

THE SOCIAL, ENVIRONMENTAL AND HEALTH IMPACTS OF BANANA SUPPLY CHAINS



Banana Link

For the Rethinking Value Chains collective

December 2019

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BACKGROUND AND EVOLUTION

Bananas are the fourth most important food staple in the world after rice, dairy products and wheat. They play a key role in food security for many countries. Their production is often one of the few activities that provide households with regular income throughout the year, and the trade is a key contributor to the economies of many low-income countries. Only 15- 21 percent of world banana production is exported. Countries such as India and Brazil produce mainly for their own domestic markets and export very little of their crop.

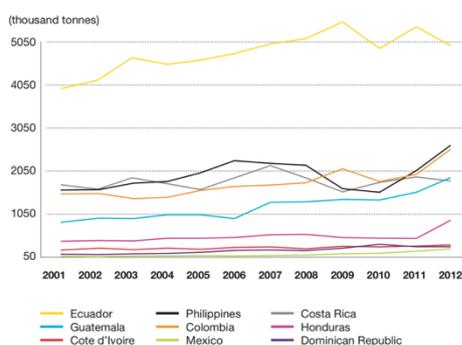
Although domestic banana production is dominated by small producers, at least 80 percent of exports come from large- scale plantations (between 100 and 4,000 hectares). The five leading banana exporting countries (Ecuador, Colombia, the Philippines, Costa Rica and Guatemala) accounted for more than 80 percent of global banana exports. Ecuador is by far the main supplier of bananas in the world market, supplying more than a third of the total volume of bananas traded internationally.

The most important regions for smallholder production are the Caribbean and south America. In the Windward Islands and the Dominican Republic, the majority of growers are smallholders established in hilly landscapes prone to run-off erosion with limited possibilities of mechanisation, irrigation and transport and with high risks of severe climatic events such as hurricanes. Bananas play a key role in the preservation of the social and economic fabric of these islands.

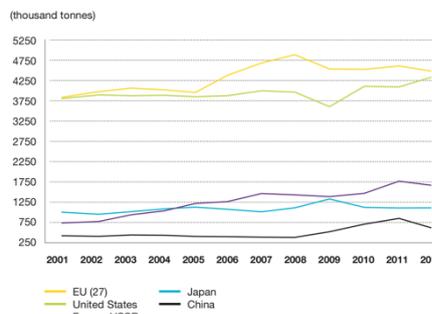
In Ecuador and Colombia, production is more differentiated, and small and medium- sized farmers are integrated into modern export chains. By contrast, production in central America and west and central Africa is far less fragmented, with most exports coming from large plantations with mechanisation and irrigation that are often controlled by multinational fruit companies.

Note: the information provided in this case study relates mostly to bananas imported into the European Union and specifically the UK, from Africa, the Caribbean and Latin America. The supply chains to North America and Asia are comparable, both in structure and the nature of social and environmental impacts.

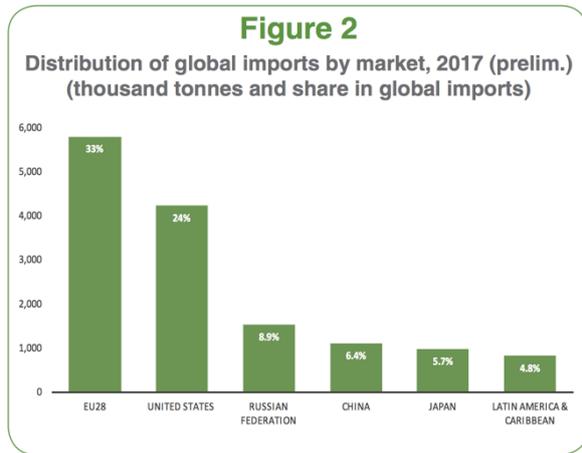
Banana exports – major countries



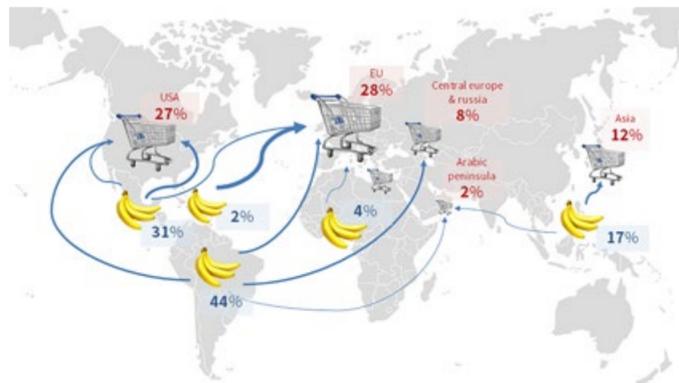
Banana imports – major countries



Producer/Exporter	2013 Export value 1 000 USD	Rank in terms of agricultural export value 2013	Share of net agricultural production value 2013	Share of total agricultural export value 2013
Ecuador	2 292 730	1	24%	47%
Philippines	963 412	2	11%	20%
Costa Rica	778 391	2	18%	20%
Colombia	715 874	3	4%	11%
Guatemala	611 785	3	17%	13%



The main international flows of bananas can be sketched as follows:



Source: BASIC based on Comtrade data (2013)

The banana supply chain

The diagram below illustrates the principal stages in the banana supply chain:

				
Banana production takes approximately 9 months; bananas are harvested while still green.	Harvest bunches are transported to packing sheds where they are divided, inspected, sorted, washed and boxed for export.	Bananas are placed in refrigerated vessels or containers. They are shipped for 10 to 20 days to get to Europe.	When bananas arrive at destination, customs are cleared and they are trucked to ripening rooms.	Once ripened, yellow bananas are delivered to regional distribution centres of retailers & wholesalers, then sent to stores.

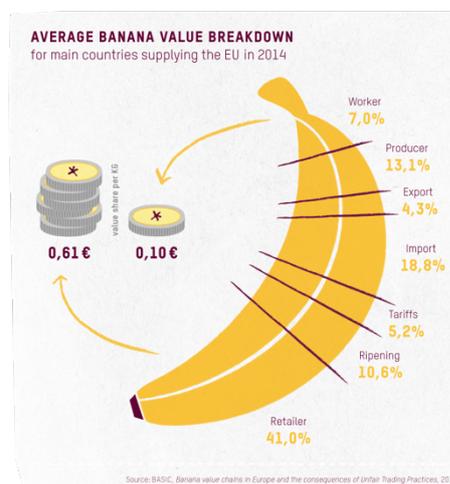
Banana production and distribution stages

Source: BASIC

Cost components of bananas up to the import stage

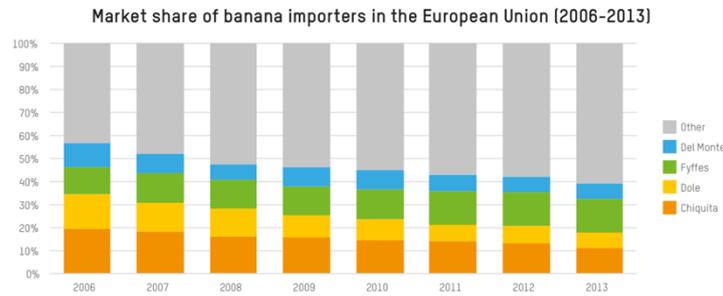
Source: BASIC based on CIRAD (2012)

Stage of the chain	Type of costs	
Produce	Fertilizers	Fertilizers and soil conditioners used in production
	Agrochemicals	Pesticides, nematocides and treatment products used in production and packing
	Irrigation	Irrigation costs and inputs
Packing	Packing material	Cardboard boxes, polybags and pallets used in packing
Shipping	Ocean freight	Chartering, insurance and fuel costs
Cross-cutting	Wages	Salary costs of hired labour in field work (soil preparation, planting, weeding, harvest...) and packing
	Energy	Fuel costs of farm equipment and road trucks
	Financial costs	Amortization, general services, salary costs of management staff, harbour taxes and customs, cargo loading costs



Changes in banana supply chain operations

Until the 1990s even the largest retailers relied on specialist banana companies to handle all the processes from the farm gate and delivery to their stores. As well as export/import arrangements, including payment of tariffs and shipping costs, bananas are harvested and transported in a pre-ripened (or 'green') condition and then ripened in special plants according to individual retailer requirements. These processes were largely the preserve of the vertically integrated banana companies such as [Chiquita](#), [Dole](#), [Del Monte](#) and [Fyffes](#), which operated plantations and their own fleets of refrigerated cargo ships – known as reefers.



Source: BASIC, based on European Commission, Chiquita Brands International/ Fyffes merger procedure (2014)

Advances in container shipping, in which each container can have its own refrigeration unit, meant that bananas could be shipped on conventional vessels along with other cargo, thus providing a more flexible service that could be obtained from general shipping companies such as [Maersk](#). Container vessels are also more fuel-efficient than reefers as their faster loading and unloading times mean they can sail at lower speeds between ports. Containerised shipping offered a significant cost advantage for US importers, but reefers still account for over 70 percent of the banana trade between Latin America and Europe.

Developments in the freight market have enabled some of the UK's largest supermarket chains to shorten their supply chains for bananas and other fruit by buying more directly from producers in countries of origin and contracting the services they need for shipping and ripening – known as 'direct sourcing'. Previously these services would have been provided by a specialist banana supplier as part of the supermarket buying price. Morrisons has worked very closely with the exclusive sourcing company [Global Pacific Produce](#) since 2004 and also ripens bananas in their own facility, while [Asda](#) sources directly (via its [International Procurement and Logistics](#) subsidiary) and [Tesco](#) (via its [Group Food Sourcing](#) division).

However, direct sourcing is not practical for smaller retailers, and companies such as [Marks & Spencer](#), [Waitrose](#) and [The Co-operative](#) still see an important role for intermediary suppliers to manage relationships with producers on their behalf. Also, it is clear that direct sourcing cannot completely insulate retailers from the rising costs of shipping and packaging which have to be paid in addition to the price to producers for the bananas.

As retailers increase their control over supply chains, the situation of farmers and workers is no longer the sole responsibility of banana trading companies. Together with banana traders, retailers now bear a high level of responsibility for the sustainability of the supply chain and how producers are treated.

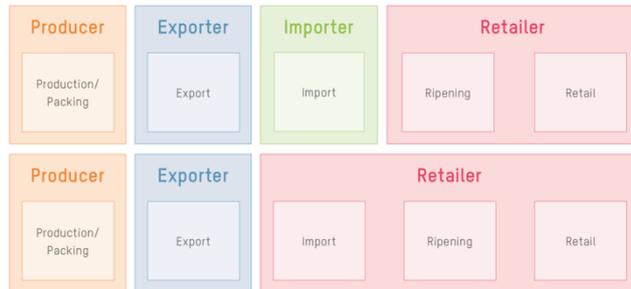
The diagrams below illustrate the evolution of the banana supply chain:



Historical structure of banana value chains (until the 1980s)
Source: BASIC



Modern prominent structure of banana value chains
Source: BASIC



Emerging retailer-driven banana value chains
Source: BASIC

PRODUCTION

Structural / economic issues

Unfair Trading Practices (UTPs)

UTPs have been defined by the European Commission as those “that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another”.

UTPs and market power in the banana sector

To understand UTPs in the banana sector, it is important to start with retailers’ purchase practices at the end of the chain.

Banana prices are traditionally negotiated between suppliers and customers on a short-term basis, following a weekly rhythm with strong seasonal fluctuations. The resulting commercial relationships can be quite volatile.

Prices and contracts are mostly negotiated on a short-term basis at national level, but even the biggest traders point out the imbalance of their negotiating power with retailers. This was exemplified by the case of [Aldi](#), whose buyer price was found, by the EC, to set a focal point for the market price, not only in Germany but all across Europe.

The ALDI Price

The EC launched an investigation in 2005 on a concerted practice between several banana importers who coordinated their quotation prices* against Aldi in Central and Northern Europe.

In the related legal decision published in 2008, the Commission found that since 2002 the prices paid by German retailers and distributors of bananas have been increasingly linked to the “Aldi price” which began to be used as an indicator for banana pricing formulae in transactions not only in Germany, but also in most major banana markets in Europe.

In particular, the Commission’s stated that the buying price of Aldi, one of the largest purchasers of bananas in Europe, had become “the obvious focal point for what the market clearing price** will be in any given week”.

This case shows the existence of banana price connections between major retailers at a pan-European level which create pressure on banana suppliers.

* A quotation price is a formal statement of promise made by a supplier to a buyer in response to a request

** The market clearing price is the mutually agreed price actually reached between buyers and sellers

A trend for longer-term contracts is also increasing the commercial pressure from retailers - importers make use of ‘one sided’ or ‘leonine’ clauses which allow the buyer to withdraw from a contract if “his margin is insufficient” leaving producers with unsold perishable bananas. The risk is passed from buyer to exporters and producers, especially smaller ones.

This can be aggravated during the commercial low season for bananas when demand reduces during the European summer as local fruits are available, while simultaneously, production in Latin America tends to be higher at this time of the year, creating oversupply and more pressure on prices, leaving producers with unwanted fruit to sell at lower prices on the local market.

In this context, banana traders, even the largest ones, point out their imbalance of negotiation power with retailers, as illustrated by the following statement which was reported in the [EC’s decision on the Chiquita-Fyffes merger](#): “Retailers enjoy significant buyer power. They arrange procurement and tender processes to extract the most competitive conditions, they multi-source, easily and frequently switch volumes between banana suppliers, they are ready to sponsor alternative suppliers’ growth and/or to start direct sourcing in the tropics.”

Small producers more vulnerable

Small producers are the most vulnerable to, and the most negatively impacted by, UTPs. They are often used to provide buffer volumes by larger plantations but have limited scope for selling their bananas elsewhere when orders are cancelled at short notice. Low profitability means many small producers are simply leaving the industry, creating social problems in regions with few other legitimate sources of employment.

UTPs are also key determinants in the lowering of working conditions. As producers compete to supply European retailers, there is an increase in piece rates, short-term contracts, and the use of sub-contracting, making work more precarious, with a reliance on vulnerable migrant workers.

UTPs and fear of reprisal

While a survey conducted in 2011 among food suppliers throughout Europe revealed that 96% of respondents had already been subject to at least one form of UTP, the research conducted by the EC also found that the victims of UTPs very rarely, if ever, undertake legal action.

Indeed, according to the Commission findings: “The weaker party often fears that the commercial relationship could be terminated in the event of a complaint on its part. This ‘fear factor’ makes such complaints significantly less likely to occur: 87% of suppliers take no action beyond a discussion with their customer, 65% take no action due to fear of retaliation, and 50% doubt the effectiveness of public remedies.”

Consequences for banana farmers and workers

The first and foremost impact of UTPs is to accelerate the disappearance of small banana producers in Latin American countries as they cannot afford to remain in business because of very low profitability. Lacking the sufficient resources to invest in their farms, their productivity falls dramatically, land decapitalisation is taking place and migration is enhanced. This generates growing social tensions for the ones who remain in banana regions, as there are very few alternative local job opportunities.

UTPs also contribute to increasing pressure on workers to give up their working conditions, in the name of stronger competition between producers to supply European retailers.

This can be ultimately correlated with four main trends of increasing precariousness which have been documented in the banana sector over the past decade, especially in Latin America:

- Firstly, regular work paid on hourly rates is being replaced in several places by piece-work through the implementation of ‘Total quality Management’ (as a result, workers have to work whatever time it takes to earn the minimum wage rather than the specified 8 hour period).
- Secondly, some producers increasingly hire workers for limited (and repeated) periods of three months, thereby reducing the number of permanent workers.
- Thirdly there is an increase in the use of sub-contractors and temporary agencies.
- As permanent contracts become less common and short-term employment increases, migrant workforces are often used in several countries to achieve a cheaper and potentially more compliant labour force (often lacking the necessary

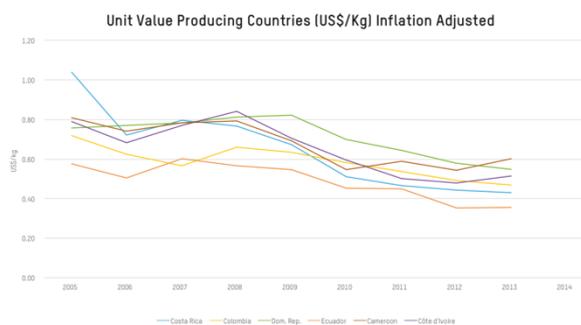
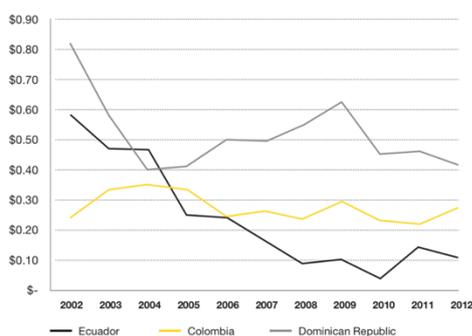
official papers). The case of Nicaraguan migrants in Costa Rican plantations, Haitians in the Dominican Republic and Central American migrant workers in Belize are all clear illustrations of this situation

The Impact of supermarket price wars on producers

The extent to which individual producers are affected by the loss of value in the banana supply chain depends on the volume of bananas they supply to the UK market. Therefore, we need to look at where our bananas come from and the prices available to producers in those origin countries. This has changed considerably over the past decade.

In 2002, 50 per cent of UK bananas came from Costa Rica, the Windward Islands, Colombia and Cameroon. In 2012, there had been a big change in countries of origin, with 54 per cent coming from Colombia, the Dominican Republic and Ecuador. Given the growth in volume of the overall UK market for bananas, this shift represents significant gains for Colombia, the Dominican Republic and Ecuador. Volumes of bananas from Colombia and the Dominican Republic have risen three- fold over the past decade, while Ecuador now sells twenty-one times more bananas to Britain than it did in 2002. Conversely, the three countries that were our largest suppliers in 2002 have all seen volumes fall by between 33 percent (Costa Rica) and 85 percent (Windward Islands).

**UK import prices of bananas from major origins, less shipping costs, adjusted for local inflation 2002 – 2012
US\$ per kg (at constant 2012 prices)**
Source: UK import prices from Eurostat, minus shipping costs (estimates by CIRAD, as before) see methodology section (Appendix 9.1)



Source: BASIC based on data from Comtrade, Soplisco, banana import companies and literature review

Environmental issues

Monoculture and high input production

Banana plantations are monocultures – where only one type of crop is grown. 97% of internationally traded bananas come from one single variety, the [Cavendish](#). This lack of genetic variety makes plants highly susceptible to pests, fungi and diseases, and therefore large quantities of insecticides and other pesticides are applied to the crops. In fact, bananas are sprayed with more pesticides compared to other tropical fruit because of the fruit's thick peel. Most plantation owners will spend more money on agrochemicals than on paying their workers.

As the pests and diseases adapt, ever stronger, more harmful pesticides need to be applied. Fertilisers and pesticides can have a devastating impact on the environment, such as polluting water channels and leading to eutrophication, resulting in the destruction of aquatic life, including coral reefs. Carelessly stored chemicals can also seep into the soil and water courses, leading to soil erosion and water pollution.

Key environmental problems include:

- contamination of water courses
- massive levels of waste
- soil erosion
- increased risk of flooding
- deforestation and destruction of habitats
- destruction of soil fertility, resulting in high fertiliser use.

Impacts on workers and their communities

Polluted water is used for drinking, cooking and washing. Agrochemicals are applied by hand and aerially sprayed. It is estimated that 85% of chemicals sprayed by plane fail to land on the crop, instead saturating the whole area, including workers, their homes and food. Laws prohibiting workers from being in the fields when spraying takes place are routinely violated in some countries. For example, it still occurs in Ecuador despite extensive media coverage about the impact of aerial spraying on the Los Rios province.

For plantation workers and local people, the health impacts of extensive agrochemical use are numerous, ranging from depression and respiratory problems to cancer, miscarriages and birth defects. Tens of thousands of workers left sterile by the use of a nematicide, DBCP, in Nicaragua and Costa Rica in the 1970s are still seeking justice in the US courts from the multinationals involved.

Carbon footprint of banana production

In the primary production stage banana farming doesn't produce a large contribution to Green House Gas (GHG) emissions. In studies analysing GHG emissions "from cradle to retail", primary production contributed between 16% and 20% of the total amount of GHG emissions. Carbon sources on banana farms include:

- fabrication and acquisition of material: energy indirectly used for the production and transport of plant materials, plastics and tools used to build and maintain the farm, prepare the fields and for transport on the farm itself.
- Fabrication and use of plastics.
- Use of chemical fertilizers, especially nitrogen and potassium in monoculture production.
- Use of chemical pesticides.

- Harvesting: machine-harvested crops have a higher carbon footprint.
- Packing: energy used for the manufacture and preparation (including fumigation with fungicides) of carton boxes in packing stations. Dole reported 8% of the total carbon footprint for this stage, amongst which the production of the carton boxes is the most important factor.

Use of fertilizers

The production and use of inorganic fertilizers, especially those containing nitrogen, is the second most important source of greenhouse gas emissions in the banana supply chain after sea transport. Different cases of carbon footprint evaluation in the banana sector have calculated that from the total greenhouse gases generated on the farm, between 24% and 49% correspond to emissions from fertilizers based on nitrogen.

Social and health issues

Workers' rights in the Banana supply chain

Through keeping retail prices low, a downward pressure is created throughout the banana supply chain to cut costs. And it is the workers who usually bear the brunt of the cutting of costs with employers paying lower wages and cutting back on health and safety equipment, and sickness and maternity pay.

The [International Trade Union Confederations 'Global Rights Index'](#) ranks several of the banana exporting countries – Colombia, Guatemala, Honduras, Peru and Ecuador – as some of the worst places in the world for workers.

[Banana Link](#) states “Trade union membership is low in some exporting countries due to the widespread use of a range of anti-union tactics by national and multinational banana companies. In Guatemala, banana workers face some of the worst conditions and trade union activists face violence and even assassination.”

In March 2017, the offices of Colombian trade union [SINTRAINAGRO](#) were attacked. According to Banana Link, the trade union represents 35,000 workers engaged in the production and/or export of bananas, plus other agricultural products, and has been targeted in the past with an estimated 1,300 leaders and members of the union having been murdered.

Working conditions

Pressure from multinational companies and consumers to keep prices low affects hundreds of thousands of workers in the banana industry. They often fail to earn enough to feed their families properly. As has happened throughout our global economy, a significant proportion of plantation labour has been outsourced to sub-contractors with companies keen to

distance themselves from any responsibility for employment conditions and reduce costs. It is also much harder for sub-contracted workers to organise into trade unions.

Women workers in countries such as Ecuador and Costa Rica can represent as little as 7% of the workforce, because employers view women as 'high cost, high risk' employees, and women are often denied maternity benefits. They are often offered short-term contracts and are at constant risk of losing their jobs. In some Latin American countries, women have to produce medical certificates proving that they are not pregnant or submit pregnancy tests before they are offered jobs. Those with jobs can be the victims of sexual discrimination and harassment.

Health and safety

The health and safety of workers is compromised by routine exposure to toxic agrochemicals and a lack of appropriate safety equipment. Field work is very physically demanding, especially in tropical conditions. In packhouses, repetitive actions cause strains and injuries.

Workers and pesticides

For plantation workers and local people, the health impacts of extensive agrochemical use are numerous, ranging from depression and respiratory problems to cancer, miscarriages and birth defects.

Tens of thousands of workers left sterile by the use of a nematocide – DBCP (dibromochloropropane) – in Nicaragua and Costa Rica in the 1970s, are still seeking justice in the US courts from the multinationals involved.

In 2016, Oxfam Germany released a report called [Sweet Fruit Bitter Truth](#) which investigated the tropical fruit chains of German supermarkets, including [Lidl](#) and [Aldi](#).

They reported that the Ecuadorian banana industry uses highly poisonous substances such as Paraquat, which is not licensed for use in the EU.

They also found that spraying pesticides from aeroplanes was standard. On a plantation which supplies Lidl amongst others, 60% of the workers interviewed stated that they work on the plantations during or straight after aeroplane spraying has taken place – “a clear violation of state-recommended re-entry safety periods.”

None of the banana companies have publicly available policies on their websites stating their policies towards the application of chemicals on their plantations, nor was there any information regarding which chemicals they had banned.

Trade union freedom

Trade union membership is low in some exporting countries due to the widespread use of a range of anti-union tactics by national and multinational banana companies. In Guatemala,

banana workers face some of the worst conditions, and trade union activists face a fear-ridden reality through the widespread use of violence and even assassination. In Costa Rica, the banana companies use non-union committees and the '[Solidarismo](#)' movement to prevent independent trade unions from forming or from gaining members. These committees sign so-called 'settlements' covering wages and conditions that the industry presents to the outside world as collective bargaining, but in reality, the workers have no real say.

Across the industry, national and international labour laws - such as the right to join an independent trade union and bargain collectively - are regularly violated, despite their ratification by producing country governments. In recent years there has been a move towards the privatisation of labour standards through the certification of banana plantations.

If any real improvements are to be seen on the ground, workers must first be ensured the freedom to organise into trade unions, providing the capacity to improve their own working conditions through collective bargaining and the subsequent implementation of their basic labour rights.

Women in the banana trade

Women comprise less than a fifth of the global workforce in the banana export industry. The highest participation of women in the industry is in the Caribbean (excluding the Dominican Republic) where 40% to 45% of workers and small producers are women. The lowest participation is in Latin America (12.5%), the Dominican Republic (12.5%) and Cote d'Ivoire (11%).

Key causal factors for these differing levels of participation include:

- levels of overall gender equity in local cultures / societies
- provision of childcare (linked to the above point)
- dependency on migrant labour, with men more likely to migrate to work on plantations than women
- the diversity of roles that are deemed 'appropriate' for women
- company policy and practice that may promote, or discriminate against, women
- the extent to which banana farms are deemed as 'women friendly' workplaces

Over the last 15 years, the proportion of female workers on Latin American banana plantations has fallen by 60%, so that they now make up 7% of the workforce. In Costa Rica the figure is just 5%. This is partly because employers are unwilling to provide maternity benefits and perceive women as 'high risk, high cost' employees. In Costa Rica and Peru, women have to produce medical certificates proving they are not pregnant before they are given jobs, and pregnant women are summarily sacked.

In Ecuador, the world's largest banana producing country, women also form just 5% of the workforce for similar reasons. Women workers face discrimination, harassment, and multiple health and safety risks, and are often unaware of their rights and how to defend

them. In Latin America, there is a cultural perception that women lack the ability to undertake physically demanding and technically skilled roles in the workplaces, meaning that they are often restricted to working in packing houses. This also limits the amount they can earn compared to other workers in the banana industry.

The use of toxic chemicals in the fields and pack-houses causes women to suffer skin lesions, respiratory problems, cancers, miscarriages and birth defects in their children. There is often a lack of adequate medical equipment, meaning women have no access to essential services such as gynaecology and breast examination. Other health problems include backache, and varicose veins caused by cramped conditions.

Mireya Rodriguez, coordinator of the [Latin American Banana Workers' Unions](#) (COLSIBA) Women's Committee, based in Costa Rica, said: *"In the packing plants we work amongst big pools of water that are full of fungicide and pesticides. The temperatures are between 35 and 40 degrees centigrade, so the working environment is always humid and suffocating."*

Wages are so low that women are often forced to stay out in the fields during aerial pesticide spraying because they can't afford to lose the pay.

Sexual harassment

Sexual harassment is common in the workplace and justified by some banana producers as 'part of their culture'. COLSIBA campaigns to end the abuse of female workers and is calling on all fruit companies to accept their responsibility to challenge discrimination and harassment. It was successful in introducing the first [sexual harassment policy in the Latin American banana sector](#).

Childcare and the division of domestic labour

The majority of women workers are single heads of households. Childcare provision on plantations is almost non-existent, which means women have to rely upon family, neighbours and friends, but in some cases have no choice but to leave children on their own. Women often can't afford to send all or any of their children to school. In addition to long working hours, domestic tasks mean women are working up to 18 hours per day, with negative effects on health and well-being.

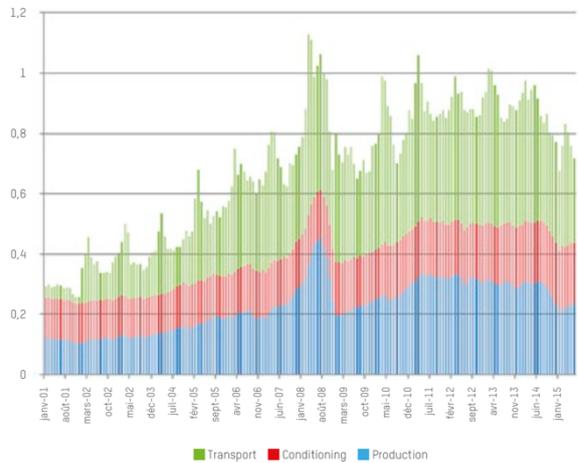
TRANSFORMATION

Structural / economic issues

Rising transport costs

Oil prices (an important determinant of shipping costs) have increased four-fold over the past decade. A study by [CIRAD](#) in 2011 showed that freight costs are a major component of the import price in Europe, accounting for 15 percent of the import price of bananas from

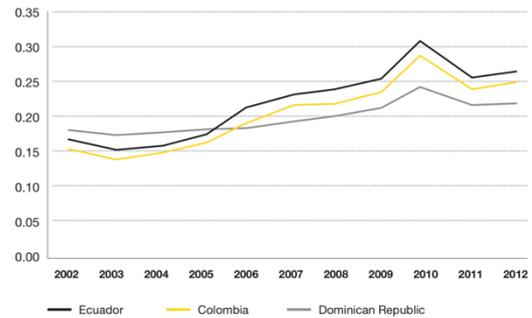
the Caribbean to as much as 40 percent from Ecuador. This further reduces the amount available for the purchase of bananas from producers. The costs of shipping that should be deducted from the UK import price in order to identify the price available to producers have been estimated from information gained through interviews with UK banana importers.



Banana cost index per stage (European Import Supply Chains)
Source: CIRAD (2015)

Cost of shipping to UK from main countries of origin
Estimated costs in US\$ per kg

Source: Anonymous interviews with UK banana importers
adjusted for CIRAD analysis of inflation



Environmental issues

Transport and shipping

Transport and shipping produce the vast majority of GHG emissions in the exported banana value chain, mainly associated with energy use, such as fuel consumption, electricity and conditioning, with maritime transportation making the largest contribution. Distribution logistics within the country of destination represents close to 12% of the total carbon footprint, while the total contribution from all transport and storage was estimated between 62% and 67%.

- Road transport: From plantations to harbour in the producing country, from harbour to ripening centres and distribution points in the destination country – consumes fuel and generates GHG.
- Maritime transport: Cargo ships transporting bananas generate important GHG emissions, especially if using low-cost and low-quality fuel. Different producing and trading companies reported that maritime transport represented around half of their total CO₂ emissions, which explains why export bananas have a more important carbon footprint.
- Refrigeration: Refrigerated cargo ships in particular use a lot of energy and refrigerants (ethylene), which generates more GHG.

Ripening

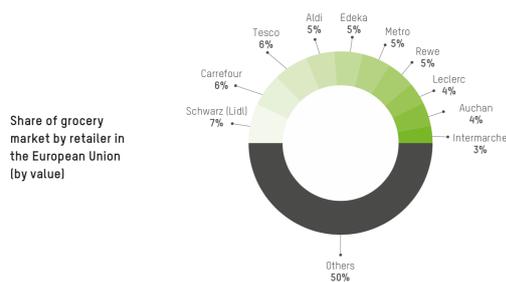
Ripening centres and retail distribution represent approximately 10% of total emissions of greenhouse gases in the banana value chain, from which 75% correspond to energy consumption, 22% to distribution centres and 1% to ethylene production.

USAGE

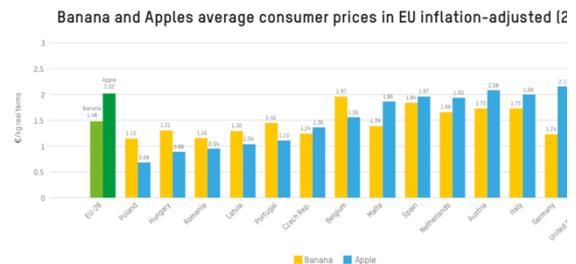
Structural / economic issues

Falling retail prices

Seven large retailers control over 80 per cent of UK banana sales. The price of loose bananas fell from £1.08 per kilo in March 2002 to only 68p per kilo in the biggest UK retailers for most of 2013. If the price of loose bananas had simply kept pace with general inflation, they would cost £1.40 per kilo today. Compared to the prices of other basic foods such as bread, milk, eggs and sugar, which have risen by nearly 80 percent over the past decade, the price of bananas has fallen by 20 percent. By contrast, retail prices for bananas increased by 4 percent in Italy, 7 percent in Germany and 10 percent in France over the same period.

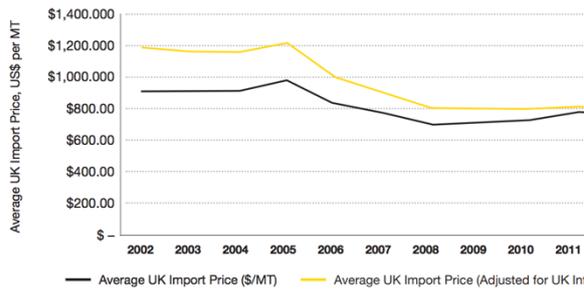


Source: BASIC, based on Planet Retail, European Grocery Retailing, May 2014

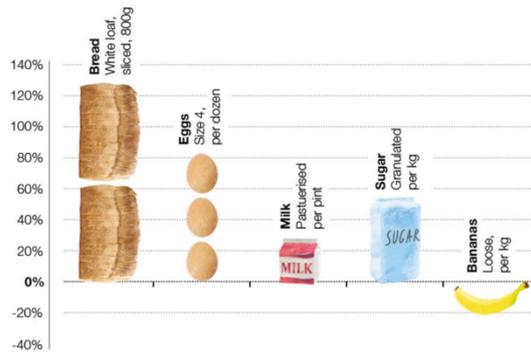


Source: BASIC, based on data from Comtrade and Eurostat (2014)

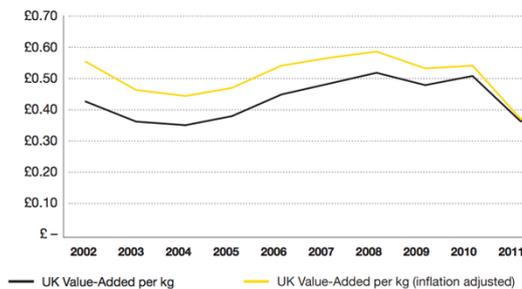
Average UK import prices per tonne of bananas, 2002 – 2012
Source: Eurostat⁹



% change in UK retail price of basic foods: Q2, 2002 – Q2, 2013
Source: Timetric based on ONS data



Trend in value-added per kilo of bananas, 2002 – 2012
Average retail price less average import price divided by volume
Source: Eurostat import data⁹ combined with ONS retail price data from Timetric

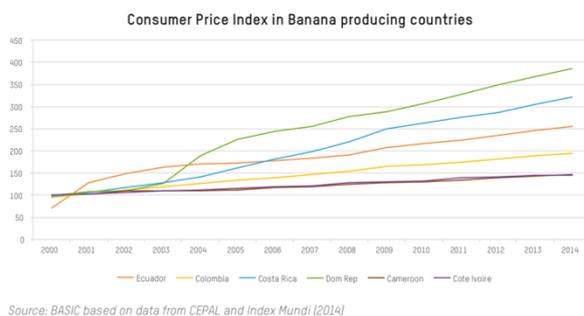
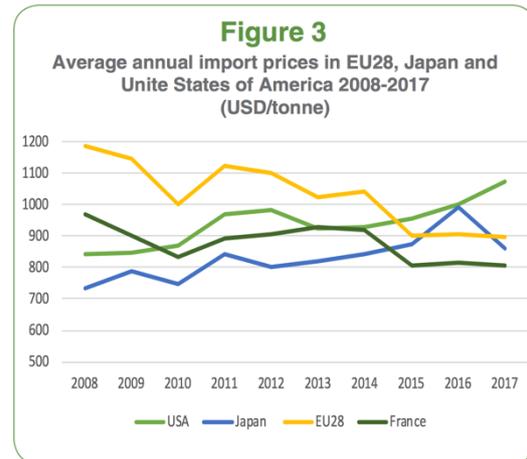
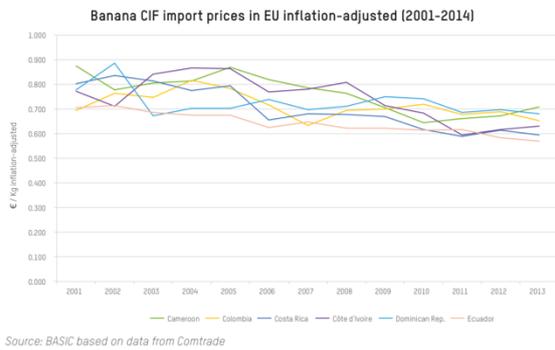


The squeeze on growers goes further

The costs of agricultural inputs like fertiliser, packing costs and shipping have risen consistently over the past decade. The wages of workers and the incomes of farmers are one of the few variable costs within the supply chain that can be adjusted in response to the downward trend in export prices. Farmers and workers are too often forced to bear the brunt of this pressure.

The declining value of the export price combined with increases in living costs has made it hard for workers to achieve progress in earnings. In most countries there is an increasing gap between the wage rates on banana plantations and what workers need to provide for themselves and their families. Only 25 percent of Ecuadorian households reliant on income from work on banana plantations earn an income that crosses the poverty line. A notable exception to this trend is Colombia, where a strong independent trade union represents around 80 percent of banana workers in the country.

“If We look at the root causes of the lack of sustainability in the banana sector, it’s mostly linked to very low producer prices, which are mainly due to low consumer prices. Producers do not get paid enough for their bananas so that they can Invest In sustainable production methods.” - Pascal Liu, senior economist at Food and Agriculture Organization of the United Nations (FAO) and manager of the [World Banana Forum](#), October 2013



REGULATORY FRAMEWORK

European competition Law

[European competition law](#) is the competition law in use within the European Union. It promotes the maintenance of competition within the European Single Market by regulating anti-competitive conduct by companies to ensure that they do not create cartels and monopolies that would damage the interests of society.

European competition law today derives mostly from articles 101 to 109 of the [Treaty on the Functioning of the European Union](#) (TFEU), as well as a series of Regulations and Directives. Four main policy areas include:

- Cartels, or control of collusion and other anti-competitive practices, under article 101 TFEU.
- Market dominance or preventing the abuse of firms' dominant market positions under article 102 TFEU.
- Mergers, control of proposed mergers, acquisitions and joint ventures involving companies that have a certain, defined amount of turnover in the EU, according to the European Union merger law.

- State aid, control of direct and indirect aid given by Member States of the European Union to companies under TFEU article 107.

Primary authority for applying competition law within the European Union rests with European Commission and its [Directorate General for Competition](#), although state aids in some sectors, such as agriculture, are handled by other Directorates General.

The current approach to competition law favoured by the EU and the UK assumes a narrow definition of consumer interest which focuses almost entirely on price rather than broader consumer interest in long-term sustainable and ethically sourced food.

This approach is not in line with many EU court judgements or the wishes of the Member States, nor is it in line with the original aims of EU or UK competition law.

This line of judgements from the EU courts is supported by explicit demands in EU treaties that a high level of environmental protection requirements (including prudent use of worldwide resources) 'must be integrated into the definition and implementation of the Union policies and activities, in particular with a view to promoting sustainable development.' Similar provisions relate to poverty reduction and development co-operation.

UK Competition Law

United Kingdom competition law is affected by both British and European elements. The Competition Act 1998 and the Enterprise Act 2002 are the most important statutes for cases with a purely national dimension. However, if the effect of a business' conduct would reach across borders, the European Commission has competence to deal with the problems, and exclusively EU law would apply. Even so, the section 60 of the Competition Act 1998 provides that UK rules are to be applied in line with European jurisprudence. Like all competition law, that in the UK has three main tasks.

- prohibiting agreements or practices that restrict free trading and competition between business entities. This includes in particular the repression of cartels.
- banning abusive behaviour by a firm dominating a market, or anti-competitive practices that tend to lead to such a dominant position. Practices controlled in this way may include predatory pricing, tying, price gouging, refusal to deal and many others.
- supervising the mergers and acquisitions of large corporations, including some joint ventures. Transactions that are considered to threaten the competitive process can be prohibited altogether, or approved subject to "remedies" such as an obligation to divest part of the merged business or to offer licences or access to facilities to enable other businesses to continue competing.

The [Competition and Markets Authority](#) enforces competition law on behalf of the public. Consumer welfare and the public interest are the main objective of competition law, including industrial policy, regional development, protection of the environment and the running of public services.

The groceries code adjudicator

The [Groceries Code Adjudicator](#) (or Supermarket Ombudsman) is an independent statutory office responsible for enforcing the [Groceries Supply Code of Practice](#) and to regulate the relationship between supermarkets and their direct suppliers within the United Kingdom.

The Groceries Supply Code of Practice applies to ten retailers with an annual turnover of £1bn+, namely Tesco Co-op, Sainsbury's, Marks and Spencer, Asda, Lidl, Morrisons, Aldi, Waitrose and Iceland.

The Code provides detail on how designated retailers should manage their relationship with suppliers, to ensure compliance with both the Order and the Code.

Groceries Code Adjudicator:

- has adopted a modern regulatory approach, working collaboratively with the retailers to respond to issues raised by suppliers and others and bring about beneficial change in sector.
- can launch investigations where there is a suspicion that one or more retailers have breached the Code.
- can also arbitrate in disputes between retailers and suppliers.

ILO Convention 184 - Safety and Health in Agriculture

[Convention 184](#) has the objective of preventing accidents and injury to health arising out of, linked with, or occurring in the course of agricultural and forestry work. To this end, the Convention includes measures relating to machinery safety and ergonomics, handling and transport of materials, sound management of chemicals, animal handling, protection against biological risks, and welfare and accommodation facilities.

Currently ratified by 16 countries:

Argentina, Belgium, Bosnia and Herzegovina, Burkina Faso, Fiji, Finland, Ghana, Kyrgyzstan, Luxembourg, Moldova, Portugal, Sao Tome and Principe, Slovakia, Sweden, Ukraine, Uruguay.

Only Ghana, of these, is a banana exporting country.

https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312329

UN Guiding Principles on Business and Human Rights

The United Nations Guiding Principles on Business and Human Rights (UNGPs) is an instrument consisting of 31 principles implementing the United Nations 'Protect, Respect

and Remedy' framework on this issue of human rights and transnational corporations and other business enterprises. The Guiding Principles provided the first global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity and continue to provide the internationally accepted framework for enhancing standards and practice regarding business and human rights.

The UNGPs encompass three pillars outlining how states and businesses should implement the framework:

- The state duty to protect human rights
- The corporate responsibility to respect human rights
- Access to remedy for victims of business-related abuses

Voluntary initiatives

World Banana Forum

The [World Banana Forum](#) (WBF) is a space where the main stakeholders of the global banana supply-chain work together to achieve consensus on best practices for sustainable production and trade.

The WBF promotes the worldwide adoption of best practices for sustainable banana production and trade and provides a space where retailers, importers, producers, exporters, consumer associations, governments, research institutions, trade unions, and civil society organizations can discuss the various problems facing the banana sector and jointly seek solutions through collaboration. Specifically, the WBF, its specialized Working Groups and partners work together to promote:

- sustainable management of natural resources
- mitigation of climate change and uncontrolled environmental impact
- respect for human rights (labour rights, health and safety at work)
- promotion of gender equity
- fair distribution of value along the supply chain
- knowledge sharing as a tool for development (sharing information on best practices)

The Forum focuses its activities in finding practical solutions to field problems. It undertakes projects that can rapidly generate gains for all the stakeholders. An example is the production and dissemination of integrated pest management techniques that reduce the cost of inputs for farmers, increase yields, enhance product quality, improve worker health and preserve the environment.

Ethical Trading Initiative

[Ethical Trading Initiative](#) (ETI) is a UK-based organisation that reaches out to 9.8 million workers per year. Since their inception in 1998, they have supported ethical trade in global

supply chains by introducing legal protection for 600,000 migrant workers in the UK, aided movements for the increase of real wages in parts of Bangladesh and contributed to more than 133,000 improvements to the welfare of workers worldwide.

ETI are committed to implementing ethical trade by enforcing corporates to implement the [ETI base code](#) in their supply chains. The ETI base code reflects the commitment to ethical trade by stipulating the need for freely chosen employment, freedom of association, safe working conditions, and reasonable working hours.

ALTERNATIVES

Fairtrade certification

Bananas were one of the first products to become certified under the Fairtrade label over 20 years ago. Its involvement in the banana industry has been credited with helping to support many small producers.

The [Fairtrade](#) label stands for the following principles:

Paying a fair price – Producers get a fair price, covering the cost of production, cost of decent living and a reasonable profit.

Decent working conditions – Workers on plantations, farms, in processing plants and other businesses work in decent and safe conditions and receive a living wage.

Development of local communities – A significant part of the income from Fairtrade is invested into development projects in producer communities. These projects include the provision of drinking water, construction of roads, educational and health facilities, covering costs of education and vocational training, healthcare, microfinance, etc.

Environmental sustainability – Harmful agrochemicals and GMOs are excluded from the Fairtrade system. Additionally, those production techniques are supported that preserve valuable ecosystems and protect the health of both producers and consumers.

The [Co-op](#), [Sainsbury's](#) and [Waitrose](#) only sell Fairtrade bananas, while [M&S](#) mostly sells Fairtrade-certified bananas.

Fairtrade bananas – scope and scale

At the end of 2012, 110 banana producer organisations in 15 countries worldwide were certified to Fairtrade standards, including 64 small producer organisations (representing 17,512 farmers) and 46 hired labour organisations (i.e. plantations with a total of 7,100 workers). The majority of Fairtrade banana producer organisations are in Colombia and the Dominican Republic.

Retailer	Small producer organisations	Farmers	Hired labour organisations	Workers
Colombia	9	420	21	2010
Dominican Republic	12	1980	12	1830
Peru	12	4710	0	0
Ecuador	6	2330	1	280
Windward Islands	2	3560	0	0
Other (Costa Rica, Mexico, Panama, Ghana, Philippines)	2	300	3	780
Totals	43	13300	37	4900

Source: Fairtrade International – Monitoring the scope and benefits of Fairtrade, 4th Edition, 2012

Organic production

Organic agriculture is “a holistic system of production which promotes and improves the agro-ecosystem health, including biodiversity, biological cycles and soil biological activity, taking into account that regional conditions require locally adapted systems, which is achieved by using, when possible, cultural, biological and mechanical methods as opposed to synthetic inputs”.

In 2013, the [International Federation for Organic Agriculture Movements](#) (IFOAM) estimated that organic banana production represented 850 000 metric tons, almost 1% of the global banana production area. In 2015, the countries that produced most organic bananas were the Dominican Republic (12 000 ha), Ecuador (11 500 ha), the Philippines (6 500 ha), Peru (5 500 ha) and Costa Rica (4 500 ha).

Principles of organic agriculture

- Health: organic agriculture should sustain and promote the health of soil, plant, animal, person and planet as single and indivisible.
- Ecology: organic agriculture should be based on living ecological cycles and systems, work with them, emulate them and help sustain them.
- Fairness: organic agriculture should be based on relationships that ensure fairness with regard to the common environment and life opportunities.
- Care: organic agriculture should be managed in a responsible manner and with caution to protect the health and well-being of present and future generations and the environment.

An organic production system must comply with the following aspects:

- Settle on farms after a conversion period, the duration of which shall be determined by specific factors of each site, such as the history of the land and the production system used.
- Improve the biological diversity of the system.
- Increase the biological activity of the soil.
- Maintain the fertility of the soil in the long term.
- Recycle animal or vegetable waste to return nutrients to the system, minimizing the use of non-renewable sources.
- Use renewable resources in locally organized agricultural systems.

- Promote the healthy use of water, soil and air, as well as minimize all forms of pollution that may result from agricultural production.
- Handle agricultural products during processing with care not to lose the organic integrity in the process.
- Avoid the use of synthetic chemical inputs
- Monitor production

Environmental benefits of organic agriculture

- Sustainability of the agricultural production system thanks to environmental impact anticipation and agro-ecosystem improvement on the medium and long term. The ecological gains (for example, improved soil condition) benefit organic production in return by enhancing the safety and productivity of the system.
- Improved soil condition that reduces the use of fertilizers.
- Water management and pollution reduction thanks to organic fertilizers.
- Climate change mitigation by reducing fossil fuel consumption and implementing carbon sequestration mechanisms (minimum tillage, returning crop residues to the soil, use of cover crops and rotations, integration of nitrogen-fixing legumes).
- Encouragement of biodiversity: the maintenance of natural areas, use of rotation crops, absence of chemical inputs are practices that allow the diversification of species in and around the cultivated area.
- Absence of genetically modified organisms, which are not allowed at any stage of organic production, processing or handling of the product.
- Ecological services, including soil forming and conditioning, soil stabilization, waste recycling, carbon sequestration, nutrients cycling, predation, pollination and habitats.

SOURCES

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