

UPDATE ON THE EFFECTS OF COVID-19 IN LATIN AMERICA AND THE CARIBBEAN

April 15th, 2020

Dear Fairtrade Partners and Stakeholders,

In the last days the pandemic of COVID-19 has extended widely in the Americas and the United States has become the new epicenter as the country with most cases registered worldwide. The pandemic continues affecting Latin America and the Caribbean, where more than 65 thousand cases have registered as of April 14th.

Brazil is the country with most cases registered, followed by Peru, Chile and Ecuador. Also, an important number of cases have registered in Mexico, Panama and Dominican Republic.

The governments of almost all countries have taken strict measures to prevent the contagion of the disease, suspending all activities with massive gathering, imposing quarantines, limiting citizens movement and allowing work only on essential activities, closing borders, imposing curfews, amongst other measures.

To date, most countries in Latin America and the Caribbean have reached 30 days of special measures and most of the governments have decided to extend quarantines and curfews for another 15 to 30 days.

ECONOMIC PROJECTIONS

The World Bank and the Economic Commission for Latin America and the Caribbean (ECLAC) have published reports that foresee the economies in the region will be strongly impacted for the crisis generated by the COVID-19 pandemic, because the prevention measures have resulted in the stoppage of main economic activities for most of the countries.

The World Bank predicts that Latin America and the Caribbean will experience a recession with a fall in regional GDP of 4.6% in 2020. There will be a fall in the income generated by industries such as tourism, services, commerce and transportation, as well as remittances, which are very relevant to the economies of the countries of the region.

ECLAC projects a reduction in exports due to the decrease in the economic activities of the main commercial partners for Latin America and the Caribbean (United States, Europe and China). There will also be a fall in prices of primary products, disruptions on the supply chain

and the worsening of global financial conditions, which will have an impact on the economies in Latin America and the Caribbean.

There will be job losses which will generate a negative impact on the region's economies. The temporal closing and the suspension of activities will affect the income for little, small and medium businesses, which could be forced to close or fire their employees. Small businesses generate around 47% of jobs in the region. Besides, there are high rates of people who work in the informal sector and do not have any social protection.

MIGRANTS' SITUATION IN THE REGION

The migrant population is particularly vulnerable to the coronavirus pandemic. Many migrants from Latin America and the Caribbean are in the United States and have become one of the most vulnerable groups since they do not seek health assistance for the fear of deportation. Besides, hundreds of migrants traveling through Mexico to reach the United States are in highly vulnerable conditions.

Haitian migrants working in the Dominican Republic could not go back to Haiti because borders are closed since March 18th. Migrants who work in rural zones are surviving thanks to the solidarity of people because since they do not have documents, they cannot apply for the aid the government is providing to the poorest families.

Fairtrade certified organizations in DR have taken prevention measures for migrant workers, and they are also giving food donations to them. At CLAC we are creating informative materials in creole to be distributed in banana and cocoa plantations.

Nicaraguans in Costa Rica also face vulnerable situations and in the last weeks there has been a return of around 20 thousand people to Nicaragua.

FAIRTRADE ORGANIZATIONS' SITUATION

Most of the Fairtrade organizations in Latin America have taken preventive measures promoted by each country's governments and keep working with less staff and doing shifts in the production and preparations of products for exports. The administrative staff is doing remote work.

Exports continue in most countries and products, but they have become slower due to the procedure's requirements and the availability of containers and local transport. The movement of products from one region to another inside some countries is a challenge due to mobility restrictions. The most affected sector to date is the flower producers since we have registered layoffs from producing organizations in Ecuador.

BUSINESS

COFFEE

There are restrictions for working in the field, however many workers continue with their activities. Administrative staff is doing remote work and there is less staff on the farms and processing centers, and the collection of coffee has been reduced. One of the challenges is that technical assistance cannot be provided to the producers now because technicians cannot go to the farms and processing plants.

The demand for coffee remains high, however, in many countries there are challenges with shipments. There is already a lack of containers and the priority is given to ship fresh food. Also, government offices have reduced their work schedules, so export procedures will be slower.

Producer organizations expect to maintain the contracts for their staff. One of the measures considered in terms of medium and long term is to use the FT Premium as savings to pay salaries in the coming months.

In South American countries, the harvest is just beginning, and producers will work with local collectors who can be transported to coffee farms. Social distancing requires fewer people working in the farms doing shifts, and working hours are reduced to guarantee the health of workers and coffee growers. The production costs will increase.

On the other hand, in Central American countries, the harvest of the 2019/2020 cycle has ended and producers are focusing on maintaining the coffee farms and preparing them for the next production cycle.

Most SPOs have already sold their coffee, no contract cancellations have been reported and deliveries have been taking place as it has been planned between the SPOs and the buyers. Prices are currently with a trend to increase; however, the market is extremely volatile, which means high risk for SPOs.

COCOA

Cocoa production in most countries remains normal, with challenges to get the needed labor force for cocoa collection in some countries due to mobility restrictions to work in the fields. They are also doing remote work with less staff in the plantations and processing centers as preventive measures.

In some countries cocoa production has been low or not as good as in past years, due to climate change.

Regarding cocoa commercialization, the process is proceeding normally. On the other hand, a few countries are facing delays in their orders, obstacles to export in ports and customs closed. In a couple of cases, there were orders cancelled, due to delays generated by climate change. It is important to mention that this week there has been an increase in the demand for cocoa volumes, and especially in FT and FTO cocoa.

In countries of the Andean region (Ecuador and Peru) the harvest has just started, as well as in the Dominican Republic. One of the challenges in the Dominican Republic is that there are fewer workers available for harvest due to mobility restrictions, but despite that delays are not expected for cocoa collection. In Colombia, Costa Rica, Panama and Nicaragua, the harvest has concluded and for many SPOs it has been a good harvest this year. The challenge now lies in gathering the cocoa and doing the farm maintenance for many countries.

Even though last week cocoa prices were below the minimum; both demand and price have risen. It is worth mentioning that the demand for FT cocoa is stable, therefore prices remain high, and we hope this will continue in the coming weeks. There was a drop in price and demand before COVID-19 in LAC, but the situation has improved in the last days because the industry is perceiving that there will be less produce available in the coming months and it is stocking while it is possible. In general, no negative effects have been registered for this product yet.

SUGAR

All producing countries have total or partial mobility restrictions, which limits the SPOs operations. There is an important impact because producers have been left without processing sugarcane and therefore without liquidity.

Due to quarantine in some countries SPOs have not received technical assistance and production control has not been kept properly.

The contracts signed at the beginning of the year have been maintained; there are no new sales. The export processes continue, but slowly.

In the Andean region, SPOs produce panela all year. Currently they have harvested 25% of the estimated 10 thousand MT Panela. However, in April all operations have been stopped. Failure to process sugarcane creates a lag in the agricultural calendar and there is a possibility that producers won't be able to comply with deliveries of Panela for the local and external markets.

In the Central America SPOs, the harvest has reached 80% of the production is estimated at 110 thousand MT sugar. The sugar SPOs of El Salvador and Costa Rica are ending the harvest, giving confidence to the market. However, all SPOs are faced with limited labor for cane cutting, which increases the production costs. In the Central America SPOs, the harvest has reached 80% of the production is estimated at 110 thousand MT sugar. However, all SPOs are faced with limited labor for cane cutting, which increases the production costs.

In the Caribbean, the organizations have completed 45% of the harvest. There is a delay in the harvest in Belize, and SPOs have completed 40% of the harvest until now. Cuban and Jamaica's SPOs finished the harvest and they are attending farms and supporting the communities in different areas, especially with food supplies.

The benchmark price for white (LDN) and raw (NY) sugar (commodity) collapsed. In Paraguay there is only organic production, so reference prices did not affect them; although there is a doubt from the producers because there is no minimum price for sugar. Panela's SPOs have a favorable market expectation.

BANANA

There are fewer workers on plantations and processing facilities due to the need to keep social distancing, which increases the production costs. Banana production is considered an essential activity for local markets and the local economies. Thus, in many countries, banana producers have special conditions so that workers can move to the farms and producing organizations have not been obligated to stop operations. Producers are using plastic curtains to separate workers in the packaging plants, asking them to use masks and to implement preventive measures.

Currently, most of the ports operate normally, with reduced working hours due to prevention protocols. However, producers are having difficulties sending their produce to Guayaquil port, because the city has become the epicenter of the pandemic in Ecuador and there is little transport or personnel available to take the commodity. There have been logistic problems, but production continues in Colombia, Dominican Republic, Peru and Panama.

The commercialization is following the normal demand curves for this time, with an increase of demand in the previous weeks due to the emergency and the forecast of a greater supply for the quarantine.



The production is continuous, with volumes below the typical average for this time of the year, due to the climatic conditions, where 40 - 45% of the production occurs in the first half of the year.

Prices in the market have maintained, with an increase in non-FT banana prices, due to the increase in demand in the previous weeks; they are expected to remain stable.

Due to having fewer workers, extra work hours have been required each week, increasing production costs, ranging from \$ 0.50 - \$ 1.00 per box for an estimated 13 weeks (March to May).

HONEY

The reality of beekeepers in South and Central America is quite similar in terms of government regulations. In both cases there are mobility restrictions to access the fields in which beehives are located. However, in some countries producers formally have permission to go out to work in the fields. Producers are harvesting in some countries, so the product is not yet available for sales. The SPOs can commercialize but have some operational and logistical limitations.

In the Central American region, in Guatemala, Nicaragua and Mexico, the honey harvest is just beginning; given the mobility challenges, a lesser amount of product can be expected. In the South American region, the harvest is quite advanced or ending.

Although the year began with a recovery in the international price, at this moment the market is on hold and expecting what will happen with demand and prices.

After the current scenario we will have an economic crisis and there is still no clarity on how consumers will behave. The positive side is that honey is present in the usual diet of the European consumer, having the "healthy and natural" concept, and this will help to maintain demand even in times of recession or low purchasing power. Financing is already being an obstacle in business since it is strongly restricted, and most market players use it for their operations. This will affect honey producers.

FLOWERS

This sector has been very affected because there are no sales and the situation is uncertain for workers, who were sent out for Holidays with no certainty about their jobs. Sales were affected because there were strict restrictions on the importation of flowers in Europe. Rose plantations have reported an important decrease in their overall sales already. One of the plantations has started to fire the workers. Members of CLAC's staff have been meeting with representatives of the flower sector in Ecuador to try to find solutions for the crisis.

QUINOA

Around 60% of the harvest has been completed and the process is ongoing. Due to quarantine, producers in Bolivia and Peru are facing problems to get food supplies. Besides, they face a lack of cash because they have not been able to sell their product due to mobility restrictions. The local Price is very low, and producers hope to sell their quinoa through the Fairtrade system.

FRESH FRUITS

The fresh fruits and juices SPOs were affected by the mobilization restriction of workers due to the quarantine. The demand for fresh food remains stable, although it is not estimated how long will this last.

Currently, the harvest is proceeding normally, with little delay since the quarantine does not allow the mobilization of workers. Harvest has so far not stopped, despite a small reduction in the supply of fruit. The production of the 2020/2021 harvest might fall approximately 35% compared to the previous year, due to climate change.

Papaya producers in Brazil are facing challenges because they cannot ship the fruit due to a lack of air transportation.

Prices for fresh fruit and juices tend to drop due to the demand for conventional fruit and not organic.

WINE

Ports operate normally, as well as highways and ground transportation services; shipments are made on time. In Chile there is no dismissal of employees because of the Government's measures. In Argentina, the situation is similar: the government has suspended layoffs for 60 days.

Grape's plantations suffered a decrease in the availability of labor force for the harvest (people over 60 and risk groups were sent home). In Argentina harvest is well advanced, so the expectations are that it will be finished before the peak of the dissemination of the disease.

Buyers have asked for the price to be reduced. Organizations have increased the hygiene measures and are using personal protection equipment, while the administrative staff is doing remote work.

USE OF FAIRTRADE PREMIUM

In the past weeks, many Fairtrade certified organizations have used part of the FT Premium to buy food supplies to their members and to help vulnerable populations in their



communities. Some have used funds to give economic aid to elderly or vulnerable groups who have not been able to work due to the pandemic.

Fairtrade organizations are also making donations to strengthen the health systems. In Colombia, banana corporations joined to install a COVID-19 diagnostic center in the Uraba region and have also given medical supplies to health institutions.

Solidarity keeps showing on Fairtrade organizations in Latin America and the Caribbean. At CLAC we are advising on how to use the Premium to face the crisis also in the middle and long term since it is foreseen that there will be an important economic impact for the region.