



EXTRACT FROM THE REPORT

OF THE

PUBLIC QUESTIONS COMMITTEE

TO THE GENERAL ASSEMBLY 2008

ON

FAIRTRADE

FAIRTRADE

Introduction

One in every two children alive today lives in poverty. One billion people live on less than \$1 a day. Since 1990, around 270 million people have died from poverty-related causes. Nine out of ten Christians live in poverty. The statistics could be multiplied till they no longer made any impact as we become paralysed by the sheer enormity of the problem. Yet behind these statistics are real people, mothers and babies, brothers and sisters, grandparents and grandchildren. The same nervous system responds to pain in them as in us. They share the common human desire to live and to keep their loved ones alive.

But is the problem not so large that it becomes pointless even to attempt to do something about it? The answer is a resounding “NO!”, for three reasons. Firstly, our God has revealed himself as the God of the poor, the one who cares for them and is concerned by their plight. We must share that concern if we are not to come under his judgement for our callousness. Secondly, various organisations are making a difference. One such is FAIRTRADE, which is the subject of this report. Thirdly, we ought to cultivate the mindset of the little boy who was walking along a beach strewn with thousands of starfish thrown up by a storm. He was throwing what he could back into the sea, one by one. An adult passing by remarked that there were so many starfish he could not possibly make a difference by rescuing so few. The little boy stooped down and picked up yet another starfish and, as he threw it back into the sea, said, “I can make a difference to this one.”

The causes of poverty are mostly due to man’s greed or lack of concern. There are also problems caused by earthquakes and volcanoes, but even there the human factor comes into play when we respond to those affected or choose to do nothing to help. Most poverty, however, is caused by war or unjust trade. We can add to that the consequences of climate change, which also has a dimension of human greed attached to it. This report will focus on the issue of trade.

Before going on to look at trade issues, and the FAIRTRADE movement in particular, it is important that the Biblical teaching on the subject be outlined.

Biblical Teaching

Throughout the Bible, we have teaching on the poor, God's concern for the poor and our obligations to the poor. Some of these passages are heart-warming and others are solemn warnings.

The Pentateuch contains much enlightening material in the laws given to Israel at Sinai that were to govern their social structure. We have the provisions made for the poor in the Year of Jubilee, Gleaning and even Slavery. (Leviticus 25; Deuteronomy 15 & 24:19-22) Gleaning is beautifully illustrated for us in the story of Ruth. There, it was neither cold charity nor legalistic provision for accruing merit, but an expression of true compassion for the poor as encouraged in the law: "... *you shall open your hand to him (i.e. your poor brother).*" (Deuteronomy 15:8) The Israelites were reminded how God had looked on them with compassion and were expected to reflect that divine care for them in their own relations with others.

The wisdom literature continues the injunction "*to defend the rights of the poor and needy*" with a stark judgement that any who "*oppresses the poor shows contempt for their maker.*" (Proverbs 14:31 & 29:7) One of the strongest expressions of this is given by Job, where he protests his innocence before God. He gives a prominent place to his care for the poor, even accepting that had he turned the poor man away empty-handed from his gate he would have deserved all he was suffering and much more. (Job 31:16-23) The psalms also have frequent references to the poor, Psalm 146 being a good example.

In the prophets, we hear much about the poor and social justice. Amos clearly condemns those "who buy the poor for silver and the needy for a pair of sandals." (Amos 8:4-6) Perhaps Ezekiel is the prophet who expresses most strikingly the divine displeasure with any ill treatment of the poor when he says, "*Behold, this was the guilt of your sister Sodom: she and her daughters had pride, excess of food and prosperous ease, but did not aid the poor and the needy.*" (Ezekiel 16:49) Isaiah spoke out against hypocritical religious practices, reminding the people that true fasting was demonstrated when God's people chose to "*loose the bonds of wickedness, to undo the straps of the yoke, to let the oppressed go free ... to share your bread with the hungry ... and not to hide yourself from your own flesh.*" We must be particularly careful we do not ignore the import of the whole chapter when we read or expound the final verses on the Sabbath, lest we encourage a legalistic sabbatarianism among our own people. (Isaiah 58:6-7)

Jesus picked up on Isaiah's prophecy when he read from Isaiah 61, "... *he has anointed me to proclaim good news to the poor. ... to set at liberty those who are oppressed, ...*" announcing to the congregation that this was now fulfilled in their hearing. In his teaching, he emphasised the need to "*Love your neighbour as yourself.*"; "*love your enemies, and do good, and lend expecting nothing in return, ... and you will be sons of the Most High, for he is kind to the ungrateful and the evil. Be merciful, even as your Father is merciful,*" (Luke 6:35-36); "*Sell your possessions, and give to the needy ...*" (Luke 12:33) The well known parable of the Good Samaritan and the very solemn teaching on the judgement day in Matthew 25:37-39 leave us in no doubt that a heart for the poor is at the heart of the Gospel because it reflects the heart of our heavenly father. His healing miracles serve to underline this.

The apostle Paul continued this emphasis on the poor; referring to a decision by a church council, he said, "*Only they asked us to remember the poor, the very thing I was eager to do,*" (Galatians 2:10) John is more specific saying, "*But if anyone has the world's goods and sees his brother in need, yet closes his heart against him, how does God's love abide in him?*" (1 John 3:17). James adds, "*Religion that is pure and undefiled before God, the Father, is this: to visit orphans and widows in their affliction, and to keep oneself unstained from the world.*" (James 1:27)

So much more could be said. The Bible is so full of teaching on our obligations towards the poor and the oppressed that we have to ask ourselves if we are being faithful to the Word in our regular teaching ministry, or allowing our predilections to select what we think important and play down the massive volume of Scripture that talks of the poor. Throughout the history of the Church, there have been those who spoke up for the poor.

Tertullian describing the use of funds raised among believers says, "... they are not taken and spent on feasting and drinking-sessions, but to support and bury poor people, to supply the wants of needy boys and girls without parents, and of housebound old people ... People say, See how they love one another." Basil the Great in the fourth century said, "Wherefore, as often as you were able to help others, and refused, so often did you do them wrong." Clement of Alexandria rather whimsically said, "Goods are called goods because they do good, and they have been provided by God for the good of humanity." Calvin argued that the eighth commandment involves an obligation to assist those "we see oppressed by the difficulty of affairs." Later, John Owen wrote, "Churches and their

members ought to think of caring for the poor as an eminent grace and excellent duty. For Christ is glorified and the Gospel is honoured when we care for the poor...it is one of the priorities of Christian communities because it is the main way we show the Gospel grace of love.” (All quoted in *Good News to the Poor* by Tim Chester, IVP).

Trade Injustice

For most people, it is clear that trade is the engine of economic development, and that better management of international trade offers one of the best opportunities for people in developing countries to escape from poverty and build sustainable livelihoods. It is also widely accepted that the present international trade system unfairly limits the potential for poorer countries to achieve these objectives, especially in agricultural markets.

Take cotton, one of the world’s oldest crops, as an example. Around 100 million rural households around the world are involved in its production. In 2002, prices of cotton fell to the lowest level in 30 years and, despite small rises, have remained below US \$2 per kilo. Whilst some of this can be attributed to reductions in production costs as a result of technological advances, or to competition from synthetic fibres, a major contributor has been the unfair subsidies granted to their own farmers by rich cotton-producing countries, notably the USA, China and the EU. In crop year 2003/4, 76% of US cotton was dumped onto world markets, with US farmers receiving millions of dollars in subsidies enabling them to undercut prices elsewhere. This has had a devastating effect on more cost-effective producers in poorer parts of the world.

Similar stories could be told about coffee, cocoa, sugar, bananas etc., where the power of the rich countries and multinational companies ensures they can look after the interests of their citizens or shareholders, with little or no regard for the devastation caused to hardworking farmers, who are innocent victims of political pressures in faraway lands.

Many factors contribute to trade injustice, some of the most important being:

The dependency of many countries on a narrow range of primary export commodities.

These are mostly processed and marketed by companies in the developed world, which retain most of the value added through these activities. Even

where developing countries can invest in these processes, they are prevented from accessing developed markets by tariff systems that penalise products processed in the country of origin.

Protectionist policies by richer countries

These not only prevent producers in developing countries from accessing markets in richer countries through tariff barriers, but also undermine their domestic markets through export subsidies. Overproduction created by subsidies to the sugar industry in the EU led to surpluses being dumped on the world market below the cost of production, depressing world prices by at least 12%.

The power of a few dominant commodity traders

For example, several million small-scale coffee farmers sell into a market where just four companies buy 40% of global output, and similar structures apply in cocoa, bananas, soya and many other products. In most developed markets, retailing has also become extremely consolidated – in Britain the “Big Four” supermarket chains account for over 70% of all food sales. In a series of price wars among the big supermarkets between 2002 and 2007, the price for loose conventional bananas in the UK was cut by as much as 45%. Globalisation offers buying companies operating at this scale huge benefits as they can seek the best deals from anywhere in the world, whereas producers, especially smallholders, are extremely limited in their ability to find new customers.

FAIRTRADE – One way we can make a difference

Fairtrade changes the lives of producers who are suffering as a result of unjust international trade rules. When we choose Fairtrade, it not only immediately benefits producers, but also sends a signal to the government that we want to see a change in the unfair trade rules that undermine livelihoods and reduce the opportunities of millions of producers in developing countries.

The basic idea of arranging the sale of goods in such a way as to give a fair return to the producer is not new. We have it in small ventures, such as Tearcraft, Traidcraft and a host of other small-scale direct links between producers of craft work in a UK market. However, there has also grown up in recent years a much bigger movement that is successfully using consumer power to change the market place.

Origins of FAIRTRADE

The Fairtrade Foundation was established in 1992 by CAFOD, Christian Aid, New Consumer, Oxfam, Traidcraft and the World Development

Movement. These founding organisations were later joined by Britain's largest women's organisation, the Women's Institute, and also Tearfund. The first Fairtrade certified product, Green & Black's Fairtrade Maya Gold chocolate, was launched in 1994 and was shortly followed by Cafedirect, Fairtrade Coffee and Clipper Fairtrade Tea. Since then, there has been a continuous growth in the number of products, outlets in the UK and consumer confidence. The growth of sales up to 2007 can be seen in the table below:

Sales of Fairtrade certified products in the UK¹

Estimated UK retail sales by value 1998-2007 (£ million)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Coffee:	13.7	15.0	15.5	18.6	23.1	34.3	49.3	65.8	93.0	117.0
Tea:	2.0	4.5	5.1	5.9	7.2	9.5	12.9	16.6	25.1	30.0
Chocolate/cocoa:	1.0	2.3	3.6	6.0	7.0	10.9	16.5	21.9	29.7	34.0
Honey products:	n/a	n/a	0.9	3.2	4.9	6.1	3.4	3.5	3.4	5.0
Bananas:	n/a	n/a	7.8	14.6	17.3	24.3	30.6	47.7	65.6	150.0
Flowers:	n/a	n/a	n/a	n/a	n/a	n/a	4.3	5.7	14.0	24.0
Wine:	n/a	n/a	n/a	n/a	n/a	n/a	1.5	3.3	5.3	8.2
Cotton:	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.2	4.5	34.8
Other:	n/a	n/a	n/a	2.2	3.5	7.2	22.3	30.3	45.7	90.0
TOTAL	16.7	21.8	32.9	50.5	63.0	92.3	140.8	195.0	286.3	493.0

Estimated percentage increases from 2006-2007

- Total sales: 127% increase by volume and 72% by estimated retail value
- Total coffee: 33% increase by volume and 24% by estimated retail value
- Total tea: 21% increase by volume and 24% by estimated retail value
- Total Wine: 47% increase by volume and 51% by estimated retail value
- Total Flowers: 71% increase by volume and 72% by estimated retail value

¹ Table and figures from the Fairtrade web site www.fairtrade.org.uk

- Total Cotton: 1,655% increase by volume and 658% by estimated retail value

The figures for 2007 also show that the actual volumes of Fairtrade products more than doubled between 2006 and 2007. Globally, consumers worldwide spent £1.1bn on Fairtrade certified products in 2006. This is a 42% increase on the previous year, directly benefiting over 7 million people - farmers, workers and their families in developing countries.

Worldwide, Fairtrade is working with 422 producer organizations in 49 countries, with benefits reaching around 5 million people – farmers, workers and their families.

The first Fairtrade label was launched in 1988 in the Netherlands and applied only to coffee. It was a specific response to the collapse of the world coffee price, which fell for some years to far less than the cost of production, and led to much suffering for coffee farmers and their families. Today, Fairtrade standards are set for a range of commodities from the developing world including FairTea, coffee, chocolate, cocoa, sugar, bananas, fresh & dried fruit, juices, biscuits, cakes & snacks, honey, jam & preserves, chutneys & sauces, rice, quinoa, herbs & spices, nuts & nut oil, wines, spirits, ale, confectionery, muesli, cereal bars, yoghurt, ice-cream, baby food, flowers, sports balls, sugar body scrub, cotton products including clothing, home ware, cloth toys and cotton wool. The FAIRTRADE Mark can now be found on over 700 products in shops, cafes, workplaces and online.

How does FAIRTRADE operate?

FAIRTRADE Foundation is the UK member of Fairtrade Labelling Organisations International (FLO www.fairtrade.net), which unites 20 national initiatives across Europe, Japan, North America, Mexico and Australia/New Zealand, and licenses the FAIRTRADE Mark in the UK.

The FAIRTRADE Mark guarantees:

- farmers a fair and stable price for their products;
- extra income for farmers and estate workers to improve their lives;
- a greater respect for the environment;
- a closer link between consumers and producers;
- a stronger position for small farmers in world markets.

Under Fairtrade labelling, there are two sets of generic producer standards; one for small farmers and one for workers on plantations and

in processing factories. The first set applies to smallholders organised in co-operatives or other organisations with a democratic, participative structure. The second set applies to organised workers, whose employers pay decent wages, guarantee the right to join trade unions and provide decent housing, where relevant. On plantations and in factories, minimum health and safety, as well as environmental, standards must be complied with, and no child or forced labour can occur.

As Fairtrade is also about development, the generic standards distinguish between minimum requirements, which producers must meet to be certified Fairtrade. Progress requirements also encourage produce organisations continuously to improve working conditions and product quality; to increase the environmental sustainability of their activities; and to invest in the development of their organisations and the welfare of their members or workers.

The Fairtrade system seeks to tackle some of the current trade injustices by:

- providing minimum prices to producers that cover the costs of sustainable production and living;
- including a premium that producers can invest in development;
- offering advance credit facilities when requested by producers, and encouraging contracts that allow for long-term planning and sustainable production practices;
- encouraging more direct trading relationships in the supply chain;
- encouraging small farmers to work together in co-operatives and associations, sharing market knowledge, increasing bargaining power and allowing greater community improvements.

The Fairtrade Foundation, with its international partners, checks that approved products continue to meet these criteria.

Some Examples

Banana growers in the Dominican Republic

Aquilino Duran's banana farm in the northwest of the Dominican Republic is a hive of activity on harvest day. Aquilino is a member of ASOBANU, a 191-strong farmer co-operative that has been certified to sell to the Fairtrade market since 2004. The Fairtrade premium has meant the co-operative has been able to support the farmers in upgrading their farms to meet the requirements to sell to European supermarkets. For each box sold to the Fairtrade market, Aquilino

earns an agreed and stable price, which can be around a dollar more than he would earn from the conventional market.

ASOBANU can see many more things they would like to help change through the Fairtrade premium. As well as supporting their own farmer members with training, technical advice and assisting them in meeting European supermarket requirements, it also helps by improving farm roads, supporting more local school improvements, investing in a local maternal health centre and more sports facilities for young people.

Flower workers in Kenya

At Ravine Roses, a Fairtrade certified flower farm, Alice Gatonye has worked as a bucket washer for a year, and lives with her two children and husband in a nearby town. She gets to work on a bicycle, which she bought at a subsidised rate, thanks to the bike project paid for by the Fairtrade premium. This means workers have more independence and no longer have to rely on overcrowded local buses. A lack of money for school fees had meant that her eldest daughter had to leave secondary school. Alice, however, applied to the farm's Fairtrade premium-funded bursary scheme and was delighted when her daughter was awarded a scholarship.

Another Fairtrade certified farm, Finlay Farms, has developed a controlled wetland area to purify waste water and chemical off-flows from cleaning containers. It is also trialling a biological pest management system to reduce use of insecticides. And the farm is increasingly using hydroponic techniques to grow the flowers, which reduces the amount of water required. In addition, approximately 90% of power consumption is now generated by hydroelectricity.

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.

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. 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.

Criticisms of Fairtrade

1. Misguided Interference with Market Forces

For many, there is a deep suspicion of any political meddling with market forces. How often has well-meant interference made a problem situation worse rather than better? There are those who maintain that Fairtrade will lead to inefficiency and over-production. Among them are economists who believe that untrammelled market forces of supply and demand will always be the fairest in the end.

No system is perfect because all are driven by human beings who are sinners. As the prophet Jeremiah said, "*The heart is deceitful above all things, and desperately sick; who can understand it?*" (ESV). This applies to all political, economic and even ecclesiastical systems. Market forces are not exempt. They are driven by human actions, much

of which is driven by human greed. Market forces are not merely influenced by benign or amoral forces of supply and demand. The picture is skewed by varied producer and consumer power. If a powerful economic block decides it is in its own interests to subsidise its agricultural industry and dump its products at low prices on the world market, then small farmers in politically weak areas will suffer. Fatalism in economics is no more valid than in any other area of life.

Human intervention is necessary to provide the checks and balances that will protect the weak from the power couple with avarice. Free trade, if consistent, must also allow for innovative ideas, including ethical trading.

Of course, human intervention may still be misguided with the best will in the world. Does Fairtrade lead to the problems associated with subsidised sectors of a global economy? Fairtrade would argue that they are aware of these dangers. They point out that fair-trade producers cannot sell their products unless consumers are prepared to pay the Fairtrade price. They also look for market niches where they are not competing head-on with the big players. Fairtrade does not directly subsidise producers. It operates more in the area of providing access to the kind of financial packages not normally available to small producers, but easily available to the more powerful competition. In some cases, the improved local facilities have benefited even producers not officially linked to Fairtrade.

2. Fairtrade does not go far enough. It ignores the bigger picture of trade injustice.

This criticism is clearly unfair. If those concerned about injustice did nothing until they could solve everything then injustice would roll on unchecked and no good person would do anything about it. It is clear that international agreements have a bigger impact for good or ill than anything an organisation like Fairtrade could achieve. A big debate is currently unfolding on the EU approach to African, Pacific and Caribbean interests. Details of the debate surrounding EPAs (Economic Partnership Agreements) can be accessed from the Tearfund website. The rights and wrongs of what is being done in this huge political arena take more specialist skills and knowledge to appreciate. However, it requires only basic moral skills to understand that there is no level playing field in the international market and that there will always be serious poverty derived from trade injustice that no tinkering by relatively small players will resolve. If democracy matters, then right-

thinking voters must hold the politicians to account for all they do in the international arena. The Tearfund website contains a very useful comment in the 'Global Action' section, under 'Trade Campaign Briefing – July 07'.

Some consider Fairtrade not to be radical enough. They would like to see more effort at bringing down the capitalist system. This certainly cannot be ignored, even if it is a scary option. However, if a group who are relatively weak, in terms of global power structures, wants to make a difference for good for as many as they can, they have no option but to work within the current structures.

3. Fairtrade is biased towards certain commercial structures.

Fairtrade often works through co-operatives, rather than family firms and large plantations. The benefit of this policy is that it empowers more people to do something for their own families and the local community. However, some consider this unfair for those not part of that structure. It should be appreciated that the fair trade movement is developing. As it gains momentum, it will be able to help more producers to get a fair price for their goods that will impact on the lives of all involved in the production.

What can we do?

Fairtrade has moved forward through the participation of individuals supporting this initiative. As shoppers buy Fairtrade products, shops will stock them. As the electorate promote Fairtrade, politicians declare their support. The following areas for action are open to us:

1. As individuals, by choosing to purchase Fairtrade products, we play our part in enabling farmers and workers to bring about change today in their own lives and communities, as well as sending out a signal for justice in wider international trade.
2. As individual voters, we can use our democratic rights to encourage local authorities to become Fairtrade institutions, using Fairtrade products in their catering and in schools. Campaigning can also be extended to the local Health Board and other institutions.
3. As members of local congregations, we can request our churches to demonstrate long-term commitment to supporting trade justice. More than 3000 churches across the UK had already made this commitment by the end of 2006. To become a Fairtrade Church, communities must commit to:
 - using Fairtrade tea and coffee at church events;

- moving forward on using other Fairtrade products where possible;
- promoting Fairtrade.

Fairtrade contact details

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