

Hampshire County Council**Policy and Resources Scrutiny and Select Committee Item 6****6 June 2005****Fairtrade****Report by the Director of Property, Business and Regulatory Services**

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email: neil.jones@hants.gov.uk**How the conclusion in this report fits with the Corporate Strategy**

This scheme will impact on the delivery of the following Corporate Aims

Aim 2 – stewardship of the environment**1 Background**

1.1 At the County Council meeting on the 23 February 2005, Councillor Mrs Buckley tabled a motion relating to Fairtrade. The main thrust of the proposal was that the “County Council desires to be recognised as a council that actively supports and promotes the concept of Fairtrade, ensuring that producers from all countries get a fair price for their goods and labour”. There are seven other elements to the motion and the full text is reproduced in Appendix 1.

1.2 The motion was referred to the Policy and Resources Scrutiny and Select Committee for consideration. This report is intended to provide background information about Fairtrade and to identify a number of key issues relevant to Members’ deliberations about the motion. The report suggests what practical measures need to be considered and also rehearses the wider economic arguments over world trade.

2 Fairtrade and the fair trade movement

2.1 The definition agreed by the major organisations in the fair trade movement is:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in

the Southern hemisphere. Fair Trade organisations (backed by consumers) are actively engaged in supporting producers, raising awareness and in campaigning for changes in the rules and practices of conventional international trade.”

The aims of the movement are neatly summarised by the slogan of the Fairtrade Foundation – Fairtrade ‘Guarantees a better deal for Third World Producers’.

2.2 Fair Trade is the banner under which many organisations operate, such as Traidcraft and Cafedirect plc. Fairtrade is the ‘brand’ name for products certified to stringent internationally recognised fair trade standards and is promoted throughout the UK by the Fairtrade Foundation. Their website provides detailed information about the retail outlets at which consumers can purchase Fairtrade products.

2.3 In September 2004, there were 422 Fairtrade certified producer groups in 49 countries selling to hundreds of registered importers, licensees and retailers in 19 countries. The range of product categories covered by Fairtrade is:

- | | |
|-------------------------|--------------------|
| • Beer | • Honey |
| • Biscuits and cakes | • Hot chocolate |
| • Cereals and bars | • Jams and spreads |
| • Chocolate | • Juice |
| • Chutney and preserves | • Nuts |
| • Cocoa | • Spirits |
| • Coffee | • Footballs |
| • Cosmetics | • Sugar |
| • Dried and fresh fruit | • Tea |
| • Flowers | • Wine |

2.4 Detailed information about Fairtrade and the standards required is provided in Appendix 2, but the general criteria are shown below:

- All aspects to be guided by principles of mutual respect, justice and equal partnership.
- Displaying transparency on information, aims and working practices.
- Paying fair prices to producer groups, to reflect the true costs of production. These would cover areas such as product development, transport, environmental protection and social development.
- Ensuring individual workers receive fair wages.
- Ensuring favourable conditions for employees, with particular attention paid to the situation of women so as not to perpetuate historical inequalities.

- Promoting high/improving product quality.
- Showing a preference for products which are of particular benefit or significance to countries in the South e.g. coffee, cocoa, sugar, textiles and finished products (as opposed to raw materials).
- Respecting traditional crafts and encouraging their development.
- Encouraging sound environmental policies.
- Developing long term relationships with producers.

2.5 To become a Fairtrade Town (or any other populated area), 5 goals must be met:

- The local council must pass a resolution supporting Fairtrade, and serve Fairtrade coffee and tea at its meetings and in offices and canteens.
- A range of Fairtrade products must be readily available in the area's shops and served in local cafés and catering establishments
- Fairtrade products must be used by a number of local work places and community organisations
- The council must attract popular support for the campaign.
- A local Fairtrade steering group must be convened to ensure continued commitment to Fairtrade Town status.

Further details on these criteria are shown in Appendix 3.

2.6 At present, Fairtrade status has been awarded to 110 local authorities of which 11 are towns and cities in the South East of England. This includes Portsmouth and Southampton (both granted on 5/3/04), but within the County Council's administrative area only Romsey (1/3/05) has gained Fairtrade status. Winchester City Council passed a resolution in favour of seeking Fairtrade status in April 2004, but as is clear from the qualifying criteria, this is not sufficient in itself to merit certification. The participation of a wide range of workplaces, shops, cafes and churches is required and this requires the impetus of active leadership. In many areas this is provided by a local Fair Trade committee established by fair trade groups and groups campaigning for 'trade justice'.

2.7 The Fairtrade website also lists 240 local authorities that are working towards fair-trade status. This list includes the county councils of Lancashire, Nottinghamshire, Shropshire and Wiltshire. The only county to be awarded Fairtrade status in England so far is Somerset, which was recognised in March 2005. This effort was co-ordinated by the Somerset Fair Trade Network and it is important to note that there has been a great deal of local activity with six towns in Somerset having previously achieved Fairtrade status.

3 **Policy and prices**

3.1 The County Council does not have any formal policy regarding the purchase of fair-trade products. However, the current informal approach is characterised by the following actions:

- support for the annual ‘Fairtrade fortnight’ at both the Castle Restaurant and at the Sir Harold Hillier Gardens and Arboretum – typically this involves the display of promotional material for Fairtrade and raising awareness of the availability of these items.
- availability of Fairtrade tea and coffee for both committee meetings and meetings within departments (on request)
- ongoing sales of Fairtrade chocolate through the Castle Restaurant and some vending machines

However, it must be acknowledged that the take-up of Fairtrade tea and coffee under these arrangements is very modest.

3.2 Although the Council does not have a specific policy about Fairtrade, it does have mature policy and practice in the wider field of sustainability. As part of its approach to sustainability, the County Council signed up to the Aalborg Commitments in June 2004. The fourth of these ten commitments encourages ‘responsible consumption and lifestyle choices’ by adopting and facilitating the prudent and efficient use of resources to encourage sustainable consumption and production. Although there is freedom to set priorities locally, one of the fifty actions specifically identified includes support for eco-labelled, organic, ethical and fair trade products. There is, therefore, overlap between the motion proposed by Councillor Mrs Buckley and existing policy commitments.

3.3 The County Council is also developing the sustainability of its procurement activities in general. In the area of its food purchases, the Council’s recent emphasis has been on local sourcing and support for Hampshire Fare. Good progress has been made in both areas. There has been little focus on Fairtrade and this reflects both the current policy environment and the knowledge that the use of Fairtrade products will carry financial implications.

- 3.4 The County Council's total purchases of coffee, tea, drinking chocolate and sugar are shown in the table below with an indication of the cost of alternative Fairtrade products:

	<u>Current</u>	<u>Fairtrade</u>	<u>Difference</u>	<u>%</u>
Coffee	£44,300	£65,100	£20,800	47%
Tea	£41,900	£67,500	£25,600	61%
Drinking Chocolate	£7,700	£11,500	£ 3,800	49%
Sugar	£59,800	£75,500	£15,700	26%
Total	£153,700	£219,600	£65,900	43%

It is considered likely that this gap could be reduced if a firm commitment were made to purchase Fairtrade products, but it is inevitable that a broad commitment to Fairtrade would result in significant additional costs.

- 3.5 A more limited commitment, in line with Fairtrade's minimum requirement to serve Fairtrade tea and coffee at meetings and in its offices, would clearly have a smaller financial impact. An initial estimate indicates that the additional cost of such a policy could be less than £10,000 if it were restricted to refreshments served to Members and to those provided at meetings held within departments at The Castle. At this level, cost is unlikely to be a barrier should the Scrutiny and Select Committee favour adoption of this policy.

4. **Alternative approaches**

- 4.1 While the principles behind Fairtrade do attract a great deal of support, it seems clear that the fair trade movement as a whole considers that large scale improvement will require 'trade justice'. This is fundamentally an economic issue linked to the global distribution of wealth, terms of trade (for example differential import duties on agricultural produce and finished products), production subsidies and the conditions imposed on financial loans to developing countries by the World Bank and the International Monetary Fund. Many campaigning groups including churches, are active on these issues and they are also the focus of the 'Make Poverty History' campaign.
- 4.2 At the other end of the spectrum, there is a body of opinion that argues that 'trade justice' or managed trade policies with price support mechanisms and quotas may sound good in principle, but will never work in practice. The argument is made that the only trade that has ever lifted countries out of poverty is free trade. Other strands of the counter argument to fair trade highlight the trade-off between support for producers at the expense of consumers and the tendency of price supports mechanisms to induce oversupply and to act as a barrier to change.
- 4.3 It is also the case that many of the world's leading companies are taking corporate social responsibility increasingly seriously. This argues that the

'gap' in ethical standards between conventional products and Fairtrade alternatives will decrease over time. It is sometimes the case that these initiatives are dismissed by those in the Fairtrade movement as cynical exercises, but there appears to be real substance to many of the claims and a number of these projects are described in Appendix 4.

5 **Summary**

- 5.1 A great number of local authorities have obtained or are seeking recognition under the Fairtrade scheme. The County Council would, therefore, be following a well trodden path and it would seem that the cost of a basic implementation would be less than £10,000.
- 5.2 The principles behind Fairtrade fit with the Aalborg commitments to which the Council signed up to in 2004 to ensure it embeds sustainability throughout all its activities. It is unlikely, therefore, that any conflict would arise between existing corporate policy and the motion proposed by Councillor Mrs Buckley.
- 5.3 The passing of a motion by the County Council will not in itself result in recognition for Hampshire as a Fairtrade county. Although Winchester and Andover are working towards Fairtrade status, evidence from the only successful county so far, Somerset, suggests that there needs to be greater activity (and success) at a local level for a successful outcome to be achieved. This raises the question of the role that the County Council wishes to play in this movement and from which source the necessary leadership will come.
- 5.4 Given the close alignment with the procurement agenda, which is currently considered by the Buildings, Land and Procurement Panel (BLPP) it is suggested that issues relating to Fairtrade, particularly around purchasing be considered by BLPP as part of its procurement agenda.
- 5.5 Although there is widespread support for the aims of Fairtrade, it is clear that there are conflicting views about the success and desirability of such schemes. There is certainly no universal consensus that the Fairtrade movement will achieve its economic, political and social aims. On the other hand it could be argued that these matters should be left to the choice of individual customers through their purchasing decisions.

6. **Conclusion**

- 6.1 The principles of 'Fairtrade' products and the wider philosophical arguments have been reviewed in the report. On balance the County Council for a modest cost could commit to support the wider principles but leave its development and application for local groups to develop in the wider community.
- 6.2 The committee would therefore have to recommend to the County Council that it passes the necessary resolution in favour of Fair Trade producers,

encourage their promotion and review the development of a Fairtrade network across the County.

Recommendation(s)

That:

- 1 The County Council supports the development of Fairtrade where applicable and agrees that the implementation of their principles be reviewed and monitored over time so that progress can be made consistent with the representations that the County Council can influence.