

Unpeeling the Banana Trade



The Fairtrade Foundation, 2000.

The Fairtrade Foundation



The Fairtrade Foundation exists to improve the position of poor and marginalised producers in the developing world, by encouraging industry and consumers to support fairer trade.

The Foundation does this by:

- Awarding the independent consumer guarantee – the FAIRTRADE Mark – to products which give a better deal to producers in the developing world. Through regular inspection and audit, we check that products with the FAIRTRADE Mark continue to meet Fairtrade standards.
- Promoting research into and education about the causes and effects of poverty, particularly in relation to the conduct of trade and conditions of employment for poor people throughout the world.

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This report is also available on the Fairtrade Foundation website at www.fairtrade.org.uk

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Unpeeling the Banana Trade

Executive summary

The biggest fruit in the world

- The banana is the world's most popular fruit, worth more than £5bn each year.
- The banana has been the most popular fruit in the UK since 1998 when it overtook the apple.
- Bananas are the most valuable food product in supermarkets (only petrol and lottery tickets outsell them!)
- Annual UK sales are now a record £750m.
- Bananas account for approximately 28% of all fruit sales in the UK.
- UK consumption of the fruit has more than doubled over the past 15 years, with 95% of households now purchasing them.

Cheap and cheerful?

The banana may be cheap and popular with the consumer, but who is paying the price? Bananas are cheap partly because of the conditions under which they are grown. Large Transnational Corporations (TNCs) control the plantations in Latin America where the cheapest bananas are produced, but the social and environmental costs of achieving high levels of productivity are huge. The over-use of agricultural chemicals damages the environment and the health of the people exposed to them.

Juan handled toxic chemicals and his wife, Maria, gave birth to a baby whose head was four times bigger than his body. "I couldn't even hold him because it seemed to make things worse. So I just talked to him and cried with him," said Maria. "It's the worst thing that can happen to anyone. There are no words that can tell what life is like."

Some 20% of the male banana workers in Costa Rica were left sterile after handling toxic chemicals.

As well as being forced to endure appalling working conditions, plantation workers are also paid pittance wages. In Ecuador the plantation workers are paid just \$1 per day. When the workers try to organise into trade unions their efforts are often met with violent suppression. In Colombia trade union leaders have been targeted and killed as a lesson to others who may seek to organise.

As a result of the increasing production – and declining prices – other independent producers are getting very low prices for their bananas. These can be as low as \$2 for a 40lb box (3 pence per pound) – which does not even cover the cost of production. The result is that many poor farmers are losing money, and as a result are gradually losing their livelihoods.

Windward Islands

For the small farmers of the Windward Islands, the situation is becoming more and more desperate. As individual farmers on small plots of hilly land, there is no way they can compete with the measures adopted by the big companies. Encouraged to depend entirely on the UK market for nearly 50 years, the farmers, and the economies of the Islands as a whole, now depend on the crop and our continued willingness to buy it.

WTO intervenes for unfair trade

If the situation was not bad enough for the small time Windward Island banana farmer, matters have been made much worse as result of the intervention of the World Trade Organisation. Under pressure from the US government, backed by multinational interests, the WTO is insisting that Europe ceases its preferential access for Windward Island bananas, even though they account for less than 2% of world trade. Despite widespread concern about the social and environmental conditions in the banana industry, Europe is not allowed to honour its commitments to discriminate in favour of Windward Island farmers.

So for the Windward Islands, and their farmers, the future looks bleak. Prices are coming down and thousands of small farmers have already been driven off their land – or into farming marijuana – to make any kind of living.



What's the answer?

- The World Trade Organisation must take its social and environmental responsibilities seriously and allow us to keep the products of exploitation off our shelves.
- Clearly, big companies should be forced to clean up their act. And there are signs that in response to consumer demand, supermarkets are pushing for improvements in the banana industry.
- But for the many independent producers, this is no guarantee of a future. They need to be able to sell directly, at fair prices, so they can invest in improving their livelihoods and in looking after their families, communities and environment.

Fairtrade is here

The good news is that many consumers agree and are willing to buy Fairtrade bananas even though they cost a bit more. Over a third of the EU population said they would be prepared to pay a premium above the price of normal bananas for a Fairtrade product. More than 70% of UK consumers say they care about the conditions endured by the people who produce goods for their consumption.

The first Fairtrade bananas from Costa Rica entered the UK in January and were offered for sale in 1,000 Co-op stores. The initial results have been encouraging with the Co-op selling its 8 millionth fairly traded banana in July 2000 and Fairtrade accounting for 7% of bananas sold in the Sainsbury's stores where they were stocked.

The first boxes of Windward Island bananas arrived in the UK on 25 July 2000. The importing company Geest expected to ship 320,000lbs (144,000 kilos) a week by autumn 2000, and increase volumes as consumer demand dictates.

In other European countries Fairtrade banana sales account for on average 8% of the market. In the UK this would mean 50,000 tonnes, which represents 36% of the Windward Islands' current production.

The Fairtrade Foundation expects Windward Island Fairtrade bananas to be selling at a rate of 10,000 tonnes a year by the end of the first 12 months, with a subsequent doubling in the years that follow.

By buying bananas with the FAIRTRADE Mark, shoppers can be sure that the individual producers are able not just to survive, but also to:

- invest in their future through diversification, and other programmes
- improve their environmental impact.

1 Some banana facts

- The banana is the most popular fruit in the world, worth £5 billion in trade terms.
- In terms of gross value of production, bananas are the world's fourth most important crop after rice, wheat and maize.¹
- The banana has been the most popular fruit in the UK for the past two years since it overtook the apple.
- Annual sales currently stand at a record £750m, approximately 28% of total fruit sales in the UK.
- Bananas are now purchased by 95% of all UK households.²

2 A brief history of bananas

Bananas do not grow on trees, they are the fruit of the *Musa sapientum*, the world's largest herb, which has flowers without sex organs and fruit without seeds. Delicate and highly perishable, bananas are produced all year round. The fruit is nutritious, easily digestible and a rich source of carbohydrates, phosphorus, calcium, potassium and Vitamin C.

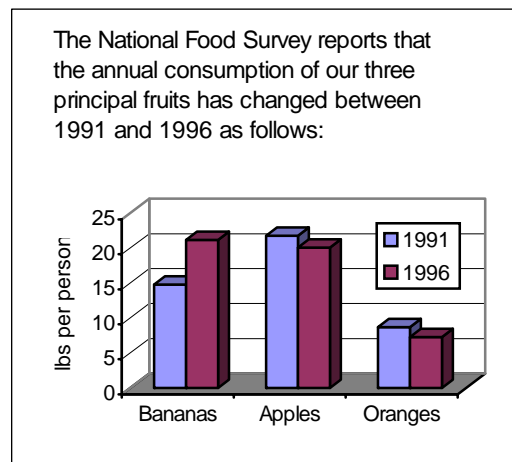
- Wild bananas originated in Asia and have been grown and cultivated for consumption over the past 4,000 years.
- Cultivation of the fruit spread westward through the Middle East and sub-Saharan Africa. Alexander the Great found them in India in 327 BC.
- Recent excavations discovered the remains of a 16th century banana in London, but the fruit was largely ignored in Europe until the 20th century as it ripened too quickly to be transported by sea.
- Missionaries brought the banana to the island of Hispaniola in 1516, with it later spreading to the rest of the Caribbean and Central America.
- In the 16th century the banana grew in abundance in West Africa.
- Only 14% of bananas and plantains are traded on the world market; the rest are eaten locally.
- Bananas now make a significant contribution to food security in dozens of countries in the tropics.

3 Bananas in the UK

Over recent years the popularity of the banana has been on the increase. Consumption has more than doubled since the mid-1980s. In the same period the real banana price, taking inflation into account, has fallen by 35%. Importers predict average annual growth of 5% over the next 5 years.³

Clearly the market in bananas has potential to develop further over the coming years. The Banana Group, in its report *Banana Value 2005*, states that the market has not yet reached its saturation point and argues that "...an international comparison shows that the UK market has

a long way to go before it matches consumption patterns and prices of bananas in other countries." This confidence is supported by data from one of the UK's leading market research organisations, Taylor Nelson AGB (TNAGB), which reviews the purchasing patterns of 10,000 UK households on a regular basis. According to Paul Gentles, managing director of TNAGB's international fresh food division, there is little doubt that "the market consumption will increase further, if consumer promotions continue to raise the profile of bananas."⁴



Banana retail sales

As consumer demand for bananas has grown, so the main retail outlets have shown an ever-increasing interest in the fruit. This interest is reflected by the fact that over 75% of banana sales are now through the major supermarkets. Bananas are now the third most valuable of all products sold by multiples, after petrol and National Lottery tickets.⁵

The variety of bananas now available has increased significantly over recent years with supplies arriving from a much wider range of countries. UK consumers are now able to enjoy organic bananas, red bananas, apple bananas, home-ripening bananas, sweet baby bananas and many other variants.

It is estimated that pre-packed bananas accounted for 14.4% of sales by value in 1999 and could reach 20% during 2000. These pre-packs attract a considerable price premium over loose bananas. For example, sales of organic bananas, which are all sold pre-packed, are increasing by over a third per annum and can command a retail price premium of between 50% and 200%.⁶

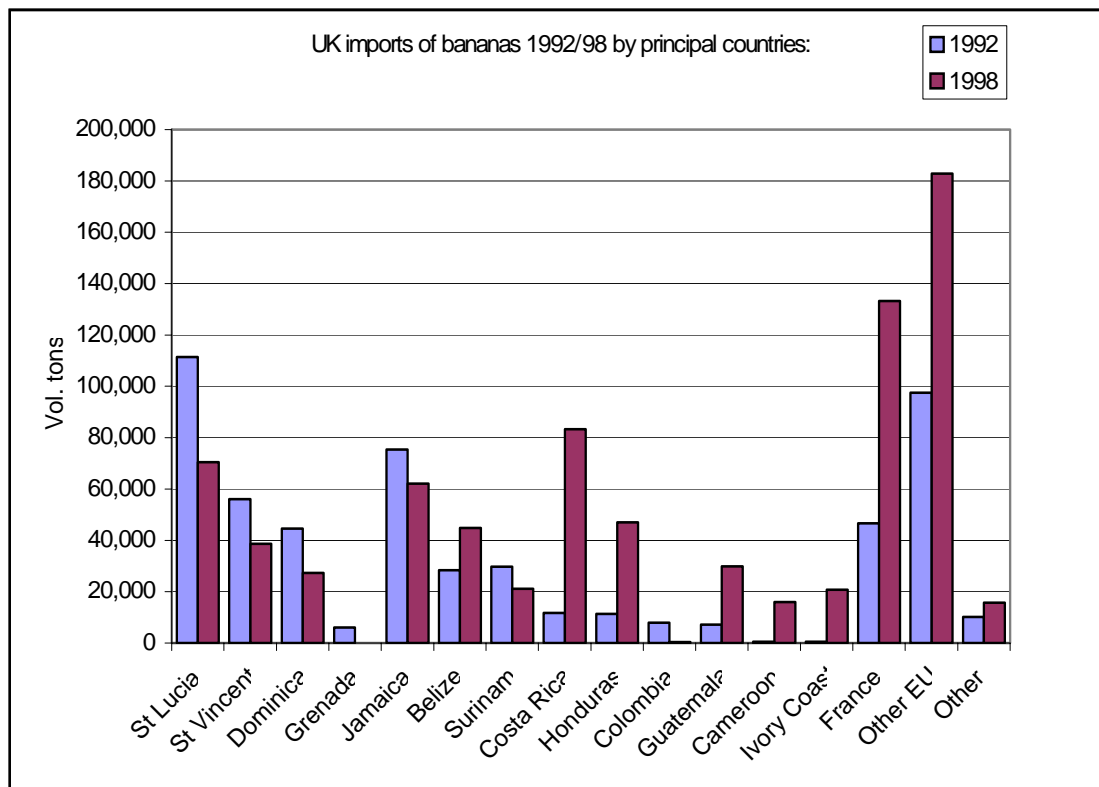
The UK provides an important market for organic bananas, accounting for about a quarter of sales in Europe. The main obstacle to growth is on the supply side. Bananas are subject to several diseases making them difficult to grow organically. If such constraints could be addressed, it is estimated that organic banana sales would treble, in line with the market share of the organic forms of other fruit and vegetables.

Changing patterns of supply

Prior to 1992, the UK consumer had been primarily supplied by the Windward Islands (St Lucia, St Vincent, Dominica, Grenada), Jamaica, Belize and Surinam. Under an exclusive export contract between Britain and Geest, Caribbean bananas were guaranteed a market outlet in Britain. The advent of the Single European Market signalled the dismantling of, or at least a challenge to this relationship.

In the period between 1992 and 1998, UK banana imports from these countries fell from 65% to less than 35%. The overall trend of banana imports to the UK in the last few years points to a continuing increase in what have become known as 'dollar' bananas, from Latin America.

Many of the bananas that are, in effect, re-exported from the other EU countries to the UK, originally came from the 'dollar' producers of Latin America. For example Fyffes, who now jointly own the Geest brand, claim to supply approximately one third of the bananas imported to the UK, sourced from 11 different countries. The other major suppliers are Chiquita, who account for about 13-14% of the market, and Del Monte with 12%. Jamaica Producers, in which Dole has a share, also claim to hold 16/17% of the market.⁷



Source: MAFF

The UK is virtually the only market for Caribbean bananas. Across the European Union, Chiquita, Dole and Del Monte control approximately 43% of the market. Some 64% of all imports come from Latin America with less than 10% from the Caribbean – almost all of which come to the UK.

4 The world banana market

The growing over-supply of bananas on the world market – and the corresponding price reductions – may look like good news for consumers, but are creating major problems for small producers, such as those in the Caribbean. These farmers cannot compete with the cost-saving measures – low wages and heavy use of chemicals – favoured by the big plantation companies, and as a result are gradually losing their livelihoods.

World exports of bananas virtually doubled to 12 million tons between 1988 and 1998. Ecuador is the world's largest exporter, with 4 million tons, followed by Costa Rica (2 million tons), Colombia (1.5 million tons), the Philippines (1.1 million tons) and Guatemala (0.6 million tons). Latin America accounts for over 83% of world exports, 11% are from the Far East, 3% from Africa and, perhaps surprisingly, less than 2% from the Caribbean.⁸

This trade is controlled by a small number of multinational corporations:⁹

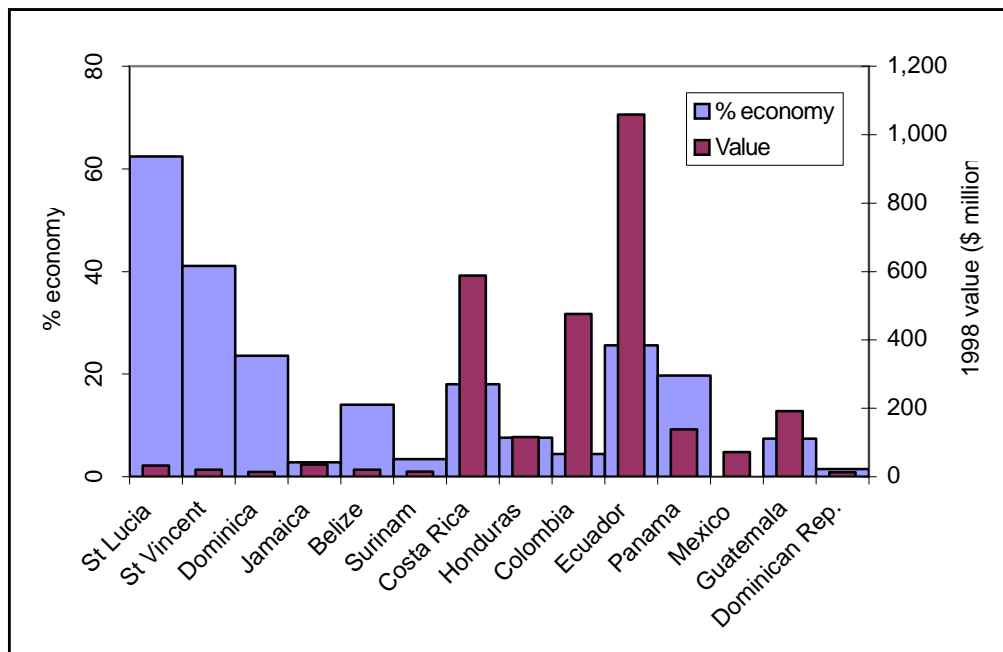
- Chiquita Brands (USA owned) 24/25%
- Dole Food Co (USA owned) 25/26%
- Del Monte Fresh Produce (UAE/Mexico owned) 8%
- Noboa (Ecuador owned) 8%
- Fyffes (Irish owned) 8%

The trade generates huge profits, but workers on medium and large-scale plantations and small

farmers supplying the world market only get a tiny share of these benefits (1-3% and 7-10% respectively) and only 12% in total of the revenues remain in the producing countries. Growing competition and fall in prices have led producers to seek productivity gains at the cost of an increasingly negative impact on employees and the environment.¹⁰

Banana republics?

Whilst accounting for a small proportion of world trade, the banana is of central importance to the economies of many of the Caribbean states, as demonstrated by the following chart:



Source: Food & Agriculture Organisation of the United Nations

Even with diminishing export revenues (almost 60% reduction), bananas still represent about a half of all exports for the Windward Islands. Export revenues for the Latin American 'dollar' bananas have increased by about 20% over the same period.

The case of Ecuador provides a good example with an increase of 50% in revenues for 1998, or more than fifteen times as much as the entire Windward Islands earned from bananas in the same 12 months. Ecuador, Panama and Costa Rica are the Latin American producers most reliant on bananas.

Output in 1998 was affected by particularly adverse weather conditions, and production and exports markedly increased in the following year. The growth was accompanied in many Latin America and Caribbean countries by further falling import prices.

5 Nature of production

Caribbean and Latin American producers tend to be differentiated in terms of size and ownership patterns. In the Caribbean, most are independent, small farmers, whilst Latin America is characterised by plantation agriculture, often controlled by multinationals and vertically integrated operations, incorporating ownership of plantation, packer, shipper and ripener.

In addition, the geography of the Caribbean creates a natural disadvantage as far as the economics of banana cultivation is concerned. Growing areas are hilly or mountainous, with poor soil conditions and low yields. Caribbean producers are unable to compete directly on price.¹¹ As well as the natural environment working against them, there are higher shipping, distribution and labour costs which all contribute to a much greater production cost for Caribbean bananas. Diversification from bananas is a major obstacle. Bananas are actually well suited to the climate, they recover well from hurricane damage, and a whole infrastructure has been built up to support the banana industry.

The trend towards the purchase of Latin American bananas and away from Caribbean bananas can readily be explained in cost terms. However, it is creating significant social, economic and political consequences for those small-island states that can almost be described as single-commodity-dependent economies.

(i) The banana industry in the Caribbean

Exports of bananas from the Windward Islands halved between 1991 and 1998. The shrinking of the Caribbean banana industry has had, and continues to have, a devastating effect on these economies, illustrated clearly by the following charts:

Selected economic indicators, Windward Islands



Source: WIBDECO, Food & Agriculture Organisation of the United Nations

For further economic indicators for each of the Windward Islands, see the Appendix on page 21.

Two points are clear. The significant reduction in the scale of production of the Windward Islands' banana industry during the 1990s has been matched by a corresponding decrease in the proportion of the population dependent on bananas.

However, what is not clear is how those previously dependent on bananas – some 8,000 farmers, and more employees – are now earning a living. The population of the Windward Islands has increased by about 8% during the 1990s, whilst the banana industry has been contracting. Although a small proportion may have been absorbed by tourism, the number of people forced to live in unacceptable levels of poverty has clearly increased. Evidence also suggests that a number of farmers are turning to the drugs trade in a desperate effort to find an alternative source of income.

The downward trend in prices also continues, and, when compared with their cost of production and equivalent Latin American costs (see next section), further demonstrates the economic pressures under which the industry is operating.

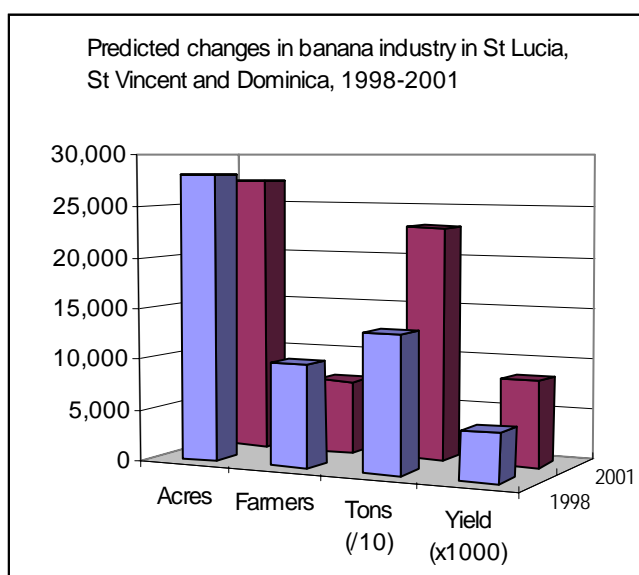
Payments for bananas to companies and growers (equivalent £ per 40lb box):

	Banana company price			Net grower price
	Oct 1998	Oct 1999	+/-	Oct 1999
Dominica	£6.38	£6.07	-5%	£3.27
St Lucia	£7.95	£5.62	-29%	£3.96
St Vincent	£6.54	£6.01	-8%	£3.96

Source: WIBDECO¹²

Restructuring initiatives

The Certified Growers Programme (CGP) was introduced in 1997 as part of the broader restructuring campaign within the Windward Islands banana industry. It was designed primarily to improve the quality of bananas exported to the specific standards of UK supermarkets, and provide a means of tracing back to the original farmer. This would enable the Windward Islands to increase competitive advantage by producing a better quality banana, acceptable to UK supermarkets who can pay higher prices.



The Production Recovery Plan was established in September 1998 as a further stage in the restructuring process. It envisaged that less efficient growers would not be able to sustain profits and that it would be desirable to concentrate on increasing production from a smaller number of growers while maintaining premium prices as an incentive to the grower. The number of producers has indeed declined, although, according to the plan, yields and production levels are predicted to increase (see graph).

According to a recent independent study, the majority of active farmers appear to be certified, although many found meeting the criteria to be

difficult – increasing costs of inputs forced upon farmers by supermarkets' quality demands have imposed further financial pressures. Less than half the farmers, certified or not, claimed to be making a profit, although a much higher proportion of certified farmers are profitable.

At present, growers in the Windward Islands are the highest paid banana producers in the world, but they have the highest production costs. It is predicted that prices will continue to fall due to higher volumes of cheap labour 'dollar' bananas. If this does happen, under the present system farmers will be placed under more pressure, and increasing numbers lose their livelihoods.

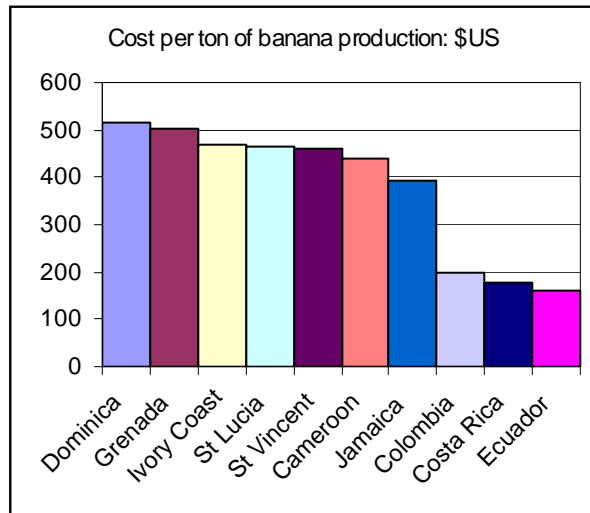
The views of farmers and the Banana Growers Associations (BGAs) appear to conflict. The BGAs claim that farming can be profitable, and that farmers need to change their attitudes. Many farmers do not share this view, but some follow the recommendations because they feel they have no choice.

The CGP has enabled farmers to continue to export but there are several thousand who have not benefited. This reflects the fact that the programme was only directed at the producers seen as most likely to meet efficiency targets. Some 80% of bananas are now exported by 20% of farmers.¹³

(ii) Latin American banana plantation workers

Although Caribbean banana growers are losing market share to the multinational-controlled banana plantations of Latin America, they still receive more for their work than plantation labourers do. This is partly due to the higher cost of living in the Caribbean, but also because of the degree of control exercised by the plantation owners to drive down prices. The graph opposite shows that, typically, a Latin American banana costs much less than half the price of its Caribbean counterpart to produce.

Another contributor to the lower production costs in Latin America is the economies of scale obtained due to the sheer size of the plantations. The use of agrochemicals also contributes to a higher yield per hectare. There is a human cost borne by the labourers who live and work in the vicinity of these products, as well as the environmental hazard due to agrochemical run-off and unintentional killing of wildlife and marine ecosystems.



Source: Orchard et al 1997

The Costa Rican situation

The EARTH College (Escuela de Agricultura de la region Tropical Humeda) estimates that of the fungicide applied by aeroplanes some 40 times during each cultivation cycle, 15% is lost to wind drift and falls outside the plantation, 40% ends up on the soil rather than on the plants, and approximately 35% is washed off by rain. This results in a 90% loss of the estimated 11 million litres of fungicide, water and oil emulsion applied each year to the banana production regions. Furthermore, for every ton of bananas shipped, two tons of waste is left behind.¹⁰

The human impact of corporate negligence

Carlos Mora works for the plantation workers' union, SITRAP, which supports a campaign to get the banana companies to cut back on their use of aerial spraying. He has first hand experience of the effects of the highly toxic chemical, DBCP. Carlos is one of the 20% of the Costa Rican banana workers left sterile after handling this highly toxic chemical.

Juan handled DBCP. His wife Maria gave birth to a baby whose head was four times bigger than his body. She says "I couldn't even hold him because it seemed to make things worse. So I just talked to him and cried with him. It's the worst thing that can happen to anyone. There are no words that can tell what life is like." Although DBCP has now been banned, at least five chemicals designated "extremely hazardous" by the World Health Organisation are still being used.

Rubber aprons and gloves are needed in the packing plant to protect workers from the toxic pesticides, preservatives and bleach which have not been properly disposed of. The average consumption of pesticides in Costa Rica per capita is 4kg per person per year - 8 times higher than the world average, and twice the Central American average.¹⁴

A study by the Health Research Institute at the National University of Costa Rica¹⁵ found that women in the country's banana packing plants suffered double the average rate of leukaemia and birth defects. Protective gear is becoming standard issue, even though not everyone

wears it, and it is only available for the sprayers. Since it is not designed for use in tropical conditions, workers tend to find it too cumbersome to use.

The workers' living quarters are adjacent to the plantations. Although told to stay indoors with their families while aerial spraying is underway, the workers eat the coated food plants from their private gardens, and wash with water that has been sprayed. This is a daily ritual.

The banana companies have launched a programme designed to achieve the objective of obtaining higher yields, implemented under the concept of 'Total Quality Management'. This includes plans for worker participation in improving the quality and efficiency of production. The reality has been a reduction in the quality of life of the plantation workers.

A further key factor has been the obligation on employees to join management-sponsored worker organisations called 'Solidarismo' associations, which are a means of negotiating working conditions that are advantageous to the interests of management, since they prioritise harmony rather than defending workers' interests. This is widely seen as a means of denying or limiting the ability of workers to freely join an independent trade union. There is a belief that the multinational employers are violating a number of international conventions. An International Labour Organisation 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 black lists which circulate among the plantation owners. They will never find work again."¹⁶

The companies claim that the Solidarismo system has provided years of peaceful labour relations. In reality, banana workers' wages have been falling. An eight-hour working day in Costa Rica in 1993 would earn a monthly wage of \$250, while the same amount of work four years later was worth \$187.

Recently, the ETI Secretariat¹⁷ noted that the government has been responsive in addressing issues of labour law and practice that have been raised by the International Labour Organisation. It also stated that some companies are moving to address some of the concerns raised. For example, Del Monte reached an agreement with SITRAP, the largest independent banana trade union; also, the Better Banana Project operated by Rainforest Alliance in association with Chiquita and some national producers.

However, violations of workers' rights are still widespread. The problems at the locally owned Dos Rios plantation are a current example. There, agreements about vacation pay, payment of overdue severance claims, disability and transportation payments have not been honoured. A strike in March 2000 resulted in a massive firing of workers.¹⁸

Other Latin American countries

This situation is reflected across Central and South America. Local companies are often used by the multinationals to disguise the extent of their ownership and control of the plantations, which also enables them to offload larger risks to local businesses. The difficulties experienced in Costa Rica of forming independent unions have also been experienced elsewhere. One good sign has been that reluctantly the Big Three (Chiquita, Dole, Del Monte) have begun recognising independent trade unions, but there is a long way to go.

In Guatemala, the wage rate of 40p per hour – £17 per week – was due for review in August 1999. However, the companies used the devastation caused by Hurricane Mitch as a pretext to extend the wage agreement, and sack union members. At COBSA (a front company for Dole) they went a stage further. Members of the company union were induced to make legal complaints against the independent trade union, claiming its members were responsible for "damages and prejudice" valued at \$7.5m in the wake of the hurricane. Arrest warrants were issued against 150 union members.¹⁶

Plantation companies often control all aspects of life, including schools, healthcare, water and electricity supplies, housing, and the supply of cooking equipment, transport, recreation facilities, books for the union library, football shirts, toys – everything apart from the Catholic Church (and even there they control the electricity supply).

Working conditions can be summarised as:

- long and exhausting working days of 12-14 hours or more, without overtime payment
- wages which are not sufficient to cover the basic needs of subsistence for a family
- dismissals without any social security or redundancy payments
- intensive use of agrochemicals which damage health and the environment
- lack of medical attention
- exploitative management-worker relationships
- lack of educational opportunities

The situation for women workers is even worse. Rights such as maternity leave and regular healthcare are not respected in many banana companies.

Currently, the banana companies are promoting models of labour organisation which permit them to make labour relations more flexible, to the extent of controlling them. At the same time they implement a series of unfair practices designed to prevent workers from organising into unions. These practices range from verbal intimidation against workers who show sympathy with the unions, through to threats of physical intimidation to union leaders, sacking and subsequent blacklisting. In countries such as Colombia, trade union leaders have been systematically killed by private security forces, paramilitaries and guerrilla groups as a means of both intimidating and deterring others from becoming involved in union activities.

So, although the banana industry in Latin America is a large employer, the life of the banana worker is a miserable one.

6 The WTO dispute

The formation of the Single European Market in 1992 meant that the European Union had to come to terms with the existing differential arrangements in Europe for the import of bananas – for instance, Germany had previously had a tariff-free banana market, whilst the UK gave special treatment to imports from its former colonies in the Caribbean. A new banana regime was agreed in 1993 (EC Regulation 404/93), which used a system of quotas and tariffs to give preferential access to exports from African, Caribbean and Pacific (ACP) countries. Imports from Latin America were thus limited both in volume and by higher prices.

However, this agreement went against simultaneous moves towards greater globalisation and liberalisation of world trade, designed to establish ground rules for international trade at the widest possible level. The regime has been challenged on five successive occasions at the General Agreement on Tariffs and Trade (GATT), and its successor, the World Trade Organisation (WTO).

It has also been the subject of numerous legal cases brought by German governmental and corporate interests before the European Court of Justice, and strong protests from the multinational banana companies, who think that the EU regime impedes their expansion. Chiquita, in particular, pushed for the Clinton administration to impose sanctions, which it duly did in 1999. Now 100% tariffs are imposed on American imports of a long list of products which have nothing to do with bananas. For example, British packaging companies and French cheese and wine makers are subject to sanctions when exporting to the USA.

The EU is yet to come up with an acceptable regime. As far as consumers in the EU are

concerned, the major impact has been to create and maintain a downward pressure on banana prices.

Consequences of the dispute

The events described suggest the Caribbean banana industry has been the victim of power politics being played by two global power blocks, namely the US and the EU, each attempting to defend its own interests. It has also highlighted the relative disadvantage of small island states in their ability to adequately defend their interest in international trade disputes.

Throughout the protracted period of the dispute, Caribbean banana exports to the EU have declined at a significant rate. In effect the Windward Islands are currently taking up less than half of their quota. This highlights the extent to which farmers have been leaving the industry, while banana importers, unable to get sufficient bananas which meet the supermarkets' quality criteria, are sourcing from other Latin American countries. As a result, many people have forecast the collapse of the Caribbean banana industry, with all the associated economic and social consequences.

The preferential arrangements currently enable the Windward Islands to narrow the price gap with 'dollar' bananas on the UK market. Along with protection of prices, they are essential to preventing the industry from disappearing altogether, until restructuring plans begin to have a significant impact.

7 A bleak future?

Given the magnitude of the likely social, economic and political costs of the transition from a preferential trade regime to a liberalised one, the future of the Windward Islands is bleak. The potential reversal of tourist industries (part of the charm of the Windward Islands is a relatively welcoming and peaceful host population), and the increasing problem of drugs and related crime (in part related to the downturn in the economy and reduced prices for bananas) should not be underestimated. Ironically, there is a backlash to the US in the form of an increasing flow of drugs and illegal immigrants into its country.¹⁹

The need for the islands to diversify into different industries has been recognised for some time. This will be a long and difficult process, but a necessary one.

The need to restructure the Caribbean banana industry has also been recognised. Central to this is the need to make the industry more internationally competitive by increasing productivity and raising quality levels. The Certified Grower Programme is attempting to address this. Whilst it is accepted that the industry could be made more competitive by the introduction of better agronomic practices, some of the environmental constraints are more immutable.

The other key option is to compete on the basis of product differentiation, making the product unique in some way, so that consumers are prepared to pay a premium price.

A 1998 survey examining the impact of banana restructuring in St Lucia noted the following:²⁰

- general tone of pessimism or stoic resignation amongst banana farmers as to the future
- half the sample are prepared to leave the industry if prices fall (*they will more likely be forced out and lose their livelihoods as a consequence*)
- a widespread perception that only farms that depended on family labour could be profitable (*presumably because they don't count the costs of that labour*)

8 Fairtrade – a way forward

In addition to its role in challenging the EU banana regime, an ironic second impact of the advent of the WTO has been the ruling that countries are unable to discriminate between products on the grounds of the social or environmental conditions where they were produced. This means one of the few ways in which European consumers can choose to support disadvantaged producers, such as those in the Windward Islands, is through voluntary labelling schemes such as Fairtrade. A Fairtrade label is awarded to a product which meets certain internationally agreed standards of production and trade, which mean a better deal for its producer.

A market for Fairtrade bananas has existed in Europe for a number of years, and they were first launched in the Netherlands in November 1996. They have established a market share of between 5% and 13% in the countries where they are available,²¹ and market research carried out for the European Union suggests that a similar market share could be achieved in the UK²². At the European average sale of 8%, this would mean a UK Fairtrade banana market would be worth £60 million. This equates to 50,000 tons – the equivalent, for example, of 36% of Windward Island banana exports.

Facts supporting the Fairtrade case

- More than 80% of UK consumers declared that they would buy Fairtrade bananas if they were available at the same price and quality as the varieties presently on offer.²²
- Over a third of the EU population said they would be prepared to pay a premium above the price of normal bananas for Fairtrade bananas:²²
 - 37% would pay 10% more
 - 11% would pay 20% more
 - 5% would still buy at a 30% premium.Even when a significant allowance is made for consumers' over-claiming in respect of what they would do, this still represents a significant market opportunity.
- Fairtrade bananas are currently available in limited quantities from Costa Rica, the Dominican Republic, Colombia, Ecuador and Ghana – and, as of July 2000, from the Windward Islands.

What is Fairtrade?

Fairtrade is a means of helping small-scale and other disadvantaged producers in developing countries improve their quality of life by providing a more profitable and stable trade relationship. Unlike organic produce, where the criteria used are legislatively based, the criteria of Fairtrade are product specific, but essentially can be summarised as:

- direct trading links with producers in developing countries, cutting out local dealers
- guaranteed prices to producers to cover production costs
- a 'social premium' to producers, for investment in social and environmental improvements
- credit allowances or advance payments where necessary
- long term trading relationships to enable planning

In the case of bananas, specific social and environmental criteria have been established by Fairtrade Labelling Organisations International (FLO). The FLO Banana Register is responsible for maintaining a list of producers who meet the criteria and have committed themselves to social and environmental improvement plans.

For purposes of comparison with the illustrations of banana plantations cited earlier, the Fairtrade initiatives in both Ghana and Costa Rica provide a marked contrast with the working conditions endured under multinational ownership arrangements. It is only through Fairtrade that these conditions can be maintained, and further much needed improvements made.

Ghana

The Volta River Estates plantation in Ghana (VREL) is the only exporting banana plantation in the country and is strongly supported by the government. In a part of the country with high unemployment, and no social security, the plantation provides much-needed jobs to workers who are well represented through the local branch of the General Agricultural Workers Union²³.

Environmentally, there is no use of herbicides or insecticides, and the most dangerous fungicides have been substituted for more benign types. VREL pays 60% above the national minimum salary and boasts a nurse and health care post on each site.

The Fairtrade social premium has been used to cut use of harmful herbicides, and consequently provided more work in manual weeding, payment of end of year bonuses, and subsidies for union expenses. They have plans to expand into organic production, and a social and environmental action plan is also being implemented.

Gariba Musah, union secretary, said: "People should buy our bananas because they have been fairly produced. We workers here in Ghana can also benefit from the export and get something. VREL provides employment opportunities for this area. It is very difficult to find work here."

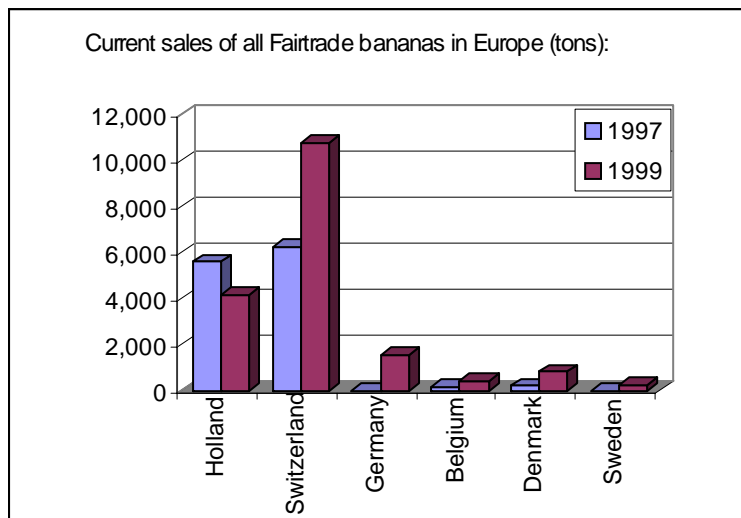
Costa Rica

Coopetrabatur is a Fairtrade-registered co-operative in Costa Rica, founded 20 years ago by former Chiquita workers when the multinational pulled out of that part of Costa Rica. It is now the major supplier of Fairtrade bananas to Europe.

Since beginning to sell on Fairtrade terms, the co-operative has stopped using paraquat and other herbicides, reduced chemical fertilisers, started recycling all plastic waste, cleared up a rubbish pit, and started planting trees along canals. The co-operative is now well run, open and democratic. This contrasts with a difficult past when the organisation struggled to survive. The employed workers have enjoyed considerable wage rises recently. As well as salary increases, the social premium has funded an agronomist and five environmental specialists, and repairs to housing²⁴.

Arturo Jiménez Gómez, once an exploited 'bananero', is now a founder member of his own co-operative. He hopes Fairtrade will become an example for governments and transnationals, and dreams of "becoming free commercially, to have access to markets, to have the opportunity to dream of being free, to dream of being looked upon as a human being, not an object". The benefits to him of Fairtrade are great. "Before I was someone that took a box and loaded it onto a train. That was my only responsibility. I was just a farmer, an intermediary. In this new system, I have become an international businessman." His biggest difficulty is lack of stability in the market, and he hopes his European friends will continue to buy his bananas.²⁴

Elia Ruth Zúñiga Zúñiga works in the packing plant for Coopetrabatur. She said that "with Fairtrade our salary has increased quite high, so that we have a better life for our families. We have water, we have electricity and we have a house given to us by the company. Everything here was in a bad condition due to contamination. Rivers didn't have any fish. Due to chemicals we were losing everything. Water was really contaminated. Now it's different, we don't use chemicals. I would like the markets to get bigger in Europe – that would be great for us."



Source: FLO

Total sales of all Fairtrade bananas in Europe were 12,300 tons in 1997, rising to 14,600 in the following year, and over 18,100 tons in 1999.

If the purchase intentions cited in the European Commission survey mentioned earlier are to be believed, this would translate into volumes of between 300,000 and 400,000 tons of Fairtrade bananas being sold per annum within the EU as a whole - a twenty fold increase on current volumes.

How could Fairtrade help people in the Windward Islands?

Fairtrade could make a big difference to people like Caphias (see box). Renwick Rose of the Windward Island Farmers Association says that: "If successful, Fairtrade would boost farmers' confidence and help them feel that there is still a future in bananas and in agriculture. Fairtrade can also improve environmental practices and sustainability. Being paid Fairtrade prices could make a major difference to many lives and the important aspects of life that so many people in the West take for granted. For example, when they are forced out of banana production, farmers are also having their properties sold because they cannot pay their mortgages. A fair price might also mean that, for the first time, farmers might be able to look forward to a tertiary education and all the opportunities that then presents."

Case Study – St Vincent

Caphias Duncan, 61, lives on his own in a dark room at the far end of a disused dance hall in St Vincent. He has three acres of bananas and has recently joined the farmer's group that is registered to supply Fairtrade bananas to the UK. He laments the current situation: "The price we get is bad enough. Before it was much better than now. The cost of living has gone up, the cost of fertiliser has gone up, the price we are left with has gone down. It's much more difficult to grow bananas now and it's just not worth it. My sons have gone to the hills to grow marijuana. It's less work and more pay, but it's illegal."²⁵

He continued, "It could also keep alive businesses, especially grocery shops in rural communities, things which bind communities together - an experience very familiar to you in the UK. It is very important to keep the rural community alive because of the danger of and problems associated with urban migration."

The next step with fairly traded bananas

The first Fairtrade bananas entered the UK in January 2000, and were initially stocked in Co-op stores, and soon afterwards in Sainsbury's and Waitrose outlets. Sourced from Costa Rica, the initial results have been encouraging. In Sainsbury's, where stocked, they have accounted for 7% of all bananas sold.

This has prompted moves by both retailers and importers to introduce Fairtrade bananas from the Windward Islands. It is hoped that this will embrace many of the smaller and poorer producers who have not been able to participate in the Certified Growers Programme. The

criteria of the CGP focus primarily on agronomic practices. Fairtrade criteria mainly relate to ensuring social and environmental conditions are upheld. Although the objectives of the CGP and Fairtrade systems are different, Fairtrade bananas must be of a similar quality to standard bananas to be sold in mainstream outlets.

The environmental policies of the Fairtrade system offer considerable benefits to long-term land sustainability in the Windward Islands. They also help to move towards meeting the requirements of organic production. A switch to more organic is one sustainable option for the Windward Islands, and Fairtrade practices, and the financial boost they attract, are a way forward.

Windward Island Fairtrade bananas became available in the UK on 25 July 2000. Geest expects to ship between 5,000 and 8,000 40lb boxes a week initially, and increase volumes over the next 12 to 18 months²⁶. The UK's Fairtrade bananas will continue to come from a number of sources, including Costa Rica, Ghana, the Dominican Republic, and Ecuador.

The potential of Fairtrade

Fairtrade bananas will have a significant impact on the UK Fairtrade market, which is currently estimated to be worth more than £22 million at the checkout each year. Unlike other Fairtrade products, bananas are not so obviously branded, allowing the FAIRTRADE Mark and message to have greater prominence on packaging than is usual. This will contribute to awareness of Fairtrade and the label, and boost sales of other Fairtrade products.

More importantly, if successful, sales of Fairtrade Windward Island bananas will offer hope to thousands of farmers, make farming worthwhile for thousands more, and eventually encourage back destitute farmers who had long since given up the struggle.

Sales of Fairtrade bananas from Costa Rica, Ghana, Colombia and Ecuador have already given thousands of farmers and workers a better and more sustainable future. And UK sales of Fairtrade bananas from the Dominican Republic have enabled farmers devastated by Hurricane George to resurrect their businesses and start trading again.



9 Recommendations

WTO rules must change

The banana has, since 1993, become the focus for a transatlantic trade war. However, the technical and legal issues at stake in the World Trade Organisation dispute have not addressed the real interests of consumers, plantation workers and small farmers. Despite the talk of 'sustainable development' in the preamble to the WTO's constitution, the rules do not currently take social and environmental issues into account. It is time for a concerted international effort to ensure that the WTO rules are rewritten so as to allow countries to favour more sustainably produced products.

Companies must clean up their act

It is clear that consumer pressure – directly, and via the supermarkets - has started to get through to the banana companies who dominate the industry. But the message that consumers expect workers to have their rights fully respected, to be decently paid and not to be exposed to toxic agrochemicals still needs pushing strongly. Consumers also expect social and environmental claims by companies to be independently verified. Companies need to understand that they should be competing to raise standards around the world, rather than chasing lower costs and therefore lower standards.

Fair trade for all

Fair prices for farmers and living wages for plantation workers should not remain the exception; they must become the rule. The more people who support producers by buying FAIRTRADE Mark bananas, the more this will put pressure on the mainstream trade to spread economic benefits fairly along the chain. Investing in socially and environmentally responsible production is the way forward, but this will only happen when growers receive a fair and stable price. As well as individual consumers and supermarkets, governments, churches, small businesses, trade unions, and women's organisations all have a crucial role to play in promoting fair trade. We have a historic chance to contribute to the building of a new economy which benefits both people and the environment.

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Appendix

Selected economic indicators, Windward Islands

	Year	Dominica	St Lucia	St Vincent	Grenada	Total
Number of active growers	1992	6,555	9,500	8,000	600	24,555
	1998	3,533	6,061	7,048	118	16,760
	% change	-46%	-36%	-12%	-80%	-32%
Numbers in direct banana employment	1992	10,225	20,000	23,053	2,550	56,428
	1998	5,552	14,800	21,051	510	41,883
	% change	-44%	-35%	-12%	-80%	-26%
Decline in active farmers, employees	1992-1998	7,725	8,639	3,554	2,522	22,440
Population	1990/1	71,000	134,000	106,000	91,000	402,000
	1998	71,000	150,000	112,000	93,000	426,000
Banana Exports (tons)	1990/1	56,617	133,777	79,561	7,486	277,441
	1998	28,135	53,727	38,890	94	120,846
As % all exports	1990/1	56.2	57.6	52.6	17.5	46.0
	1998	23.6	62.4	41.1	0.1	41.2
% workforce in bananas	1990/1	30.8	25.0	20.0	n.a.	25.3
	1998	33.0	35.0	34.0	0.1	34.0
% population dependent on bananas	1990/1	72.5	65.5	85.8	9.6	59.5
	1998	37.0	40.8	72.4	1.7	39.3
Pesticide imports (\$000)	1990/1	2,105	5,336	1,946	738	10,125
	1998	20,000	3,978	2,500	900	27,378
Bananas yield (Hg/Ha)	1990/1	155,067	106,667	96,685	38,621	397,050
	1998	100,000	100,000	100,000	40,000	340,000

Source: WIBDECO, Food & Agriculture Organisation of the United Nations

Price: £2.95



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