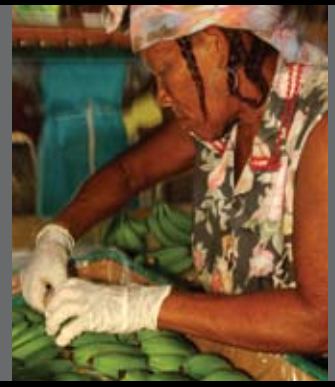


Unpeeling the banana trade



A Fairtrade Foundation Briefing Paper
February 2009





Banana facts

- The banana is the most popular fruit in the world – shoppers spend more than £10 billion a year on the fruit globally¹
- Fairtrade bananas now account for nearly 2% of the total world trade in fresh bananas
- Bananas are the world's fourth most important crop after rice, wheat and maize in terms of ensuring food security in dozens of countries in the developing world²
- Just 15% of bananas and plantains are traded on the world market, the rest are used for domestic consumption³
- Production and trade in bananas is dominated by five companies – Chiquita, Dole, Del Monte, Noboa and Fyffes – which control more than 80% of global trade⁴
- The majority of banana plantation workers do not earn enough to provide for their families – some earn less than £1 a day
- Between 2002 and 2008, supermarket price wars saw the UK retail price of loose bananas slashed by up to 41%
- In 2008, one in every four bananas sold in the UK was Fairtrade
- In 2008, the value of the UK Fairtrade banana market was £150 million
- The UK banana industry as a whole is worth £580 million annually
- Bananas are the third most valuable product sold in UK supermarkets – only petrol and lottery tickets out sell them
- Between 2000 and 2008, Fairtrade certified producer groups and their communities received around \$28 million in Fairtrade premiums just from the UK sales of Fairtrade bananas

¹Calculation by Banana Link on basis of FAO trade statistics 2005

²FAO figures

³Ibid.

⁴FAO/UNCTAD figures

Executive summary

The banana: cheap, colourful and the UK's firm favourite in the fruit department. But delve into the reality behind the piles of yellow fruit on our supermarket shelves and the story is not always so sunny. This briefing sets out to explain why we all need to go further and make Fairtrade bananas the norm in our shops and supermarkets. It explains why the situation for so many banana producers remains so precarious, describes the impact that Fairtrade has had in the banana sector so far and identifies what more can be done to support those at the bottom of the banana supply chain.

Nine years on from their launch, the success of Fairtrade bananas in the UK market is remarkable. With one banana in every four sold in the UK now carrying the FAIRTRADE Mark, they are rapidly becoming part of the nation's everyday shop. With this growth has come positive change to the lives of thousands of banana farmers and plantation workers. But the damaging trends of production and trade that made the introduction of Fairtrade so vital still dominate the global banana industry.

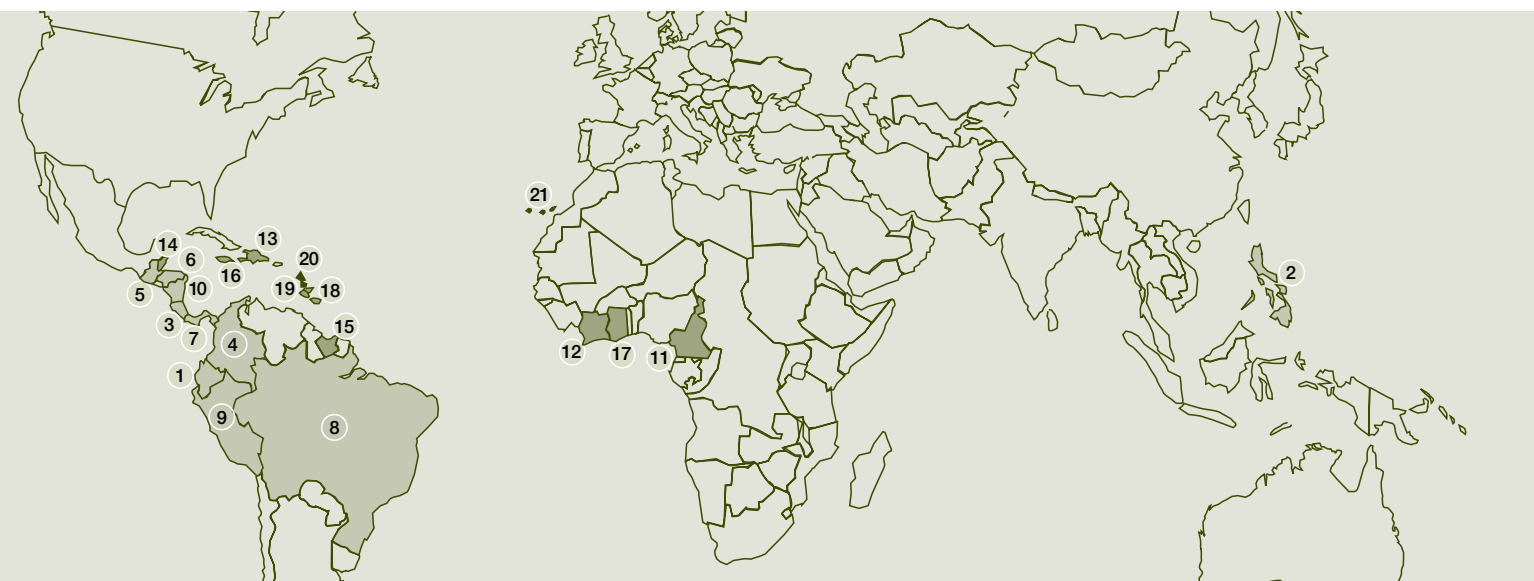
As bananas have become increasingly popular, retail prices have dropped significantly, forcing prices down across the entire supply chain in a race to the bottom. This pressure inevitably results in lower wages, longer hours and worsening working conditions for many plantation workers who are often paid pittance wages – less than £1 a day in some cases – not enough to provide for their families. They are very often prevented from forming trade unions to protect their rights and improve their situation. The increasing use of casual and sub-contracted labour results in further abuses of workers' rights.

The picture for small-scale banana farmers is no better. New EU agreements in response to WTO rulings, coupled with devastating storms, have spelt disaster for small farmers in the Caribbean. In the Windward Islands more than 20,000 of 25,000 farmers have gone out of business since 1992 and more farmers lose their livelihoods in Ecuador, Jamaica and other countries each time the price they receive for their bananas falls below the cost of production. Fairtrade has provided a lifeline for these farmers – 85% of the surviving farmers in the Windwards are now certified Fairtrade – however ongoing trade reforms remain a serious threat.

The success of Fairtrade bananas can be attributed to UK consumers' engagement with the problems facing small-scale banana farmers and plantation workers, their corresponding pressure upon supermarkets to stock Fairtrade alternatives and their commitment to buying Fairtrade bananas on a regular basis.

But, just as bananas symbolise the success of the Fairtrade movement so far, they also clearly illustrate the challenges that still lie ahead. Nine years of Fairtrade bananas in the UK have brought benefits to producers, but they are still vulnerable to food and fuel price rises, climate change and ever more stringent demands from retailers. As well as scaling up the reach and impact of Fairtrade in the banana industry we need to create an international economic system in which trade not only helps to eliminate poverty but also empowers people to take their future into their own hands.

1. The changing supply of UK bananas



1.1 The traditional players

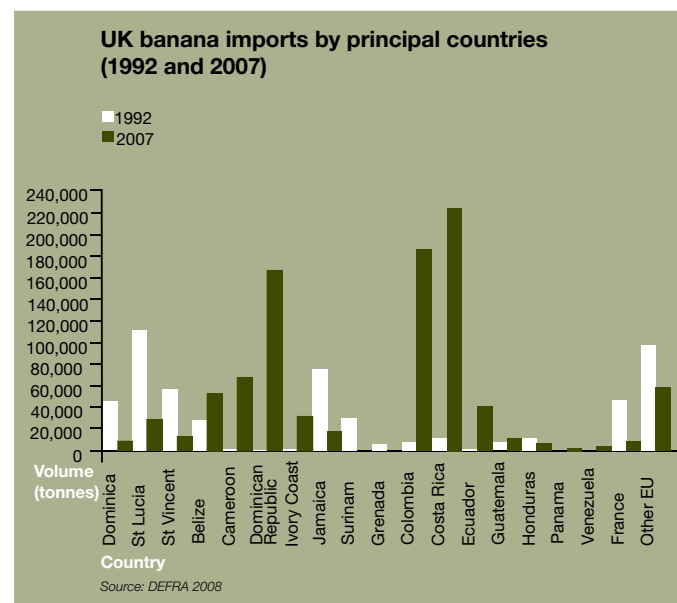
Before 1993, historical UK trading relationships meant that most Caribbean bananas were guaranteed a market in Britain. Most of Britain's bananas came from St Lucia, St Vincent, Dominica and Grenada (collectively the Windward Islands), as well as Jamaica, Belize and Surinam.

The advent of the Single European Market caused a radical shift in supply as the various national trading arrangements were harmonised under a single import system. As the European market has become more open, retailers have started to source more directly from producers, inevitably choosing lower-cost suppliers, resulting in bananas from Latin American plantations and now West Africa replacing higher-cost ones from traditional Caribbean smallholders.

Between 1992 and 2007, UK banana imports increased from 545,000 tonnes to 927,000 tonnes, a growth of 41%. In the same period, imports from Caribbean countries fell from 70% to less than 30% of imports. Cheaper Latin American 'dollar' bananas, almost insignificant in 1992, now make up around half of UK imports, with Costa Rica the UK's biggest banana supplier accounting for 25% of total imports in 2007.

Caribbean producers remain almost entirely dependent on UK sales and so their falling share of the UK market has had a devastating effect. Dominica, St Vincent and St Lucia have lost more than 20,000 of their 25,000 small-scale banana growers since 1992. There are now less than 4,000 small farmers remaining of which over 3,500 are Fairtrade certified.⁵

<ul style="list-style-type: none"> Other countries 1 Ecuador 2 Philippines 3 Costa Rica 4 Colombia 5 Guatemala 6 Honduras 7 Panama 8 Brazil 9 Peru 10 Nicaragua 	<ul style="list-style-type: none"> ACP 11 Cameroon 12 Ivory Coast 13 Dominican Republic 14 Belize 15 Surinam 16 Jamaica 17 Ghana 18 Windward Islands 	<ul style="list-style-type: none"> EU 19 Martinique 20 Guadeloupe 21 Canary Islands
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In response to growing consumer demand for Fairtrade and/or organic bananas, countries such as the Dominican Republic and Colombia, which have substantial volumes of both, have grown in importance as suppliers.

The leading companies importing bananas into the UK include four multinationals: Chiquita, Dole/JP Fruit, Fyffes, and Del Monte; and three independents: SH Pratt, Mack Multiples and Windwards Bananas. These same companies also ripen and distribute the fruit. Although market share figures change rapidly with changes in retail supply chains, they all have a market share of between 10% and 20%, except Windwards Bananas (approximately 6%). Together these companies control over 98% of the UK market.⁶

1.2 The new arrivals

In 2006, around 81 million tonnes of bananas were produced around the world, of which 17 million tonnes were exported.⁷ Traditional banana exporting countries are facing further challenges in the form of major new producing countries entering the market with the potential to reshape the world banana economy. The world's two largest banana-producing countries – India and Brazil – together grow almost double the volume that is traded worldwide but currently consume the majority of this domestically. In India, three state governments – Gujarat, Maharashtra and Kerala – are all actively encouraging farmers to upgrade their technology and enter the export market. At this stage, there have only been trial shipments to Middle Eastern markets, but if the Indian initiatives go ahead, this will have a global impact. Indeed a spokesman for the Indian fruit exporter Tata Chemicals recently predicted that 'India, in the next five to ten years, will [become the world's] largest grape and banana exporter so there is big potential in the business.'⁸ Brazil's exports to its Southern neighbours and to Europe have grown rapidly this millennium, reaching around 250,000 tonnes a year.

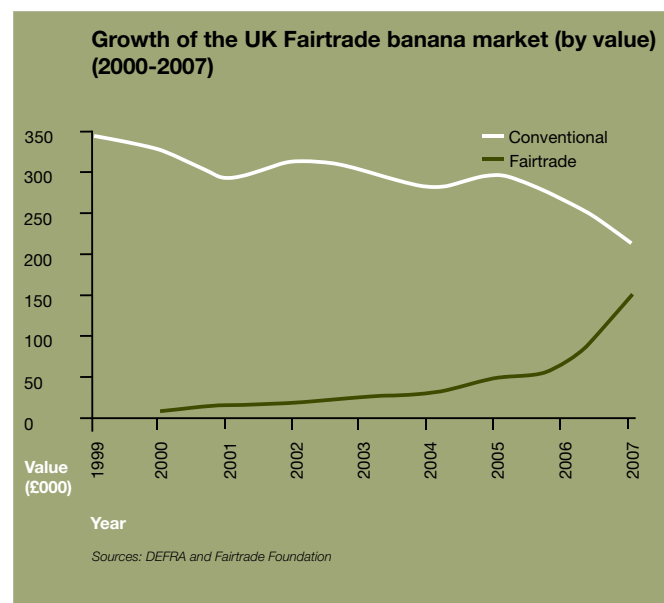
In Africa, the promise of zero tariff entry to the EU because of some countries' 'Least Developed Country' status has attracted fruit company investment. In Ghana, Dole started exporting from new plantations in 2006, while Chiquita has tested new varieties in Côte d'Ivoire, with planting of crops for export now underway. Chiquita technicians have also acquired land on the coastal plains of Angola, a country which has never previously been involved in banana exports.⁹

The development of new banana companies with a capacity to move into other markets is also a challenge to the dominance of the established companies. JFC, the

biggest of the new Russian companies, not only imports Ecuadorian bananas for the Russian market, but has invested in its own plantations, in shipping and in a retail chain, making it the world's first fully 'vertically integrated' fruit company, with ownership of the entire supply chain.

1.3 Fairtrade in the UK market

Following several years of hard work to put Fairtrade structures in place, the Windward Islands shipped the first ever Fairtrade bananas to the UK in 2000. The overall market has grown from 5,500 tonnes that year to 158,000 tonnes in 2007. Driven by the commitment of Sainsbury's and Waitrose to convert to 100% Fairtrade bananas, sales are on track to reach 193,000 tonnes for 2008, an overall growth of 3,400%. To meet this growing demand, 63 producer organisations from eight countries (Ghana, Ecuador, Peru, Colombia, Windward Islands, Costa Rica, Jamaica and the Dominican Republic) have now been certified, with 42 of them supplying Fairtrade bananas to the UK.



The initial success of Fairtrade bananas owes much to dedicated Fairtrade companies like the Dutch pioneer Agrofair which imported the world's first Fairtrade bananas into Europe in 1996. It is co-owned by the farmers who grow the fruit it imports and markets exclusively Fairtrade fruit and juices, having now expanded into mangoes, citrus fruits and pineapples.

⁶Communication from Windwards Bananas.

⁷Information compiled by Banana Link from trade sources.

⁸United Nations Food and Agriculture Organization.

⁹Freshinfo News. Saturday 10 January 2009.

⁹Communication from Banana Link.

2. Banana trade wars

The European Union is a hugely significant player in the world banana trade, importing about a third of all traded bananas – about the same amount as North America – and more than three times that of Japan and Russia, the third and fourth biggest importers. EU policies therefore have a major impact on the world trade in bananas. While the EU banana import system of quotas and tariffs has been at the centre of global trade disputes, reforms introduced on 1 January 2006 have drastically reduced the level of market intervention.

2.1 The story so far

The formation of the Single European Market in 1992 meant that the European Union had to consolidate the various tariff and quota arrangements across European countries for the importation of bananas.¹⁰ Following lengthy debates, a system of both quotas and tariffs was adopted in July 1993.

The EU arrangements however were non-compliant with World Trade Organization (WTO) rules which promote trade liberalisation by removing trade barriers such as quotas, tariffs, and subsidies. Latin American banana exporting countries and the USA lodged a series of legal challenges at the WTO claiming that the EU regime discriminated against Latin American producers and hampered the expansion of, mainly US, multinational companies.

In response, the EU agreed to end the quota system and introduce a single tariff for all banana imports. As an interim measure, the WTO agreed that the EU could waive the single tariff and continue tariff-free entry for bananas from African, Caribbean and Pacific (ACP) countries in order to honour long-term commitments that would end in 2008.¹¹

The crux of the argument regarding the tariff was that Latin American governments and companies wanted to ensure that the single tariff was set at a level they believed would be low enough to make it remunerative for their businesses. However small farmers' organisations, plantation workers' unions and many NGOs argued that by simply removing quotas and using tariffs, the market would be flooded with cheaper bananas, pushing import prices down, threatening millions of livelihoods as multinational banana companies abandoned higher-cost producing countries in search of cheaper production. On top of that, if the tariff was fixed too low, higher-cost producers like the small farmers of the Windward Islands were under threat of being squeezed out of the market altogether.

Following multiple rounds of consultation and debate the EU eventually implemented in 2006 a single tariff of €176/tonne which in effect only applied to Latin American imports as duty-free entry for ACP imports was maintained for a volume which effectively covered all their EU exports. As predicted, since 2006 import volumes from both Latin America and West Africa have grown while prices inside the EU fell and, as feared, price-cutting by major European retailers is further squeezing the pay and conditions of plantation workers at the bottom of the banana supply chain.¹²

However the matter didn't end there. In 2007, Ecuador and Colombia lodged complaints that the EU reforms had hit their EU banana sales and the US again complained that duty-free access for ACP countries was discriminatory. The EU protested that the US action would only damage ongoing talks with all parties, including negotiations with ACP governments to sign new Economic Partnership Agreements (EPAs) that would resolve these issues.

EU and Latin American ministers were on the verge of signing a historic breakthrough deal at the WTO Doha Round meeting in Geneva in July 2008 that would see incremental cuts in the tariff. This could spell the end of the banana export industry for Caribbean growers, but having run out of options, the ACP group accepted the deal on the understanding that it came with additional development aid to restructure remaining industries and assist those forced out of business. However the deal fell through amidst the collapse of wider trade negotiations to slash tariffs and subsidies for farm products.

A prospective meeting for December 2008 failed to materialise so whether or not trade ministers can reach agreement on the Doha Round in 2009 – including reviving the deal on bananas – now remains to be seen.

¹⁰ Import tariffs are taxes imposed on internationally traded goods whilst quotas limit the volume of goods that can be imported.

¹¹ ACP countries are the 46 African, Caribbean and Pacific countries that are signatories of the Cotonou agreement with the European Union.

¹² According to EUROSTAT figures, imports of the big four Latin American exporting countries taken together rose by 9% from 2005 to 2006, although Ecuador's volume fell; West African exports rose by over 15%.

Banana wars: a timeline

1992	Formation of a single European market
1993	Harmonisation of banana import arrangements into the EU using a tariff and quota system which maintains preferential treatment for ACP countries
1993	The US, Honduras, Guatemala, Ecuador, Panama and Mexico lodge complaint at GATT ¹³ (predecessor of the WTO)
2001	EU agrees to end preferential access arrangements and put in place single tariff by 2006 which continues to deliver existing protection and market access until 2008
2004	EU announces tariff negotiations will begin at €230/tonne
2005	EU finally agrees a single tariff of €176/tonne
2006	New single tariff regime implemented
2007	Ecuador and Colombia lodge complaints at WTO that new regime is discriminatory
2008 (Jul)	Breakthrough banana deal agreed which would see incremental cuts in tariff to €114/tonne by 2016 but WTO Doha Round negotiations in Geneva collapse along with banana deal
2008 (Nov)	WTO rejects EU appeal against its decision that EU banana regime is inconsistent with global trade rules

2.2 What role EPAs?

In parallel talks starting in 2002, the EU and ACP governments have been negotiating regional EPAs to replace the trade sections of the Cotonou and Lomé agreements that date back to 1975 and which enshrine the preferential treatment for ACP imports.

The EPAs are intended to put in place new free trade deals that are compatible with WTO rules from the outset. Under WTO rules, trade deals must open up 'substantially all trade' between partners but they also allow for the gradual opening up of markets for sensitive and emerging ACP country industries.

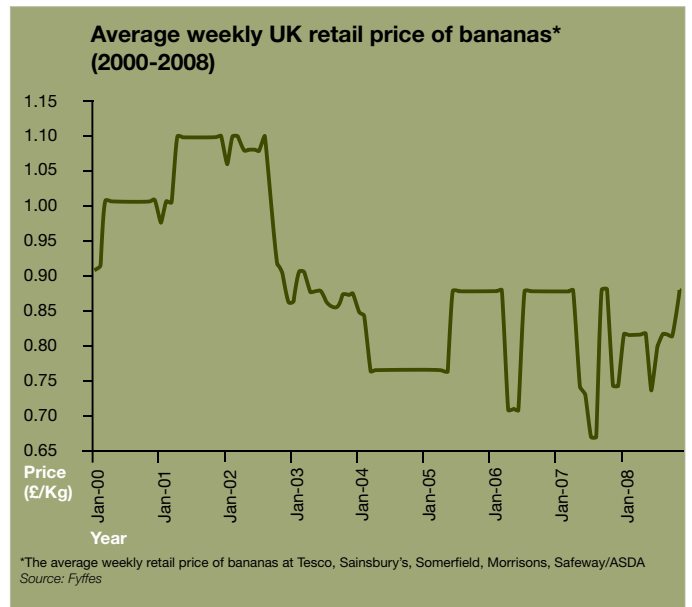
However, the EU has been accused by NGOs, civil society groups, think tanks and prominent academics of using bullying tactics to push through an aggressive trade strategy with ACP countries that goes beyond WTO requirements and forces them to open up their markets in a way that could be disastrous for local economies and the livelihoods of millions of people. So far only the Caribbean regional grouping has officially signed a 'comprehensive' EPA (covering goods and services and investment) but, with indications of a change of negotiating style on their part, the EU hopes to conclude negotiations with all ACP countries by the end of 2009. Nevertheless, significant concerns remain about the terms of the agreements currently on the table and who will benefit most.

¹³The General Agreement on Tariffs and Trade whose main objective was the reduction of barriers to trade.

3. Banana price wars

Bananas occupy a unique position in the shopping basket of the British consumer. After petrol and National Lottery tickets, they are the third most valuable of all products sold by the major supermarkets. Like other staples such as bread, milk and baked beans, price-conscious consumers are likely to know how much bananas cost and to use them to judge the relative value for money offered by the different supermarket chains for other products.¹⁴ This means that these products are particularly vulnerable to being used in price-cutting battles between supermarkets in the competition to win the hearts and purses of the UK shopper. In recent years short-term price-cutting has been a regular feature of spring marketing strategies designed to increase market share by enticing non-regular customers through the door.¹⁵

As a result of the series of price wars between the major supermarkets, the retail price of conventional loose bananas fell by a full 41%, from £1.10 a kilo to 64p, between 2002 and 2007 (although they had increased to around 95p by the end of 2008). Recent reports have indicated that the global financial crisis and higher fruit and shipping costs will increase the price of bananas to the supermarkets,¹⁶ however in January 2009 another leading supermarket had slashed prices again to 82p per kilo.¹⁷ Contrary to popular belief however, the evidence indicates that sales of bananas do not rise during price promotions and seems to confirm that price cuts are not driven by consumer demand for cheaper bananas.



Unless supermarkets absorb price cuts within their own profit margins (which they occasionally do), any drop in retail prices inevitably gets passed down the supply chain. This means that ultimately there is just not enough money reaching countries of origin to provide decent livelihoods, wages and working conditions.¹⁸ The impacts of this race to the bottom upon the banana producers and workers at the bottom of the supply chain are described in more detail below.

4. The producers

There are two main models of banana production for international export: small-scale farms and plantations. Fairtrade labelling was set up in the late 1980s to increase market access for small-scale farmers (at the bottom of the supply chain) who were struggling to survive amid tumbling prices and uncertainties related to liberalisation of agricultural commodities. Since then Fairtrade has been extended to commercial farm enterprises as a means of increasing the empowerment and well-being of their workers.

4.1 Small farmers – surviving against the odds

Smallholders are independent family farmers who use mainly family labour. In the case of bananas, they generally employ one or two permanent workers and bring in casual labour for the fortnightly harvest.

The vast majority of family farmers who have survived in the international banana trade are in the Caribbean. The only countries where family farms dominate the banana export economy are Dominica, St Vincent and St Lucia in the Windward Islands. Small-scale farmers are always at a disadvantage in terms of economies of scale, but with bananas this is exacerbated by the fruit's highly perishable nature. Losing one consignment to hurricanes or disease won't necessarily pose a risk to a large plantation, but can be enough to knock a small farm out of business. This vulnerability also makes them less attractive to buyers who need to ensure year-round consistency of supply. For farmers in the Caribbean, the geography of their islands also works against them. Growing areas are mountainous, with poor soil conditions and low yields.

¹⁴Banana Link. 'Collateral Damage: How price wars between supermarkets helped to destroy livelihoods in the banana and pineapple supply chain.' November 2006.

¹⁵The Grocer.

¹⁶Freshinfo News. Saturday 10 January 2009.

¹⁷Daily Mirror. 14 January 2009.

¹⁸Banana Link. 'Collateral Damage: How price wars between supermarkets helped to destroy livelihoods in the banana and pineapple supply chain.' November 2006.

Higher shipping, distribution and labour costs all contribute to a much higher overall production cost than Latin American plantation production. Small farmers are also less able to respond to increasing demands for standardised fruit quality and large volumes. More and more retailers also require technical quality standards such as GLOBALGAP¹⁹ from all their suppliers and small producers have limited capital to invest in meeting these needs. Hurricanes and flooding are frequent in the Caribbean. For smallholders, losing a crop to the weather can be disastrous and it can take several months before any fruit can be harvested again. Substantial outlay is required to buy more banana plants. Without other crops to fall back on, or savings to shoulder the extra cost and feed a family while business is poor, the situation is desperate. This too has knock-on effects on the local economy.

Fairtrade is unique because at its heart lies the need of small-scale producers for market access under fair trading conditions. No other ethical trade initiative addresses the problems faced by family-based producers working at the far end of global supply chains over which they have virtually no influence, but in which decisions are made that can affect their whole lives.

In Colombia and Ecuador small farmers are treated by exporters as a kind of buffer supply – their fruit is in demand when the market is in short supply; but when the market is oversupplied they are forced to accept prices below their costs of production or are simply unable to sell at all. The response of many small growers in South America and the Caribbean has been to come together in associations and co-operatives (which enables them to share costs, market information and technical support) in order to supply higher value speciality markets such as the organic and/or Fairtrade markets. This is a very positive development, but it has not prevented many thousands of small-scale banana farmers from losing their livelihoods. In Ecuador, every time the price falls below the costs of production (as it does for several months of the year), another raft of small producers goes out of banana production. Whether in the Windwards or South America, there are often few alternatives for farmers to migrating to urban areas or to the rich countries where their bananas are consumed.

After decades in which smallholders have been squeezed out of markets by larger plantations, the world is beginning to wake up to the damage this has caused socially and environmentally. The Fairtrade model demonstrates that small-scale farmers can achieve greater productivity while preserving the natural environment and the well-being of people working on the land, as well as delivering high-quality products. For small-scale farmers to remain economically viable and benefit from international trade they will need improved access to credit, farm inputs and technical support.

4.2 Plantation workers: bearing the costs of cheap bananas

The other main type of production takes place on medium- and large-scale plantations that hire labour all year round. A typical plantation is 250 hectares although they can be as large as 5,000 hectares. They generally employ one worker per hectare of commercial bananas although in the most productive plantations, there may be as little as one worker per 1.5 hectares. Compared to other cash crops however, bananas remain a highly labour-intensive crop and today over 90% of bananas entering world trade are produced on plantations where large numbers of workers are present.

Most of the Latin America industry is characterised by large-scale plantations, many owned by US companies (hence the name ‘dollar’ bananas), on flat coastal lands. In many countries the plantations are controlled either by the big multinationals with ‘vertically integrated’ operations (from plantation ownership to importing and ripening facilities in the consumer countries), or by national companies that sell to the same multinationals.

Fairtrade also has a wider ambition to assist all people who are disadvantaged by conventional trade, and landless labourers are among those in greatest need of our model. We will ensure that our work with plantations complements other initiatives seeking to secure and enhance labour rights in the global South.

Given that the vast majority of banana trade is supplied by plantations and that it has been a very profitable crop for fruit companies and retailers, it would be reasonable to expect that the benefits might be shared with the half a million or so workers in the world’s banana plantations.

¹⁹GLOBALGAP standards certify Good Agricultural Practice as required by European retailers.

4. The producers *continued*

For a period in the 1970s and early 1980s, it was indeed the case that banana plantation jobs in many countries were seen as the best agricultural work. It was a source of pride to work in a plantation. Wages were considerably higher than typical agricultural wages, and many workers were covered by the benefits negotiated by the independent trade unions they had struggled to form over previous decades. Today however, the situation is quite different as a result of the never-ending downward pressure to cut prices and production costs all along the supply chain.²⁰

The effect on plantation workers in Latin America of the drive to cut labour costs and increase productivity has been dramatic and manifold: increasingly casualised working relationships; long hours and low wages; anti-trade union activity; intensive use of agrochemicals; poor health and safety standards; and lack of access to proper healthcare. These are described in more detail below. In Africa, where costs are lower, the medium- and large-scale plantations in Cameroon, Cote d'Ivoire and Ghana tend to employ more workers per hectare than in Latin America and working conditions are not quite so harsh (although invariably they don't receive a living wage): in general, working days are not as long and, because fewer chemicals are applied for climatic reasons, workers are less exposed to pesticides.²¹

4.3 Wages and working conditions

Rather than increasing, banana workers' wages have actually fallen dramatically over the past 15 years. The majority of banana plantation workers do not earn enough to provide for their families – some still earn less than £1 per day.²² An eight-hour working day in Costa Rica in 1993 would earn a monthly wage of \$250. Four years later the equivalent was just \$187, and by 2003 the minimum agricultural wage remained the same in dollars, while the cost of living had nearly doubled.²³ A study commissioned by The Co-operative Group in 2004 concluded that Costa Rican workers considered a basic 'living wage' would be at least 50% higher than the typical wage prevailing in plantations.²⁴ In Ecuador, the government's own figures show that the minimum agricultural wage of \$160 a month (which is more than many workers receive) only buys about a third of the basic household food basket.

There has also been a downward trend in the number of permanent contracts available for workers and the increasing use of casual labour and contractors. This process of hiring workers through other companies or on a short-term basis enables plantation owners to avoid responsibility for workers rights. It also often prevents workers from claiming their statutory employment benefits, or from joining a union, as in Ecuador.²⁵

The situation for women workers, who are mainly employed in the packing-houses, is of particular concern in many producing countries. Many banana companies do not respect basic rights such as maternity leave and regular healthcare and there are no childcare facilities on the plantations.²⁶ In fact employers have been employing fewer and fewer women so as to avoid these responsibilities. In addition, women are working in a culture that has not historically challenged sexual harassment in the workplace.²⁷

4.4 Trade union power

Joining and forming independent trade unions in order to fight for improved conditions is one of the most important ways that workers can secure their rights. While all the banana exporting countries in Latin America have ratified the main conventions of the International Labour Organisation (ILO), including the freedom to join a union, these conventions are often not enforced on the ground. The regional coordinating body of banana workers' unions, COLSIBA, estimates that only about 10% of Latin American workers are union members. Of these, well over half have been able to negotiate collective bargaining agreements – labour contracts that outline the agreed outcomes of collective bargaining negotiations on pay and working conditions – with their employers.

An ILO study of banana plantations in Costa Rica concluded that 'trade union organisations are persecuted and repressed. Dismissed for their trade union activities, workers are placed on blacklists that circulate among the plantation owners. They will never find work again.' A more recent ILO report confirms that this situation persists.²⁸

²⁰Gilberth Bermudez. 'Working Conditions in Latin American Banana Plantations.' IBC II. 2005.

²¹Communication from Banana Link.

²²'News from the Banana Front.' Issue 11. Banana Link. January 2007.

²³Ibid 17.

²⁴'The Real Wage Situation of Male and Female Workers in 11 Banana Plantations in Costa Rica, in Comparison to a Living Wage', ASEPROLA, November 2004.

²⁵ITUC Annual Survey of Violations of Trade Union Rights 2008.

²⁶Preparatory documents for IBC II. 2005.

²⁷Ibid 13.

²⁸Report of ILO Mission to Costa Rica. 2007.

Since the 1990s, Latin American banana companies have increasingly relied on cheap migrant labour as a way of bringing down labour costs. In Belize, owners have recruited a largely migrant workforce from neighbouring countries and use the threat of deportation whenever workers have tried to organise themselves to secure improvements.

In other countries, Colombia and Guatemala for example, the situation is even more serious with reports that trade union members and leaders have been systematically murdered by private security forces, paramilitaries or guerrilla groups as a means of deterring others from becoming involved in union activities.²⁹

Fairtrade standards aim to go further than the norms of ethical assurance and our focus on promoting sustainable development means that we make a difference by changing situations rather than simply certifying a status quo. Our standards endorse worker organisation through democratic and independent trade unions as the best way of protecting labour rights, and collective bargaining as the best process for agreeing employment conditions.

laws are routinely violated. Indeed employers not only ignore this legislation, but sometimes discipline workers who fail to continue working during aerial spraying. Since the living quarters of workers (and their families) are often inside or adjacent to the plantations, their homes are sprayed and they consume chemical-coated plants from their gardens, and drink or wash with contaminated water.

Toxic chemical residues also abound in the soil, water and sediment in areas adjacent to the plantations. The intensive production of bananas places huge demands on the water courses and careless storage of chemicals leads to regular pollution incidents, with drastic consequences for aquatic life. Polluted water used in the packing sheds to wash bananas is sometimes also recycled for use by workers and their families living on the plantations.

The health impacts of this cocktail of pesticides include depression, respiratory problems, damage to the eyes, skin infections, sterility and cancers. Women can either miscarry or give birth to children with birth defects.³⁰ A study by the Health Research Institute at the National University of Costa Rica found that women in the country's banana packing plants suffered double the average rate of leukaemia and birth defects.³¹ There are unlikely to be medical staff on the plantation and the doctors who do treat workers are often employed by the companies and are therefore unwilling to identify exposure to chemicals or industrial injuries.

4.5 Workers' health and environment

Bananas are susceptible to a host of diseases particularly in monoculture production models such as plantations. As a result, banana farms have increasingly relied on the use of pesticides and fungicides to produce the 'perfect' fruit that buyers demand. These chemicals have had a severely harmful effect on workers' health and can cause significant environmental damage when used intensively or improperly applied.

Chemicals are both aerially sprayed and applied manually. It is estimated that a high proportion of pesticides sprayed onto crops from planes fail to land on the plants themselves, instead falling onto the soil and into waterways, affecting workers on the plantations, and in their nearby homes. Some countries, including Costa Rica, have passed legislation stating that workers should not be in the fields when spraying takes place, but these

²⁹Information from Banana Link.

³⁰Yamileth Astorga. 'The environmental impact of the banana industry.' IBC II. 2005.

³¹"Daño del ADN en trabajadoras bananeras expuestas a plaguicidas en Limón, Costa Rica", Vanessa Ramírez and Patricia Cuenca, Instituto de Investigaciones en Salud (INISA). Universidad de Costa Rica. 2002.

5. What difference has Fairtrade made?

Fairtrade is increasingly important to producers and workers who have been left vulnerable to market forces that have a negative impact on prices and working conditions. Fairtrade offers a more profitable and sustainable way of trading through:

- **Guaranteeing fair and stable minimum prices which cover the costs of sustainable production**
- **Providing an additional Fairtrade premium for investment in economic, social or environmental improvements³²**
- **Long-term trading relationships to allow farmers to plan for the future**
- **Safeguarding workers' rights and securing progress to better pay and conditions**
- **Ensuring respect for the environment by using environmentally sound agricultural practices.**

Below are just a few of the stories from the thousands of people who have benefited from sales of Fairtrade bananas so far. What they have in common is that Fairtrade has supported their producer organisations to develop their democracy, participation and empowerment alongside delivering significant economic benefits.³³

In 1996 our plantation was on the verge of collapse and Solidaridad, the Dutch NGO behind the [Fairtrade company] Agrofair, stepped in and bought 25% of the company's shares on behalf of the workers. The cash was injected into the plantations and the company was revived. This is a remarkable thing that Fairtrade has done. Alex Yeboah-Afari, Personnel Manager, VREL

5.1 Economic impact

As conventional banana prices have declined, Fairtrade prices to producers have remained stable.³⁴ This has proved a lifeline for many small farmers who have few economic alternatives. As Arthur Bobb of the Windward Islands Farmers' Association (WINFA), has said: *'If the Windward Islands had not made the switch to Fairtrade we may have been out of the market by now.'* The success of the banana industry also has a knock-on effect on the economic activities of the wider community because of the increased spending capacity in the local community. Pension benefits are very rare in Dominica so most farmers have no income once they retire.

The Fairtrade premium has allowed a fund to be established to provide a lump sum payment on retirement which cushions the transition when farmers are too old to work on their farms.

For workers such as those at Volta River Estates Limited (VREL) in Ghana, the plantation provides much needed jobs in an area with high unemployment and in a country with no social security system and which has only recently adopted a national healthcare system.

In Ecuador, farmers and workers in and around the banana growing communities of Tenguel, El Guabo and La Libertad have significantly improved the incomes of around 2,000 rural families, in a country where rural poverty remains endemic, by developing their organisation through Fairtrade. These Fairtrade farmers generate incomes around double the average for small farmers in the area, and have created a model of how to build producers' businesses by taking full control of the marketing of their bananas from farm to port through their stake in the trading company Agrofair.

Fairtrade can also provide the means to allow farmers to diversify into other livelihood opportunities. Farmers in the Windwards have for example moved into growing coconuts for the export market. The Montaque Project, which is being funded by the Fairtrade premium, involves the purchase of an agro-processing facility by farmers to enable new product development and diversification through business development. A banana ripening centre is also under development in St Lucia to take advantage of potential new local market possibilities and provide additional income for the farmers.

Fairtrade coconuts more than anything are about hope. Now we are successfully bringing coconuts over, we can go ahead with Fairtrade mangoes and maybe in the future we will have a whole cluster of Fairtrade produce in the UK market. Simeon Greene, Relations Director, Windwards Bananas

³²The Fairtrade premium on plantations is spent by the Joint Body which comprises democratically elected workers' representatives, plus management representatives to provide support. For small farmers organisations, a Premium Committee manages projects agreed by its members.

³³The Fairtrade standards can be found at www.fairtrade.net

³⁴Fairtrade banana prices are country-specific taking into account both costs of production and the need to minimise price competition between Fairtrade certified producers.

5.2 Empowerment

Empowerment is at the heart of Fairtrade with producer organisations as well as individual farmers reaping the benefit. The strengthening of small farmers' organisations is a key means of improving their position and bargaining power in the supply chain.

Fairtrade is empowering people to manage their own affairs – the development of human capacity that is so vital for the future. With Fairtrade, small farmers have been transformed from marginalised farmers into businessmen.

Amos Wilshire, Fairtrade Coordinator, WINFA, Dominica

In the Windwards, Fairtrade is seen as empowering farmers who previously had almost no role in decision-making in their own industry. Even in the days when banana prices were attractive enough to make a good living, they were essentially contract growers for a now defunct international company. Now though as Colin Borton, who works for Windwards Bananas in the UK, comments: *'There is an enhanced sense of participation in the banana industry, an increased social awareness within communities both by farmers and, as a knock-on effect, by the community as a whole.... Fairtrade has rekindled farmers' hope and confidence, which was in serious decline. Farmers now have an unmistakable pride in their work, a concept seriously lacking before the introduction of Fairtrade.'*

Similarly the right of workers to organise into unions empowers them to secure their rights. On the VREL plantation as a result of Fairtrade, the management, in negotiation with the local branch of the General Agricultural Workers Union (GAWU), has introduced benefits almost unheard of in Ghana, including increasing wages to 30% above the national minimum. All employees now have permanent contracts and are entitled to maternity, sick, compassionate and study leave.

5.3 Social impact and well-being

The unique Fairtrade premium is often invested in improvements which benefit the wider community and which cover a range of local needs. For example, in the Dominican Republic the farmers of the ASOBANU

co-operative have invested in schools, sports, healthcare and production facilities, including a new wing of a school in Taitabon, a basketball and volleyball court in Batey Amina, and equipment for fire stations and health centres. Jose Peralta, the President of ASOBANU, has noted *'We have really contributed to help the small farmers and communities to have a better life...In Taitabon which is very poor, we have built a new wing to a school to accommodate new students...We've donated a computer to the public library and also photocopiers to some primary schools so that they can do their copying more cheaply.'*

At El Guabo in Ecuador, Fairtrade premiums have funded a development programme including over 450 scholarships for workers' children to cover school fees, books and uniforms; creation of a nursery and a special needs school; health and nutrition programmes at nurseries; plus health insurance for farmers and health insurance contributions for their workers.

In the Windwards, the premium has contributed to projects across the islands to support and develop the wider community including:

- **Improvement of roads**
- **Support to pre-schools and primary schools**
- **Provision of equipment to rural clinics**
- **Provision of school transport and bus shelters.**

Without the Fairtrade premium, many social and community projects would simply not have been possible.

Fairtrade has contributed in no short measure to the lives and livelihoods of many farming communities and the economic and social stability in the region as a whole. Arthur Bobb, WINFA

5. What difference has Fairtrade made? *continued*

5.4 Environmental improvements and better farming systems

Fairtrade standards encourage environmentally sound agricultural practices and environmental improvements. Fairtrade has, in its relatively short period of operation in the Windward Islands, led to far more environmentally friendly farming methods than those of the traditional banana industry. The Fairtrade premium has been used to initiate environmental improvements such as:

- **Use of buffer zones to stop farm pollution entering waterways**
- **Creation of grass barriers to reduce soil erosion**
- **Organised farm waste management collection.**

The farmers and community in the Windwards have, as a result, enjoyed significant environmental benefits.

I see Fairtrade as the best action. It prevented me from losing my life quicker. First, it protects me and my health by some rules: having to use a respirator, gloves, etc. Secondly, it makes me grow more organic food, use less pesticides, use more organic manure. I think the Fairtrade meetings are interesting to attend and are real improvements because we give to the community. I would like to use the premium for the protection of rivers and will submit this idea to my group. William Stapleton, banana farmer, St Vincent

In 2001, VREL in Ghana, started the organic conversion process at three (out of five) sites as well as to Fairtrade production. Now even their two non-organic sites no longer use herbicides and insecticides and the most dangerous fungicides have been substituted for more benign types.

Without the premium price we would not be farming still. Farmers here are getting prices that do not cover their costs. We, however, have been able to cut fertiliser use by half and have started using animal manure. We have stopped using herbicides and the groundcover between plants is attracting back the wildlife. Deris Ariza, Asoproban, Colombia

5.5 Business improvements

For many small farmers, Fairtrade premiums often provide the only means by which they can improve their businesses and position in the market. In the Windwards, farmers have been able to upgrade their pack houses and this initiative has been critical in enabling them to meet GLOBALGAP standards. A similar initiative at ASOBANU has built over 80 packing houses for farmers to prepare their crop before export.

Some farmers in the Windwards have had to carry boxes of bananas on their shoulders for two miles to the truck collection point – all farmers located along these roads have benefited from the improvement of feeder roads and bridges to give farmers better access to their banana fields. A disaster fund to help Windwards farmers recover from hurricane damage has also been established.

At El Guabo in Ecuador, a rotating loan fund has been established which can be used by farmers for technical investments such as irrigation and aerial cableways to transport bananas to the packing shed. There is also organisational support provided to the 15 local farmers' associations for improving their business activities.

If we manage to harvest and to pack our fruit, our negotiating position will improve, we will be more independent, and this will allow us to improve the situation of our members by providing better services and offering better commercial conditions. Valentin Ruiz, President, APPBOSA, Peru

6. Going further

There is no doubt that the impressive growth of Fairtrade banana sales has had positive benefits for the farmers and workers supplying them. The sustainability of these changes for the long-term development of the countries and communities concerned is difficult to predict, especially when the farmers and plantations supplying the UK are so heavily dependent on both the continuing support of the banana buying public and the commercial interest of traders and supermarkets.

Supermarkets continue to be the most powerful players in the international banana supply chain and in recent years their bitter banana retail price wars have fuelled a 'race to the bottom' in the industry, driving down social and environmental standards to ever lower levels. However, there is evidence that a commitment to Fairtrade has enabled some supermarkets to begin to support a more sustainable banana trade that benefits farmers, workers and the environment.

The Co-operative and Sainsbury's were the first British retailers to commit to offering Fairtrade bananas in their stores. The Co-operative also provides a comprehensive education programme about Fairtrade to consumers. Sainsbury's and Waitrose have now converted all of their bananas to Fairtrade. By demonstrating that Fairtrade also makes commercial sense in the form of increased sales and an improved consumer perception, these retailers are taking the opportunity to engage in a 'race to the top', with others following their example.

There is also irrefutable evidence that the growth of the Fairtrade market has attracted the serious interest of the fruit multinationals in the last decade. Initially the big banana companies saw Fairtrade as a direct threat to their markets. Now however, they are responding to consumer demand for improved social and environmental standards. While multinational involvement in Fairtrade is still far from transforming the way these big companies trade overall, the continuing success of Fairtrade is contributing to the pressure on conventional companies to address poor practices in their supply chains.

We decided to convert all bananas to Fairtrade as it became clear what a massive difference it would make to the communities where they were grown. It was a relatively easy decision as a third of all our customers were already buying Fairtrade bananas. We have also committed to increase purchases from small producers while increasing the length of contracts to suppliers to three years. Matt North, Banana Buyer, Sainsbury's

7. The challenges that remain

The potential that exists to further engage mainstream businesses in Fairtrade in the future would undoubtedly extend Fairtrade benefits to many millions more farmers and workers. But it also presents a number of challenges, as described below.

7.1 Continuing to protect small farmers

It is vital for the survival of thousands of farmers and their communities that we continue to safeguard small farmers' access to international trade. Currently 28 of the 63 Fairtrade certified banana producers are small farmer organisations. However, given that over 90% of export bananas are produced on plantations, as the demand for Fairtrade increases we will continue to ensure that expansion of Fairtrade certification into the plantation

sector is not at the expense of small farmers. When Sainsbury's switched to 100% Fairtrade bananas, a vital part of the discussions was to secure a commitment to sourcing a substantial proportion of its purchases from small farmers. This type of approach provides a model which we can replicate to ensure that the benefits of Fairtrade can be channelled to those small producers whose market access needs to be safeguarded.

7.2 Commitment to workers' rights

As we have said, the banana industry is dominated by plantation production. As more and more plantations are certified to meet the increasing demand for Fairtrade bananas, it is vital that we continue to ensure that plantation workers not only benefit from the Fairtrade

7. Going further *continued*

premium but are also empowered by their involvement in Fairtrade. In some cases this may be more difficult, for example in countries where trade unions are actively discouraged or repressed; or where employers may try to use the existence of the Fairtrade Joint Body and the attraction of its financial resources to discourage workers from organising independently. The Fairtrade system is committed to working with local and international trade unions to ensure that plantation owners are truly committed to workers' empowerment and development and to this end has set up an international working group specifically to explore how core labour rights, especially the right to Freedom of Association, can be ensured on Fairtrade certified plantations.

7.3 Supporting migrant labourers

The 'race to the bottom' has substantially increased the sub-contracting of labour and the Fairtrade system will continue to evolve to ensure that all workers' rights are upheld. One example of this is the policy that has been adopted for Fairtrade certification in the Dominican Republic to ensure that the rights of Haitian migrant workers are protected despite changes in national legislation that cut the proportion of foreign workers to a maximum of 20% and resulted in a number of Haitian migrants being sacked. Poor wages and the collapse of the banana industries in some countries, such as Nicaragua, increasingly drive workers to migrate in search of work – it is estimated that more than 50% of workers on Costa Rican plantations are Nicaraguan or Panamanian. If Fairtrade premiums are invested in projects on the plantation site and in local communities we also need to consider how the Fairtrade labelling system can develop the flexibility to enable a transient labour force to have the right, for example, to send a share of the Fairtrade premiums back home to their families.

7.4 Sharing benefits with workers on small farms

It is also important to ensure that the workers employed by small-scale farms or by co-operatives are empowered and share in the benefits of Fairtrade. This is not a straightforward process as although small farmers employ a significant number of workers, many are likely to be seasonal, temporary and migrant workers. Also poor farmers may earn so little themselves that they are unable to pay the legal minimum wage to the workers they employ. While such workers will benefit from community-based investment using Fairtrade premiums, such as improved healthcare or education services, it is a critical challenge to identify how these hired workers can be more involved in decision making on premium use, or could benefit from additional training or support.

7.5 Mainstreaming with integrity

A key challenge facing Fairtrade is how to increase the involvement of multinational companies in the system, while keeping the needs of small, disadvantaged farmers and poor workers at its core. There is no doubt that scaling up Fairtrade through the multinational retailers and companies can have life-changing impact for the growers involved. But as more multinationals get involved with Fairtrade, we need to make certain that the Fairtrade system is continuing to deliver true engagement, with partners fully committed to improving supply chain relationships.

7.6 Fairtrade in an unfair trading system

Current international trade rules are not designed to favour trade based on fair prices and living wages, or to differentiate products that respect international labour and environmental standards. When traded internationally, an organic Fairtrade certified banana is treated exactly the same as a banana from a plantation where labour standards are violated and workers' health and their environment are damaged.

Although the constitution of the WTO refers to promoting sustainable development, their trade rules, rather than supporting high standards, in effect treat higher ethical and environmental standards as an obstacle to the free movement of goods. There is a long way to go before we get trade rules that genuinely reflect the rights and responsibilities set by the ILO.

Continuing to work towards just and fair trade rules, using the success of Fairtrade in the banana industry as just one powerful example, remains a key role of the Fairtrade movement as well as the wider campaigning community of organisations including Banana Link, Oxfam and the Trade Justice Movement.

8. Fairtrade: Tipping the Balance

Although Fairtrade has so far made a significant impact on the world banana trade and the lives of many of those most disadvantaged by it, there is still a great deal more to do if Fairtrade benefits are to reach more of the people who need them most. This is why a key priority of the Fairtrade Foundation's strategy is to propel Fairtrade sales to a new level – reaching 50% of the UK banana market by 2012.³⁵ We estimate that if together we – the Fairtrade movement, companies, supermarkets and consumers – can achieve this ambitious target, over \$20 million annually in Fairtrade premiums alone will go to farmers and workers to help them invest in the development of their businesses, communities and the future of their families. When the other benefits of Fairtrade certification are also considered it is clear that by tipping the balance we can support small farmers and workers to also be better equipped to deal with the new and emerging threats to their livelihoods which exist: EU reform which could push the Caribbean banana industry out of business altogether; climate change which affects the poorest disproportionately and could have a catastrophic effect on conditions for banana growing; and the emergence of new suppliers affecting traditional banana producers.

Nine years on, individual consumers, civil society, institutions and mainstream companies have taken up the challenge of Fairtrade and contributed to this astonishing social transformation. Fairtrade bananas have started to challenge the status quo of a global industry that needs a serious overhaul. But a huge amount remains to be done. Just as the banana symbolises the success of the Fairtrade movement so far, it also clearly illustrates the challenges which the rapid growth of the Fairtrade model has to resolve if the vision of a fair and sustainable banana economy is to become reality. Nobody is under the illusion that Fairtrade alone is the answer to all the problems facing small producers and plantation workers dependent on the world banana trade.

However, it is clear from the description of the impacts outlined above that a guaranteed minimum price, coupled with high social and environmental standards and fair trading relationships across the supply chain, can start to reverse the damage of decades of unfair trade. To make real, lasting changes to the banana industry for the benefit of the most disadvantaged in the supply chain, there are ways for everyone, from farmers to consumers, to do their bit.

³⁵Tipping the Balance. The Fairtrade Foundation's vision for Transforming Trade 2008-2012. The Fairtrade Foundation. 2008.

8. Fairtrade: Tipping the balance *continued*

8.1 Our action plan

Keep buying and asking for Fairtrade: The impressive progress made in the UK banana market must be extended. Consumer demand drives shop managers, cafés, and our work places to stock certain products – so let them know, loud and clear, that nothing but 100% Fairtrade is good enough.

Support small farmers: To consolidate the Fairtrade benefits currently being directed at small farmers, retailers and importers should make specific, long-term commitments to small-scale producers by, for example, reserving a minimum percentage of their supply for such groups. We also urge the EU to respond favourably to ACP requests that tariff reductions be reduced incrementally to the level enshrined in the stalled WTO Geneva agreement on bananas and to ensure a package of development assistance that allows ACP banana producers to adjust to the new trade regime.

Work harder for workers: As Fairtrade develops, plantation workers will increasingly become beneficiaries of the model. Independent trade unions have a wealth of experience in securing improved wages and conditions for workers and this knowledge will be harnessed by the Fairtrade movement for all workers on plantations.

Ban the banana battles: The regular rounds of banana price wars waged by UK retailers threaten to undo the progress made by Fairtrade in the last nine years. We call on retailers to recognise the vulnerable position of growers and workers and not to use bananas as weapons in their price wars unless they can demonstrate that they are bearing the costs themselves and not passing them down through the supply chain.

Change trade rules: Banana producers who respect high social and environmental standards are often penalised by the market because they pay decent wages, provide more benefits or have invested in less environmentally damaging production systems. We urge DfID to commission further research into how the ‘non-discrimination’ principles enshrined in the WTO’s rules can be revised to ensure trade works for poverty alleviation and sustainable development.

Keep talking: An increasingly unregulated banana market tends towards overproduction and therefore unsustainably low prices for producers. The Fairtrade Foundation urges companies and governments to facilitate the establishment of a permanent international multi-stakeholder banana forum to explore the feasibility of a new type of International Banana Agreement that includes social and environmental chapters.

Establish an ombudsman: The Competition Commission Inquiry into the Groceries Market found that buying power concentrated into a few hands has led to abuses of this power and the transfer of excessive risks and unexpected costs to suppliers. Banana farmers and plantation workers have paid the price. The Fairtrade Foundation supports those in business and civil society calling for a UK retail ombudsman with statutory and proactive powers to investigate all abuses of buying power in international supply chains.³⁶

³⁶For further information on the Competition Commission Inquiry into the Groceries Market see www.competition-commission.org.uk

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A BAD DEAL FOR THE SHOPPER
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