

Nestlé and the Fair Trade Foundation – what this means for infant health.

Background paper by Baby Milk Action September 2005

The logic used by the FTF seems to be that:

- The FT mark is for a ‘product’ not for a company and any company can apply for a FT mark. By refusing some companies the implication is that companies who have it are in some way more ethical. Every company has skeletons in the cupboard – however the FT does acknowledge that Nestlé is the biggest problem for them.
- Nestlé seems to be pushing the FTF into a corner. It is so determined to get a mark that if they don’t give it they’ll invent their own. The FTF seems worried that this will undermine the whole movement.
- FTF do care about the infant feeding issue and say they do not want to undermine the boycott.
- FTF have always intended to ‘mainstream’ fair trade.

Baby Milk Action is opposed to Nestlé receiving the FT mark and believes that such a move would have an extremely damaging impact on infant and young child health and will bring disgrace on the Fairtrade Movement. Below are some questions which we are asking the FTF and other NGOs to consider before any final decision is taken.

- Many companies trade fairly without the benefit of the FT mark – so why give a mark to Nestlé which has such a bad record on so many fronts. Would FTF really give the mark to ANY company - an arms trader for example?
- We welcome any move by any company that would guarantee fairer prices for farmers in the developing world. But the response must be proportionate. Nestlé’s new brand – which we understand will be called *Partners Blend*, will have no market share. It merely diverts our attention away from the criticisms of its main coffee trading practices. Giving a Fair Trade mark for this gives Nestlé an enormous commercial advantage and entry point to places where it is now excluded (potentially to Student unions, church groups etc – who are all moving towards Fair Trade) a ‘pat on the back’ which is quite out of proportion with the action taken.
- **Nestlé is opposed to expanding Fairtrade in principle.** The FTF says that companies must be committed to growing the overall market for Fairtrade. Yet Nestlé’s stated position in its 2005 Coffee Report is that Fair Trade must remain a niche product. Its justification is that if Fair Trade producers increase production it will cause world market prices to fall - that if you pay more for coffee, the price of it will go down.¹
- If the FTM is awarded, how will FTF answer questions about Nestlé’s irresponsible marketing of baby foods? Will they eventually be pushed into defending Nestlé – as Red Cross, Shelter and others have done?
- What about Section 6.25 of the *FLO Trader Application Evaluation Policy*? The fact that FTF has this clause in its contract that the company must not bring disrepute the Fair Trade mark into Disrepute, implies that companies awarded the FTM *are* considered to be ‘ethical’ in other areas.¹

¹ Nestlé’s Coffee report 2005 Nestlé and Fair Trade. “Nestlé recognises that Fair Trade is a useful way to raise consciousness about the coffee issue and for individual consumers to express their solidarity with a group of coffee farmers in the developing world. However, if on a broad basis, coffee farmers were paid Fair Trade prices exceeding the market price the result would be to encourage those farmers to increase coffee production, further distorting the imbalance between supply and demand and, the
• refore, depressing prices for green coffee. Worldwide, the Fair Trade movement accounts for less than 25 000 tonnes of green coffee. Nestlé’s direct purchasing accounts for 110 000 tonnes of green coffee per year. This system enables the farmer to retain a greater portion of the price paid by Nestlé, therefore improving his income (see page 6)”.
http://www.nestle.com/Transversal/Search_Results/Search+Results.htm?searchString=coffee.

- How will FTF judge bad behaviour? What could be worse than contributing to the death of thousands/millions of infants? By going ahead now, before Nestlé has agreed to stop its irresponsible marketing and/or comply with the Boycott demands (outlined in the Four Point Planⁱⁱ), the FTF is denying the validity of IBFAN's monitoring and the importance of this issue.
- Will the FTF have control over every use of its name and logo by Nestlé? Surely there is a conflict of interest here – is FTFs desire to mainstream and promote its logo and the mark as widely as possible affecting its judgement? Nestlé operates in just about every country in the world has thousands of brands and an outreach into health sectors and governments that cannot be compared with other companies.
- How will FTF guard against Nestlé using the FT mark to cover up malpractice - they have done this many times in the past. What will FTF do about this?

Independent monitoring: BMA felt that it is relatively easy for a company to allow independent monitoring on a product that is not important in terms of sales – Nestlé will just have to exist to do the job. Nestlé would not, for example, to allow independent monitoring of its other coffee supplies. It is a matter of public record that Nestlé is opposed in principle to the FT approach and this product will be an exception. The vast majority of its coffee will continue to be purchased in ways that impoverish coffee producers. BMA had invited Nestlé to take part in a public tribunal of its activities and the company refuses to do so. It continues to attack monitoring by IBFAN or any other critical body. It certainly doesn't follow that it will accept the validity of IBFAN's monitoring on a sector that is so important to it and so profitable. and admit that its marketing needs to change. Because the Boycott calls for an end to promotion of this line of products, Nestlé would have to accept that it would lose market share until legislation is in place in all countries and/or other companies follow suit.

General Public: BMA believes that there is total confusion and ignorance about what the FT mark stands for and that the impact of the FT mark extends far beyond the single brand, as it does with Green & Blacks. The FT mark is not a straightforward certification on the content of a product such as 'organic' or 'GM free.' It is much more complex and conveys endorsement of the whole charity sector. FTF, as Charity of the year, surely has a responsibility to consider its wider impact on child rights.

BMA has asked several people, in confidence, the hypothetical question "*what would you think if you hear Nestlé had a fair Trade mark?*" Many said they would assume that the company had cleaned up its act – that no company responsible for the death killing babies would get a mark. Other said that this would be evidence that the FT mark means nothing and they would abandon their support for FT in future.

What about the Nestlé threat that it will produce its own FT mark? This can surely not be a reason to comply and ignore important principles. This is already happening with other companies. For example Waitrose has a Waitrose Foundationmark (<http://www.waitrose.com/about/thewaitrosefoundation.asp>).

The Boycott:

BMA feels it is illogical for FTF to announce a brand as Fair Trade and encourage development NGOs to support this and people to buy it, while at the same time saying they support the boycott. Ending a boycott is very different than giving FT mark. The mark is highly lucrative, while the end of a boycott is simply the removal of a sanction. Nestlé would only mention the end of the boycott if someone brings it up first.

According to Ethical Consumer magazine, the Nestle boycott is the best supported consumer action in the UK and in January 2005 a global internet vote showed that Nestlé is considered the world's 'least responsible company. Another global GMI online opinion poll in September 2005, surveyed 15,500 consumers in 17 countries. It found that Nike, Coca Cola, McDonald's and Nestlé are the most boycotted brands on the planet. Nestlé is the most the most boycotted brand in the UK because of what respondents consider its "*unethical use and promotion of formula feed for babies in third world countries.*" But the boycott is a hotly debated issue – especially in Student Unions, where there is pressure from some

sections to open up constructive dialogue and favour Fair Trade products. The FT mark will make things very difficult for endorsers.

In the debates about the Boycott, Nestlé regularly refers to its record as an employer and a Fair Trade mark would provide X with an important lever to insist on 'dialogue' and 'engagement' with boycott endorsers - rather than open public debate.

Other issues: BMA believes that the FTF should recognise the extent of concern about Nestlé in areas other than infant feeding: its exploitation of farmers, its union busting, its promotion of risky technologies (GM, nano-technology, food irradiation) its use of health claims to convey an impression of added value – undermining confidence in indigenous foods (and breastfeeding and family foods); the Ethiopia scandal, its illegal extraction of water which was the subject of a BBC *Face the Facts* programme on July 22nd, its pollution, its blocking of the vaccination programme during the UK Foot and Mouth crisis, its fraudulent labelling, its promotion of sweet, salt and fatty foods etc etc.ⁱⁱⁱ

BMA believes that the FTF should find a way to draw a line - somewhere – that recognises when a company, such as Nestlé, is beyond the pale because the level of harm it will inflict on health and environment for years to come far outweighs the benefits to the few farmers making this one brand of coffee.

Other suggestions: The FTF could develop rules that say the product must represent a certain percentage of % the company's turnover, or that only companies in the ETI should be eligible. (Nestlé was refused.) The FTF has charitable status and should do nothing until they have done a consumer survey to see what effect this would have on public opinion about Nestlé and infant feeding (and the FT mark). The FTF should take steps to rebut Nestlé's PR and explain why it is inappropriate to give the mark to this company at this time. There are, after all, many companies who trade fairly who don't have a FT mark.

Why breastfeeding is important and must be protected

Inappropriate marketing exacerbates family poverty and increases the risk of disease and death, mainly but not solely, in developing countries. The *Convention on the Rights of the Child* also recognises the fundamental role that breastfeeding plays in fulfilling the right of every child to the highest attainable standard of health. In studies from 42 of the world's poorest countries (where 90% of the 10 million child deaths occur) good breastfeeding practices top the list of interventions to reduce under-5 mortality. It would save more lives than other key preventive measures such as immunisation, safe water and sanitation (ref. Jones et al. *How many child deaths can we prevent this year?* The Lancet, Vol 362 July 5, 2003 65-71 Child survival 11). As policy makers struggle to fulfill the *Millennium Development Goal* of reducing child mortality by two thirds by 2015 and effective and comprehensive controls on marketing which protect and support breastfeeding are imperative.

In relation to UK NGO efforts to *Make Poverty History*, it is important to consider the economic importance of breastfeeding and the damage caused by marketing practices which undermine it. There can be no food more locally produced, more sustainable or more environmentally friendly than a mother's breastmilk - a naturally renewable resource which requires no packaging or transport, results in no wastage and is free.

In Pakistan the aggressive marketing of Nestlé has played a big role in the expansion of the market of breastmilk substitutes (BMS) and for many years attempted to block the adoption of marketing controls. ^{iv}BMS imports in Pakistan were \$ 4 million in 1982-3, \$ 8.5million in 1987-1988 and \$ 43.5 million from July 1995 to April 1996.

Statements about Nestle and Fair Trade:

"The fair trade movement was set up to challenge the practices of companies like Nestlé, which have traditionally amassed huge profits by paying their suppliers rock bottom prices. Nestlé still opposes any expansion of fair trade beyond the niche market it currently enjoys, arguing in its recent coffee report against the mainstreaming of fair trade principles. How can such a company deserve the fair trade mark?"

John Hilary, Director, Campaigns & Policy, War on Want September 2005

"...The FT mark could be used as a fig leaf to deflect attention away from some of the other issues that it has not resolved. We have to bear in mind that the company might be doing this to be seen to be ethical, so it can get into places it doesn't sell in now, such as student unions and church groups. If it is going to remain a fraction of its total coffee market, it is being done for the wrong reasons." **Julian Oram, Policy Officer, Action Aid**

"The launch of a Nestlé FAIRTRADE coffee is more likely to be an attempt to cash in a growing market or a cynical marketing exercise than represent the beginning of a fundamental shift in Nestlé's business model. If Nestlé really believes in FAIRTRADE coffee it will alter its business practices, lobbying strategies and radically overhaul its business to ensure that all coffee farmers get a fair return for their efforts. Until then Nestlé will remain part of the problem not the solution." **World Development Movement.**

ⁱⁱ Excerpt from *FLO Trader Application Evaluation Policy*

6.2.5 Bringing FLO Fairtrade into Disrepute

FLO reserves the right to exclude traders that engage in behaviours that, even though are not directly related to Fairtrade transactions, are so bad that FLO's association with the trader would seriously undermine the legitimacy of FLO Fairtrade in the minds of consumers. FLO shall take into consideration any relevant information it receives regarding the trader from FLO National Members and others. To justify denial of the application, the behaviour would have to be severe and the trader has not taken any measures to rectify the situation. In some cases, this criteria may cause the applicant to take corrective and preventative action. FLO therefore takes a rehabilitative approach to traders, and will respond to any criticism of their acceptance in this manner. Therefore, where the applicant has engaged in serious and repeated;

- predatory commercial practises that resulted in disadvantage to producers,
- fraudulent product labelling; or
- contravention of core ILO covenants
 - o Covenant 87 Freedom of Association and Right to Organise, 1948
 - o Covenant 98 Right to Organise and Collective Bargaining Convention, 1949
 - o Covenant 100 Equal Remuneration Convention, 1951
 - o Covenant 111 Discrimination, 1958
 - o Covenant 29 Forced Labour, 1930
 - o Covenant 105 Abolition of Forced Labour Convention, 1957
 - o Covenant 138 Minimum Age Convention, 1973
 - o Covenant 110 Plantations Convention, 1958
 - o Covenant 155 Occupational Safety and Health Convention, 1981

for which it has not taken any measures to rectify, then the application may be denied. The test is intentionally made difficult in order to prevent spurious denials of trader applications. All FLO Trader Contracts shall provide that the trader shall not engage in any of the above activities that might bring FLO Fairtrade into disrepute.

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NESTLE BOYCOTT DEMANDS: THE FOUR POINT PLAN

1. Nestlé must state in writing that it accepts that the International Code and the subsequent, relevant World Health Assembly Resolutions are minimum requirements for every country.
2. Nestlé must state in writing that it will make the required changes to bring its baby food marketing policy and practice into line with the International Code and Resolutions (i.e. end its strategy of denial and deception)
3. Baby Milk Action will take the statements to the International Nestlé Boycott Committee and suggest that representatives meet with Nestlé to discuss its timetable for making the required changes.
4. If IBFAN monitoring finds no Nestlé violations for 18 months, the boycott will be called off.

iii

For overview see <http://www.corporatewatch.org.uk/?lid=237>)

iv

For evidence of marketing malpractice in Pakistan see the many reports published by IBFAN: for example: *Feeding Fiasco, Milking Profits and Breaking the Rules*.