

Agenda item:

Title of meeting: Cabinet
Date of meeting: 3rd November 2020
Subject: Fairtrade and Nestlé
Report From: The Chief Executive
Report by: Paddy May, Strategy Unit
Wards affected: All
Key decision: NO
Full Council decision: NO

1. Purpose of report

- 1.1. The purpose of this report is to seek the views of Cabinet on what the response of the City Council should be, as a Fairtrade City, to the decision of major suppliers or conglomerates to cease their partnership with Fairtrade.

2. Recommendations

- 2.1. Cabinet is recommended to:
- 2.1.1 Note that Nestlé have ceased their partnership with Fairtrade instead using their own Cocoa Plan Sustainable Scheme which is approved by the Rainforest Alliance
 - 2.1.2 Consider how, as an organisation committed to Fairtrade, it wishes to respond to this decision

3. Background

- 3.1 Portsmouth was awarded Fairtrade City Status on 5th March 2004 and this demonstrates the long standing commitment of the City Council to the Fairtrade Initiative. At the 16 July 2019 Council Meeting, Cllr Hugh Mason presented the following Notice of Motion:

It is fifteen years since Portsmouth was awarded the status of a 'Fair Trade City'. The Council recognises the contribution which fair trade has and is making towards ending exploitation in global supply chains and thereby the endemic poverty experienced in many poorer countries. The Council wishes to maintain its status as a Fair Trade City

The Council therefore reaffirms its commitment to using Fair Trade products at council events and as widely as possible in the Civic

Offices and other public buildings which it operates. It reaffirms its intention to encourage the use of Fair Trade products throughout the City and to promote appreciation of the importance of fair trade.

- 3.2 This Notice of Motion received unanimous support from the Council and the minutes recording this were approved at the Council meeting of the 15th October 2019. This demonstrates the Council's ongoing commitment to Fairtrade. Portsmouth City Council is also a member of the Fairtrade Portsmouth forum and has provided ongoing support to the forum.
- 3.3 On 23rd June 2020 the Fairtrade Foundation website announced ¹that Nestlé had decided to stop sourcing Fairtrade cocoa and sugar for their UK and Ireland Kit Kats (their top selling UK chocolate bar). The website states:
- After a decade of sourcing cocoa and sugar for KitKat in the UK and Ireland, Nestlé have informed Fairtrade they no longer plan to buy Fairtrade cocoa and sugar from some of the world's most vulnerable small scale farmers.*
- The move will mean a loss of almost £2 million (£1.95 million) in Fairtrade Premium each year for thousands of cocoa and sugar farmers in the global south. This income is a real lifeline for some of the world's poorest farmers.*
- 3.4 Nestlé have decided to purchase sugar from European sugar beet producers rather than through Fairtrade and have decided to source its cocoa from its in-house Cocoa Plan Sustainable Scheme. A Nestlé UK/Ireland spokesman told Confectionery News² that their plan was certified by the Rainforest Alliance/UTZ and that as a global business they wanted to work with the Rainforest Alliance.
- 3.5 Whilst Nestlé will be working with the same cocoa farmers, the Fairtrade Organisation are concerned that the farmers will lose the Fairtrade guaranteed price and the Fairtrade premium. This premium allows local farmers to decide how they wish to invest in their communities and their farms. The Fairtrade website states that communities have been able to invest in classrooms, dispensaries, canteens, and programmes to help women increase and diversify their income. They have also invested in measures to help deal with the Covid pandemic.
- 3.6 With a clear Council commitment to Fairtrade the Cabinet is asked to consider whether or how it wishes to respond to the decision by Nestlé. The July 2019 Notice of Motion confirmed a commitment to using Fairtrade products and also to promote the importance of Fairtrade.

¹ <https://www.fairtrade.org.uk/media-centre/news/fairtrade-producers-raise-their-voices-to-ask-nestle-to-keep-kitkat-fairtrade/>

² <https://www.confectionerynews.com/Article/2020/06/23/Shock-decision-by-Nestle-UK-I-to-stop-using-Fairtrade-cocoa-means-farmers-will-lose-Premium>

4. Reasons for recommendations

- 4.1. The report recommendations are to inform the Cabinet that Nestlé have decided to stop using Fairtrade cocoa and sugar for their UK and Ireland confectionary business and to ask Cabinet how it wishes to respond to this bearing in mind the Council's long-standing commitment to Fairtrade.

5. Integrated Impact assessment

- 5.1. An integrated impact assessment has been completed.

6. Legal Implications/City Solicitor comments

- 6.1. The Fairtrade Foundation's Fairtrade Town Action Guide can be found here:- <https://www.fairtrade.org.uk/wp-content/uploads/legacy/doc/Fairtrade%20Towns%20Action%20Guide.pdf>
- 6.2. The Fairtrade Foundation state five goals which must be met for a Fairtrade Town to maintain its status, which has to be renewed periodically by submitting updates on progress made on each of the five goals. It is understood that renewal was achieved by Portsmouth City Council this year. Although the Council is encouraged to support Fairtrade and use Fairtrade products where possible, in the present Nestlé situation, the Council is not obliged or mandated by the five goals to resolve any particular action per se.
- 6.3. In terms of procurement considerations, the Fairtrade Foundation has published a guidance note for Fairtrade Towns which can be found here:- http://www.fairtradetowns.org/media/com_form2content/documents/c1/a265/f2/Campaigner%20Procurement%20Guide%20Web.pdf. However, the Council has a legal obligation to ensure compliance with the Public Contract Regulations (2015) (PCRs) as well as the Council's own Contract Procedure Rules. The Council should therefore keep these in primary consideration when resolving how it wishes to respond to Nestlé's decision.
- 6.4. The PCRs threshold for supplies is currently £189,330 but the value of Council spend directly or indirectly with Nestlé, particularly in relation to their KitKats, is not known. Though the Council may have a preference to supplies/suppliers being compliant with Fairtrade, there is an obligation in the PCRs to consider schemes of an equivalent manner (see Regulation 42(14)). There is a suggestion that the Cocoa Plan Sustainable Scheme which is approved by the Rainforest Alliance may fall short of Fairtrade requirements on the basis that the farmers will lose the Fairtrade guaranteed price and the Fairtrade premium. However, if a decision was made to no longer purchase KitKats, or indeed Nestlé products generally, this would not be without the risk of potential legal challenge if equivalence can be proven.

7. Director of Finance & Resources comments

- 7.1. Any decision to prioritise the purchase of Fairtrade goods may end up costing the authority more but will achieve wider social value benefits in line with previous Council resolutions.

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

Appendices:

None

Signed by:

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DAVID WILLIAMS
Chief Executive

The recommendation(s) set out above were approved/ approved as amended/
deferred/ rejected by on

..... Signed by: