



Fairtrade Bananas

Time For Change

Februury 2015



FAIRTRADE
IRELAND

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Fairtrade Ireland works to promote fair trading practices between Ireland and developing countries. It is a founder member of Fairtrade International, based in Germany, the organisation responsible for setting international Fairtrade standards.

BASIC

The Bureau for the Appraisal of Social Impact for Citizen Information (BASIC) is a French research institute specialising in global value chain analysis and social and environmental impact assessment of business sectors.



Banana Link is a not-for-profit co-operative based in Norwich, which works for fair and sustainable banana trade. We raise awareness of the poor living and working conditions faced by plantation workers and small producers in Latin America, Africa and the Caribbean.

Photography credits: Santiago Engelhardt, Miriam Ersch, James Rodriguez, Marvin del Cid

Cover page: Juan Aquino Vilges and Domingo Isaias Vidal Espinoza, small banana producers from the Fairtrade association ACPROBOQUEA in Northern Peru.

Executive summary

Bananas are the fourth most important staple food in the world after rice, dairy products and wheat. They play a key role in food security and economic security for low income countries as they provide farmers with a regular income throughout the year.¹

The biggest banana producing countries export very little of their crop, most is kept for domestic consumption (India and Brazil, for example). Only 15-20% of world banana production is exported, the majority coming from Latin America and the Caribbean, the rest from West and Central Africa, and the Philippines.²

Between producers and consumers, the banana chain looks like an hour glass: a large number of farmers and workers at the base sell to a few international traders and supermarkets in the middle, who in turn sell to a very large base of consumers at the top.³

This market concentration creates a strong downward pressure on prices and leads to large-scale negative impacts: unsustainable living and working conditions for small farmers and workers, health deterioration and environmental pollution linked to the industrialization of production.⁴

Since the 1990s, Fairtrade has emerged as an alternative model and a solution to overcoming these negative impacts, ensuring a fair price to producers, decent working conditions and wages for workers, and improved environmental practices in banana production.

However, Irish retailers remain weakly committed to Fairtrade when compared to many European countries. They could do a lot more to address the negative impacts of the conventional banana trade.

This report from Fairtrade Ireland is based on trade statistics and academic research, and aims to raise this issue in the public debate and to push for more engagement by leading retailers in the country.



The Irish Banana Market

A market in which banana producers and workers get little return

Bananas are the third most popular fruit consumed in Ireland after apples and citrus fruit. They represent more than 16% of the retail value of fruit sold in the Republic of Ireland each year.⁵

Bananas are an important part of the Irish diet, with almost 50% of consumers eating bananas every day.⁶ Each year, Irish people consume 16 kg of bananas per person, which is significantly above the European average consumption of 10.5 kg.⁷

90% of Irish shoppers purchase fresh fruit from a mainstream supermarket, by far the most popular channel⁸ (Figure 1 below shows the retailers' market shares in Ireland).

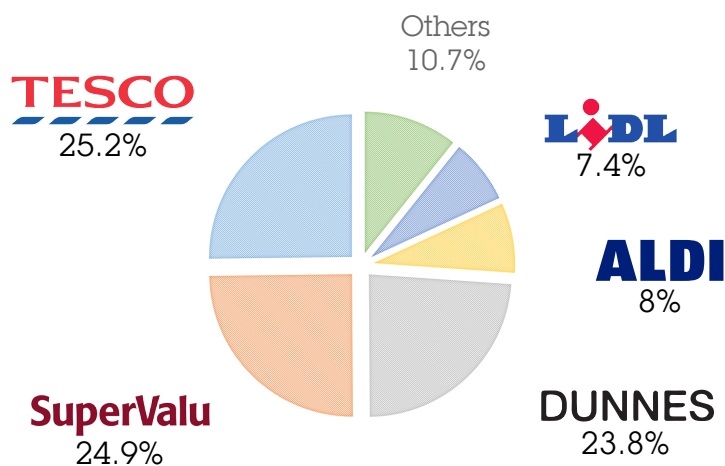
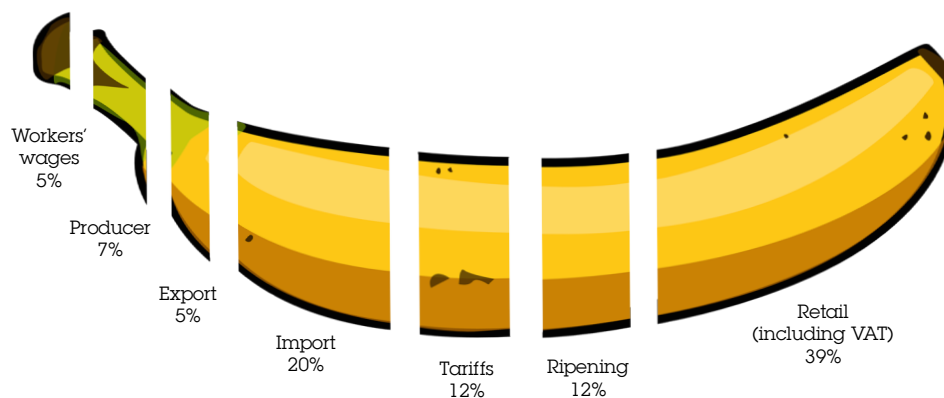


Fig. 1: Global market share of the main supermarkets chains in the Republic of Ireland (source: Kantar WorldPanel, January 2015)



Fig. 2 Average banana value breakdown imported into the Republic of Ireland (source: BASIC, based on UN Comtrade data, FAO data and interviews with sector experts).



'THE MONEY EARNED FROM BANANA PRODUCTION IS NOT SUFFICIENT, BECAUSE IT IS BELOW THE COST OF BASIC NEEDS; IT IS NOT ENOUGH TO PAY FOR EDUCATION, HEALTH, WATER AND ELECTRICITY.'

GIOVANNY CORONEL, PRESIDENT OF THE BANANA ASSOCIATION ASOQUABO, ECUADOR

Although the banana value chain largely consists of a small number of key actors (namely large fruit companies and big retailers), it is more complex on the ground.

There are 2 main patterns of production:

- Approximately 40% of world banana production is grown on plantations owned by large fruit companies which also organize the export and import of the fruit in consumer countries.
- The rest are grown by independent producers (mainly on plantations, but also by small-holders, some organized in associations, others selling through intermediaries), then sold either directly to large fruit companies, or through local independent exporters.

Once imported, bananas are ripened before being distributed and sold to consumers, either by service providers subcontracted by retailers or by importers (often through subsidiaries).

The overall value breakdown along the banana chain, from producers to consumers shows that the majority of the value is captured at the end of the chain; **only 17% of the end price of bananas sold in Ireland remains on average in producing countries**. In addition, small holders suffer the consequences of market volatility, with prices varying up to 50% during a single year as in the case of Ecuador.⁹

The banana supply chain

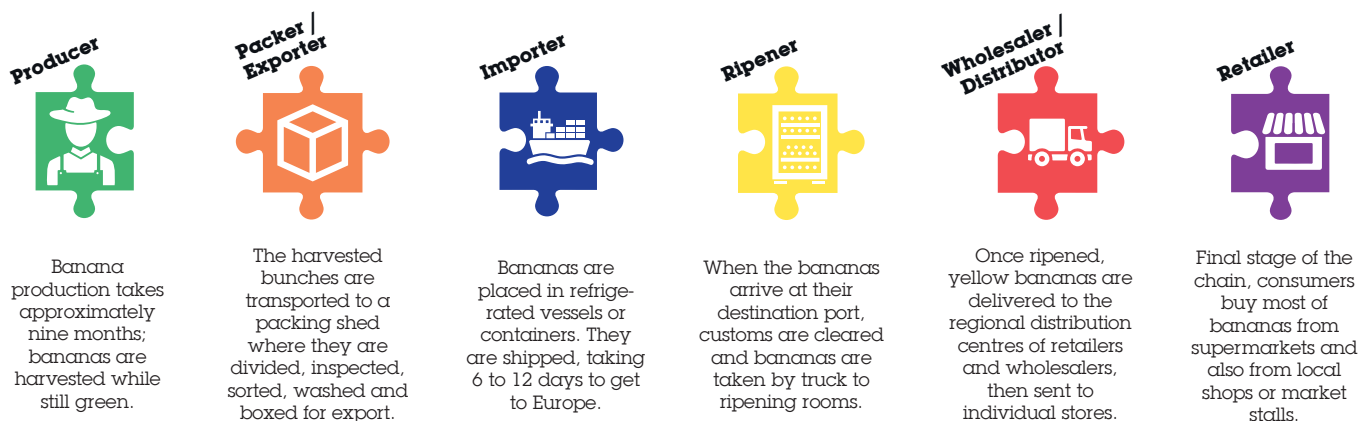


Fig. 3: Global view of the banana supply chain

Impacts in producer countries

Conventional banana trade affects the livelihoods of small farmers and workers

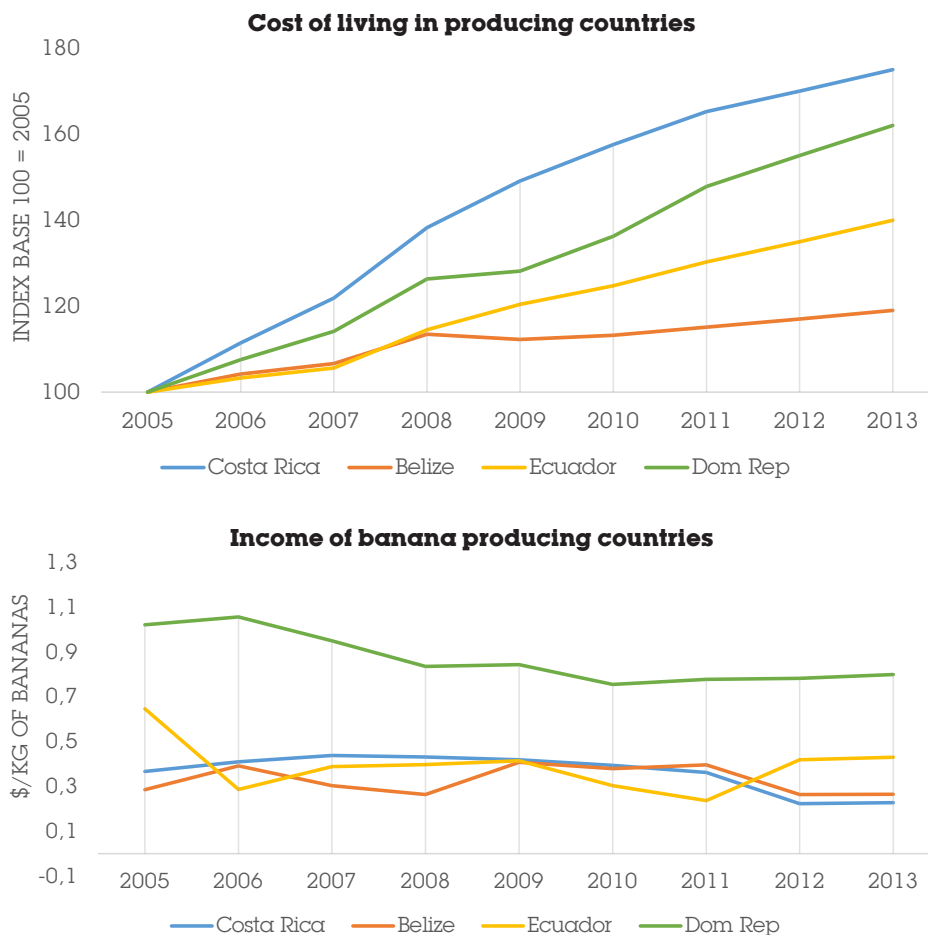
The Irish banana market exerts a strong backward pressure on prices in producing countries, mirroring what happens in the world banana trade.

Although the price of bananas imported in Ireland has remained stable since 2005 (in dollar terms)¹⁰, small farmers and workers have suffered from ever-increasing costs over the past decade:

- Costs of shipping have increased by 211% and costs of fertilizers have risen by more than 126%.¹¹
- Living costs for farmers and workers have greatly risen; consumer price indices have increased by 30% to 40% in Colombia and Ecuador, 60% in Dominican Republic and 70% in Costa Rica.¹²
- Costs of compliance with quality standards have increased the burden on producers.¹³

As a result, as shown in the graph below, producers supplying the Irish banana market are being caught between pressure on prices from buyers and rising costs of living and production.¹⁴

As the price of bananas is quoted in dollars on the world market, the recent fluctuations of the euro will result in further pressure on banana producers in order to keep the prices stable for shoppers in consumer countries.



BANANA WORKERS IN COSTA RICA NOW EARN LESS THAN ENOUGH TO COVER THEIR HOUSEHOLD'S NEEDS. 30 YEARS AGO THEY WERE NOT ONLY ABLE TO PAY FOR THIS, BUT ALSO FOR THEIR LEISURE ACTIVITIES, EVEN HOLIDAYS.

DIDIER LEITÓN VALVERDE, DEPUTY SECRETARY OF THE PINEAPPLE AND BANANA WORKERS' UNION SITRAP, COSTA RICA

Fig. 4: Evolution of the consumer price index and the average unit price of bananas in producing countries 2005-2013 (source: BASIC, based on the unit import price in Ireland recorded in UN Comtrade data, costs of freight and insurance estimated by CI-RAD, and gross margins published by fruit traders in their annual report and interviews with experts).



The banana export sector is critical for the economies of many countries, especially in Latin America and the Caribbean. As the costs of living have risen quickly compared to the limited evolution (if not decline) of import and export prices, very significant impacts can be monitored on the ground which put the sustainability of the sector as a whole at risk in many regions.

Small farmers struggle to compete on costs with plantations; exporters exploit their weak bargaining position wherever possible and in many areas, small farmers barely earn enough to live on.¹⁵

The situation of workers is not any better: their wages have declined in several producing countries, flexibility in employment and working conditions is increasingly imposed on them - with the explicit aim of reducing labour costs - and labour rights conflicts are frequent.¹⁶

Finally, despite recent progress in the management of environmental issues, a significant amount of chemicals is still applied and inappropriate practices lead to serious health hazards for farmers and workers, as well as sanitary problems for local communities because of the pollution of local watercourses and aquifers.¹⁷

Fairtrade impacts on small holders and workers

Evidence shows the capacity of Fairtrade to offset negative impacts of banana trade

Several independent studies conducted over the past decade have demonstrated the positive impacts of Fairtrade on the ground.

The major benefit of Fairtrade is to provide producers with a guaranteed minimum price, which is set on the basis of studies of the costs of sustainable production and surveys of Fairtrade commercial partners.

The *Fairtrade Minimum Price* being a floor price, it acts as a safety net for producers; independent impact studies conducted in Ecuador, Colombia, the Dominican Republic and the Windward Islands showed that it has had a stabilising effect on producer income.

In order to increase their income, the studies showed that banana producers invested the *Fairtrade Premium* money into productivity, quality, collective infrastructure and additional certification, achieving better prices on the market and reducing their production costs, hence increasing their disposable income. In 2013, the total premium earned by Fairtrade banana producers amounted to EUR17 million.

More globally, most Fairtrade small producer households have improved their standard of living and reduced their vulnerability to poverty compared to producers outside Fairtrade. ¹⁸

Regarding labour conditions, a main impact of Fairtrade on the ground is the significant decrease in the number of workers employed on a casual or temporary basis in favour of more secure employment, and marginalised groups improving their collective representation. Fairtrade helped sustain employment in the banana sector, and contributed to the generation of new jobs (in particular because of more labour intensive production) and to stimulating local economies through improving the income of small producers and workers.

On the environmental side, Fairtrade has a documented impact on natural resource management via the significant number of environmental requirements to be met by producers, the use of the Fairtrade Premium and price incentives for 'Fairtrade organic' products.

Increased earnings: The Fairtrade Minimum Price enables small farmers to cover their cost of sustainable production and the Fairtrade Premium enables them to invest in their communities; Fairtrade also supports progress towards living wages for workers.

More jobs: Fairtrade specifically supports smallholders, who employ on average twice as many people per hectare than big industrialised farms.

Collective representation: Fairtrade stimulates and supports grass-root organizations of small farmers and workers, helping them to build their capacity and internal democracy.



Better water and soil management : The Fairtrade standards promote good agricultural practices and sustainable management of natural resources.

Better health conditions: The Fairtrade standards prohibit the use of many hazardous agrochemicals and enhance protection for farmers and workers.

'THE FAIRTRADE MARKET IS KEY FOR THE PROTECTIVE STRATEGY OF PRODUCERS BECAUSE IT OFFERS MORE STABLE PRICES'

MARIKE DE PENA, DIRECTOR OF THE SMALL FARMER ASSOCIATION BANELINO, DOMINICAN REPUBLIC

Fig. 5: Main impacts of Fairtrade for banana small farmers and workers demonstrated by independent studies (source: BASIC, based on impact study assessments compiled by CIRAD)

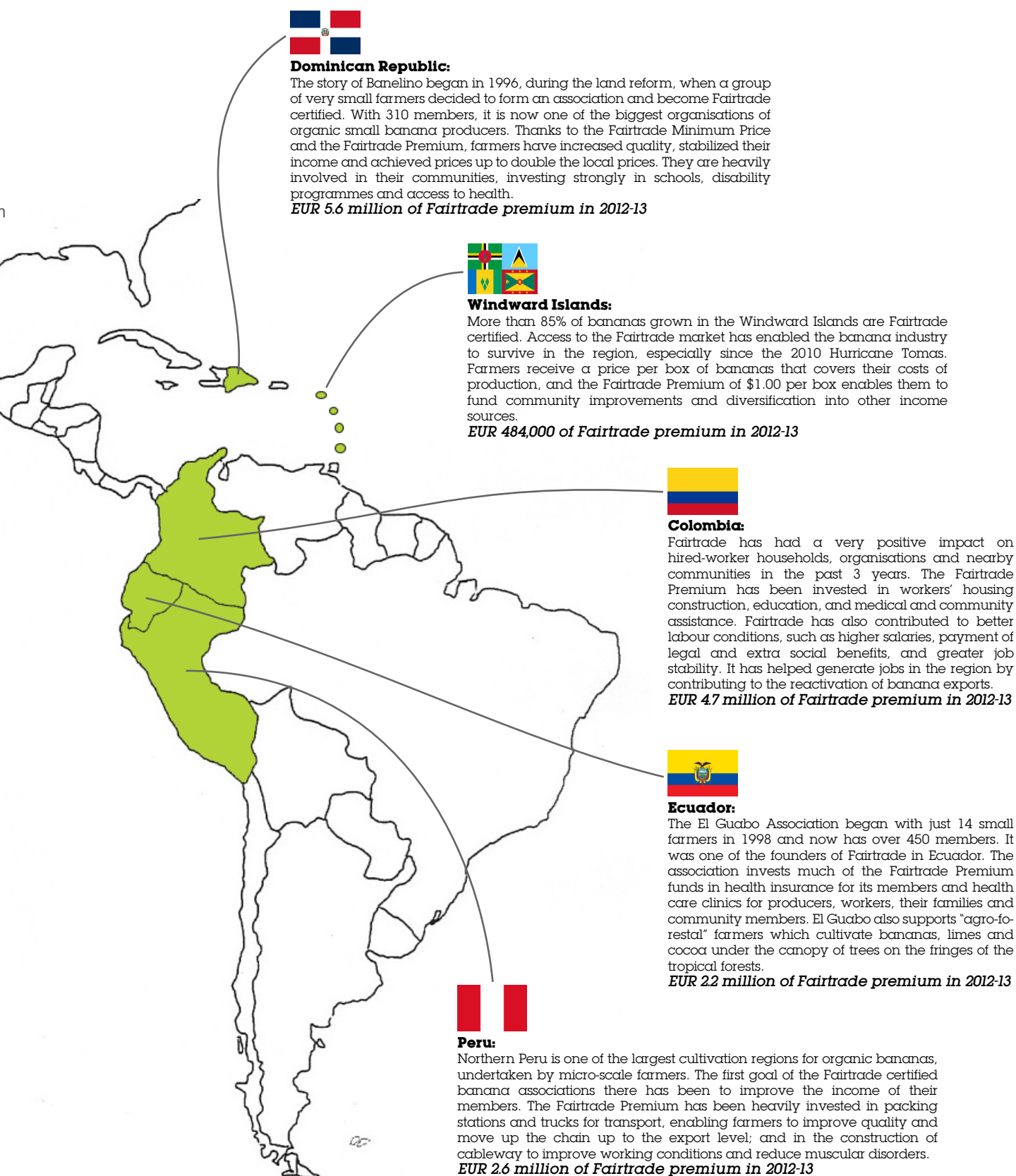


Fig. 6: Short review of Fairtrade impact stories in banana producing countries (source: BASIC, based on Fairtrade International documents)

Fairtrade and the Irish retail market

A lack of commitment from supermarkets

Research conducted by Globescan¹⁹ in 2013 showed that awareness and appetite for Fairtrade in Ireland is very high: 82% of people surveyed were aware of Fairtrade (this figure is second only to the UK among the 17 countries studied).

However, the average consumption of Fairtrade bananas remains quite low in Ireland compared to other European countries at 1.21 kg per Irish person per year, whereas British and Swiss consumers more than 3.3 kg (see below). In 2014, only 8% of bananas sold in Ireland were Fairtrade certified (by volume) compared to around 35% in the United Kingdom and 60% in Switzerland.

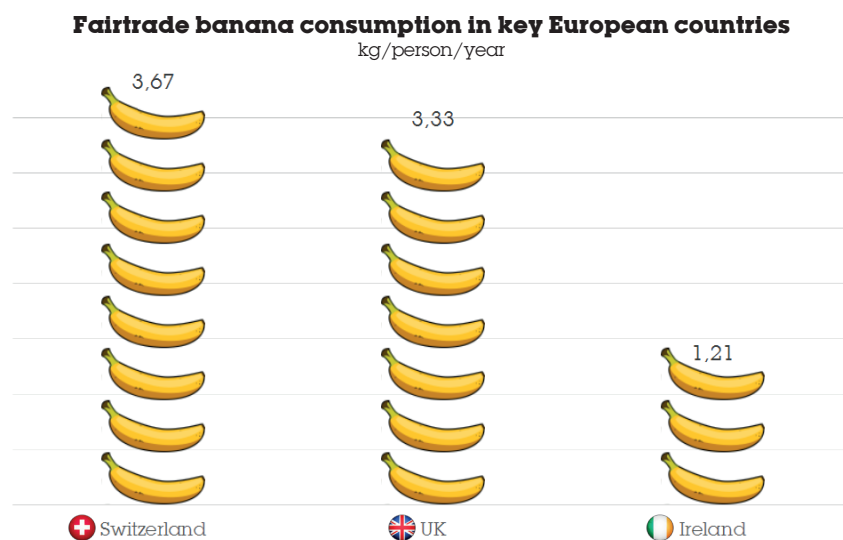
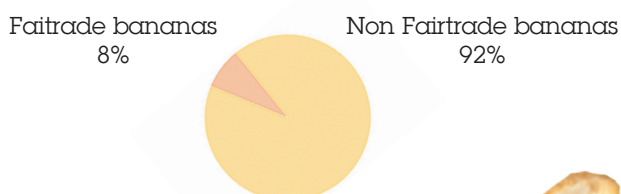


Fig. 7: Average consumption of Fairtrade certified bananas in key European countries in 2013 (source: BASIC, based on Fairtrade International and Comtrade data)

Volume share of bananas sold as Fairtrade in Ireland (2014)



TESCO ?

SuperValu ?

DUNNES ?

M&S ?

ALDI ?

LIDL ?



Conclusion

'WE BELIEVE IN THE POWER OF THE CONSUMER. SHE VOTES EVERY DAY WHEN CHOOSING WHAT TO BRING BACK TO HER HOUSE. WHEN REALIZING SHE CAN USE THIS POWER, SHE CAN GO FURTHER IN HER DEMANDS TOWARDS THE COMPANIES SHE BUYS FROM.'

LUIS MARTINEZ VILLANOVA,
BOARD MEMBER OF THE LATIN
AMERICAN PRODUCER NETWORK

Banana small farmers deserve to receive a fair price, cover their costs of sustainable production and earn enough money to make a decent living. Similarly, banana workers should be entitled to earn a living wage, to benefit from decent working conditions and to freedom of association. Bananas also need to be produced in a way that respects the environment and which uses natural resources more carefully.

In 2015, over 10 years after Fairtrade bananas were launched in Ireland, Fairtrade Ireland is asking Irish retailers to tell us what percentage of their bananas are Fairtrade. There needs to be greater transparency from retailers about their commitment to Fairtrade – Irish retailers need to let Irish consumers know what percentage of their bananas are sold as Fairtrade so that Irish people can make their high level of support for Fairtrade a reality. If, as seems to be the case, retailers in some European countries can make a big difference to banana farmers and workers, then Irish retailers can too.



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