

Requirements to achieve Fair Trade Town Status for the City of Toronto

Date:	February 6, 2013
To:	Government Management Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2013\Internal Services\pmmd\gm13001pmmd (AFS16046)

SUMMARY

In response to a request from Government Management Committee to investigate the requirements associated with Toronto qualifying for and achieving Fair Trade Town status, this report recommends an amendment to the City's Policy on the Purchase of Coffee to now include tea and sugar, and make it a requirement that the City of Toronto purchase Fairtrade certified coffee, tea and sugar products.

Approval and implementation of the recommended amendments to the City's Policy on the Purchase of Coffee will demonstrate that the City of Toronto is committed and supportive of companies with sustainable agricultural policies in the coffee, tea and sugar sector of the producing countries, and are involved in programs that make a positive difference in the lives of those workers. Additionally, approval of the policy amendment will ensure that the City of Toronto meets its political goal under the Fair Trade Town program which will help Toronto qualify for achieving Fair Trade Town status. To achieve Fair Trade Town status, a municipality is only required to support the purchase of at least two Fairtrade certified products. The revised policy will have three Fairtrade certified products. Through ongoing initiatives by Fair Trade Toronto, Toronto City Council can consider adding other Fairtrade certified products in the future.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council endorse Fair Trade Toronto's application for the City of Toronto to receive Fair Trade Town status from Fair Trade Canada.

2. City Council adopt the revised Purchase of Fairtrade certified Coffee, Tea and Sugar Policy as set out in Attachment A and rescind the previous Purchase of Coffee Policy.
3. City Council direct City Divisions to encourage the promotion of Fairtrade certified Coffee, Tea and Sugar in other situations, such as the renting or leasing of retail space from the City.

Implementation Points

If City Council adopts the revised Purchase of Fairtrade certified Coffee, Tea and Sugar Policy, then the Environment and Energy Office (formerly the Toronto Environment Office) will designate a staff member to be appointed to Fair Trade Toronto's Fair Trade Towns Committee. The role of the staff member will be to be a liaison between the City and Fair Trade Toronto to be kept up to date on initiatives of Fair Trade Toronto.

Once Toronto has met all of the criteria required by the Fair Trade Towns program, including adopting the revised policy, Fair Trade Toronto's Fair Trade Towns Committee is responsible for completing the application form and submitting it to Fairtrade Canada along with any relevant supporting documentation.

Financial Impact

There is no financial impact associated with the adoption of the recommendations in this report. Based on the records staff have gathered from SAP, the City purchases approximately \$300,000 worth of coffee, tea and sugar annually (primarily purchased by Shelter, Support & Housing Administration and Long-Term Care Homes & Services). The revised Purchase of Fairtrade certified Coffee, Tea and Sugar Policy will make it a mandatory requirement that the City purchases only coffee, tea and sugar that have received Fairtrade certification. As the purchase of such products will be done via a competitive procurement and based on the research done, we do not anticipate any significant increases in the cost of purchasing these products, if at all. Future contracts that include Fairtrade certified coffee, tea and sugar will be awarded either based on the lowest priced bid or on the highest scoring proposal meeting requirements and specifications.

DECISION HISTORY

At its meeting held on June 27, 2012, Government Management Committee referred Item GM15.21 "Fair Trade Towns", including a letter dated June 12, 2012 from Councillor Layton, to the City Manager, in consultation with the Director of Purchasing and Materials Management, the Treasurer and other Divisions, to investigate and report on the requirements associated with Toronto qualifying for and achieving Fair Trade Town status as per requirements set out by Fairtrade Canada.

Link to GM15.21:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM15.21>

ISSUE BACKGROUND

Fair Trade was developed over 60 years ago in response to injustices in the international trading system that often resulted in producers receiving a very low share of commodity profits. This alternate system of trade linked developing world producers directly with buyers in the North, who offered them fair conditions of trade. The international umbrella organization Fairtrade International (also known by its previous acronym FLO, for Fairtrade Labelling Organizations International) sets international fair trade standards that guarantee not only a fair price to producers for their products, but also additional funds for community development, access to credit, and stable trading relationships. Environmental and labour standards are also followed, and producers or workers must be democratically organized.

Fairtrade International, and its members including Fairtrade Canada, run a fair trade certification program that verifies that producers and companies purchasing products have met a variety of criteria including labour standards, minimum prices and fair pay, sustainable farming, governance, on-site audits, and the democratic participation of workers.

Fairtrade Canada, a national non-profit organization, is responsible for certifying that Canadian products bearing the Fairtrade certification marks meet international Fairtrade standards. Fairtrade Canada licenses Canadian companies to use the Fairtrade certification marks on their products, and as part of that licenced companies must abide by strict mark-use standards.

There are over 650 FLO certified producer organizations from 58 countries. At the end of 2010, there were more than 1,000 Fairtrade certified products available for purchase in Canada.

A Fair Trade Town is any community in which people and organizations use their everyday choices to increase sales of Fairtrade certified products and bring about positive change for farmers and workers in developing countries.

Fair Trade Towns are becoming increasingly well known around the world with over 500 Fair Trade Towns in the United Kingdom and municipalities across North America such as Vancouver, Chicago, San Francisco, Berkley, Boston, Sherbrooke and Barrie receiving the designation. In Canada, 15 municipalities have achieved Fair Trade Town status.

Fair Trade Toronto was created to promote fair trade in Toronto, and unify the efforts of all those in the fair trade community to increase public awareness of how individual choices and actions can advance equality, social justice, and environmental sustainability by promoting a system that respects producers and artisans around the world.

Fair Trade Toronto is an independent volunteer based organization. Fair Trade Toronto is not in the business of selling Fairtrade certified products nor do they allow anyone with a direct interest in selling Fairtrade certified products to sit on their Board of Directors or

Steering Committee. Fair Trade Toronto is not an enforcer or certifier of international Fair Trade standards, but work with internationally recognized Fair Trade certification bodies to promote Fair Trade.

COMMENTS

In order to become a Fair Trade Town, the City of Toronto and Fair Trade Toronto must attain the following five goals and commit to a sixth:

- Goal 1: Political Support
- Goal 2: Availability of Products
- Goal 3: Community Support
- Goal 4: Public Education
- Goal 5: Fair Trade Town Committee
- Goal 6: Keep the Momentum

The Fair Trade Towns Action Guide, attached as Attachment B, describes the six goals.

The City of Toronto's primary responsibility is Goal 1: Political Support. Fair Trade Toronto will be responsible to ensure that Goals 2 through 5 are achieved and Goal 6 is maintained. Fair Trade Toronto has been working over the last year to achieve Goals 2 to 5 and Fair Trade Toronto report they have succeeded in meeting Goals 2 to 5 and are prepared to meet Goal 6. For more information on the work of Fair Trade Toronto, the Status report for Fair Trade Toronto has been attached as Attachment C.

Fair Trade Toronto will be responsible to ensure that all the requirements are met for Toronto to achieve Fair Trade Town status and accreditation. Additionally, Fair Trade Toronto will oversee the accreditation process with Fair Trade Canada and Fair Trade International.

Goal for the City of Toronto

Goal 1 : Political Support

In order for the City of Toronto to demonstrate that they want to qualify for and achieve Fair Trade Town status as per the requirements of Fair Trade Canada, the City of Toronto must:

- a) make a commitment to purchase a minimum of two Fairtrade certified products that are to be available at Toronto City Hall and are to be served at meetings and events directly managed by the City of Toronto; and
- b) have a City staff member join the membership of Fair Trade Toronto as a liasion to ensure continued commitment to its Fair Trade town status.

The City of Toronto already possesses one fair trade policy - the Purchase of Coffee - which was adopted by Council at its meeting of July 4, 5 and 6, 2000 (re: Report No. 14, Clause 3 of the Administration Committee). The Purchase of Coffee policy is consistent with the City's support of human rights and environmental policies, including purchasing policies such as the City's Environment Responsible Procurement Policy, Live Animal Testing, No-sweatshop Policy and Local Food Procurement Policy. In order for Toronto

to be eligible for Fair Trade Town status, the policy on coffee needs to be amended to include at least one other Fairtrade certified product. Staff are recommending to amend the policy to now include both Fairtrade certified tea and Fairtrade certified sugar and to make it a requirement for City Divisions to purchase only Fairtrade certified coffee, tea and sugar as set out in Attachment A. Future calls, including corporate calls administered by the Purchasing and Materials Management Division on behalf of City Divisions valued greater than \$50,000 and Divisional calls valued between \$3,000 and \$50,000 in value for the purchase of coffee, tea and sugar will be included in this policy. This policy does not apply retroactively to existing contracts.

With respect to a City staff member acting as a liason with Fair Trade Toronto in order to help Fair Trade Toronto promote fairtrade products at City events, a staff member from the Environment and Energy Office (formerly the Toronto Environment Office) will be designated as the liason if City Council adopts the revised policy. Through this relationship with Fair Trade Toronto, City staff can consider recommending additional fairtrade certified products to City Council to be included in the policy in the future.

Impacts of a Mandatory Fair Trade Policy

Based on the records staff have gathered from SAP, the City purchases approximately \$300,000 worth of coffee, tea and sugar annually as illustrated in the table below, primarily purchased by Shelter, Support & Housing Administration and Long-Term Care Homes & Services (combined those Divisions purchased approximately 75% of the total). This represents only 0.02% of the total annual City purchases of \$1,500,000,000.

TABLE A – Approximate annual purchases of coffee, tea and sugar

Commodity	2011	2012
	\$	\$
Coffee	239,648.19	239,369.91
Tea	60,857.71	55,925.04
Sugar	2,919.69	2,387.16
Total:	303,425.59	297,682.11

PMMD staff conducted research to determine what the financial impact would be if City Divisions were mandated to purchase Fairtrade certified coffee, tea and sugar in all competitive calls (valued greater than \$3,000). PMMD reviewed historical data on past purchases for coffee, tea and sugar products, reviewed Statistics Canada data from the Industrial Index for pricing trends, internet research and research information received from Fair Trade Toronto.

Based on the research, it shows that the world commodity prices for fairtrade coffee and non-fairtrade coffee can vary, as there is a minimum price for fairtrade coffee (for example, the price for fairtrade arabica is either \$0.10 above the market price, if the market price is over \$1.25/lb, or a minimum of \$1.35/lb). While there is a price difference in the commodity prices, the research that was found indicate that the commodity price difference is not reflective in the overall retail prices for a pound of coffee as the retail price will consist of many different components such as transportation,

packaging etc. Even amongst different fairtrade coffee products, there can be a range of retail prices, for example, Second Cup introduced their first Fair Trade coffee at \$17/lb, Loblaw's introduced their President's Choice Fair Trade Organic blends at \$10/lb and Costco introduced their Kirkland's Fair Trade coffee from Starbucks at less than \$6/lb. As a result, staff believe that there will be no significant financial impact by purchasing fairtrade coffee, tea or sugar versus non-fairtrade coffee, tea or sugar via a competitive procurement process.

Goals for Fair Trade Toronto

Fair Trade Toronto is responsible for the following goals:

Goal 2: Availability of Products

Fair Trade Toronto must determine whether the minimum number of retail stores and cafés, in the city, carry two or more distinct Fairtrade certified products. Example: two of coffee, tea, sugar, chocolate etc. The required number of qualifying stores and cafés is prorated to population as stated in the Fair Trade Town Action Guide. For Toronto the requirements are that 271 retail outlets and 136 cafes carry two or more distinct Fairtrade certified products.

Goal 3: Community Support

Fair Trade Toronto must demonstrate that there is support for and promotion of Fairtrade certified products from diverse community organizations, faith groups, schools and workplaces.

Goal 4: Public Education

Fair Trade Toronto must organize public events and media coverage to raise awareness about Fair Trade and the Fair Trade Town Campaign.

Goal 5: Fair Trade Town Committee

Fair Trade Toronto must convene a local Fair Trade Steering Committee which will meet regularly to ensure continued commitment to Fair Trade promotion and the local Fair Trade Town campaign. This group should be made up of members of the community and include City staff representation. As indicated above, a staff member from the Environment and Energy Office will be the staff liaison to the Fair Trade Steering Committee.

Goal 6: Keep The Momentum

Once Toronto has officially been recognized as a Fair Trade Town, the Fair Trade Town Committee will be responsible for ensuring that momentum on the campaign continues. The Fair Trade Town Committee must continue to develop partnerships and commitments to annual events to ensure ongoing growth of Fair Trade awareness in the City of Toronto.

The Fair Trade Towns Committee is responsible for ensuring Toronto remains compliant with the program criteria, and will provide at least annual updates of its activities and continued compliance to Fairtrade Canada.

Once Toronto has met all of the criteria required by the Fair Trade Towns program, the Fair Trade Towns Committee is responsible for completing the application form and submitting it to Fairtrade Canada along with any relevant supporting documentation.

Fairtrade Canada will then review the application to ensure the city is compliant with the program criteria, which may require additional correspondence with the contact indicated on the application form. Once compliance has been established, Fairtrade Canada will designate Toronto an official Fair Trade Town (or City).

Fairtrade Canada will then register Toronto as an official Fair Trade Town (or City) with the international program, provide a certificate to the City acknowledging its status, assist with any internal or external communications it would like to make about the designation, and provide a graphic to the City that it may use to communicate its new status on materials, web pages, etc.

Conclusion

If City Council adopts the recommendations in this report, including the revised policy, it will ensure that the City of Toronto meets its political goal under the Fair Trade Town program which will help the City qualify for achieving Fair Trade Town status. The adoption of a revised Purchase of Fairtrade certified Coffee, Tea and Sugar Policy is consistent with the City's support of human rights and environmental policies, including purchasing policies such as the City's Environment Responsible Procurement Policy, Live Animal Testing, No-sweatshop Policy and Local Food Procurement Policy.

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SIGNATURE

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ATTACHMENTS

Attachment A – Proposed Purchase of Fairtrade certified Coffee, Tea and Sugar Policy
Attachment B – Fair Trade Towns Action Guide
Attachment C – Fair Trade Town Toronto Status Report