

## Fairtrade Foundation COVID-19 Decision Maker Briefing

### Purpose

This briefing is intended to share the Fairtrade Foundation's current analysis of issues affecting Fairtrade producers, smallholder farmers and workers, during the COVID-19 emergency. We will produce further updates as needed.

### Disclaimers

All information is correct to the best of our knowledge and belief and offered in good faith, but inaccuracies are possible, especially given the difficulties for travel and communication at this time. Some information has been anonymised and/or aggregated for confidentiality reasons.

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#### 1. Key Messages for Decision Makers

- **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.
- **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.
- 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**.
- **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.
- **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.

- **Human rights risks could rise in factories and agricultural settings**, both because poor incomes / job losses lead to distress strategies, and because movement restrictions lead to a lack of independent observation/inspection.
  - **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 & education to address “fake news” about the virus and public health.
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## 2. Fairtrade Actions

### Information / Communication and Strategy

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.

### Temporary Change in Fairtrade Standards

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 Committees.

Details are contained in a **Letter to Fairtrade producer groups**:

[https://files.fairtrade.net/standards/Announcement\\_Premium\\_COVID19\\_EN\\_FINAL.pdf](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 circumstances now faced by producers, but encourages full respect for workers’ rights during this period, and encourages public health measures in the workplace. Extract:

*“To the employers involved in the production of Fairtrade certified goods: we recognize the disruption in your supply chains and know that they are significant for some of you. Still, we ask that you take all measures necessary to respect the fundamental rights and freedoms of your workers.”*

### Producer Networks and Producer Actions

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).

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## 3. Key Commodity Updates and Risks

### Tea – high risk – income/jobs & health

The tea sector has been seriously affected by the COVID-19 pandemic. Impacts were felt early due to decreasing orders from Iran and China as they locked down, 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, including Mombasa have been suspended and/or postponed.

Impacts appear to have so far, been most acute in Asia, and particularly in North East India, where it is currently peak harvest season. A three-week lockdown was declared in India as of 24 March until 14 April, causing disruption to the important first-flush harvest. At the time of writing the situation is rapidly changing and volatile with high risk for tea workers.

The approach taken by tea estates and state government to supporting workers during lockdown varies considerably state by state. Estates in Southern states are reported as agreeing to cover salaries during lockdown. The West Bengal (Darjeeling) government has reportedly offered food rations during lockdown for some workers. Assam is of most concern, with government and tea estates at odds over pay and support for workers during lockdown.

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. Indian CSOs are making strong public calls for workers to be paid and supported.

Full lockdown also means no essential maintenance of tea bushes – for example manual-weeding and pruning for organic production. This could delay harvesting and affect quality/productivity. Tea estates are negotiating for some exceptions to be agreed to allow for critical works, subject to strict conditions.

Fairtrade Asia report that Fairtrade certified estates have been proactive with regards to introducing health and safety measures, for example provision of face masks, sanitiser and training on hand-washing and physical distancing.

**African tea origins** are also badly affected by the drop in market demand. Production continues but auctions in Kenya and Tanzania have been postponed or suspended. Uganda has port restrictions in place and transportation has been affected.

The difficulty in selling tea could be expected to impact farmer incomes in African origins within the short to medium term.

### **Flowers – high risk – income/jobs & health**

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. Just 20% of typical sales are being exported. 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<sup>1</sup>. There is good

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<sup>1</sup> \$300,000 lost a day - Andrew Wasike, 27 March 2020, 'Kenya's flower industry dying due to COVID-19' <https://www.aa.com.tr/en/africa/kenya-s-flower-industry-dying-due-to-covid-19/1782378> ; 50 tons dumped and 20% exported - David Herbling, 19 March 2020, 'Kenya Destroys Fresh Roses as Virus Crashes Demand in Europe' <https://www.bloomberg.com/news/articles/2020-03-19/kenya-sees-2020-flower-exports-falling-by-half-on-coronavirus>; Numbers on leave - Steve Otieno. March 21, 2020. 'Flower sector faces collapse as Covid-19 hits main markets' <https://www.nation.co.ke/business/Flower-sector-faces-collapse-as-Covid-19-hits-main-markets/996-5498896-n77mbbz/index.html>

consistency between these news reports and our direct information. On site, producers report operating hygiene / distancing measures. Similar issues are facing the flower sector in Ecuador.

Fairtrade Africa supported calls for structural support for Kenya's flower workers and flower industry. The Kenyan government has announced a number of measures, including 100% tax relief for flower workers earning less than Ksh 24'000, a reduction of the PAYE tax rate from 30% to 25% and a reduction of corporation tax rate from 30% to 25%<sup>2</sup>. We anticipate that flower farms may consider use of the Fairtrade Premium change to provide additional support to workers.

### **Wine – emerging risk**

South Africa is now on lockdown 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. Fairtrade producer organisations report new public health measures on site, including movement restrictions and additional handwashing, sanitising etc.

### **Cocoa – health / economic / poverty risk**

Farmers in the main West African origins are supplying 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.

Central/South America and Caribbean origins are now harvesting and reporting the impact of movement restrictions and logistical challenges, along with significantly lower demand.

### **Coffee – health / economic / poverty risk**

The overall picture emerging is of high concern along similar lines to other commodities. Poverty levels are already high in many coffee growing communities.

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.

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. Multiple reports from most origins suggest a high level of concern that demand is dropping / could drop, along with many concerns that port restrictions and lockdowns will hinder transport and export.

### **Bananas – health / output / transport / income risk**

There is high UK demand for bananas which are a popular “core basket” product, driven by changes in shopper behaviour. Fairtrade banana production has been able to continue, for the time being, in key countries of origin. However, new precautions are now in place to reflect the lockdowns, new

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<sup>2</sup> <https://home.kpmg/us/en/home/insights/2020/03/tnf-kenya-tax-relief-measures-include-reduced-corporate-tax-rate-covid-19.html>

sanitary measures and physical distancing on the farm and especially in processing, which may lead to reduced output. Lockdown restrictions may deepen in the coming weeks.

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.

Despite the difficulties, we have also seen solidarity initiatives in different regions. For example, banana producers in Ecuador and Colombia are sharing spare fruit with households that cannot go out to work due to lockdown and therefore have no income to buy food.

Reports from West African plantations are that sites are operating with reduced staffing to reduce the risk of virus transmission, and hence lower productivity.

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#### 4. Further Detail on Key Messages

**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**.

There is a very high risk to plantation workers and smallholder farmers from the virus. Although the virus is not established in many growing areas, this will only be a matter of time. Health services in developed countries are struggling to cope with the virus, and services in developing countries will be less robust. There is some reassurance in the many reports of active implementation of physical distancing and sanitation measures, but the struggle to contain the virus in developed economies is a warning that the health impact could increase dramatically in coming weeks.

**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 & education to address "fake news" about the virus and public health. Among other measures, CLAC (Fairtrade Latin America & Caribbean) have circulated WHO website information to producers across their region to encourage the accessing of accurate information. In India and Pakistan Fairtrade producer network staff and producer organisations report undertaking COVID-19 health awareness training for workers.

**Government crisis response needs to address overseas food imports, including developing country food imports.** Half of the UK's food comes from overseas, and 10-15% from developing countries<sup>3</sup>. This is not just luxury food but also core products. By supporting producers through this emergency, both economically and in public health, we will support UK food security during the crisis and in recovery. This crisis brings home the critical role that retailers and the food industry now, more than ever, has to ensure food security for the UK. We are fully committed to working closely with commercial partners in a joint response.

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<sup>3</sup> Based on DEFRA statistics of the origins of food consumed in the UK. Data for 2016 showed that 13% of UK's food imports originated from Africa, Asia and South America.  
(<https://www.gov.uk/government/publications/food-statistics-pocketbook-2017/food-statistics-in-your-pocket-2017-global-and-uk-supply> )

Many of the food producers, farmers and workers in developing countries were already on poverty level wages and experiencing poor human rights conditions. Many are now faced by the additional shocks generated by COVID-19. Food security for the UK through this crisis will be supported by finding ways to sustain jobs and incomes for producers, as well as supporting the delivery of critical health services.

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. 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 on the ability of producers to farm, to bring their goods to market and to export.

**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. Fairtrade Africa has suggested that “tax and loan holidays” and other financial measures from national governments could help vulnerable producer businesses to keep operating and retain staff. It is encouraging to see the Kenyan government actions through the tax system to offer financial relief both to business and to low income workers.

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.

**Human rights risks could rise in factories and agricultural settings**, both because poor incomes / job losses lead to distress strategies, and because movement restrictions lead to a lack of independent observation/inspection.

If employment becomes scarce or income drops there is a higher risk that farmers/workers accept abusive working terms and conditions. External scrutiny by journalists, researchers and agency staff will also reduce due to movement restrictions, for example if plantation communities are placed in isolation. Human rights due diligence processes will be harder to operate.

Alongside recognising the unprecedented challenges faced by producers and supply chain businesses, Fairtrade is also asking producers and supply chain businesses to strongly uphold human rights commitments and fair-trading practices.

**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.

The focus of buyers will understandably be on availability and supply chain challenges in the short term. This needs to be held together with maintaining good ethical standards both to meet our commitments to uphold human rights in business operations and to maintain the resilience of the supply chain through the immediate crisis and to retain resilience for the future. Many hundreds of

thousands of workers and farmers in the UK supply chains will be profoundly affected by the decisions made by UK business in the next few weeks.

The decisions the businesses make in this crisis will have a huge impact on vulnerable people in their supply chain, and many will need up to date information on how to make choices that minimise the impact on producers and workers at risk. The role businesses can play to ensure economic stability is crucial and responsible and inclusive business interventions to enable them to play this role in the crisis are critical. It is also important to support national government interventions.

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## 5. The Fairtrade Foundation

### **About Fairtrade and the Fairtrade Foundation**

The Fairtrade Foundation in the UK is part of the global Fairtrade system which supports 1.71 million Fairtrade smallholder farmers and plantation workers in 73 countries around the world.

The UK market for Fairtrade-certified goods, underpinned by Fairtrade standards, minimum price and direct payments of a premium to producers, is one of the world's largest. In 2017, €188.8 million in Fairtrade premium was paid to producers. On average each Fairtrade producer organisation received more than €118,000 in Fairtrade premium.

More information about Fairtrade and our impact can be found at [www.fairtrade.net](http://www.fairtrade.net) and [www.fairtrade.org.uk](http://www.fairtrade.org.uk)

### **Fairtrade Foundation organisational issues**

The Fairtrade Foundation has implemented home working and other business continuity measures so that we are in a robust position to operate and maintain staff wellbeing. Fairtrade is in a stable position financially and has good online systems to operate virtually. We are confident that we can maintain operations in the UK. Our Producer Networks and FLOCERT teams are under similar movement restrictions, but also have good online and phone systems.

The Fairtrade Foundation will seek to support responses to COVID-19, including sharing information and analysis about risks at producer level and in supply chains, and will also seek to support responses. We're 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.

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