

Fair trade begins at home

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The four largest food retailers in the UK control in excess of 70 per cent of the £130 billion groceries market, with combined revenues in 2006 of £99 billion.¹ Many people take for granted how the supermarkets operate and fulfil our desire for choice, convenience and difference through thousands of product lines on the shelves. As consumers and faith investors, we may give little thought to how the supermarkets function or how they buy.

The concept of fair trade is now well established in the UK. We spent £1.1 billion on Fairtrade-certified products in 2006, a 42 per cent increase on the previous year.² This directly benefits 7 million farmers and workers and their families in developing countries.

Yet, while not disputing the enormous benefit the fair trade movement has had, the term is seldom if ever used in connection with home-grown, -reared, -packaged and -processed produce. It seems important to ask why, when many British consumers want to support British farming and British produce.

Church of England report

As part of this debate, in 2007 the Church of England's Ethical Investment Advisory Group (EIAG) published a report that lifts the lid on some of the practices present in the food retail supply chain. It reveals practices that directly or indirectly threaten the economic well-being of farmers in the UK.

The Church is uniquely placed to ask these questions. It is a significant agricultural landlord, owning 125,000 acres of farmland. And it is an investor in the food retail sector. Its deep reach into the rural economy through its ministry of rural chaplains means the Church understands the pressures that farmers are under. Among these in recent years have been flooding, foot-and-mouth and 'blue tongue' disease.

The Church often has discussions with supermarkets as part of its role as a responsible shareholder, covering all aspects of corporate responsibility. Supermarkets have told us that the voluntary code of conduct regulating the relationship between themselves and farmers, which the Competition Commission recommended after its last enquiry, is working well. Supermarkets say that there are no apparent abuses in the supply chain - contrary to the widespread perception that farmers are being squeezed.

The EIAG decided to commission further research, seeking to discover if there was merit in the allegations, given that evidence seems elusive. Through the Church's networks we met up to 50 farmer-producers representing the full diversity of farming. It was clear early on that all was not well. Some farmers would not talk to us at all, fearing reprisals.

Pernicious practices

There is much to be positive about in the opportunities retailers provide through choice, convenience, support for niche products and a sophisticated route to market. But there were a number of practices that highlighted an 'unequal transfer of risk', in the words of the Competition Commission, within the buyer-supplier relationship.

Our research identified pernicious practices that the consumer is largely unaware of that have been accepted by farmers as a *fait accompli* and part of the price of doing business with supermarkets. These include flexible contract terms that seldom work to the supplier's advantage, and flexible payment terms that, subject to arbitrary change, have often put farmers to increased cost or financial loss. Other practices include facilitation payments, deductions and financial inducements paid to the retailer or processor at the farmer's expense.

Our research findings - together with recommendations for retailers, consumers and the government - have been submitted to the Competition Commission as part of its review into the groceries market. To retailers we are recommending a properly monitored Buyer's Code; to

consumers, that they ask more questions about the impact on farmers of reduced or very low prices.

Sea-change

To government ministers and their agents, we recommend that the restoration of a public interest role may need considering to debate the abuses noted. This appears necessary, because it is beyond the brief of the present enquiry to rule on pernicious practices *per se*, unless they are anti-competitive or to the detriment of the consumer.

Time and again, farmers told us they do not want special treatment but 'a fair price for a fair product'. A sea-change in thinking is required in the UK to apply the concept of fair trade not only to the developing world but also to a flourishing farming sector at home.

The EIAG report, *Fairtrade begins at home: supermarkets and the effect on British farming livelihoods*, is available at www.cofe.anglican.org/info/ethical/policystatements/fairtrade.pdf.

Neville White is Secretary of the Ethical Investment Advisory Group, whose secretariat at CCLA Investment Management is an ECCR corporate member.

Notes

1. ASDA, Tesco, Sainsbury and Morrison. See IGD, <http://www.igd.com/cir.asp?menuid=50&cirid=1677>.
2. Fairtrade Foundation, <http://www.fairtrade.org.uk/pr100807.htm>.