



Council – 25th April 2005

Fairtrade Policy

Portfolio: Councillor Zahid Ali, Community Engagement & Organisational Development

Service Area: Procurement

Wards: All

Summary of report

At Council on 7th March 2005, members received a presentation on Fairtrade and a motion was passed;

That this Council considers that, as a matter of policy, wherever best value can be demonstrated, goods and supplies for use by Council services, should be acquired from “Fair Trade” sources and that officers be instructed to consider the implications of such a policy for the Council’s current procurement arrangements and report back to Council before the end of the municipal year with recommendations on how such a policy can be implemented.

This report seeks to set out further background to Fairtrade, some actions the council can take and the implications of implementing such a policy.

The FAIRTRADE Mark is a certification label, administered by the Fairtrade Foundation, awarded to products sourced from developing countries that meet internationally recognised standards of fair trade. 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. Fairtrade means guaranteeing that producers in poor countries receive a fair price for the goods that they produce or, if they work on a plantation, that they enjoy decent wages and working conditions. It means they are paid a price that reflects the true costs of production, and allows for investment in their communities or in their businesses. With a fair price for their produce, they can not only feed their families, but also look to the future and invest in such basic necessities as safe water supplies, sanitation, healthcare, and education. By participating in Fairtrade, producers are able to use the additional income to strengthen their organisations and invest in social, environmental and business improvements.

Trading standards stipulate that traders must:

- ❖ pay a price to producers that covers the costs of sustainable production and living;
- ❖ pay a premium that producers can invest in development;
- ❖ make partial advance payments when requested by producers;
- ❖ sign contracts that allow for long-term planning and sustainable production practices.

Originally Fairtrade only applied to coffee but currently, more than 250 coffee, tea, fresh fruit, chocolate, cocoa, juice, sugar, honey and wine products carry the FAIRTRADE Mark. Fairtrade coffee, tea and other products are also offered by more than 25 catering suppliers nationwide. New products in 2004 included Fairtrade vegetables, roses and footballs.

There are a different ways that the Council can participate in and promote Fairtrade, either as an exemplar and promoter of good practice for the community or a purchaser of products directly.

A number of councils have adopted the policy of being a Fairtrade town as a public statement of their commitment to fair and ethical trading. To become a Fairtrade Town 5 goals must be met:-

- ❖ The 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 (targets are set in relation to population).
- ❖ Fairtrade products must be used by a number of local work places (estate agents, hairdressers etc) and community organisations (churches, schools etc).
- ❖ 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.

These goals should not be particularly onerous to achieve and are consistent with, and complimentary to, the council's local agenda 21 and sustainability policies. The council will be able mobilise support within the community and council for this policy

With regard to the purchasing of commodities discussions with the Catering PSE have identified the potential level of spend across the council in the main Fairtrade categories, i.e. coffee, tea and bananas, and this is as follows:-

Coffee	Annual spend	Mark up	Additional cost
Catering PSE	£1,500	12%	£180
Residential homes	£6,000	12%	£720
Teabags			
Catering PSE	£550	20%	£110
Residential homes	£6,000	20%	£1,200
Bananas			
Catering PSE	£6,500	20%	£1,300
		Total	£3,510

You will note that the spend in these areas is fairly modest and the estimated additional cost is relatively small, given the total spend on food is around £2,000,000 each year. The additional costs outlined above are based on discussions with existing contracted suppliers. It may be appropriate to enter into more formal arrangements for the supply of Fairtrade products in an attempt to reduce costs. It is interesting to note that the scheme operated by the Department of Health of providing fruit and vegetables direct to schools is not currently from Fairtrade sources. The additional costs to the Catering PSE would be passed on to their customers through increased charges. In addition the Catering PSE could increase the range of products they offer through their various outlets by offering Fairtrade products. Whilst predominantly the emphasis has been in the retail arena with a number of high profile retailers such as the Co-op leading the way, there are a number of organisations who can supply a range of products to increase choice and raise awareness of the products that are available.

There is evidence to suggest, given the level of awareness of Fairtrade issues in the community that, customers are becoming increasingly prepared to pay a premium to ensure that their purchasing choices do not adversely affect other communities.

Recommendations

- (1) That Council confirms its support for Fairtrade and directs that the council;
 - ❖ Agree to the use of fairtrade products by the Catering PSE and Residential Homes.
 - ❖ Agree to negotiate the inclusion of fairtrade products for sale in the vending machines currently provided in council premises.

The above recommendations to be implemented by 1st September 2005.

- (2) That Council support and promotes Fairtrade activities within the community to raise public awareness.

Resource and legal considerations

If the council were to adopt a policy of only purchasing Fairtrade products then this will increase costs. However as outlined above, the limited amount of expenditure on commodities, covered by Fairtrade agreements currently, are likely to result in a relatively small increase in costs. Some of these costs will be passed on to customers through higher costs or increased charges. However if the range of commodities available, and expenditure, increases then the potential additional costs will also increase.

The EU procurement regulations can offer some challenges when moving away from lowest cost. When specifying its requirements the council must be clear and transparent and act in a non discriminatory manner. If the council were to adopt a policy of purchasing Fairtrade, this is an internationally recognised approach and not specific to the UK and the specification of the Fairtrade mark, or its equivalent, would not be seen as discriminatory against other member states. The council is not bound to

accept the lowest tender in every case; however the requirement to deliver best value will need to balance price against other factors when making procurement decisions.

The council can consider non commercial matters when evaluating suppliers but the factors being taken into account must relate directly to the scope of the contract. This is normally undertaken through the use pre-qualification questionnaires.

Citizen impact

The adoption of a policy of purchasing Fairtrade products will demonstrate to the local community that the council is working to achieve its objectives in relation to sustainability and is acting in a responsible manner when making purchasing decisions. The promotion of Fairtrade by the council will raise public awareness and encourage an increased take up of products within the borough.

Environmental impact

The adoption of a Fairtrade policy is consistent with the council's environmental and Agenda 21 policies.

Performance and risk management issues

There are no direct performance management issues as a consequence of this report. The main area relating to risk management is the compliance with EU legislation and this is covered in the preceding section.

Equality implications

The use of Fairtrade accredited suppliers will ensure that producers are treated fairly and are employed on appropriate terms and conditions. This approach is consistent with the council's equality policy.

Consultation

The Catering PSE, as the purchaser of food products for the council, has been consulted and has provided background information.

Background papers

<http://www.fairtrade.org.uk/>

<http://www.fairtrade.org.uk/products.htm>

<http://www.fairtrade.org.uk/downloads/pdf/fairtrade-towns.pdf>

http://www.fairtrade.org.uk/downloads/pdf/local_authority_guide.pdf

Signed:

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Chief Executive

Date: 15th April 2005

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