

## STATEMENT ON EFFECTS OF COVID-19 ON NAPP

10th June 2020

The number of COVID 19 cases in Asia and Pacific region where Fairtrade producers are located has risen to over 600,000. India, which has majority of producers has surpassed China (83017 cases) in the number of cases reported as on date, with the total nearing 300,000 (50% recovered, 50% active cases).

### EAST ASIA

#### China:

It seems that the COVID-19 outbreak is now under control in China. The tea production has resumed in the region of Zhejiang since late February and Yunan, Hunan, Jiangxi, etc. in the month of March. Despite this progress, Chinese tea growers like the growers in other producing countries are negatively affected as well. The whole supply chain is disrupted, and the market continues to decline. Due to the outbreak, both domestic and international demand for tea has dropped significantly. All tea promotional events are cancelled and major international destinations for exports of Fairtrade products are still under lockdown due to restrictions on national and international movement. The Fairtrade-certified tea growers and traders are also facing serious domestic and international market challenges and are under high financial burden. An estimate of 70 million population are now unemployed in the region and the lifestyle is yet to return to normal.

On the supply side, the impact on the output is limited, but the production cost has increased considerably: (1) the government has laid down strict protocols for safety measures to prevent the spread of infection, e.g., wearing a mask, conducting regular body temperature checks, installing hand-washing and disinfectant facilities, practicing social distance in the workplace, etc. (2) the cost of labour is increasing significantly. Growers and processors experience difficulties in hiring skilled workers because of the restrictions on the movement of people and transportation. As a response, they must recruit new workers and impart necessary training. In some areas, they are compelled to pay higher wages as people are still scared to report to work due to the fear of the virus. Undoubtedly, this has led to the increase in the cost of labour and transportation and has affected the production efficiency (3) the lockdown measures implemented in February have affected the normal management in tea gardens thereby decreasing the quality of the spring tea. However, the overall production of tea in China has been growing over the past years owing largely to Government Poverty Reduction Programs. The Govt. invests heavily in tea plantations with an objective that the poor population in the rural region should be provided support.

In Jan-Feb 2020 in comparison to the same period in 2019, the tea export volume has reduced by 26.34%. On the contrary, the export price has increased by 23.05% to USD 5.5/kg, while the farm gate price has declined considerably. According to a recent research report, the export was expected to recover from May onwards, but the total export volume will see a noticeable reduction. 2020 will be a challenging year for Fairtrade-certified Chinese tea growers, processors, and traders. Most of the tea producers are working on the orders of last year. This means they still have the cash flow to continue their agricultural operations for now. However, many producers have reported that new orders are not yet placed unlike last year and they are bound to

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face more challenges in the second half-year of the year. For the newly certified producers, the virus exacerbates their situation. They are yet to receive any reliable purchase orders from FT traders, which means they must wait for a longer period before securing any FT market outlets. Some of them may decertify voluntarily due to the mounting pressures of no cash flow and big uncertainty of market prospects.

### SOUTHEAST ASIA

#### Vietnam

Vietnam currently has 49 cases with 279 cases recovered in the past. The Govt. lifted the ban on social distancing on 3rd week of May, post which most of the activities in the country has returned to normal. The SPOs in Vietnam have resumed their operations as usual but the trade remains difficult. The price of conventional coffee has slightly increased compared to last week while the price of other products such as cashew nut, passion fruits, pepper, tea remains the same. The new applicants for Fairtrade certifications have now expressed their interest to be audited to start dealing with potential customers. They also require physical training and pre-audits. Since the relaxation of the travel movement has been lifted only for domestic purposes, it is recommended for FloCert to use local auditors for auditing purposes.

Lack of rain combined with growing water consumption on river tributaries, as well as increased water storage in dams, is likely to spur drought of 2020 which will make saline intrusion more severe and longer-lasting. Production of coffee and passion fruit will be most affected by this drought after the COVID 19. All the cooperatives are now preparing for the irrigation season which will require a substantial budget. Several cooperatives have now shown their interest in Dealer to dealer trade (D2D) projects as recommended by the Prime Minister to join the initiative. The effect of COVID19 however is still felt by the producers of Vietnam. The coffee price has decreased by 15-20 % and sales volume has reduced by 50 - 80% as compared to the pricing and volumes during the same time last year. There are no new sales contracts. In the highlands, the drought is more severe, involving additional expenses for farmers to irrigate the coffee farms. It is forecast that 30% of the coffee grown in the highlands will suffer from a lack of water which will affect the crop adversely. Fairtrade coffee SPOs have prepared a Fairtrade Premium Plan to build the resilience of the vulnerable members for further emergencies. The COVID 19 has not affected the price or sales of cashew nuts, but a few FT cooperatives are facing challenges for Fairtrade sales. For fresh fruits coops, the Fairtrade sales have reduced by 20- 30%. The producers are able to sell it only in the domestic market since China's import remains closed. The tea producers face a lack of capital due to no new contracts and delays in the shipping of previously placed orders.

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### Indonesia



The future of Coffee is still showing a bearish trend in Indonesia. The price of Arabica ICE has dropped by 40% year to date (the highest at 147 cents/lbs and the lowest 105 cents/lbs). By Mid-March, the price increased by 22% but significantly dropped again. Due to the relaxation in lockdown last week, there is a positive bullish trend in other stock markets (DJIA, S&P 500, and NASDAQ) but it has not yet created any positive trend in the coffee futures. US, Italy, Netherland reported that there is a relaxation in lock-down policy, while in the UK it has been

extended. In the US, some coffee shops are already opened with a “new normal” policy such as providing only- take away orders. In general, the Out of home industry is yet to recover. Coffee Collective has already opened 13 of their café shops (out of 22) but the business is yet to return to normal.

### Fairtrade In Indonesia:

The Java coffee producers will start their harvest at the beginning of June. The price has not been fixed yet. Their trader has confirmed that several future contracts have been signed with 02 buyers. The harvest season for a Sumatra producer and larger collectors has ended at the end of May. The Price of the last harvest has dropped by 35-45%. While the farmers can sell their harvest, some still prefer to process and store it. The majority of Fairtrade certified SPOs have stopped purchasing from members due to a lack of cash flow and uncertainty of future contracts. Larger exporters are still left with a pile of stocks. Though new contracts are reported by several SPOs, the number of contracts is still limited. The next harvest season in Sumatra will start by mid-Sep/Oct.

As per the coconut sugar producers, the coconut sugar production has not experienced any disruption either at the farmer level or at the level of the coop. In fact the traders are facing a shortage of supply and decrease in production (due to rainy season, the coconut tree produces less good quality coconut sap) for the past couple of months. Usually, during this season, the demand goes up and the price of coconut sugar at the level of farmers increases. The production and trading of spices are on halt. Product development of Fairtrade Cassava cracker is continued by a trader but not yet finalized. The 1st production is expected by the end of this year for 1 container (14+ tonnes). The cooperative needs to redefine its business plan on whether to focus on cassava, herbs, and spices or both. On the other side, there is a significant demand for organic-only herbs and spices for exporters. However, cash flow is extremely limited to support its development.

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## Thailand and Laos

The COVID 19 situation is under control in Thailand and Laos. The no. of cases is low, and no new cases have been reported. However, in Thailand, the lock-down has been extended till 30th June while Laos remains opened since 4th May.

There have been no impacts on the sales of rice in Thailand. Some SPOs have received few more orders than last year. The main impact is felt by the delay in transportations and shipments. This delay along with the rise in temperature has resulted in high infestations of storage insect pests which damages the crop. The overall crop cultivation has not been affected and the farmers in the villages continue to work in the field. However, they avoid social gatherings due to which farmer meetings are on hold. The SPO staff are required to work harder and their activities are slowed down by the need to visit their members individually at home or farm.

The exports of passion fruits are on hold due to no international flights. A pineapple producer reported that there is no impact on production, harvesting, and transportation to the factory. The sale remains unchanged. However, the other SPOs have reported fewer orders than last year. No impact on herbs and spices production, harvesting, and transportation.

The green coffee sale has dropped significantly by 75% in Thailand but there is no impact on coffee producers in Laos as the binding contracts were signed since November 2019. Due to increased production this year, their sales have slightly increased as the buyers have bought the additional harvest as well. The shipments are returning to normal.

## **SOUTH ASIA**

### Pakistan:

The Pakistan Govt has eased up the restrictions and the businesses are gradually getting back on track, which will provide some relief to producers and workers from June onwards. Sports ball producers still face challenges with fulfilling the required supply as production has slowed down and they are only working on previously committed orders. However, shipping service is expected to improve in the coming days. Factories have resumed their operations with limited staff and other precautionary measures post the festival of Eid. All the 6 sports ball producers have been providing food and medical relief support to workers and carrying out awareness campaigns.

Sales and new orders for cotton have stopped and farmers and seasonal workers involved in the sowing and cotton-picking are impoverished due to COVID 19. The demand for Rice has increased due to restricted mobility in Europe during the Pandemic. People are mostly staying at home and cooking rather than going out to restaurants and eateries as food businesses and take-away are closed. Rice producers are receiving more orders from Europe. Previous shipment hurdles and documentation for export courier services are also eased from May 2020. There is an 80% decline in sales of dry fruits due to shipment problems, especially walnut sales are at 0%. It is predicted that all the businesses are at high risk for 2020. However, producers have

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managed to remit full salaries for their staff and are committed to paying them for the whole year. The situation for daily waged labour continues to deteriorate as it is tough for the producers to compensate them when the organisation itself is deprived of sales orders.

### Iran

Iran has the second highest number of COVID 19 cases after India. The saffron farmer group with 50 farmers and staff has suffered severely. They missed the important cycle of fertilisation due to transportation delays of fertilisers to the farmers, during the peak of the Corona spread and have been asked to call off their earning opportunities and no exports have taken place for the year.

### India

Markets for cotton are still closed and not much movement is happening for lint trading. The farmers are still waiting for cotton seeds for the upcoming sowing season which starts in early June. They are currently conducting the testing process for non-GMO seeds with the opening of certain marketplaces under the Essential Services Act by the Central Govt. In Gujarat, the 25 % of the remaining cotton which was not procured, has now been procured completely with 8 to 10 Rupees less per kg than the pre lockdown period. This has greatly impacted the farmer's income. The lockdown continues in Gujarat and Maharashtra - the two most severely affected states in India. Few ginning units have started with limited local workers. Migrant workers are yet to return to the ginneries. This is hampering the cotton processing.

Most big buyers have cancelled their orders since there is no intake by the garment industry as of now. Stocks are piling up and future market scenario is completely unpredictable as the lockdown is not lifted completely. As brands cancel their current and future orders to protect their interests, once again the economic and social burden is being disproportionately felt by the small ginning mills.

A cotton SPO in Gujarat has started collecting cotton seeds from selected farmers and distributing it to their producer members at subsidised rates. In Madhya Pradesh, the seed distribution has been requested from the suppliers, and phased delivery is expected in the upcoming days. Currently, the farmers are hoping to receive the seeds in coming weeks and are accordingly planning the sowing. The challenges in logistics could hamper smooth sowing season.

Since the State of Jammu is not much affected, the offices of rice producers have opened with 33% working staff. Market lockdowns everywhere are hampering business flow and indirectly the liquidity for the running of businesses. Farmers are preparing for the upcoming cultivation activity. Assumptions are since Rice is an essential item, the market will manage to survive if not excel. The factories are open, and delivery shipments are progressing. Migrant workers who left for their villages are being asked to return.



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Tea HLs in both Kerala and Tamil Nadu are still working with 50% of the workforce. Many of the factories are running both day and night shifts. This has substantially affected the production quantity. On the demand side, there is still a steady demand from both export and local markets. Since it is mandatory to provide all the sanitisation and protective equipment to the workers, estates are incurring extra costs for their production lines. All the sanitation equipment and other required materials are provided free of cost to the staff by the management. The turbulent logistics are gradually returning to normal. Major shipping ports in South India are now operating. For small tea producers of Kerala, the harvest season has begun. The Assam Government has notified work to be carried out in the gardens of Assam with 100 % workforce. Directions were given to all the district commissioners to maintain strict rules within the garden. By the end of April 2020, the state of Assam has incurred a loss of about 21 million kg. The recent amendment in the labour laws in the state have put the plantation workers on an edge. The decision of the State Government to increase the working hours of the plantation workers from 8 to 12 hours a day has been labelled as oppressive by various plantation workers' bodies. In North-East India, the teas have been packed and have reached the ports but are yet to be shipped. Apart from this, there have not been many changes from the last update about the ground situation.

In Kerala, there is a sudden surge in the cases due to the inflow of expatriates in the last two weeks, which has increased the number of hot spot areas in the state, some of which are falling under the Coffee SPO areas. The trade is still shaky for many of the producers and their associated traders, although few of them are getting green signals from the buyers. Some farmers are yet to harvest their crops due to anticipation of where to sell their produce even if harvested and processed. Coffee producers in Kerala who are highly vulnerable to climate change risks hand have suffered much from the floods in the last two years. The repercussions from those floods have affected the production and yield of many farm.

### Sri Lanka:

The SPOs have started selling their primary produce and issues if any, would hopefully be resolved within the next few weeks. The curfew in Sri Lanka was lifted on 26th May and the businesses, trade and public lifestyles are getting back to normal. The logistics sector still encounters few problems with the scarcity of truck drivers, restrictions on sea shipments, and lack of air freight. Ocean freight also faces a shortage of containers, which is a major problem for exporters. The producers are affected by European transport delays. The Export Development Board of Sri Lanka is working together with a network of State organizations and Departments to help Sri Lankan exporters to continue the export process to support businesses and brands overcome COVID - 19 related global and local challenges by providing information on best practices, state concessions, logistics, and fast-evolving global markets. There are no major developments in the Hired Labour industries for the past few weeks.

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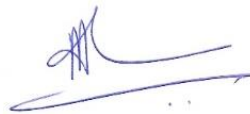
### Central Asia

**Dry fruits:** Due to the strict lockdown in Uzbekistan, especially in Samarkand region, all FT farmers and producers reduced their work on the field. Fruit producers are continuing their work on home orchards and the cropping season began in March.

Government of Uzbekistan extended the lockdown regime for all citizens in Samarkand region with the deadline till 1st June. The Trader Co. in Samarkand region has temporarily suspended its operation of processing Fairtrade fruits and vegetables and spices. Because of cool weather and extreme rain, there is a forecast that yields of species and vegetables will be lower compared to previous year.

**Cotton:** Kyrgyzstan has extended lockdown restrictions in June. The area of Jalal Abad, where the Bio farmer cotton cooperative is situated, is at the heart of a restricted area and people have been put under a curfew. Cool weather and weekly rains are impacting the production and increased incidence of pests and diseases.

Sincerely,



Sanjeet Singh Khurana / Chief Operations Officer