairtrade.net/standards/Announcement_Premium_COVID19_EN_FINAL.pdf . This formal letter to Fairtrade Producer groups, employers and traders from Fairtrade International recognises the challenging

4.3 Producer Networks across the Fairtrade system are now consistently reporting public health and / or economic support actions taken at farm / plantation level, including movement restrictions / social distancing, and health education. Economic support measures reported include forward purchase by co-operatives of farm produce (India) and exploring the use of Fairtrade Premium to provide income support (Kenya).

4.4 The Fairtrade system stands ready to support with any coordinated response to the ongoing crisis. The Fairtrade Foundation is already in touch with the Fairtrade system and Producer Networks, and with our commercial partners, to map the challenges that farmers and workers are facing and our expectation is that this is a first step towards additional support. Producer networks are actively collating information from producers, advising producers on actions they can take, and developing policy options.

5. Conclusion and recommendations

5.1 The UK Government has the opportunity to become the global leader in responding to the onset of the crisis in developing countries. In the first instance, the UK Government needs to address the immediate emergency needs of producers and workers, as well as taking steps to ensure the longer term resilience of global supply chains and the livelihoods of farmers and workers. This includes the protection of jobs and livelihoods, provision and support for PPE alongside immediate support to strengthen already fragile healthcare systems. The Government ought to work with retailers and traders to support farmers and workers who are most at risk from poverty and hunger.

5.2 The Fairtrade Foundation would also like to see the UK Government take the lead on a coordinated global response through a comprehensive set of wider economic measures. Any response must uphold a 'trade for development' agenda, with commitments to poverty reduction, the Sustainable Development Goals, the environment and human rights and its heart.

5.3 While the future of ongoing future trade negotiations is uncertain in the current crisis, we are particularly concerned by the impact the current crisis will have on the status of negotiations on continuity agreements for Kenya, Ghana, Cote D'Ivoire and Cameroon – all of whom are likely to be face significant challenges both in terms of public health and vital export businesses as the virus continues to spread. A loss in market access for these countries, should the UK Government fail to secure continued duty free-quota free access, is likely to have a devastating impact on these countries ability to deal with the crisis.

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circumstances now faced by producers, but encourages full respect for workers' rights during this period, and encourages public health measures in the workplace.

