



18th March 2020

Statement on COVID-19

Dear Valued Partners,

As you are aware, the world is currently faced by a singular threat; COVID-19. The novel coronavirus pneumonia (Covid-19) outbreak began in Wuhan, in Hubei province, China and has quickly spread to at least 75 other countries, causing more than 3,000 deaths. Now characterized as a pandemic by the World Health Organization and further declared a Public Health Emergency of International Concern (PHEIC) respective governments across the world are taking precautionary measures to curb the spread of the disease.

Our Employees and Producers

At Fairtrade Africa, the health of our employees and producers is our primary concern. In light of global precautions and building upon recommendations from health experts, Fairtrade Africa as of 17th March took a decision to have all its employees work from home. As such, all planned activities including meetings, events, workshops and staff field visits have been postponed until further notice. The aim is to safeguard both staff and producers from the risk of exposure. Nonetheless, staff remain available to support remotely.

Producer organizations are equally taking their own measures. The worst hit, to date, is South Africa with an exponential daily increase of infections. The first case was reported on 10 March 2020, and as at today, 18 March 2020, the number stands at 116. Of these, eight (8) have been locally transmitted. We expect to see a spike in numbers by the end of this week as more people are getting tested. In Kenya for instance, all general meetings have been suspended in line with the government's directive. In addition, hand sanitizers have been provided in some POS, information posted on noticeboards and sensitization done via public address.

Business Continuity

As COVID-19 has continued to unfold, so has its impacts. Globally, the outbreak has slowed down commerce. Follow up with producers indicates that some of these effects are beginning to catch on, with specific product categories such as flowers much more affected than others. Below is a summary of the most recent updates as communicated by our producers:

Cocoa

Producers in cocoa are largely not affected at this stage. All POs have suspended all meeting and activities, and are working towards planned volumes. Globally, the outbreak might affect the cocoa pricing and supply chain in terms of logistics and exports delays, but this is not within the control of the producers and is not at their level. No record so far of any one being exposed to the virus.

Banana

Some Hired labour organisations have also taken the necessary precautions to ensure the safety and health of their workers and have put in emergency response unit on their sites measures. No record so far of any one being exposed to the virus. Contracts and volumes committed are being worked on as usual.

Coffee

Production is largely not affected. This is given that most activities are at farm level e.g. pruning for countries like Kenya while in Ethiopia, the harvest season ended in December 2019. Rwanda may however be affected since the harvest season is at its peak. So far, no notices of cancellations have been received. In Kenya, the coffee auction was optimal as of 17th March but challenges noted in shipping owing to port restrictions. Nonetheless, no new orders are coming in either due to the closure of retailing outlets.

Effect on workers: Since coffee is not a labor-intensive product, chances are that there will be no much effect on farmers and PO workers in the mid-term.

Tea

Production operations carry on as usual. Recent heavy rains resulted in good leaf and no worker issues in relation to COVID-19 have been reported so far. However, producers indicated that they will continue to monitor the situation over the next 2-3 weeks for a clearer picture on the possible impact.

In Uganda, transportation of tea from factories to the auction has been affected to some extent. The consequence is that factories may hold tea longer than usual posing food safety and quality risks.

Flowers

The flower product category is by far the most affected. With the unprecedented interruption of flower supply to various destinations, the producers are currently facing cancellation of cargo flights, high supply vis a vis low demand and consequently extremely low prices for flowers that have already made it to the market. Further details on the impact are as follows:

Closure of the Dutch Flower Auction: As a result of its closure, producers are not delivering any volumes to the auction. Producers report varying degrees of cancellations in both auction and direct markets, some already at 100%. On 16th March 2020, Royal Flora Holland (RFH) carried out an auction in all locations to try and clear stocks resulting in very low prices. As countries continue to close off, RFH estimates the loss to about hundreds of millions of Euros rising to more than a billion Euros when the floriculture market closes.

Effect on workers: owing to the labor-intensive nature of flower production, producers are taking measures to manage production costs and keep farms afloat. Measures taken so far include compulsory leave (majority) and layoffs. A few have resolved to monitor the trend until end of week to establish whether farms will be closed or not.

Production: Producers are keeping production at a minimum with some suspending production and solely maintaining irrigation operations with hope for better times ahead. For a few, minimal production is still ongoing for critical orders.

Loss of peak season: With Mother's Day and Easter not very far off, the next 10 weeks would normally be a critical season for producers. Should the current situation persist, producers are set to make significant losses. At Royal Flora Holland's market place for instance, around 100 to 120 million Euros a week is traded in flowers, sometimes with a peak of around 140 million Euros. In total, growers would realize a turnover of more than 1 billion Euros within the 10-week duration. With the current state of affairs, growers risk losing out fundamentally.

Wine

Fairtrade wine producers have already started feeling the effects of COVID19. With the state of disaster, no more than 100 people are to be in the same space at one time. Many producers are still harvesting. A number of farms, including Bosman Adama, had to close down its offerings (restaurants and wine tasting) due to workers and management being exposed to a group of 38 tourists from the Netherlands, where one person tested positive for the virus. They have effectively gone into 14 days of self-quarantine and will go for testing should they start displaying symptoms.

Effect on workers: While on some farms workers have been put on early holiday due to them having finished their harvest, some who are still harvesting and are feeling the effects. One directive for the country is that no more than 100 people should be together at the same time. This means that farms, that usually get contractors in for harvesting have had to suspend the contracts and have their workers put in extra days.

Production: All contracts have been suspended and producers are currently working on a plan of action for the pruning stage. Traditionally this is when most seasonal workers are brought in.

Loss: All borders in South Africa has been closed which directly affects export. Wine Containers have been postponed until further notice.