

FAIRTRADE BANANAS: A GLOBAL ASSESSMENT OF IMPACT

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CONTENTS

Acknowledgements	5
Abbreviations	6
Foreword	7
Executive Summary	10
1. Global context of the banana sector	17
1.1 Producing and exporting countries	17
1.2 Banana traders	19
1.3 Importing countries and the UK market	20
1.4 Trade regimes and the WTO	21
1.5 Evolution of prices on the world market	22
1.6 UK supermarket price wars	23
1.7 Social and environmental costs of global banana trade	24
1.8 Fairtrade bananas	25
2. Methodology	28
2.1 Phase One	28
2.2 Phase Two	32
2.3 Limitations of the study	33
3. National context of case study countries	35
3.1 Socio-economic status	35
3.2 Agrarian context	36
3.3 Labour markets and organisation	38
3.4 Structure and importance of the banana sector	42
4. Fairtrade impact on social differentiation	44
4.1 Small producers	44

4.2 Workers.....	49
5. Fairtrade impact on socio-economic status of small producers and workers	54
5.1 Income from fairtrade	54
5.1.1 Producer income	54
5.1.2 Worker income.....	62
5.2 Household income and standard of living	65
5.2.1 Small producers.....	65
5.2.2 Workers.....	67
5.3 Working conditions	74
6. Fairtrade impact on the organisation of producers and workers	78
6.1 Small producers	78
6.2 Workers.....	89
7. Fairtrade impact on local and national development.....	99
7.1 Generation of employment	99
7.2 Social and community development.....	100
7.3 Impact on local economies.....	102
7.4 Impact on national economies.....	103
7.5 Political influence	104
8. Fairtrade impact on natural resource management.....	107
8.1 Environmentally friendly production	107
8.2 Environment related projects.....	108
9. Value chain analysis of UK Fairtrade bananas.....	110
9.1 The UK Fairtrade banana market	110
9.2 Distribution of value.....	122
9.3 Differences between the UK and other European markets.....	130
10. Conclusions and further analysis	134
9.1 FLO Producer Standards	135

9.2 FLO Trade Standards	137
9.3 Organisational support and business development.....	142
9.4 Networks	143
11. Recommendations for improving the impact of Fairtrade	145
References	151
Appendix 1: Guiding framework of research questions for Small Producer Organisations	154
Appendix 2: Guiding framework of research questions for Hired Labour Situations	158



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ABBREVIATIONS

ACP	Africa, Caribbean and Pacific [countries]
ATO	Alternative Trading Organisation
AVSF	Agronomes et Vétérinaires Sin Frontières
CBA	Collective Bargaining Agreement
CLAC	Coordinadora Latinoamericana y del Caribe de Pequeños Productores de Comercio Justo (Latin American and Caribbean Network of Small Fair Trade Producers)
COP	Cost of Production
DED	Deutscher Entwicklungsdienst (German Development Service)
FAO	Food and Agriculture Organisation
FENACLE	Federación Nacional de Trabajadores Agroindustriales, Campesinos e Indígenas Libres de Ecuador (National Federation of Agroindustrial Workers, Rural and Indigenous People of Ecuador)
FLO	Fairtrade Labelling Organisation International
FOB	Free On Board
FOMRENA	El Fondo Regional de Tecnologías Apropriadas en Manejo Sostenible de Recursos Naturales (Regional Fund of Appropriate Technology for the Sustainable Management of Natural Resources)
GATT	General Agreement on Tariffs and Trade
GAWU	Ghana Agricultural Workers Union
GDP	Gross Domestic Product
GTUC	Ghana Trades Union Congress
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German international cooperation)
IDS	Institute of Development Studies
IESS	Instituto Ecuatoriano de Seguridad Social (Ecuador Institute of Social Security)
IICA	Inter-American Institute for Cooperation in Agriculture
IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
SIPAE	El Sistema de la Investigación de la Problemática Agraria del Ecuador (Research Centre on Agrarian Questions in Ecuador)
SPO	Small Producer Organisation
WFTO	World Fair Trade Organisation (formerly IFAT)
WI	Windward Islands
WINFA	Windward Islands Farmers Association
WTO	World Trade Organisation

FOREWORD

BACKGROUND AND RATIONALE FOR THE STUDY

As the volume and value of Fairtrade sales grows across the world there is increasing demand to measure and demonstrate the difference that engagement with Fairtrade has made to participating producers and workers, and their households, in developing countries, as well as to producer and worker organisations and the wider community – in other words the **impact** that Fairtrade has had. This demand comes from a variety of stakeholders including consumers, the media, political authorities, donors and supply chain actors (traders and retailers) who have a legitimate interest in learning whether the Fairtrade labelling system is meeting its aims and objectives and improving the situation of smallholder producers and plantation workers.

There is also a need to promote learning and accountability amongst those involved in Fairtrade – producers and other commercial actors, worker organisations, FLO and its constituent members, and support organisations. Impact assessment provides a useful and systematic way to evaluate the effectiveness of the tools and processes used in Fairtrade, for certified producers to feed into the FLO system their perspective of what has gone right and wrong in the past and why, and to ensure that lessons are learnt and positive change is effected.

Over the past few years, the Fairtrade Foundation and other Labelling Initiatives commissioned a number of impact studies with Fairtrade producers and established an Impact Assessment Working Group coordinated by FLO. The outputs of the studies yielded interesting findings which have provided useful input to FLO, but it is becoming increasingly apparent that case studies of individual producer groups have limited value in terms of understanding of how Fairtrade might play a role within a national economy or make an impact within a particular product sector. There are also difficulties in drawing wider conclusions as to the impact of Fairtrade at the producer, community and household level from an individual case study where the context and local conditions are so specific.

The Fairtrade Foundation therefore took the decision to undertake a more strategic assessment of impact by commissioning a study of the Fairtrade banana sector involving a cross section of producers in different countries. In this sector wide approach data can be aggregated to form a more holistic and robust picture of the impact of Fairtrade for small farmers and workers, as well as the wider community. A sector wide approach also incorporates analysis of the entire value chain thus enabling a deeper understanding of how the behaviour of all stakeholders impacts at producer and worker levels.

WHY THE BANANA SECTOR?

Fairtrade bananas were launched in the UK in January 2000 by the Cooperative supermarket chain. Following hard on the heels of the Coop were J. Sainsbury and Waitrose and in 2002 Asda and Tesco also began to stock a Fairtrade offering. These five major retailers were subsequently joined by most other UK retailers: Safeway (since bought up by Morrisons), Somerfield, Morrisons, Booths, Marks & Spencer, Spar and Budgen.

In recent years there has been a substantial expansion in the UK Fairtrade banana market. The biggest breakthrough to date came in December 2006 when J. Sainsbury announced plans to convert all of its banana lines to Fairtrade, becoming the first major retailer to offer only Fairtrade bananas (from July 2007). The next day Waitrose followed suit. Then, in June 2007, Marks & Spencer announced that all its loose banana sales would be organic and that by September 2007, 50% of its bananas would also be Fairtrade certified.

By the end of March 2007, Fairtrade banana sales accounted for 20% of the total UK banana market in value terms and were anticipated to reach 30% by the end of 2007. 160,000 boxes¹ of Fairtrade bananas were being sold each week and the penetration of Fairtrade bananas amongst UK consumers (the number of people that purchase at least once per year) stood at 50-60%.

The case of the banana sector is the most visible example where Fairtrade could legitimately be argued to have moved from a niche into the mainstream. Significant growth in the UK banana market, and corresponding expansion of market access opportunities for banana producers, present a pertinent opportunity to examine in depth the impact that Fairtrade has had in the banana sector. Findings from the analysis of the value chain dynamics are also likely to have relevance for other products and sectors about how the mainstreaming of Fairtrade bananas has been achieved and implemented and how this could be improved, if needed.

AIMS AND OBJECTIVES

The vision of the Fairtrade Foundation is of a world in which every person through their work can sustain their families and communities with dignity. The Foundation works to the definition of Fairtrade agreed by the FINE network²:

Fairtrade is a trading partnership, based on dialogue, transparency and respect, that seeks equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South.

The aim of Fairtrade is to enable the empowerment and sustainable development of disadvantaged producers and workers in developing countries. Fairtrade labelling standards state that small farmers can join Fairtrade if they have formed organisations (in co-operatives, associations or other organisational forms) which are able to contribute to the social and economic development of their members and their communities and are democratically controlled by their members. Workers can participate in Fairtrade if they are organised, normally in unions, and if the company they work for is prepared to promote workers' development and to pass on to the workers the additional revenues generated by Fairtrade.

In commissioning the banana sector study, the Fairtrade Foundation aimed to not only **measure impact**, but also to identify how to **improve impact**, i.e. an *improving* as well as a *proving* approach. The overall objectives of the study were as follows.

1. LOCAL LEVEL:

¹ Calculated assuming 18.14Kg boxes are used, commonly described as Large Carton Equivalents.

² FINE is the network of international fair trade organisations - FLO, IFAT, NEWS and EFTA

- a. To understand the aims and objectives of the producers and workers in terms of their sustainable development and empowerment, and to assess the role that Fairtrade has played in helping them progress towards their goals;
- b. To assess the impact, both positive and negative, that being part of Fairtrade has had on producers/workers, their organisations and the wider community;
- c. To gain an understanding of the impact that Fairtrade certification has had on the local economy;
- d. To analyse how Fairtrade organisations (especially Fairtrade Foundation and FLO) can support producers and workers more effectively to achieve their goals in the future.

2. SECTOR LEVEL:

- a. To gain a greater understanding of the impact that Fairtrade certification has had at the regional and global level;
- b. To assess the impact that the mainstreaming of Fairtrade in the UK market has had for producers and workers;
- c. To understand the dynamics between banana producing countries and how changes in the Fairtrade market affect impact at the local level;
- d. To explore how the practices and behaviour of stakeholders along the banana value chain (e.g. retailers and exporters) impact upon producers and workers;
- e. To understand how the Fairtrade tools (minimum price, premium etc.) can maximise the positive outcomes of international trade for producers and workers;
- f. To analyse how the Fairtrade labelling system can best work with actors along the supply chain to improve the impact of Fairtrade certification.

Fairtrade Foundation, 2009



EXECUTIVE SUMMARY

This report presents the findings of a study commissioned by the UK's Fairtrade Foundation, to assess the impact Fairtrade has had on banana producers and workers, their organisations and the wider community. Nearly 300,000 metric tonnes of Fairtrade bananas were sold globally in 2008; in the UK they accounted for nearly a quarter of all UK bananas sales, with a value of £ 185 million. As such, it is important to understand the effect Fairtrade is having and also how impact could be enhanced.

Case studies were carried out with three Fairtrade small producer organisations and three Fairtrade plantations in four locations: Ecuador, the Dominican Republic, Ghana and the Windward Islands. Research was also carried out with importers, ripening companies and retailers that trade in Fairtrade bananas, to interrogate value chain dynamics and how they affect impact. Five areas of impact were assessed, as follows.

1. Changes in social differentiation

By the standards of international banana production, small producers involved in Fairtrade were economically disadvantaged and marginalised, owning relatively small plots of land and often lacking full legal entitlement to the land they had. Fairtrade helped these producers improve production and access premium markets, enabling processes of capital accumulation and reinvestment. In Ecuador Fairtrade enabled people who were once seasonal migrant labourers to become full time farmers on their own land, and in the Windward Islands it prevented farmers from losing their livelihoods and falling into poverty.

There was a volume threshold below which many of the economic benefits of Fairtrade had a poverty reduction rather than sustainable development effect. This had the potential to widen socio-economic differences within the small producer category, which was only partially overcome by actions taken by small producer organisations (SPOs) to redistribute gains to members producing low volumes. However, including small producers with relatively high volumes in Fairtrade helped SPOs reach the economies of scale necessary to stay competitive and access mainstream markets.

In terms of workers, Fairtrade plantations employed some of the poorest and most vulnerable groups in each social context, such as single mothers, landless labourers, migrants, disabled people and people with HIV/AIDs. In general, workers had low levels of education and few opportunities for formal employment. Fairtrade had resulted in increased formalisation of employment with associated legal benefits, backed by written contracts. This represented a significant improvement in the status of marginalised groups, although it did not necessarily bring them out of poverty.

The impact of Fairtrade differed between categories of workers. Fairtrade had reduced the number of workers employed on a casual or temporary basis and had brought substantial improvements in the representation of formerly marginalised groups (e.g. migrant workers, temporary workers, women) in worker organisations. Unfortunately, the representatives of such groups were not always active in meetings as they often lacked education, language skills and self confidence. Likewise, illiterate workers generally excluded themselves from standing for election, while experienced representatives tended to be elected for consecutive years. Migrant workers, and those still employed on temporary or casual contracts, also tended to benefit less from use of the Fairtrade Premium. As such, the progress Fairtrade had made in overcoming pre-existing social inequalities was somewhat limited.

Fairtrade farmers were an ageing population, being over 50 years of age on average. Both farmers and workers were predominantly male, except in the Windward Islands where women were active farmers and SPO members. Fairtrade had no discernible impact in terms of challenging the socio-cultural norms and gender biases that underpinned differences in access to economic opportunities.

2. Changes in the socio-economic situation of producer and worker households

The case study SPOs and plantations were selling between 74% and 99% of production on Fairtrade markets and on average, over time, had received higher prices than they would have achieved on non Fairtrade markets. However, from 2006 onwards non Fairtrade market prices had risen while Fairtrade prices had stagnated; meanwhile, costs associated with Fairtrade production and markets had increased. At the time of the research Fairtrade sales were generally having an *income stabilising* rather than income boosting effect. However, additional economic effects on small producers resulted from use of the Fairtrade Premium to improve productivity and quality, invest in collective infrastructure and acquire certifications. New opportunities to export direct also brought benefits to both small producers and plantations.

Most small producer households reported improvements in their standard of living and/or reduced vulnerability to poverty, including investments in farm and off farm income generating activities and enhanced ability to save. However, this was largely dependent on producing average to high volumes (relative to other SPO members) or having additional sources of household income, with those producing low volumes often not achieving financial sustainability.

Economic benefits for plantations had not translated into higher wages for workers, largely because of high costs relative to other plantations locally (according to owners/managers). In general, workers were not earning what would be defined as a 'living wage'. However, worker income had increased as a result of improved access to legislated entitlements linked to the formalisation of employment (brought about by Fairtrade), and by use of the Fairtrade Premium for cash or in kind payments (e.g. food rations) and to cover costs associated with housing, healthcare and education. Overall, the various socio-economic benefits resulting from Fairtrade were enabling workers in the Dominican Republic and Ecuador to improve their standard of living and/or make small investments in income generating activities, in conjunction with other sources of household income. In Ghana standards of living were generally poorer as national wage levels were low and worker households had less regular access to additional income.

3. Changes in the organisation of rural areas

The case study SPOs represented approximately 7% of all small producers in Ecuador, 26% of small producers in the Dominican Republic and 90% of small producers in the Windward Islands. Each demonstrated consistent growth in membership and sales. They performed a number of roles, from facilitating production of high quality fruit for premium markets to promoting sustainable rural development through investments in social and environmental programmes. Two of the SPOs were exporting directly, giving small producers potential access to a greater share in the value added from banana trade. One was also part owner of a European importing company, furthering this process.

The majority of SPO sales were on Fairtrade markets, and the Fairtrade Premium was often used to cover operational costs and services. The standards set by FLO had enhanced democracy and transparency, and SPOs had received various forms of support linked to their Fairtrade status. As such Fairtrade had played a significant role in the organisation of small producers, although alongside many positive aspects there

were inevitably some risks of dependency. There were also some concerns about future access to Fairtrade markets for small producers, in the light of increased certification of plantations and stricter FLO and market standards.

Fairtrade had had somewhat less impact on the organisation of workers. The plantation in Ghana was unionised prior to Fairtrade certification and Fairtrade supported the trade union in its work, including negotiation of terms and conditions. Elsewhere Fairtrade had led to the creation of Workers Committees rather than trade unions, in part due to widespread antipathy or hostility toward trades unions in the case study countries. Workers Committees had brought some concrete improvements in labour policies and practices, but they lacked capacity to negotiate effectively and had the potential to become parallel worker organisations, if not strategically planned with the international trade union movement. This risk was exacerbated by a lack of clarity from FLO about how to make the transition from Workers Committees to fully independent worker organisations.

Workers were also organised into Joint Bodies (alongside representatives from management) for managing Fairtrade Premium funds. In general the Joint Bodies enjoyed high levels of support among workers, and were relatively successful in managing large sums of money (e.g. almost US\$ 400,000 per year in Ecuador). However, in some cases the Premium was a source of tension within the workforce, either because of alleged discrimination in its allocation or because some workers disagreed with FLO rules about Premium use. The Premium was often perceived as a charitable transfer, or development assistance. As such, it was not always having the intended empowerment effect.

4. Changes in local, regional and national development

Fairtrade contributed to social and community development at the local level via use of the Premium for constructing public infrastructure (e.g. schools, clinics, water tanks, roads, street lights), paying the salaries of public sector workers (e.g. teachers, doctors, nurses) and providing educational and medical supplies. In some instances Joint Bodies and SPOs were working in partnership with civil society organisations and local authorities, which should help strengthen the institutions required for sustainable rural development.

Fairtrade had helped sustain employment in the banana sector, and had contributed to the generation of some new jobs (e.g. linked to certification and more labour intensive production). It had improved the quality of employment and, although relatively limited in scale, this “decent work” was important in the agricultural contexts of the case study countries. There was anecdotal evidence that some of the benefits received by workers on Fairtrade plantations had spilled over to other plantations locally, but in general labour practices encouraged by Fairtrade (such as indefinite contracts and worker organisation) were not seen elsewhere in the vicinity.

Through improving small producer and worker incomes, and generating business for agriculture related markets and services, Fairtrade was undoubtedly having some indirect impact stimulating local economies. Anecdotal evidence suggested it may also have affected local pricing systems for trade in bananas. Unfortunately it was not possible to study these multiplier effects in any detail.

The additional revenue brought by Fairtrade equated to a conservative estimate of between 0.004% and 0.3% of GDP in each country. In the Windward Islands and the Dominican Republic, bananas were an important agricultural export and Fairtrade had played a significant role in sustaining or developing the sector. In contrast, Fairtrade represented only a small portion of total banana exports from Ecuador,

while in Ghana volumes were low; as such Fairtrade impact on the national economy in these two countries was minimal.

The importance of the banana sector in the Windward Islands, and the SPO's dominance of production and exports, gave the SPO political weight and international influence. By comparison, the national political influence of the SPOs in Ecuador and the Dominican Republic was minimal. The absence of links to trade union networks effectively eliminated possibilities for Fairtrade workers in Ecuador and the Dominican Republic to influence national or sector labour policies, but in Ghana the case study plantation was having some influence at a national level via its trade union and this was supported by Fairtrade.

5. Changes in the management of natural resources

Fairtrade had an indirect impact on natural resource management by supporting SPOs and plantations that were promoting environmentally friendly production. There were also some direct impacts via FLO Producer Standards, use of the Fairtrade Premium and incentives created by the FLO minimum prices for 'Fairtrade organic' products, leading to improved production practices and environmental projects in the wider community. Impact was greatest in the Windward Islands where all production was conventional and Fairtrade had resulted in increased wildlife, reduced soil erosion, and generally cleaner and healthier local environments. Elsewhere most farmers were producing organically and therefore the FLO standards were less relevant, although increased demand for conventional Fairtrade may make the standards more important in future.

There were some complaints that FLO had raised its standards for environmental protection without providing enough technical guidance on how to meet them or ensuring that markets paid a premium to cover added costs. Fairtrade had also failed to engage with wider issues related to the harmful effects of monocultivation of bananas on ecosystems and natural resources.

Value chain analysis for the UK market

Over half of UK Fairtrade banana sales in 2008 were by Sainsbury's and Waitrose, the two supermarkets which converted all their bananas to Fairtrade in 2007. However, all major supermarkets stocked Fairtrade as a key line. Sales had been maintained during the 2008-2009 recession, with apparent inelasticity of demand, but growth had plateaued. Dual certified Fairtrade organic bananas had effectively been priced out.

Four importer-ripeners dominated the UK trade in Fairtrade bananas, with few opportunities for smaller importers (including 100% Fairtrade companies) to participate. As for non Fairtrade bananas, sourcing decisions were mainly based on price, quality (including size, cosmetic appearance and certifications) and service, although social and political linkages with particular Fairtrade producers sometimes had an influence.

At the time of the research, supply and demand were fairly evenly balanced, giving Fairtrade producers relative security of markets. Bananas from small producers were generally perceived by UK retailers and importers as unsuitable for loose banana sales, meaning the category conversions had predominately favoured plantations. There was a surge in certification of plantations in Colombia and the Dominican Republic in 2007-2009, resulting in increased overall supply going forward. If the FLO minimum prices for Caribbean sources increase, and/or the EU tariff on banana imports from Latin America is reduced, this may threaten the position of small producers.

Industry sources reported little available margin in the UK banana trade due to supermarket price wars on loose bananas which have seen periodic drops in retail prices to new all time lows: down to just 37p per kilo in October 2009. Price wars are driven by marketing opportunities and impact on competitors, rather than real costs. Importer-ripeners were being squeezed on price for all categories of banana supply, including Fairtrade, as supermarkets had to cut all possible costs out of the chain to reduce the financial impact of price matching. This price squeeze was sometimes being passed down the value chain to exporters and producers, but at the time of the research high export prices on non Fairtrade markets were limiting the extent to which this could happen. When non Fairtrade export prices are low, the FLO minimum price would no doubt play an important role in protecting prices for Fairtrade producers.

Pre packed bananas, including Fairtrade bags, were effectively cross subsidising low profits or losses on loose bananas. Supermarkets that had converted their entire banana category to Fairtrade continued to price match, which was creating pressures internally and on suppliers of Fairtrade bananas. This limited possibilities for substantial increases in the FLO minimum price for bananas, given the importance of these supermarkets for sustaining Fairtrade markets. It also discouraged other retailers from category conversion and stymied opportunities to contribute to the development of true social, economic and environmental sustainability in the global banana trade.

Effectiveness of Fairtrade instruments

Fairtrade uses various instruments for achieving its goals. The primary focus is on the standards produced and monitored by FLO, namely the Producer Standards and the Trade Standards. The study found that *FLO Producer Standards* served as a catalyst or reference point for socially and environmentally responsible production, and had brought about a range of positive impacts and processes of continual improvement. Stricter enforcement in recent years had enhanced impact, particularly on plantations, but there were still some areas of weakness that require attention (e.g. less impact on more marginalised groups, including women; formation of Workers Committees rather than independent trade unions). Lengthy and complicated standards and inspection reports, as well as inappropriate forms of communication, sometimes prevented small producers and workers from participating actively in Fairtrade. As a result, understanding of the concepts and principles of Fairtrade was quite limited, especially among workers.

FLO Trade Standards for bananas include guaranteed minimum prices, stipulations about the terms and conditions of trade, and the Fairtrade Premium. *FLO minimum prices* previously played an important role in boosting income, but in recent years were having less impact due to increased costs of production and higher prices in non Fairtrade markets. Adjustments to the minimum prices following the FLO price review in late 2009 will presumably enhance impact, although the extent to which minimum prices can rise while protecting the position of small producers and growing market share is questionable. To address this, greater attention needs to be paid to distribution of value in Fairtrade value chains and the dynamics of category management, especially in relation to retail pricing and sourcing decisions.

The *Fairtrade Premium* was providing economic support to small producer and worker households, both directly and indirectly, as well as being used for organisational and community development. Although it had wide ranging and significant material impacts, it needs to be used more strategically to achieve sustainable development and empowerment objectives, especially in relation to workers.

Fairtrade also had an impact through various types of *organisational support* given to producers and workers, including from FLO Liaison Officers, Labelling Initiatives, trading partners, NGOs and donors.

Such support was invaluable for initial development of the case study SPOs and facilitated a continual process of improvement and growth, including through attracting additional sources of finance and investment from national and international institutions. The case study plantation in Ghana had also benefited from high levels of support linked to Fairtrade, which enabled it to secure market access and recover from severe setbacks to production. In contrast, the plantations in Ecuador and Dominican Republic had received only minimal support, which partially explained slow progress in meeting all FLO Standards and forming effective worker organisations.

Finally, Fairtrade had an impact on small producers through facilitating the formation of national and international *networks*. At the local level these networks allowed farmers to exchange experiences and find solutions to problems, as well as to collaborate and reduce costs of production. Representatives from local groups attended national level meetings, furthering this process and enabling exchanges and cross learning with other Fairtrade SPOs within and outside the country. SPOs were also part of the Latin American and Caribbean Network of Small Fair Trade Producers (CLAC), which is represented at board level in FLO and the WFTO (the main international fair trade institutions), thereby being in a position to influence policy internationally. Workers in Ghana also had quite strong networks, through their trade union and the African Fairtrade Network (AFN). In comparison, Fairtrade banana workers in Ecuador and the Dominican Republic had relatively few opportunities to engage in networking, except during occasional workshops or conferences organised by FLO and national Labelling Initiatives. Workers Committees on Fairtrade plantations were not linked to other organisations of workers, such as trades unions, or other types of civil society organisation. This stymied opportunities for mutual support, exchange of experiences, and political influence at national or international level.

Headline recommendations for Fairtrade institutions

Here follows a summary of recommendations emerging from the findings of the study. These recommendations should be subjected to further analysis and discussion with Fairtrade stakeholders (primarily small producers and workers) prior to implementation.

1. Ensure all participants in Fairtrade are aligned to its principles and contribute to achieving its objectives. This includes lobbying for an end to the banana price wars in the UK which undermine efforts to develop social, economic and environmental responsibility in the global banana industry.
2. Find ways to increase returns from Fairtrade banana production, including through improved productivity and reduced costs, and more regular reviews of FLO minimum prices.
3. Protect the position of small producers in Fairtrade, including maintaining a balance between supply and demand, careful management of FLO minimum price differentials between origins, and giving preference to SPO applicants.
4. Strengthen worker empowerment in Fairtrade, recognising and raising awareness of the inherent challenges this involves and developing a clear focus on independent worker organisation as key to success.
5. Work towards a living wage for Fairtrade workers, ensuring additional profits earned by plantations are shared with workers. If returns to Fairtrade production are not sufficient to allow for living wages, allow a portion of the Premium to be used to increase worker income as an interim measure.

6. Work to overcome differential impacts within small producer and worker categories, including extra support to vulnerable groups of workers, such as migrants, women and illiterate people, to enable them to participate fully in their organisations.
7. Strengthen gender perspectives in Fairtrade, including development of gender specific criteria in the FLO Producer Standards which go beyond non discrimination clauses to promote gender equity more directly.
8. Use the Fairtrade Premium more strategically, in line with current theory and best practice related to sustainable rural development and international aid (e.g. working in partnership with community based organisations and local authorities; collective funds for capacity building and networking of Fairtrade producers and workers).
9. Enhance contacts between Fairtrade producers and workers, and with institutions that could provide support. Assist Fairtrade producers to create a common platform at a political level, e.g. in relation to official export prices, minimum wages, labour rights and trade regimes.
10. Improve communication within Fairtrade and beyond, including development of appropriate communication and training materials for small producers, workers and their communities.



1. GLOBAL CONTEXT OF THE BANANA SECTOR

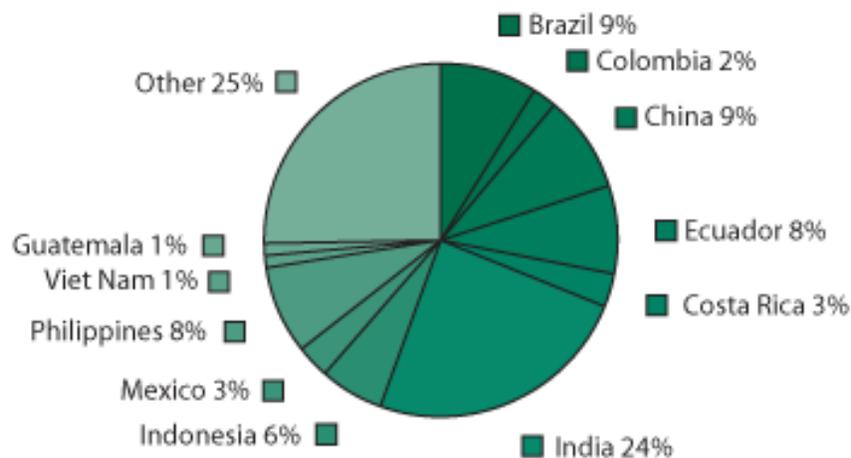
1.1 PRODUCING AND EXPORTING COUNTRIES

Bananas are the fourth most important staple crop in the world, and are significant for food security in many tropical countries. They are also the most commonly eaten fruit in the world.

“If all the bananas grown in the world every year were placed end to end, they would circle the earth two thousand times.”³

World banana production amounts to around 81 million tonnes per year⁴ and due to the climatic conditions required to grow them, production is mainly concentrated in developing countries in Asia, the Caribbean and Latin America (see Figure 1). People from some of these countries are dependent on the international banana trade for their livelihoods, but even for other countries bananas are an important staple commodity.

FIGURE 1: DISTRIBUTION OF GLOBAL BANANA PRODUCTION, 2006



Source: FAOSTAT

World exports have been increasing steadily, and now over 17 million of the 80 million tonnes of bananas produced each year are regularly exported, meaning that bananas now have the highest export ratio of all fruits – far greater than, say, apples and mangoes.⁵

The majority of exported bananas come from countries in the “dollar zone”: Ecuador, Colombia, Costa Rica, the Philippines, Guatemala and Honduras and Panama (see Figure 2). The African Caribbean (ACP)

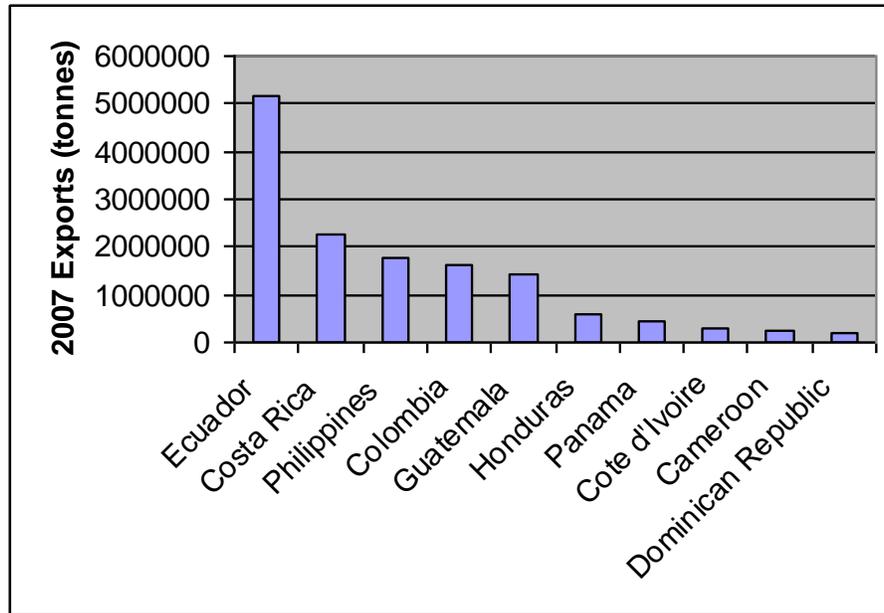
³ Harpelle, R. 2003. Book review of Striffler, S. and Moberg, M (Eds.) *Banana Wars: Power, Production and History in the Americas*. Duke University Press: Durham: <http://www.hbs.edu/bhr/archives/bookreviews/79/rharpelle.pdf>

⁴ Includes re-exports. FAO statistics: cited in Fairtrade Foundation, 2009.

⁵ Fairtrade Foundation, 2009

zone (Windward Islands, the Dominican Republic, Jamaica, Ivory Coast, Cameroon, Ghana, etc.) contributes a far smaller percentage of global exports.

FIGURE 2: TOP 10 BANANA EXPORTING COUNTRIES (2007)



Source: FAOSTAT, 2009

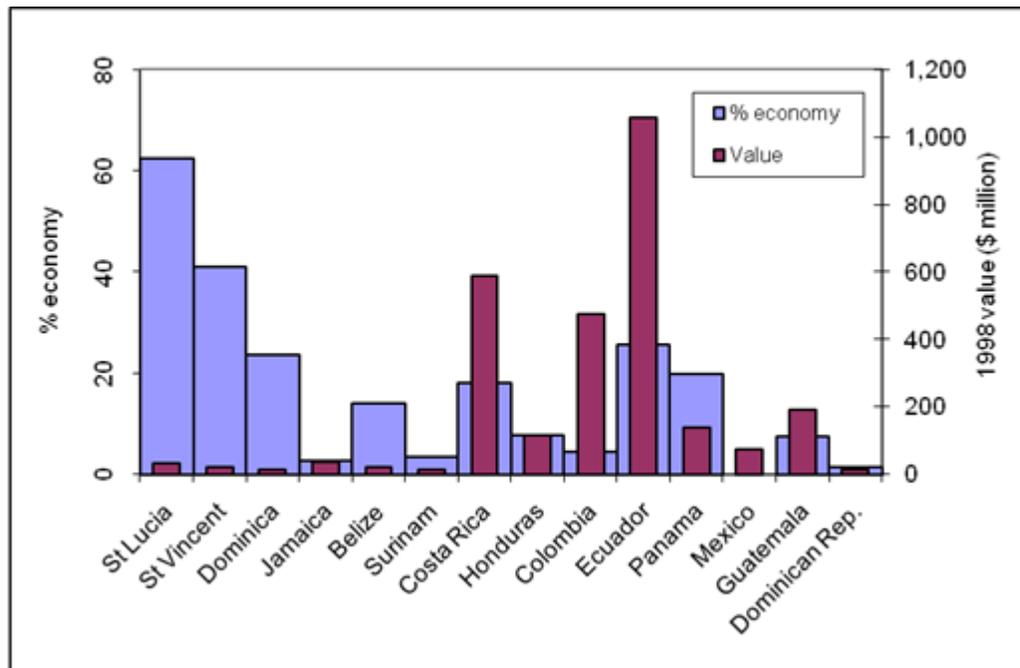
For many Latin America and the Caribbean producer countries, bananas are a crucial cash crop, and the majority of these bananas are exported. The fact that exports are of central importance to the economies of countries such as Ecuador, Costa Rica and the Windward Islands is demonstrated by Figure 3 below.

Other banana producing countries export very little of their crops and conserve bananas for domestic consumption. India and Brazil are the world's two largest banana producing countries, producing almost twice the volume of fruit that is traded around the world each year, but the vast majority is consumed domestically. However, India is now in the preliminary stages of exporting, with an industry source claiming it will become the world's largest banana exporter within the next five years.⁶ Brazil's exports to Europe have also increased, reaching nearly 200,000 tonnes per annum in 2007.⁷ The recent emergence of exporters like India and Brazil will no doubt have a serious impact on traditional banana exporters.

⁶ Banana Trade News Bulletin, No. 41, July 2009, Banana Link: UK

⁷ FAOSTAT 2009

FIGURE 3: IMPORTANCE OF THE BANANA SECTOR TO NATIONAL ECONOMIES OF PRODUCER COUNTRIES



Source: FAO (reproduced from: Fairtrade Foundation, 2000)

Although domestic banana production is dominated by small producers, around 80 per cent of exports come from plantations of between 100 and 4000 hectares.⁸ Whilst most of the Caribbean producers are independent small or medium scale farmers, Latin American production differs and is characterised by plantation agriculture controlled by multinationals and domestic companies. Competition with large scale plantations is not the only challenge facing producers in the Windward Islands: the mountainous terrain is disadvantageous to banana cultivation and so production costs are greater in comparison to those in Latin America, even though the climatic conditions are suited to the banana industry.

1.2 BANANA TRADERS

For decades the banana trade has been dominated by a small number of multinational corporations, which between them capture around three quarters of world trade:

- Dole Food Co (USA owned) – 23% global market share;
- Chiquita Brands (USA owned) – 22% global market share;
- Del Monte Fresh Produce (UAE/Mexico owned) – 15% global market share;
- Noboa (Ecuador owned) – 11% global market share;

⁸ Van de Kastele and van der Stichele, 2005.

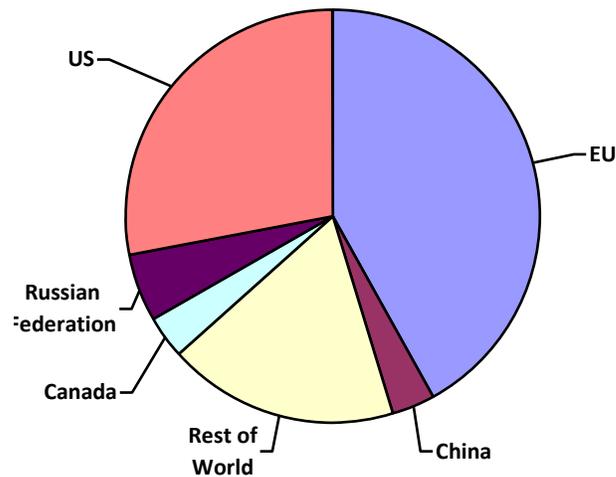
— Fyffes (Irish owned) – 7% global market share.⁹

Most of these multinationals have vertically integrated value chains, owning vast plantations, ships to transport bananas, exporting and importing companies, and ripening facilities spread across the world. Such had been their influence that whole countries in Central America have been termed “banana republics”, in reference to their dominance over national affairs. They have also been accused, and sometimes found guilty in courts of law, of various nefarious activities, including indiscriminate use of agrochemicals known to be harmful to human health and funding of paramilitaries in countries such as Colombia. However, in recent years their profits have been eroded by concentration of retail markets which has enabled supermarkets to dictate the terms and conditions of trade. Their position has been further threatened by the entry of new vertically integrated companies, especially in Russia. In 2008 Russian banana companies jointly became the world’s fourth largest exporters.¹⁰ This has forced the traditional multinationals to explore new strategies to stay competitive, including selling off plantations in Latin America and investing in production in low cost countries such as the Ivory Coast and Mozambique.

1.3 IMPORTING COUNTRIES AND THE UK MARKET

As Figure 4 demonstrates, most bananas are exported to the developed world, mainly North America and Europe.

FIGURE 4: GLOBAL BANANA IMPORTS (AVERAGE FOR 2002-2006 PERIOD)



Source: UNCTAD Secretariat from FAO statistics

UK banana imports increased by 41% from 1992 to 2007.¹¹ Historically, the UK has primarily imported from former colonies in the Caribbean, but following the development of the Single European Market and changes to banana trade regimes (see below) the market has become more relaxed, with the result that

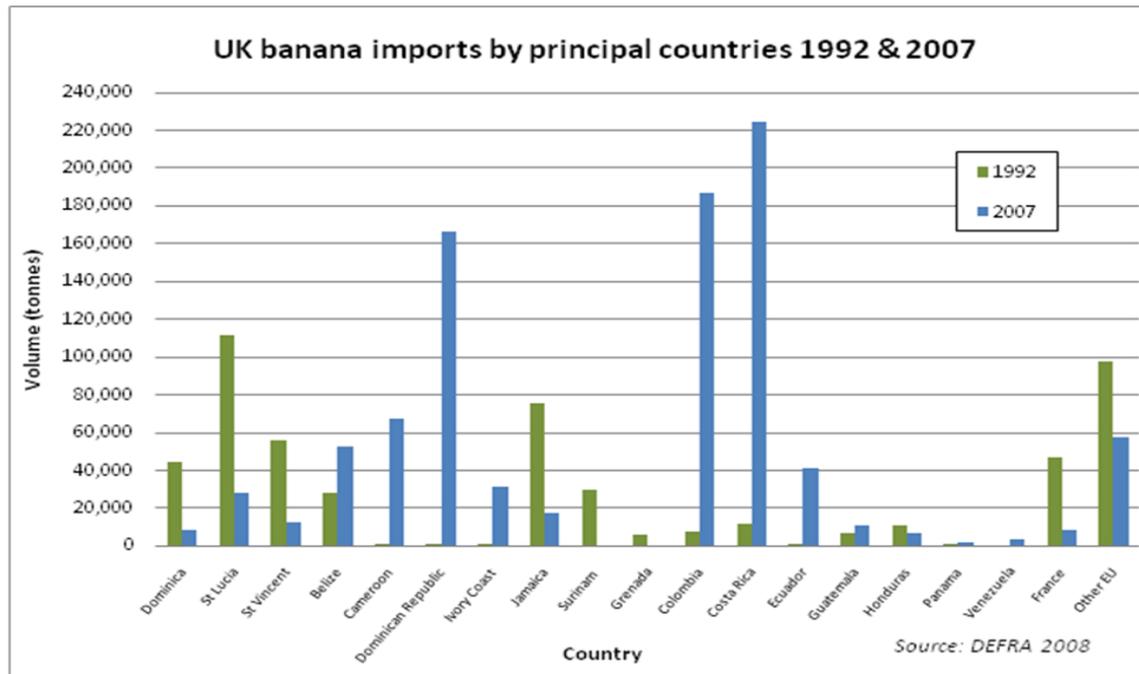
⁹ Market share for 2003. van de Kastele and van der Stichele, 2005.

¹⁰ Banana Trade News Bulletin, No. 41, July 2009. Banana Link.

¹¹ Fairtrade Foundation, 2009

the volume of Caribbean imports has fallen drastically. This reduction is also due to increasingly strict quality demands imposed by UK supermarkets, which make it harder for small Caribbean producers to compete. Imports from the plantations of the dollar zone offer a cheaper, more cosmetically uniform, option for the UK. In 2007 Costa Rica was reported as being the UK's biggest banana supplier, accounting for 25% of total imports (see Figure 5).

FIGURE 5: ORIGIN OF UK BANANA IMPORTS, 2007



Source: Defra, 2008 (reproduced from: Fairtrade Foundation, 2009)

UK imports are dominated by four multinationals – Chiquita, Dole/Compagnie Fruitière, Fyffes and Del Monte – and three independent importers – SH Pratt, Mack Multiples and Windwards Bananas.¹² All of these companies also ripen and distribute bananas and between them they account for 98% of the UK market.¹³

1.4 TRADE REGIMES AND THE WTO

As demonstrated in Figure 4, the European Union is a huge actor in the world banana trade, importing vast amounts of the fruit each year. Thus, policies initiated by the EU have an impact on the world trade of bananas. It is not surprising, then, that trade disputes occur; in fact they are not a new development, and began well before the European Union was even formed. For example, following the Second World War, Germany refused to sign the Treaty of Rome until a Banana Protocol was agreed. This was to guarantee Germany unimpeded access to imported bananas. However, today the disputes have far greater consequences in terms of their socio-economic impact, which can prove detrimental to the economies of many countries.

¹² Ibid.

¹³ Ibid.

The formation of the Single Market in 1993 meant that the EU had to come to terms with the existing differential arrangements for the import of bananas – for instance, Germany previously had a tariff free banana market, whilst the UK gave special treatment to imports from its former colonies in the Caribbean. In the EU markets, the banana import regime was harmonized in 1993, and introduced a system of quotas and tariffs to give privileged access to exports from ACP countries. Imports from Latin America were limited in volume by higher prices and by the establishment of set quotas.

This agreement went against concurrent moves towards globalisation and free trade. Consequently, banana exporting multinationals were unhappy with this regime and lodged a series of challenges at the WTO, claiming that the EU was discriminating against them and favouring ACP countries. As a result, the EU ended the quota system and introduced a single tariff for all banana imports. However, it was also agreed by the WTO that a waiver be applied to the ACP countries to honour long term commitments to the region. The EU initially defended favouritism towards the ACP countries as a foreign aid policy tool, calling any reforms that levelled import tariffs “agricultural genocide”.¹⁴

The goal of the Latin American multinationals was to set lower tariffs that were nevertheless sufficient enough to support their growth and development. From their perspective, however, the small farmers in the Windward Islands were worried about the sustainability of their livelihoods. Removing quotas would cause banana prices to hit record lows, which in turn would damage their livelihoods. Countries would henceforth search for cheaper imports where the cost of production was low, and the topography of the Windward Islands would eliminate them ‘from the game’. But in 2006, following extensive negotiations, the EU executed a single tariff of € 176 per tonne on Latin American imports, resulting in an increase in imports from Latin America together with price cuts by major European retailers. This inevitably had dire consequences for ACP producers and workers (see below). And yet, despite a system that decidedly favoured them, some Latin American countries were still not satisfied with the changes, and in 2007 Ecuador and Columbia lodged complaints again on discriminatory grounds. The EU is yet to come up with an acceptable regime. Until recently further discussion on banana regime changes were tied to the Doha round, which is currently suspended indefinitely, but there are indications that an agreement between parties is now close to being reached.¹⁵

1.5 EVOLUTION OF PRICES ON THE WORLD MARKET

World prices for bananas have long been unstable, reflecting changes in the competitive dynamics of multinational companies and banana producing countries. Over the period 1970 – 2002, banana prices declined at 1.4 per cent.¹⁶ The fall was particularly strong from 1985 to 2000 (-2.4 per cent), but prices somewhat recovered in 2001 and 2002. During the 1980’s and early 1990’s, US banana import prices were solid due to higher import prices by Eastern European countries, China and the EC. However, the belief that the EC would increase its banana imports in 1993 and expectations about world trade liberalization following GATT fostered an expansion of banana exports at rates that had not been observed in previous years. Unfortunately none of these expectations materialised: the high rates of growth of imports of the emerging economies were short lived; the EC market reforms did not allow banana imports to expand as expected; and the GATT rounds of negotiations to liberalise trade reached

¹⁴ Harper et al., 2009

¹⁵ Personal communication, Banana Link representative.

¹⁶ Arias et al. 2003

an impasse. The expansion of supply and the stagnant demand resulted in a fall in banana prices since 1993. The industry adjusted to the new world scenario and prices somewhat stabilized in the mid 1990s. However, prices fell once again in the late 1990s due to the 1997 – 2000 economic crisis in East Asia and Russia that resulted in reduced banana imports to these markets. The former USSR reduced its banana imports by 400 000 tonnes in 1998 and by a further 100 000 tonnes in 1999.¹⁷ World banana prices did not recover until 2001, when supply was curtailed by bad weather in Latin America.

In more recent years the export price of bananas has been more favourable, due to increased demand and a number of climatic disasters which dampened supply.¹⁸ However, this period of grace is not predicted to continue, with overproduction likely to suppress prices again in future.

1.6 UK SUPERMARKET PRICE WARS

The global banana sector has long been suffering from oversupply, which has resulted in recurrent price falls. The price collapse of the late 1990's – early 2000's was a very harsh period for producers across the world, and banana retail prices fell substantially from an annual average of 114.1 pence per kilo in 1990 to 99 pence in 2000 in the UK.¹⁹ Further, because the banana occupies a key position in the shopping basket of most consumers, bananas have been caught up in the price cutting tactics of supermarkets in some countries. Within the US, the price of bananas was victim to "price flexing", whereby retailers such as Walmart altered the price of bananas from store to store to undermine local competitors.²⁰ But it is in the UK that strategic pricing by supermarkets has been taken to the extreme. In 2002 Walmart's counterpart in the UK, Asda, decided to put out its banana business to competitive tender; in the end, it awarded the entire business to a single supplier, Del Monte, a multinational with no close trading ties with Caribbean banana suppliers.²¹ Del Monte won on price, after a hotly contested battle with alternative suppliers. The final price was so low that, due to the topography and associated higher production costs, Windward Islands producers could not compete, leaving the market open only to companies sourcing their bananas from large scale plantations in Latin America.

This was the catalyst for an ongoing banana price war between leading supermarkets in the UK. Consequently, the retail price of bananas has fallen by an even greater margin over the last ten years: a staggering 41%, with the price falling from 110 pence a kilo to 64 pence from 2002 to 2007.²² Almost every year has seen successive cuts to an all time low, culminating with Asda dropping the price to just 38p per kilo in October 2009, closely followed by other supermarkets. To make matters worse, in 2009 the price wars had a new player, the German discounter Aldi, which came up with the UK's lowest price of 37p per kilo. This equated to less than half the average price at the beginning of the decade.

¹⁷ Ibid.

¹⁸ Banana Trade News Bulletin, No. 41, July 2009, Banana Link

¹⁹ Banana Link, 2006

²⁰ Ibid.

²¹ Ibid.

²² Fairtrade Foundation 2009

1.7 SOCIAL AND ENVIRONMENTAL COSTS OF GLOBAL BANANA TRADE

We have seen, then, how crucial bananas are to the economies of many producing countries. The protracted disputes and price wars, coupled with global overproduction and concentration of traders and retailers in supply chains, have had an inevitable impact on producers. Small farmers struggle to compete with plantations and are often at the mercy of intermediaries and exporters who exploit their weak position in the value chain. In some areas, particularly the Caribbean, they have lost their livelihoods or barely earn enough to live on.²³ The wages of production workers have been shown to be declining in countries such as Costa Rica²⁴, as consumer prices continue to decrease. The majority of workers in countries like Ecuador are said to be hired as casual or contract labourers rather than permanent workers.²⁵ This puts them at a further disadvantage because their temporary status effectively prevents them from claiming their rights.

“Wages are very low – many fincas [large farms] pay below the minimum wage [once working hours are taken into account]. It’s no longer any kind of pleasure to work in the plantations in this country.” (*Costa Rican Plantation Worker, in Banana Link: 2006*)

Widespread use of child labour on banana plantations has been alleged in Ecuador, with children as young as 8 years old reportedly already working.²⁶ Gender discrimination also seems to be prevalent in most banana producing countries with women often paid less than their male counterparts and unable to claim benefits such as maternity leave and childcare.²⁷ The recruitment of female workers is also said to be declining as employers discriminate in favour of young men with the highest capacity for productivity and employers also fear the cost of benefits such as maternity pay.

Those who have managed to secure work find themselves working longer hours in poor conditions. The use of chemicals is a major concern, as it has a detrimental impact on the environment and health of local communities. Pesticide and fungicide use is increasing as banana farms aim to produce the perfect banana and increase productivity.²⁸ Spraying of these chemicals often occurs during working hours, thereby affecting employees and surrounding communities. The toxic chemicals also spill off into the local soil and water. Research has confirmed that psychological effects such as depression, and physiological effects such as respiratory problems and skin infections, are all caused by such chemicals.²⁹ Loss of soil fertility, soil erosion, flooding and loss of bio-diversity are also common outcomes of intensive production of bananas.³⁰

²³ Klein 2004; Wiltshire 2004; Myers 2004;

²⁴ Banana Link 2006; Bermudez 2005;

²⁵ Harari 2005; Banana Link 2006; ITUC 2008

²⁶ Human Rights Watch 2002

²⁷ Frank 2005

²⁸ Harari 2005; Maldonado and Martínez 2007; Banana Link 2006; Ramirez and Cuenca 2002; Astorga 2005

²⁹ Ibid.

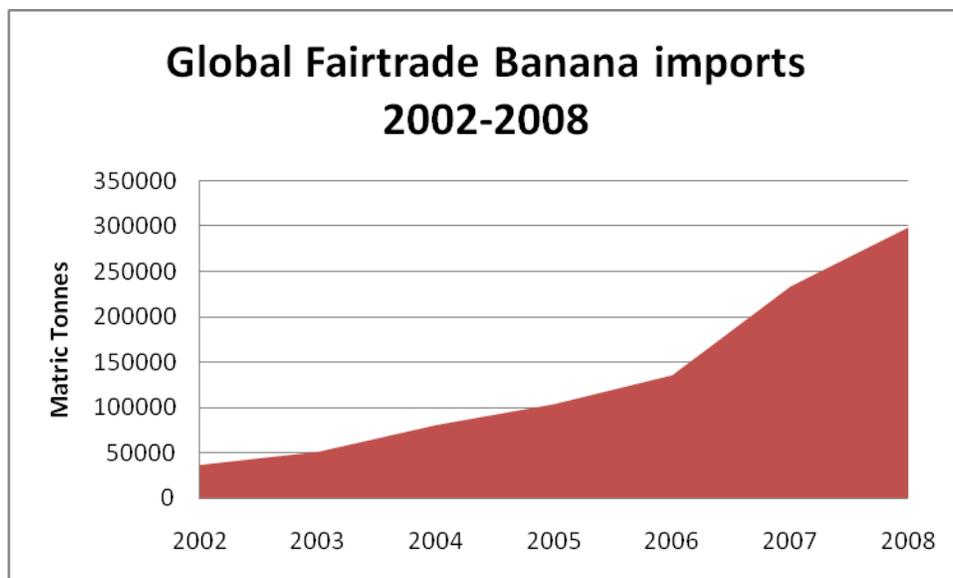
³⁰ Ibid.

Fairtrade aims to address these failings of the global banana trade for small producers and workers. It seeks to give producers and workers greater control over their own futures, the opportunity to receive a fair and just wage for their labour, continuity of income and decent working and living conditions. Through the Fairtrade Premium, it also aims to support sustainable rural development in the wider community.

1.8 FAIRTRADE BANANAS

Globally, sales of Fairtrade bananas have shown continual growth since they were launched in 1999, reaching nearly 300,000 metric tonnes in 2008 (see Figure 6). This accounts for about two per cent of all bananas traded globally, a significant achievement in just one decade.

FIGURE 6: GLOBAL FAIRTRADE BANANA IMPORTS, 2002-2008

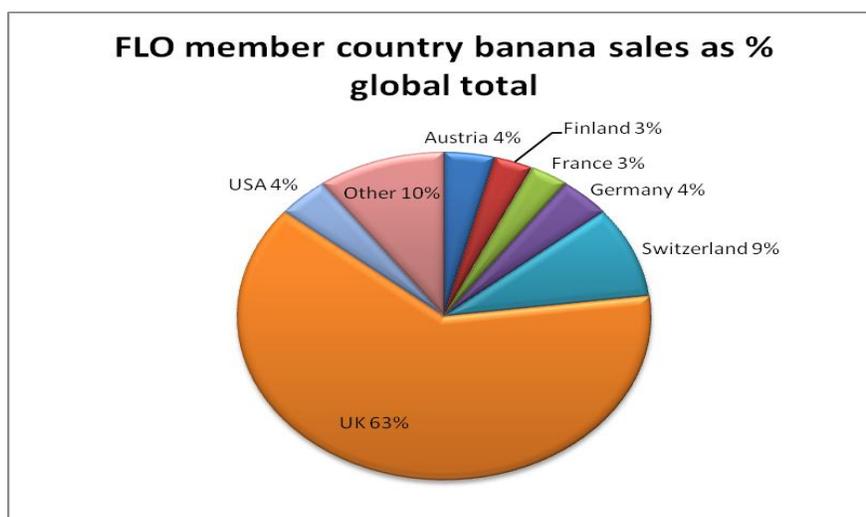


Source: FLO e.V. annual reports 2003 to 2008

The global figures disguise marked differences between national markets. The UK accounts for 63% of all Fairtrade banana sales (see Figure 7 and Table 1). This is principally due to Sainsbury's, the second biggest supermarket chain in the country, and Waitrose, the sixth biggest, both converting all their bananas to Fairtrade in 2007. These category conversions also account for the jump in global sales from 2007 on.

Another marked difference between countries is the proportion of organic Fairtrade sales compared to conventional Fairtrade (see Table 1). In 12 countries more than three quarters of Fairtrade bananas sold in 2008 were also organic, with 8 FLO member countries selling only double-certified bananas. In contrast, conventional Fairtrade sales were in the majority in only 4 countries: the UK, Switzerland, Finland and the USA. However, these 4 countries accounted for 79% of all Fairtrade banana sales.

FIGURE 7: FLO MEMBER COUNTRY FAIRTRADE BANANA SALES AS PERCENTAGE OF GLOBAL TOTAL, 2008



Source: FLO e.V. data

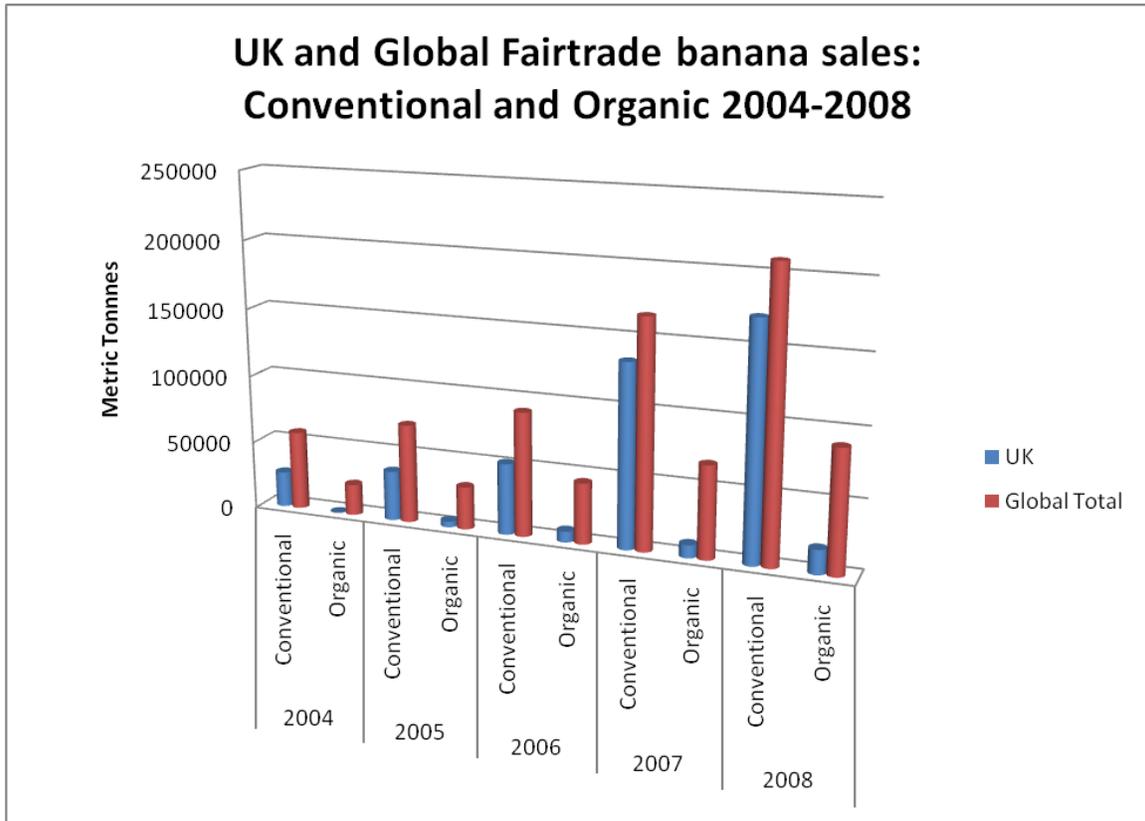
TABLE 1: 2008 SALES OF CONVENTIONAL/ORGANIC FAIRTRADE BANANAS BY COUNTRY (METRIC TONNES)

FLO member Country	Conventional	Conventional as % of total	Organic	Organic as % of total
Austria		0%	10,572	100%
Belgium		0%	5,784	100%
Canada	276	21%	1,016	79%
Denmark		0%	2,288	100%
Finland	9,395	100%		0%
France	518	5%	9,842	95%
Germany		0%	12,432	100%
Ireland	2,281	4%	215	86%
Italy		0%	4,245	100%
Japan		0%	253	100%
Luxemburg		0%	375	100%
Netherlands	1,707	37%	2,884	63%
Norway		0%	1,631	100%
Sweden	238	5%	4,530	95%
Switzerland	16,583	59%	11,436	41%
UK	171,550	91%	17,863	9%
USA	6,852	61%	4,440	39%
Global total	209,400	70%	89,805	30%

Source: FLO e.V. data

Looking at the UK market in more detail, we see that its proportion of global sales has grown more quickly for conventional Fairtrade bananas than for organic Fairtrade (see Figure 8).

FIGURE 8



Source: FLO e.V. data

Having said that, the UK is still the biggest market for both types of Fairtrade banana, which indicates the importance of events and trends in the UK for assessing global impact.

The next section looks at how and where the impact assessment was carried out, followed by a more detailed look at the national context of each of the case study countries.

2. METHODOLOGY

The research was divided into two phases: first, case studies with six FLO certified banana producers in four countries were carried out; second, value chain research was conducted with importers, ripeners and retailers in the UK banana sector and was aggregated with the case study findings to complete the sector analysis. An overview of each stage is given below.

2.1 PHASE ONE

2.1.1 SELECTION OF CASES

When the sector study was initiated in early 2008, there were 55 Fairtrade certified banana producers in 7 countries. The aim was to study a cross section of producers in order to identify common areas of change and try to draw conclusions about the impact of Fairtrade more generally. The case study selection was therefore based on the following criteria:

- Duration of involvement in Fairtrade – given that it takes time for impact to be achieved, only producers that had been FLO certified for three years or more were included;
- Type of producer – a balance of small producer organisations (SPOs) and plantations;
- Region – representation of different Fairtrade banana producing regions (Latin America, Caribbean, Africa).

Six case studies were undertaken involving three SPOs and three plantations from the Dominican Republic³¹, Ecuador, the Windward Islands³² and Ghana (see Table 2). Given the enormous diversity of situations of Fairtrade producers, this cannot be taken as a representative sample and the limitations thus placed on assessing impact at a sector level are explored below. However, the sample included producers in very different contexts of socio-economic development and banana production and it was felt that it broadly reflected different experiences of Fairtrade in the banana sector.

TABLE 2: CASE STUDY PROFILES

	Small Producer Organisation	Plantation
Ecuador	✓	✓
Dominican Republic	✓	✓
Windward Islands	✓	x
Ghana	x	✓

³¹ The two case studies in the Dominican Republic were completed in 2006/7, prior to initiation of the sector study. The Fairtrade producers concerned gave their permission for the studies to be included in the sector study.

³² Most of the fieldwork was carried out on one island, but all three islands that produced Fairtrade bananas were visited and farmers were interviewed in each location.

Researchers with appropriate expertise were selected to carry out each case study, in some cases being in country research teams and in others EU based researchers aided by local research assistants. IDS was responsible for overall coordination and oversight of the case studies, as well as being co-researcher on one of the case studies in the Dominican Republic.

2.1.2 METHODOLOGICAL FRAMEWORK

The methodology for the case studies was based on the generic methodological framework developed by Eberhart and Smith for FLO.³³ Each research team developed its own specific research methods and tools, as appropriate to the particular situation (e.g. depending on the availability of baseline and/or secondary data, researchers' academic disciplines and input from producers and workers), but the generic methodology established a common set of research questions (see Appendices I and II) and framework for analysis which facilitated the aggregation of case study findings. In brief, five possible *areas of impact* were explored:

1. Changes in social differentiation (e.g. status of women, migrants and other vulnerable groups);
2. Changes in the socio-economic situation of participating producers/workers and their households;
3. Changes in the organisation of rural areas, specifically organisation of small producers and workers;
4. Changes in local, regional and national development;
5. Changes in the management of natural resources.

Additionally, four potential *avenues of Fairtrade impact* were considered, to facilitate attribution and learning:

1. Producer standards – how the FLO smallholder/hired labour standard has made an impact through the process of meeting compliance with the minimum standards for certification and the progress standards for continuous improvement.
2. Trade Standards – how the key trading aspects of Fairtrade – minimum price, premium, long term trading relationship – have impacted.
3. Organisational support and business development – how support activities of Fairtrade organisations (e.g. FLO, Labelling Initiatives, ATOs) and other stakeholders (NGOs and commercial actors) have impacted upon the development and strengthening of the Fairtrade producer's capacity, skills and trade. Also, whether FLO certification has helped facilitate contact with new buyers, attract new business and retain existing clients.

³³ For full details of the generic methodology see: Eberhart, N. and Smith, S. (2008) A Methodological Guide for Assessing the Impact of Fairtrade. Prepared for FLO International: Bonn. In the Dominican Republic one of the case studies was carried out by Oréade-Brèche using a similar approach based on an earlier version of the generic methodology (Eberhart, N. 2005, 'Developing a system to assess the impact of Fairtrade on agricultural families and organisations and their territories', AVSF: France.)

4. Networking- how the development of the Fairtrade producer networks (e.g. CLAC) and links with other network organisations (e.g. Banana Link and Euroban) has impacted upon producers and workers (and their organisations), for example through sharing knowledge and experiences, and increasing their political influence.

2.1.3 PARTICIPATION OF PRODUCERS AND WORKERS

An underlying methodological principal was that producers and workers should have direct involvement in designing the research and shaping understanding of Fairtrade impact, rather than it being based on external perceptions of expected impact. While a fully participatory approach was not used, mainly because of the need to aggregate findings at the sector level, efforts were made to involve producer and worker representatives at key stages of each case study:

- The aims and objectives of the research were shared with producer and worker representatives at an introductory workshop and participants were invited to identify areas of potential impact that should be explored;
- Research tools (surveys, interview schedules, etc.) were finalized in consultation with producer and worker representatives;
- Producer and worker representatives were given first view of the draft case study reports, and/or participated in a workshop to discuss study findings.³⁴ The final case study reports took their feedback into account, including additional evidence or information that provided depth to the analysis. Where representatives were in disagreement with a particular finding, their views were incorporated into the final report highlighting any discrepancy with other sources of information.

2.1.4 IMPACT MEASUREMENT AND ATTRIBUTION

Impact was measured principally using interview recall methods, supported by documentary evidence (e.g. FLO Inspection Reports, financial statements) and comparison with producers and workers outside Fairtrade. Fieldwork was concentrated on the small farmers and workers associated with the selected Fairtrade producers (see Table 3), but information was also gathered from numerous additional sources, as outlined in Table 4, in order to aid triangulation and reflect different perspectives. Care was taken to accurately establish causality, that is, the direct or indirect links between the observed changes and involvement in Fairtrade, recognising that (as for any social situation) there was often a combination of factors influencing change.

³⁴ Unfortunately plantation workers were not adequately represented at this stage, see Limitations (Section 2.3).

TABLE 3: RESEARCH INTERVIEWS WITH FAIRTRADE PRODUCERS AND WORKERS IN EACH CASE STUDY

	SPO producers	% of total producers	Plantation workers	% of total workers
Ecuador	30 individual interviews (including conventional and organic producers in different regions); survey of 151 producers based on a representative sample of SPO members ³⁵	33%	47 individual interviews (35 field, 12 packhouse) spread across 5 sites; focus group with Workers Committee and Joint Body	21%
Dominican Republic	24 individual interviews (spread across 5 base groups); 3 focus groups with total 45 members	9%	21 individual interviews (10 male, 11 female; 14 Dominican, 7 Haitian); focus groups with Workers Committee and Joint Body	15%
Windward Islands	53 individual interviews (35 male, 18 female) spread across all Fairtrade Groups on case study island; 4 focus groups with 68 producers on other 2 islands	7% (of national members)	n/a	n/a
Ghana	n/a	n/a	48 individual interviews (39 male, 9 female, mix of ethnic groups) spread across 4 sites; focus groups with Union Com'tee and Joint Body	7%
TOTAL	107 small producers interviewed individually plus 113 in focus groups		116 workers interviewed individually plus focus groups with Union/Workers Committees and Joint Bodies	

TABLE 4: SOURCES OF INFORMATION USED IN CASE STUDIES

SMALL PRODUCER ORGANISATIONS	PLANTATIONS
Research interviews	Research interviews
<ul style="list-style-type: none"> • Board 	<ul style="list-style-type: none"> • Owner
<ul style="list-style-type: none"> • Management and staff 	<ul style="list-style-type: none"> • Senior management
<ul style="list-style-type: none"> • Members (differentiated by relevant characteristics, e.g. location, gender) 	<ul style="list-style-type: none"> • Supervisors/Middle managers
<ul style="list-style-type: none"> • Hired labour (differentiated by relevant characteristics, e.g. employment status, gender and nationality) 	<ul style="list-style-type: none"> • Workers (differentiated by relevant characteristics, e.g. employment status, age, gender and nationality)
<ul style="list-style-type: none"> • Members' households 	<ul style="list-style-type: none"> • Workers' households
<ul style="list-style-type: none"> • Small producers outside Fairtrade 	<ul style="list-style-type: none"> • Workers outside Fairtrade
<ul style="list-style-type: none"> • Community leaders and members 	<ul style="list-style-type: none"> • Community leaders and members
<ul style="list-style-type: none"> • Local and national authorities 	<ul style="list-style-type: none"> • Local and national authorities
<ul style="list-style-type: none"> • NGOs, trade unions and international aid organisations working in the region/sector 	<ul style="list-style-type: none"> • Trade unions, NGOs and international aid organizations working in the region/ sector
<ul style="list-style-type: none"> • Industry bodies (e.g. producer and exporter) 	<ul style="list-style-type: none"> • Industry bodies (e.g. producer and exporter)

³⁵ This was secondary data from a previous study carried out by the research team, SIPAE, in collaboration with the SPO and AFAD. The data was reanalysed in relation to research questions specific to the current study. Findings from the original SPO-AFAD-SIPAE are also drawn on and referenced in this report.

associations, chambers of commerce)	associations, chambers of commerce)
• FLO staff working in the region/sector	• FLO staff working in the region/sector
• Academics working in the region/sector	• Academics working in the region/sector
Documentation	Documentation
• FLO inspection reports	• FLO inspection reports
• Previous impact or diagnostic studies	• Previous impact or diagnostic studies
• Annual reports and financial statements	• Annual reports and financial statements
• Premium Committee minutes and accounts	• Joint Body statutes, minutes and accounts
• Data on exports and costs of production	• Trade Union/Workers Committee statutes and minutes
• Register of members	• Data on exports and costs of production
• Government census and other statistics	• Payroll, contracts, HR policies, etc.
• Local school/clinic registries and data	• Government census and other statistics
	• Local school/clinic registries and data

2.1.5 EXECUTION OF CASE STUDIES

To summarise, each case study involved the following key stages:

- a. Request for participation of selected Fairtrade producer and agreeing timing of field research;
- b. Background research on the social, economic, agrarian and labour context of the national banana sector, including interviews with expert sources;
- c. Collation of baseline information, using FLO Inspection Reports and other available material;
- d. Introductory workshop with the SPO (representatives from management and board) or plantation (representatives from management and workers);
- e. Finalisation of research methods and tools (surveys, semi structured interviews, etc.);
- f. Interviews with a cross section of small producers and/or workers, plus various other relevant informants;
- g. Review of additional sources of written information;
- h. Data analysis and preparation of draft report;
- i. Review of draft report by representatives of Fairtrade producer, including feedback sessions held by research team where possible;
- j. Finalisation of case study report.

2.2 PHASE TWO

During this phase interviews were carried out with importers, ripeners and retailers in the UK banana sector. In total 15 in-depth interviews of between 1 and 3 hours were conducted, as follows:

- 6 retailers, accounting for 87% of Fairtrade banana sales and 67% of all UK grocery sales;
- 6 importers/ripeners, accounting for almost all Fairtrade banana imports;
- 3 expert sources (Banana Link, Fairtrade Foundation and GMB trade union).

Information obtained during the UK fieldwork was combined with case study data to assess how value chain practices and dynamics influence impact at producer and worker levels and to facilitate the sector wide assessment of impact.

A draft overview report was shared with key stakeholders for comment and their feedback was incorporated into the final report.

2.3 LIMITATIONS OF THE STUDY

Given the complex nature of the banana sector and inevitable resource constraints, the study faced a number of a priori limitations:

- Although the study looked at other livelihood opportunities it was not able to provide an exhaustive comparative analysis of Fairtrade versus other livelihood options;
- The study sought to capture information regarding other inputs available at the local level (e.g. aid funding and support programmes), but it did not attempt to provide a detailed comparative analysis of the benefits of Fairtrade versus these other inputs;
- While the study looked at traditional (non Fairtrade) value chains, it did not seek to provide a comprehensive comparison of Fairtrade and non Fairtrade value chains over time;
- National level impacts were assessed, but largely through key informant interviews and reasoned argument;
- The study measured impact at a single point in time and did not seek to be a longitudinal assessment of impact or to measure impact in relation to a baseline assessment.

During the course of executing the research, a number of additional limitations became apparent:

- The case studies were not necessarily representative of all Fairtrade banana producers. For example, the SPOs in Ecuador and the Dominican Republic were not similar to other SPOs in the same countries, being larger, more sophisticated and/or more supported by external partners. The case study plantations were also likely to be quite different from other plantations in that they tended to have been put forward early on for Fairtrade certification due to a long standing commitment to socially and environmentally responsible production, whereas more recent entrants were often more commercial in orientation. Furthermore, Columbia was not represented, although it is now a major source of Fairtrade bananas.
- SPOs and plantation managers gave feedback on the draft case study reports, but worker representatives did not. In one case this was because management did not want the research team to share the draft report with workers. In others it was due to limitations of the research process (e.g. overseas researchers did not have direct access to worker representatives after they left the country).
- All impact assessments reflect impact at a specific point in time and in this case there were two time bound factors that had a major influence on producer perspectives on Fairtrade. First, costs of production had risen markedly in the 2007-8 period, but the FLO minimum prices had not increased since 2006. Also, FLO had expanded its Producer Standards and was enforcing them more strictly than previously, leading to some changes that SPOs and workers disagreed with.

- Commercial data, especially on prices, is always difficult to obtain. To facilitate collaboration, all companies and individuals were promised anonymity and that sensitive information, or information that could be traced to source, would be treated carefully. As a result, there were a number of relevant pieces of information that could not be included in the report.
- The UK market is quite different from other European markets. Some of the differences have been noted in Section 9.3, but it was not possible to assess the effect they had in terms of impact for small producers and workers.

These limitations should be born in mind when reading this report.



3. NATIONAL CONTEXT OF CASE STUDY COUNTRIES

In this section the context of each of the case study countries is explored, as background to assessing the impact that Fairtrade has had. The following sub sections are included:

- Socio-economic status;
- Agrarian context;
- Labour markets and organisation;
- Structure and importance of the banana sector.

3.1 SOCIO-ECONOMIC STATUS

3.1.1 ECUADOR

Ecuador has a population of 13 million and although an oil exporter, is still one of the poorest countries in the Latin American region. This is mainly because of inequity in the country's distribution of resources.³⁶ The UN Human Development Report (2009) states that 46% of the population lives below the national poverty line (see Table 5). Poverty is concentrated in rural areas, with 62% of people in rural areas classified as poor compared to the national average of 38%.³⁷

TABLE 5: SOCIAL AND ECONOMIC DEVELOPMENT INDICATORS FOR CASE STUDY COUNTRIES

	Human Development Index rank (out of 182 countries)	% of population below national poverty line	Per capita GDP (US\$ PPP)	Adult literacy (% of over 15s able to read)	Under 5s mortality rate (per 1,000 live births)
Ecuador	80 th	46%	7,449	91%	22
Dominican Republic	90 th	42%	6,706	89%	38
Ghana	152 nd	28.5%	1,334	65%	115
St. Vincent & the Grenadines	91 st	No data	7,691	88%	19
St. Lucia	69 th	No data	9,786	95%	18
Dominica	73 rd	No data	7,893	88%	11

Source: UNDP Human Development Report 2009, based on 2007 figures; World Bank Key Development Data and Statistics: web.worldbank.org

3.1.2 DOMINICAN REPUBLIC

The Dominican Republic has a population of 9.8 million³⁸ and around 42% of the country lives below the national poverty line.³⁹ Other challenges to the country's development include low levels of public

³⁶ UNDP 2006

³⁷ Instituto Nacional de Estadísticas y Censos (INEC), 2007

³⁸ World Bank Key Development Data and Statistics: web.worldbank.org

expenditures allocated to education (2.9 percent of GDP, representing 44 percent less, on average, than other countries in the region), high interest rates, frequent electrical blackouts, institutional rigidity, shortage of qualified human capital, high maternal mortality rate (178 deaths for every 100,000 live births), corruption, lack of accountability, and limited citizen oversight of government expenditures.⁴⁰

3.1.3 GHANA

Ghana is classified as a highly indebted, low income country with a population of 23 million.⁴¹ Economic growth has increased steadily since 2000 with annual GDP increasing from 3.7% in 2000 to 7.3% in 2008.⁴² In contrast to other West African countries where poverty rates are incredibly high, less than a third of Ghanaians live below the nationally defined poverty line.⁴³ Poverty fell from 52% in 1991/92 to 28 % in 2005/6.⁴⁴ However, 18% of children under five are still deemed malnourished and 115 out of every 1,000 children die before their fifth birthday.⁴⁵

3.1.4 WINDWARD ISLANDS

The Windward Islands include four countries: St. Vincent and the Grenadines, St. Lucia, Dominica and Grenada. All were colonised by the UK until 1979-80. The three countries exporting Fairtrade bananas – St. Vincent, St. Lucia and Dominica – have small populations (166,000 in St. Lucia, 118,000 in St. Vincent and the Grenadines, and 66,000 in Dominica). Poverty increased from 25.1% in 1995 to 28.8% in 2005 in St. Lucia⁴⁶, while in St. Vincent the Human Development Report of 2002 placed the poverty rate at 33%.⁴⁷ This report also indicated that the poverty rate in rural areas is almost three times that found in urban areas.

3.2 AGRARIAN CONTEXT

3.2.1 ECUADOR

³⁹ UNDP 2009

⁴⁰ World Bank Poverty Assessment: Dominican Republic 2006

⁴¹ World Bank Statistics 2008:

http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED

⁴² CIA World Fact Book statistics: <https://www.cia.gov/library/publications/the-world-factbook/geos/gh.html>

⁴³The basis for national assessments of poverty are relative to context and therefore vary significantly between countries, with richer nations tending to use more generous measures than poor countries. This partially explains why poverty levels in Ghana are relatively low compared to the other case study countries.

⁴⁴ Ghana Living Standards Survey 2005/6

⁴⁵ UNDP 2009; World Bank Key Development Data and Statistics: web.worldbank.org

⁴⁶ The Caribbean Development Bank 2005/06

⁴⁷ UNDP 2002

The agriculture sector contributes approximately 17% of GDP.⁴⁸ It includes various types of agriculture: capital intensive agribusiness (flowers, poultry, pork), large scale plantations and ranches (bananas, palm oil, cattle, sugar), medium scale farms of 20 to 50 ha (national markets and traditional exports like bananas and cocoa), small scale family farming and subsistence farming (diversified systems). Small scale and subsistence farms account for 75% of all 'productive units' in the country and make an important contribution to national food production, but own just 12% of the land, while less than 1% of productive units own 29% of the land. State investments in irrigation have also benefited medium to large scale producers, who have far greater access to irrigation than small producers.

3.2.2 GHANA

The economy of Ghana is largely agrarian as evidenced by the fact agriculture makes up more than a third of total GDP and accounts for 55% of employment (including self employment).⁴⁹ The country produces a variety of crops in various climatic zones. Unlike the other case study countries, Ghana is not a traditional banana exporter. Ghana's exports range from cocoa, coconuts, tuna, coffee, tea and pineapples. Growth rates in agriculture have lagged the other sectors largely due to inefficient farming practices, a low take up of technology, dependence on erratic rainfall and poor transport and distribution channels. The agriculture sector is dominated by smallholder farmers with plots of land less than 1.5 hectares, on average (although banana export production is exclusively on plantations). Invariably, trends in the agricultural sector have major implications for average national incomes and hence, poverty.

3.2.3 DOMINICAN REPUBLIC

The Dominican Republic is a predominantly agricultural country with almost 30% of the total land area suitable for crop production and about 17% of the labour force engaged in farming.⁵⁰ Agriculture remains the primary occupation, accounting for 9.9% of GDP in 2006. It is the most important sector in terms of domestic consumption and is in second place (behind mining) in terms of export earnings. During the period January – September 2007, the Dominican economy registered a GDP growth of 8.2% with 2.8% accounting from agriculture.⁵¹ In the same year, between November and December, two tropical storms (Noel and Olga) affected the country and its agriculture badly. Because of these natural disasters, the government implemented a recovery programme in the affected areas of the country based on sustainable development, optimising land and soil resources and high productivity.

The Dominican Republic is also one of the world's leading exporters of organic products. The main ones are: Banana, cocoa and coffee, mango, avocado, coconut and some vegetables. These products are mainly exported to the European Union and the US. During January – September 2007, the banana exportation from the Dominican Republic to the United Kingdom was US\$27.8 million.⁵²

⁴⁸ Indicators from the Banco Central del Ecuador, 2007

⁴⁹ US Department of State Background Note: Ghana, <http://www.state.gov/r/pa/ei/bgn/2860.htm>

⁵⁰ UK Trade & Investment 2008

⁵¹ Ibid.

⁵² Ibid.

3.2.4 WINDWARD ISLANDS

The Windward Islands are small island economies that have been dependent on bananas as their main export crop since the middle of the 20th century when they started producing bananas for export to Britain under a preferential import system for colonies. This system of preferential access continued into the 1990s until the WTO ruled in favour of a US complaint against the EU regime. Since the WTO ruling in 1997 and a later agreement, reached in 2001, that the EU would eliminate its quota system and introduce a tariff only system, exports have declined from 238,000 tonnes in 1993 to 99,000 tonnes in 2002⁵³ and thousands of banana farmers have abandoned banana cultivation. Those who have stayed in production are mainly Fairtrade producers.

More recently a range of other vegetables and fruits have emerged as important export commodities, albeit with seasonal, climate-related variability. However, the difficulties experienced in agriculture, especially climatic disasters and changes in trade regimes, have resulted in all islands being classified as net importers of food. Tourism and financial services are now playing an increasingly important role in the island economies.

3.3 LABOUR MARKETS AND ORGANISATION

3.3.1 ECUADOR

The 2008 Labour Force survey indicated that 47.6% of the population in Ecuador was economically active, of whom 57% were male and 43% female.⁵⁴ According to the Central Bank of Ecuador, the agriculture sector employs around 29% of the working population in Ecuador. In rural areas this increases to 69% of employment, with the majority self employed.⁵⁵ The banana sector employs an estimated 148,000 people directly, but nearly 2 million Ecuadorians are thought to be dependent on the sector.⁵⁶

Ecuador approved a new constitution in 2008 which was aimed at developing a strong state with greater protection for workers and the environment. However, although trade union rights, including freedom of association and the right to strike, were guaranteed under the new constitution, various exclusions and provisions included in the legislation severely weakened these rights and in practice violations continue to occur.⁵⁷ For example, collective bargaining requires a majority of workers to be organised in the Works Council or trade union, and workers in some sectors, including agriculture, have to observe a 20 day cooling off period before going on strike. Sub-contracting by employers in order to avoid their statutory obligations towards workers is now outlawed, but allegedly continues in all but name. Similarly, many employers continue to avoid paying social security contributions.⁵⁸

⁵³ Myers 2004

⁵⁴ ILO LABORSTA: <http://laborsta.ilo.org/STP/guest>

⁵⁵ Banco Central de Ecuador, 2007

⁵⁶ Superintendencia de Bancos y Seguros (no date)

⁵⁷ <http://survey09.ituc-csi.org/>

⁵⁸ Ibid.

Only around 0.5% of banana workers are trade union members, according to FENACLE (Federación Nacional de Trabajadores Agroindustriales, Campesinos e Indígenas Libres de Ecuador). FENACLE claim that since the regional financial crisis of the late 1990s, and subsequent 'dollarisation' of the economy in 2000, banana producers have restructured their businesses on the basis of having a cheap, flexible labour force, principally via sub-contracting. This has resulted in a deterioration of workers' terms and conditions, including no social security, poor health and safety provisions, and no access to legislated bonuses and pensions.⁵⁹ Sub-contracting also has the (intentional) effect of preventing the formation of trade unions, as the law requires at least 30 workers for a trade union to be established.⁶⁰

3.3.2 DOMINICAN REPUBLIC

As agriculture has reduced its contribution to GDP, the labour force has changed considerably. In the 1950's, 73% of the workforce was employed in agriculture but by the end of the 1980's it accounted for only 35% of the 2.8 millions waged workers.⁶¹ With the country's financial problems and structural adjustment policies, many people, especially the female members of the labour force, explored paid employment. The type of work they were involved in was non agricultural and agro-industrial production and tourism, as well as informal work as domestic servants.⁶²

Since the 1920s much of the agricultural labour force has been Haitian migrants. These workers are typically undocumented and illegal, and face an array of economic, social and political disadvantages.⁶³ Discrimination is deeply rooted in a long history of tension between the two countries, and nationalistic attitudes have been reinforced by a succession of dictators and politicians, as well as media representations of Haitian immigration placing public services under intolerable strain. In reality, Haitians have limited access to services, and even children born in the Dominican Republic are restricted from becoming full citizens. Despite international campaigns highlighting the appalling treatment of Haitian workers, including forced recruitment, under payment and physical abuse, and repeated commitments from Dominican governments to act, they are still discriminated against in both law and practice. There are regular mass expulsions of undocumented migrants, often for political motives, supported by a law stating that at least 80% of any firm's workforce must be Dominican. The 80% target is widely seen as unachievable (and even undesirable) in agriculture, as not enough Dominicans are willing to accept the poor conditions and low wages of agricultural work, but it serves to justify the politically motivated expulsions.

Trade unions only appeared in the Dominican Republic after the death of the dictator Trujillo, in 1961, and face significant difficulties organising due to restrictive laws and an anti union climate. Unions are set up on a company by company basis and collective bargaining can only take place if a majority of workers are

⁵⁹ Harari 2005

⁶⁰ Human Rights Watch 2002

⁶¹ US Library of Congress (no date) Country study on the Dominican Republic, section on labour: <http://countrystudies.us/dominican-republic/39.htm>

⁶² US Department of State Background Note: Dominican Republic: <http://www.state.gov/r/pa/ei/bgn/35639.htm>

⁶³ CIIR 2004; Ferguson 2003

members, resulting in few CBAs being signed nationally.⁶⁴ Strikes must have the approval of the majority of the workforce, whether in the union or not. Unions are currently fragmented and politically divided, and there is little organisation of agricultural workers. The IUF affiliate is the National Federation of Workers in the Industries of Food, Hotels, Drink and Tobacco (FENTIAHBETA), but it has few members (only 1,370 in 2001). In 2008 there was only one banana plantation with a company union.⁶⁵ A growing number of Haitian banana workers are involved in informal associations for migrants supported by Catholic and evangelical churches; these organisations are trying to provide migrants with greater access to rights, including labour rights.⁶⁶ However, these groups are suffering from official repression, as evidenced in May 2009 by the forced expulsion of 25 workers who were attending a training session on labour rights.⁶⁷

3.3.3 GHANA

Ghana's labour force amounts to 11.1 million and is characterised by the dominance of the agricultural and rural sector where economic activity is mostly organised on an informal basis. It is estimated that agriculture employs 57% of the population on a formal and informal basis.⁶⁸ Figure 9 illustrates the percentage of people working in the various industries.

There are high levels of unemployment and underemployment in the case study area. Most formal employment is in power generation and other related activities. Locals are also employed in the local textile industry and some in hotels. However for unskilled workers, employment is limited to petty trading, agriculture and other informal work. The export agriculture industry has increased in recent years (e.g. pineapples); however, the local agriculture industry is still mainly small holder production for subsistence and local markets.

Ghana has a strong history of trade union organisation, dating back to colonial times, although various governments have either been too closely tied to trade unions or have tried to suppress their activities. Since the return to democratic rule in 1992, they have enjoyed a positive, more independent relationship with government backed by relatively strong labour laws. Membership is around 350,000 nationally, organised into two trade union centres: the Ghana Trades Union Congress (GTUC) and the Ghana Federation of Labour. Agricultural workers are represented by the Ghana Agricultural Workers' Union (GAWU), an affiliate of the GTUC.

⁶⁴ ITUC,CSI, IGB 2008

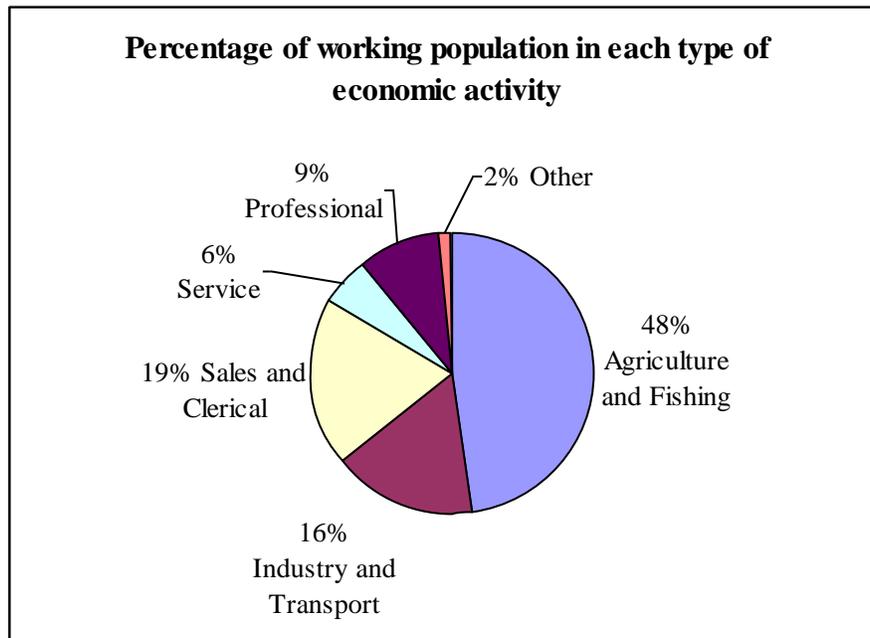
⁶⁵ Williams 2008

⁶⁶ Ibid.

⁶⁷ See Amnesty International: <http://www.amnesty.org/en/library/info/AMR27/005/2009/en>

⁶⁸ Berry 2004

FIGURE 9: EMPLOYMENT IN GHANA



3.3.4 WINDWARD ISLANDS

Agriculture has long been a major employer in the Windward Islands, with the banana industry the main source of self employment and hired labour since the 1960s. For example, in St. Vincent and Dominica up to 60% of the workforce was employed in bananas in the past.⁶⁹ Unlike many other export industries the banana sector provides year round employment. The decline of the sector has therefore had a major impact on migration and unemployment levels, the latter estimated to be 16% in St. Lucia, 13% in Dominica and 12% in St. Vincent.⁷⁰ In the 1980s banana farmers received relatively high and regular income, and the upheaval of the 1990s has been said to have resulted in a “loss of solvency and dignity [which has] manifested itself in alcoholism, involvement in drugs, partner and child abuse, impotence and occasional suicide”.⁷¹ In St. Lucia it was estimated that around 20,000 people, of a population of just 166,000, would be immediately affected by the restructuring of the global banana industry⁷², with few alternative sources of employment. Similarly, in Dominica the number of banana farmers fell from 11,000 in the 1980s to just 700 in 2003, with 12,000 people thought to have emigrated during that period and unemployment and youth unrest on the increase.⁷³

⁶⁹ US Department of State Background Note: St. Vincent and the Grenadines: <http://www.state.gov/r/pa/ei/bgn/2345.htm> ; Wiltshire 2004

⁷⁰ Ibid.

⁷¹ Hubbard et al. 2000:49

⁷² Wiltshire 2004

⁷³ Ibid.

Banana farming in the Windward Islands is almost exclusively carried out by small scale producers, rather than plantations. Most remaining farmers are organised under the Windward Islands Farmers Association (WINFA), an umbrella body linking national organisations of small farmers in each country. WINFA is a non governmental organization formed in 1982 as a group to represent, protect and promote the interests of farmers in the Windward Islands. It has fought against the WTO changes to the EU Banana Regime and against UK initiatives to sign a free trade agreement with Caribbean countries.

3.4 STRUCTURE AND IMPORTANCE OF THE BANANA SECTOR

3.4.1 ECUADOR

Ecuador is by far the world's largest banana exporter, accounting for approximately 30% of global exports.⁷⁴ In 2006 there were 6,477 banana producers in the country.⁷⁵ 70% of these were small producers (between 1 and 20 hectares), but between them they generated just 16% of total national production; meanwhile 45% of production was generated by a small number of large scale producers (3% of all producers).⁷⁶ Equally, exports have been dominated by a small number of companies since exports began (including several that are also involved in production), most of which have close links with the banana multinationals that to a large extent control market access. Ubesa, subsidiary of Dole, was the top exporter in 2008, with 13% of exports, followed by Bananera Noboa (Bonita brand) with 12%, and Reybanpac (contracts with Chiquita and others) with 8%. The USA, Russia, Italy and Germany are the main markets for Ecuadorian bananas, accounting for around 80%.⁷⁷

The government of Ecuador sets an official farmgate price for bananas, which was US\$ 5.05 per 18.14kg box for 2009 (up from US\$ 4.70 in 2008). However, in reality the price producers receive varies dramatically depending on the time of year and global production, from as little as US\$ 1 per box up to around US\$ 10. Ecuador has been a principal complainant at the WTO against preferential EU trade regimes for ACP countries, arguing discrimination against its producers and exporters that affects market share, with an ongoing dispute over the level of EU tariff yet to be resolved (see Section 1.4).

3.4.2 DOMINICAN REPUBLIC

In contrast to Ecuador and other Central American countries, banana production for export has not been so prominent in the Dominican Republic. Historically, multinationals have not positioned themselves well partly due to political pressure and governmental leadership. Following the Lomé Agreement (1989), Fyffes established itself in the Dominican Republic and the banana sector re-emerged. This however did not last for long - uncertainties around the European trade regime led Fyffes to pull out and banana producers found themselves without access to the overseas market.⁷⁸ For the Dominican Republic, this

⁷⁴ AEBE 2007

⁷⁵ Cepeda 2009, based on MAGAP data

⁷⁶ Ibid.

⁷⁷ CICO 2008

⁷⁸ Qualitas 2003

was not all bad news as Fyffes had invested in modern irrigation channels suited for producing bananas in uncontaminated zones. The US and European markets were demanding organics and the Dominican Republic was prepared. Subsequently, today the Dominican Republic is a leading origin in the organic banana sector (40% of global exports⁷⁹). The Fairtrade sector is also of great importance to the country. In 2005, the Dominican Republic was the second largest origin for Fairtrade with 23% of sales, close behind Ecuador.⁸⁰

3.4.3 GHANA

Although Ghana has long produced bananas for domestic and regional consumption, it has only recently entered the export business, with just two plantations in the whole country. One is the Fairtrade plantation included as a case study in this research; the other is owned by the multinational Dole. Ghana exported more than 34 thousand metric tons of bananas to the EU in 2007, with export volumes continuing to rise.⁸¹ Prospects for the industry are fairly good: Ghana has two key physical features that, from the perspective of a multinational banana company, are attractive relative to the traditional banana export countries of Latin America. First, banana production in Latin America is plagued with Black Sigatoka disease, which is far less prevalent in Ghana. Second, Ghana does not suffer from the regular devastating hurricanes as do the eastern regions of Latin American production.

3.4.4 WINDWARD ISLANDS

The Windward Islands' banana industry has been its most important economic sector since the second half of the twentieth century. Following the Second World War, the UK introduced mechanisms to encourage the export of bananas from the Islands. Subsequently, the Islands began producing significant quantities for export and accounted for approximated two thirds of UK banana imports in the early 1990s. However, as outlined above, there has been a dramatic decline in banana production in the Islands due to a change in the EU trade regime. From the outset, bananas have been grown on small hilly plots (due in part to land reform policies in the second half of the twentieth century), as compared to the situation elsewhere in the Caribbean and Latin America where plantations dominate.⁸² As well as making it hard to compete in terms of economies of scale, the Islands have also been experiencing low levels of productivity. Competitive pricing pressures in key European markets, especially the UK, also continue to undermine the industry's profitability.

⁷⁹ FAO 2009

⁸⁰ Ibid.

⁸¹ USAID 2009

⁸² Maillard 1984; Welch 1996

4. FAIRTRADE IMPACT ON SOCIAL DIFFERENTIATION

Fairtrade aims to support sustainable development for producers and workers who have been “economically disadvantaged or marginalised by the conventional trading system”⁸³. In this section we look at the types of producers and workers that participate in the Fairtrade banana sector, setting them in the socio-economic and cultural context of their particular countries and the international context of banana production. The impact of Fairtrade in terms of providing opportunities and social mobility to disadvantaged social groups is assessed, first for small producers and then for workers, with separate analysis of the impact on women.

4.1 SMALL PRODUCERS

For most Fairtrade small producers, bananas were cultivated as a cash crop under monocrop production systems, with minimal production of food crops and livestock for domestic consumption or local markets. Most employed permanent workers to assist family members in carrying out regular production tasks, as well as casual labour as and when required. The more land they had, the more labourers they needed, but typically they employed between one and three permanent workers plus casual labour for an average sized farm⁸⁴. Many farmers in each of the case study countries had received land in the mid to late twentieth century as a result of agrarian reform, rather than coming from a long heritage of family farmers. In the agrarian contexts of each country (see Section 3.2) and according to FLO’s definition of small producers for the banana sector⁸⁵, the vast majority belonged to the category of small scale family farmers. For example, the average amount of land owned by SPO members in Ecuador was at the low end for small producers in the country. Another feature which many farmers in Ecuador and the Dominican Republic had in common was a lack of full land title, which placed them in a vulnerable position. In terms of global banana production, where large scale, multi estate plantation production dominates, they would certainly be classed as relatively poor and marginalised.

Farmers in the Windward Islands were quite homogenous in terms of scale of production, most having only 1 or 2 hectares of land under bananas. In contrast, there was considerable variation within SPO membership in Ecuador and the Dominican Republic. In Ecuador there were three types of producer differentiated by production systems and location:

⁸³ Wording used in the introduction to FLO’s Generic Standards for Hired Labour.

⁸⁴ See Table 6 for average farm size in each country

⁸⁵ The Generic Fairtrade Standards for Small Producers’ Organisations defines small producers in the banana sector as those who meet all the following criteria:

- The number of permanent hired workers does not exceed 2 workers per hectare (0.3 per ha in Colombia);
- Most of their working time is spent undertaking agricultural work on their own farm;
- Revenues from their agricultural activities constitute the major part of their total income;
- The production area under cultivation does not exceed 10 hectares.

SPOs are permitted to purchase up to 50 per cent of Fairtrade volumes from larger producers, provided at least 50% comes from small producers and small producers constitute at least 50% of SPO members.

- conventional monocrop producers on the coastal plain;
- organic monocrop producers on the coastal plain;
- organic agroforestry producers in the mountain region.

The latter formed the largest group of members (47%) and produced far smaller volumes (an average of just 19 boxes per week) with less dependency on hired labour. They were located in a more remote, less developed area of the country. In contrast organic monocrop producers had up to 36 hectares under production, and produced an average of 179 boxes of bananas per week. Likewise, SPO members in some areas of the Dominican Republic produced an average of 68 boxes per week, while in other areas the average was 134 boxes; 70% had less than 4 hectares under banana production, but 13% had over 7 hectares.

Variation in scales of production was important for assessing distribution of Fairtrade impact. Volume linked benefits of Fairtrade (i.e. via prices and allocation of the Fairtrade Premium) were greater for producers with higher levels of production and therefore Fairtrade could actually serve to widen economic differences between small producers in an organisation or region. The case studies all found that the economic impact of Fairtrade was limited for farmers with low volumes and/or productivity, whereas those producing higher volumes were earning enough profit to reinvest in production and improve household wellbeing (see Section 5.2.1 for more detail).

This paradox had been addressed by the SPO in Ecuador by taking steps to redistribute gains in favour of disadvantaged producers, namely those in the agroforestry category who received proportionally less in terms of direct income and allocation of the Fairtrade Premium to their local producer groups (set at US\$ 0.20 per box). Members producing less than 50 boxes per week were paid an additional US\$ 0.50 per box, with the aim of helping them invest in improving productivity. In addition, various supplementary projects had been initiated with their producer groups, including micro-credit, irrigation and water tanks, to compensate for lower levels of Premium funding. In the Dominican Republic a different form of redistribution was taking place, in that producers were paid the same price regardless of differences in quality. This compensated for the inherent challenges some producers faced in raising quality and productivity, such as access to irrigation, distance from processing facilities and quality of roads. The SPO had also used the Fairtrade Premium to build infrastructure for producers in more remote areas, to further diminish differences in quality and productivity.

Importantly, the inclusion of larger scale producers (although still small by international standards) helped SPOs reach the volumes required for efficiencies of scale and market entry. In turn this allowed SPOs to continue to offer market access and services to the smallest, most marginalised producers – services that they would struggle to afford if they focused only on the poorest producers. For example, the SPO in Ecuador had calculated the cost of technical assistance for farmers that produced less than 48 boxes per week to be US\$ 0.40 per box, compared to US\$ 0.04 per box for production in excess of 48 boxes per week. Therefore, to some extent the larger scale producers were cross subsidising more disadvantaged producers, which further justified their inclusion in Fairtrade. Having said that, the SPO in the Dominican Republic expressed concern about the certification of SPOs that lacked a social mission to improve the situation of the smallest farmers, instead being dominated by opportunistic larger producers and only including enough small producers to meet FLO's criteria that 50% of Fairtrade exports come from small

producers. Given lower costs of operation and greater ease in meeting market requirements, such SPOs were increasingly able to out compete more mission oriented SPOs, according to this source.

More generally, it was apparent that market pressures and FLO standards were weighing against the inclusion of additional more marginalised producers. For example, in Ecuador non member agroforestry producers reportedly found it difficult to make the investments in production (e.g. irrigation and processing facilities) to meet the standards required for entry to the SPO, which were based on market demands for fruit of consistently high quality, and FLO’s criteria for continual improvement which resulted in ever higher benchmarks for new producers. The same was true for producers in more remote areas of the Dominican Republic, where access to collective infrastructure was restricted by geography.

Although the economic impact of Fairtrade on agroforestry producers was limited by the low volumes they produced, the addition of bananas to their traditional farming of cocoa had brought income stability, as the two crops have complementary crop cycles. This meant farmers no longer had to migrate in search of seasonal work and had been transformed from casual, migrant labourers to fulltime self-employed farmers.

“Before, after the [cocoa] harvest [we had to] go away, there wasn’t any work here. When bananas came we could stay at home on our farms, not leave, and work for ourselves.” *SPO member, Ecuador*

TABLE 6: PRODUCTION CHARACTERISTICS OF FAIRTRADE SMALL PRODUCERS IN CASE STUDY COUNTRIES

	Ecuador	Dominican Republic	Windward Islands
Land under bananas	Monocrop conv: 0.5 – 18 ha, average 4.5 ha Monocrop org: 1 – 36 ha, average 7.8 ha Agroforestry org: 1-15 ha, average 5.2 ha	Median 3.7 ha < 2.2 ha = 24% 2.2 – 4.4 ha = 46% 4.4 – 6.6 ha = 17% > 6.6 ha = 13%	Most between 1 and 2 ha. Average in survey was 1.72 ha.
Average annual production	Monocrop conv: 6,620 boxes Monocrop org: 9,313 boxes Agroforestry org: 993 boxes	3,536 – 6,968 boxes	No data
Land tenure	96% privately owned, although often without full legal title. Inherited and/or bought land in 1950s – 2000s, some distribution as part of agrarian reform (depending on area).	Privately owned, though some with provisional title only. Mostly acquired as a result of division of land during agrarian reform, either directly or through inheritance/purchase.	Variety of land tenure: freehold, family owned, leased or sharecropped. 34% had land of more than one type.
Use of labour	Average farmer employs 1 – 3 permanent workers plus occasional casual labour, as well as family labour. Agroforestry producers have less dependency on hired labour.	Average farmer employs 1 – 2 permanent workers for 2.2 – 4.4 ha, plus occasional casual labour, as well as family labour	Farmers use family labour and/or hired labour.

Source: Case study research; FLO inspection reports

Farmers in the Windward Islands had a quite different profile. They were relatively well educated, with 10% of those interviewed having tertiary level education and the remainder mainly secondary education. This contrasted with farmers in the Dominican Republic, where the majority had attended primary school

only. In spite of this, WI farmers were vulnerable to poverty. Many were retired government workers (such as teachers) who were unable to survive on their state pensions. Others, mainly younger farmers, had only part time jobs. By providing a supplementary source of income, Fairtrade bananas were helping prevent a relatively vulnerable group from falling into poverty.

The case studies highlighted that Fairtrade farmers are an aging population. The average age was 53 years in the Dominican Republic and 51 years in the Windward Islands, with a range from early 20s up to 70 years plus in both countries. Similarly, in Ecuador farmers ranged from 22 to 88 years, with a quarter being 65 or over. In all countries there was a tendency for rural youth to migrate to cities or overseas, in search of better employment opportunities and/or improved services (e.g. health and education). These trends are consistent with many developing countries. Fairtrade does not appear to have had a substantial impact on this, judging by the ages of SPO members, but there is some evidence it had reduced forced migration pressures and/or provided a degree of stabilisation to farmers' communities. The majority of SPO members in Ecuador did not receive remittances from children or other relatives overseas, suggesting that economic migration was not a necessary step to support household income. In the agroforestry region producers had only recently started to farm bananas and were sufficiently encouraged by the results to envisage their children continuing in the same vein, rather than having to migrant seasonally or permanently. Banana production was also providing year round waged work for community members, including young people. Similarly, Fairtrade was helping to ensure a steady flow of income through rural areas in the Windward Islands, helping counteract migratory pressures to a certain extent.

Clearly the aim of Fairtrade is not to curtail the ambitions of young people to move beyond banana farming, and ideally Fairtrade will allow producers to earn enough money to provide further education and a more prosperous future for their children. The impact of Fairtrade on farmer incomes is assessed later in this report.

TABLE 7: DEMOGRAPHICS OF FAIRTRADE SMALL PRODUCERS IN CASE STUDY COUNTRIES

	Ecuador	Dominican Republic	Windward Islands
Age	22 – 88 years. 25% 65 years and over	29 – 72 years, average 53 years	25 – 72 years, average 51 years
Gender	16% female members	11% female members	40% female members
Education	No data	52% primary education, 24% secondary, 24% tertiary	Most had secondary education, 10% had tertiary. Only one illiterate farmer interviewed.
Household size	Average 4 – 5 members	Average 4 members	Average 4 members
Sources of income	Bananas main source of income for most producers and only source of income for 49%. Other sources incl. cocoa farming, remittances.	Bananas more than 60% of income for 80% producers. Only source of income for 51%. Livestock was main additional source of income.	Banana production usually supplemented income from pensions or part-time jobs.

Source: Case study research⁸⁶; FLO inspection reports

⁸⁶ Note that some case study surveys were not based on statistically representative samples, although all samples were considered to broadly reflect SPO members.

A final point to note from the Ecuador case study was that, in spite of progress in capitalising their enterprises, conventional and organic monocrop producers had not been able to expand their banana production due to the high cost of land. As such, Fairtrade had not had a significant impact on the unequal distribution of land which characterises the country.

4.1.1 WOMEN FARMERS

In Ecuador and the Dominican Republic the majority of banana production activities were reportedly carried out by men. Although 11% of SPO members in the Dominican Republic were women, this was often by virtue of the fact they had inherited land and it was their husbands that actually farmed it. It was unclear if this was also true for the female members of the SPO in Ecuador. The case studies did not include detailed analysis of the role of women, but low levels of participation were likely to be a result of socio-cultural norms, including perceptions of appropriate roles for men and women in society. Banana farming involves hard physical labour and women are often not perceived to be capable of such work. This is disproved by the fact that women were heavily involved in banana production in the WI case study, where they constituted 40% of SPO members. The wives of male members were a vital part of family labour and often attended meetings in their place. Women were perceived to be more observant of advice given by extension officers and of the requirements of Fairtrade, and many held positions in the local Fairtrade Groups. This reflected the fact that it was a matrilineal and matrifocal society where women had always been independent farmers. There were lots of female headed households which were richer than male headed households, as women tended to have higher levels of education. As such, women did not suffer the kinds of gender discrimination found in many other countries in the region, including Ecuador and the Dominican Republic. The case studies found no discernible impact of Fairtrade in terms of these gender norms.

Summary of Fairtrade impact on social differentiation in relation to small producers

By the standards of international banana production, the small producers involved in Fairtrade were economically disadvantaged and marginalised, owning relatively small plots of land and often lacking full legal entitlement to the land they had, although they may not conform to conventional notions of family farmers as most had a dependency on hired labour. There was considerable variation in scales of production between countries and within SPOs, and volume linked Fairtrade benefits (via prices and Premium) had the potential to widen socio-economic differences within the small producer category. To try and counteract this, SPOs were taking steps to redistribute gains to poorer members. The inclusion of larger producers helped SPOs to achieve the economies of scale and market access necessary for them to stay competitive and continue providing services to the most marginalised producers. But it also introduced the risk of opportunistic producers riding on the back of smaller producers to gain access to a preferential market. More generally, the high demands of FLO standards (exacerbated by benchmarks set through continual improvement) and strict market requirements were eroding possibilities for the inclusion of additional more marginalised producers.

Even though income benefits were relatively limited for farmers with low volumes, they were sufficient to transform some producers in Ecuador from seasonal migrant labours to self employed farmers, and prevented farmers in the Windward Islands from falling into poverty. Fairtrade was also helping to reduce forced migration pressures and stabilise communities, but, judging by the average age of SPO members, was not enough to encourage young people to farm or to stem voluntary youth migration.

Women apparently had little involvement in SPO activities in Ecuador and the Dominican Republic, where they were not seen as suited to the heavy work of banana production. In contrast, the capabilities of women farmers were proven by high levels of participation in the Windward Islands. Fairtrade had had no discernible impact in terms of challenging the socio-cultural norms and gender biases that underpinned these differences.

4.2 WORKERS

Workers on Fairtrade plantations included some of the poorest and/or most vulnerable groups in each country:

- In Ghana the workforce included women, widows, disabled people and people with HIV/AIDS, as well as a high proportion of illiterate workers. Employment opportunities for these groups were extremely limited and Fairtrade was having a significant impact in supporting (rather than creating) jobs for them. Funds from the Fairtrade Premium had also been used to help combat HIV/AIDS, including co-finance for HIV testing and awareness-raising.
- In the Dominican Republic, about half of workers were migrants from Haiti, one of the poorest countries in the world. Their families usually remained in Haiti and were reliant on the remittances workers sent. Many of the remaining workers were Dominicans without access to land and/or women who had limited employment opportunities.
- In Ecuador many field workers were internal migrants from provinces where wages were much lower (e.g. US\$ 3.50 per day, compared to US\$ 10). 21% had little or no education and 76% did not own any land.

In most developing countries formal employment for people with little education and a low skill base is difficult to come by. Most people in this category are constrained to informal, often irregular work, with little income security or access to state benefits. This was true for all three case study countries, where most agricultural labour was carried out without contracts, either seasonally or, in the case of bananas, on a “permanent casual” basis. In Ecuador huge numbers of workers employed in the banana sector were hired by third party contractors, so that plantation owners could avoid all legal responsibilities for labour.⁸⁷ As such an important impact of Fairtrade was its support of formalisation of employment on the case study plantations.

As shown in Table 8, between 75% and 94% of the workforce on each plantation had indefinite written contracts, compared to 0% to 71% previously. This had been heavily influenced by Fairtrade in Ecuador and the Dominican Republic and supported by Fairtrade in Ghana. Formalisation of permanent employment backed by written contracts ensured workers received important legislated benefits that boosted their income and gave them long term job security protected by law, allowing them to take different forms of leave (maternity, sick, annual, etc.) without losing their jobs. For example, in the Dominican Republic all workers had previously been employed on a daily contract basis and this made it difficult for Haitian migrants to visit their families and still maintain their jobs. Having paid annual leave

⁸⁷ The new government of President Correa (elected in 2006) introduced a new law in 2008 (known as ‘Mandato 08’) banning third party contracting of labour, but it was still in widespread use.

had enabled them to make more regular visits home. Indefinite contracts had also reduced the power of foremen, who had previously been in charge of allocating jobs on a daily basis and in at least one case abused this power by asking workers for bribes.

TABLE 8: FORMALISATION OF EMPLOYMENT ON FAIRTRADE PLANTATIONS

Year of FLO inspection		Ecuador	Dominican Republic	Ghana
2002 (2003 for Ghana)	Total workforce	281	160 (not incl. management, foreman and admin. staff)	520
	Number permanent workers	193 but no written contracts	0	370
	Permanent workers as % of total at start	69% but no written contracts	0%	71%
2008 (2006 for Dominican Republic)	Total workforce	346	160	658
	Number permanent workers	258 with written contracts	150	579 ⁸⁸
	Permanent workers as % of total at time of research	75%	94%	88%

Source: FLO inspection reports

Access to formal employment represented a significant change in the social and economic status of workers. Furthermore, some workers had progressed to higher skilled, higher paid work within the plantations, such as supervisors or foremen. Although such opportunities were quite limited, some workers in the Dominican Republic and, to a lesser degree, Ecuador were using savings from their employment income to invest in establishing micro-enterprises (petty trade, farming, etc.) (see Section 5.2.2.3). Overall, workers in all three countries were experiencing some social mobility as a result of Fairtrade, albeit to varying degrees.

Fairtrade had had another important impact on the social and legal status of Haitians in the Dominican Republic. Funds from the Premium were being used to process passports and working visas, giving them protection from the regular mass expulsions of migrant workers by Dominican authorities. It also reduced the cost of travelling to and from Haiti, as they no longer had to pay “coyotes” to get them across the border illegally. However, obtaining the right to stay and work in the Dominican Republic did not give automatic rights to workers’ children, as Dominican law required children to have a Dominican birth certificate in order to attend school and access other public services. As a result some Haitians were resorting to paying Dominicans to “adopt” their children so they could obtain a birth certificate and gain full citizenship.

⁸⁸The case study research indicated that all workers had indefinite contracts, with the exception of new workers who were given six months probation first. It is not known how many workers were on probation. The FLO inspection report for 2008 registered 79 seasonal or casual workers – these may be workers on probation.

There were several areas in which the impact of Fairtrade depended on the type of worker. The Fairtrade Premium often benefited some groups of worker more than others; for example, those with children received education grants in all three countries, while longest serving workers were more likely to receive housing grants. Migrants were almost systematically disadvantaged in allocation of the Fairtrade Premium, as it was often spent on programmes and projects for members of local communities and migrants' households were therefore automatically excluded. In Ecuador Fairtrade had had a limited effect on workers still hired on a casual basis for occasional or periodic tasks, who did not have social security or access to Fairtrade Premium benefits (although they did receive a higher daily wages as a result of production bonuses). People looking for temporary or seasonal work in the Dominican Republic, often farmers wishing to supplement income from self-employment, could be said to be negatively affected by the switch to permanent work contracts. A more controversial case occurred in the Dominican Republic, as a result of pressure to comply with Dominican law which required 80% of employees to be Dominican nationals. When the plantation was first certified it had only around 20% Dominican workers, the rest being Haitian; this was typical for agricultural labour. Over time this percentage had been increased to 52% Dominican. Pressure to comply with the law came from various sources, among them FLO. This meant that employment opportunities for Haitians, almost certainly the poorest group of workers, were more limited than before, in part as a result of Fairtrade. While unfortunate for Haitians, this can not really be classed as a negative impact, as compliance with national legislation is an important basic principle of Fairtrade (so long as it doesn't conflict with internationally recognised standards) and the aim should perhaps be to lobby for a change in law (or support others to do so) rather than to advocate non compliance.⁸⁹ But, like many of the cases described above, it is an illustration of the fact that the impact of Fairtrade is not always evenly spread across social groups.

4.2.1 WOMEN WORKERS

Plantation workers in all three countries were predominately male. On the plantations in Ecuador and the Dominican Republic women formed 8% and 17% of the workforce respectively and were only employed in processing and administration, rather than production. In Ghana women were more widely distributed across tasks, and higher use of manual labour over machinery had led to a relatively high proportion of female employees (20% versus approximately 15% on the other banana plantation in the country), although they were still in the minority. There were almost no examples of women in management positions on the Fairtrade plantations, but they dominated administrative posts in all three countries (e.g. 60% in Ghana and 70% in Ecuador). This demonstrates the gender based allocation of work and limits to employment opportunities, and associated restrictions on income, that women in all three countries faced.

For example, in Ecuador processing generally brought in a lower income than work in production as there wasn't work available every day (leading to an average basic monthly wage of US\$ 176 versus US\$ 200 for field work). Within processing itself, women were often doing the less skilled tasks that earned lower daily rates.

However, given there were few sources of formal employment for rural women in each country, any increased opportunity for permanent work resulting from Fairtrade should be viewed as positive impact,

⁸⁹ FLO recently introduced special compliance criteria for the Dominican Republic, requiring plantations to demonstrate action is being taken at local and government levels to improve the situation of Haitian labourers.

albeit relatively small in scale. In Ecuador, for instance, women said that having a job gave them some autonomy over how household income was spent:

“Working helps us have our own income. Although my husband decides on how money is spent, I keep a small amount for myself to cover day to day expenses and to give to my son from my previous marriage.” *Women plantation worker, Ecuador*

Female headed and single income households are particularly vulnerable to poverty and there was some evidence that Fairtrade had (indirectly) supported such groups. For example, 90% of women workers in Ecuador had one or more children, but only 45% were married or cohabiting, indicating that a significant proportion of women workers were single mothers. In Ghana only 15% of workers had a spouse who received a regular income, with income from employment on the Fairtrade plantation being the mainstay for the vast majority of households, including those of women workers.

4.2.2 WORKERS HIRED BY SMALL PRODUCERS AND THEIR ORGANISATIONS

Ecuador was the only country in which detailed information was gathered on workers hired by small producers and their organisations⁹⁰. There were several different types of worker identified in the case study and Fairtrade had had varying impact on each:

a. Workers hired by SPO members:

- Permanent workers: Worked for the same producer all week and received a salary each week/fortnight/month. Many had social security, largely because of Fairtrade (see Section 5.1.2), but only those that worked year round. Benefited from monthly food basket and school grants funded by Fairtrade.
- Casual workers: Employed on a daily basis on shipping days or during peak periods. Worked for more than one producer, often for many years. Did not usually benefit from social security or Fairtrade funded programmes, but had higher daily wage than other casual workers in the region as a result of SPO policy, which was influenced by Fairtrade (see Section 5.1.2).
- Family labour: Worked either all week or for certain days/periods. Some had social security and benefited from Fairtrade funded programmes. No information about payment of a wage was obtained.

Although demographic information about these workers was not gathered, it can be assumed that they had a relatively similar profile to plantation workers and also belonged to some of the poorest social groups in Ecuador. Fairtrade had had a positive impact on all groups, although this was greater for those hired on a permanent, year round basis than for casual workers who were the group most vulnerable to poverty.

b. Workers contracted by the SPO:

⁹⁰ According to Nadia Zariouh, a similar profile of employment was found in the Dominican Republic (personal communication).

- Service providers: Included around 85 graders/quality controllers organised into 2 legal associations, who worked 3 or 4 days a week for different producers. Received ongoing training from the SPO. Also included Association of port workers and workers employed by the company that evaluated fruit quality. All had social security and, through formalised work for the SPO (which was encouraged by Fairtrade), said they had achieved better income security, salaries and working conditions compared to those working for other agro-exporters or on larger scale plantations. They also received some Fairtrade Premium funded benefits (see Section 6.1.5).
- Employees: 53 people employed directly by the SPO, including administrators, technical advisors, doctors, nurses and warehouse staff. 41 had indefinite contracts, the remainder were on fixed term contracts or on probation. All received social security and other benefits as per the law. Workers in this category were less likely to be poor or marginalised.

Workers hired by small producers in the Dominican Republic were overwhelmingly Haitian (80% according to a survey carried out by the SPO). As described in the introduction to this report, Haitians migrant labourers are perhaps the poorest group in the Caribbean region. They received a number of benefits from working for SPO members, including processing of residency permits, social security, annual bonus and food rations. These were co-financed by the Fairtrade Premium and a contribution from producers.

Summary of Fairtrade impact on social differentiation in relation to workers

Fairtrade workers included some of the poorest and most vulnerable groups in each social context, such as single mothers, widows, landless labourers, migrants, disabled people and people with HIV/AIDS. In general, workers had low levels of education and skills and few opportunities for formal employment. In most countries Fairtrade had resulted in increased formalisation of employment, backed by written contracts, with associated legal benefits and job security. This represented a significant improvement in the social and economic status of marginalised groups, but did not necessarily bring them out of poverty due to continued low wage levels (see Section 5.2.2). In a limited number of cases plantation workers achieved further social mobility through progressing to more skilled positions, or forming their own micro-enterprises.

The benefits of Fairtrade were sometimes unevenly distributed. Permanent workers and those previously employed as “permanent casuals” gained more than temporary and casual workers, although the latter group was small on plantations as a result of formalisation of employment. Workers with children, and those employed for longest, gained most from Premium spending on housing and education. Haitian migrant workers in the Dominican Republic were disadvantaged in relation to the Premium, as their families and communities were often excluded from expenditure on housing, education, healthcare and other public goods. However, the social status of Haitians had been considerably improved through use of the Premium to fund passports and visas.

Women were in a minority on all Fairtrade plantations and were mostly employed in processing or administration, not production or management. This gender based allocation of work limited their income and had not been challenged by Fairtrade.

5. FAIRTRADE IMPACT ON SOCIO-ECONOMIC STATUS OF SMALL PRODUCERS AND WORKERS

One of the key aims and central messages associated with Fairtrade is that it provides small producers a “better deal and improved terms of trade”.⁹¹ Plantations are permitted to join Fairtrade if they commit to sharing additional revenue gained from Fairtrade with workers. This section analyses the returns to producers from Fairtrade production and assesses Fairtrade workers wages, comparing them to producers and workers outside Fairtrade. It then looks at the overall impact Fairtrade has had on household income and standard of living, and on working conditions.

5.1 INCOME FROM FAIRTRADE

5.1.1 PRODUCER INCOME

Put simply, returns to small producers and plantation owners from Fairtrade production depend on:

- A. Costs of production;
- B. Proportion of production sold on different markets: Fairtrade organic, Fairtrade conventional, organic and conventional;
- C. Farmgate prices for different markets.

Each of these elements will be discussed in turn.

5.1.1.1 COSTS OF PRODUCTION

Case study SPOs and plantations all said costs of Fairtrade production had increased markedly in recent years for a number of reasons, including:

- increased cost of inputs resulting from inflation and high oil prices, among other things;
- currency devaluations;
- more stringent requirements from FLO, resulting from changes in the standards and stricter auditing and sanctions;
- retailers requiring compliance with a growing number of production standards, some of which require producers to pay for third party verification (e.g. GLOBALGAP).

Costs of production (COP) varied considerably from one country to the next, depending largely on labour costs and yields. This meant COP varied both between and within the two types of producer (plantations and small producers). For instance, although wage rates were very low in Ghana, the plantation there

⁹¹ ‘What is Fairtrade’ on FLO website: http://www.fairtrade.net/what_is_fairtrade.html

employed nearly twice as many people per hectare as the plantation in Ecuador and average yield was half that of the Dominican Republic and only a third that of Ecuador (see Table 9).

TABLE 9: COMPARISON OF PRODUCTION COSTS AND PRODUCTIVITY LEVELS ON FAIRTRADE PLANTATIONS

	Ecuador 2008	Dominican Republic 2006	Ghana 2008
Basic monthly wage for general workers	US\$ 176-200	US\$ 113	US\$ 61
Workers/ha	0.98	1.79	1.83
Boxes/hectare/yr	1440	1758	818
Boxes/worker/yr	1472	984	447

Source: Case study research

For small producers there was considerable variation in average plot sizes and yields, the latter depending on factors such as: production system, terrain, access to infrastructure, and time as SPO member (see Table 10). In Ecuador, for instance, yields range from an average 1471 boxes per hectare per year under a conventional monocrop system, to just 192 boxes per hectare under a diversified organic system. In the Dominican Republic, yields ranged from 992 boxes to 2,205 boxes per hectare. Productivity was higher for farmers that had been members of the SPO for a number of years and had received continuous training and guidance on improving production practices to enhance yields. Productivity and quality also depended on the region, due to differences in access to irrigation and infrastructure (processing facilities, asphalt roads, etc.). Yields were particularly low in the Windward Islands because soil fertility was variable and the mountainous terrain restricted farmers' ability to use intensive farming methods.

TABLE 10: COMPARISON OF PRODUCTION COSTS AND PRODUCTIVITY LEVELS FOR FAIRTRADE SMALL PRODUCERS

	Ecuador 2008	Dominican Republic 2006	WI 2008
Average hectares under production	Conv: 4.50 Org: 7.77 Agroforestry: 5.17	3.13	1.40
Average annual production (boxes)	Conv: 6,620 Org: 9,313 Agroforestry: 993	3,558 – 6,993 (depending on region & time in SPO)	No data
Average boxes/hectare/yr	Conv: 1471 Org: 1199 Agroforestry: 192	992 – 2205 (depending on region & time in SPO) Conv: 1378 (average) Org: 1433 (average)	Conv: 810

Source: Case study research; FLO inspection reports; SPO-AFAD-SIPAE, 2007

As part of a FLO minimum price review in 2009, FLO carried out an extensive survey of the costs of production of certified banana producers. The findings are summarised in the table below in anonymous form, along with the FLO minimum prices for the respective countries:⁹²

⁹² This data was confidential to FLO and so is presented in an anonymous format.

TABLE 11: AVERAGE COSTS OF PRODUCTION AND EXPORT COMPARED TO FLO MINIMUM PRICES FOR FLO CERTIFIED PRODUCERS IN 2008

		Conventional Farmgate	Organic Farmgate	Conventional FOB	Organic FOB
Country 1	COP	6.71	7.90	9.36	11.46
	FLO min price	--	--	8.00	10.00
Country 2	COP	6.65	10.45	9.92	13.73
	FLO min price	7.00	8.50	8.50	10.00
Country 3	COP	6.44	--	8.83	--
	FLO min price	5.50	--	6.75	--
Country 4	COP	6.25	--	8.60	--
	FLO min price	5.75	--	6.75	--
Country 5	COP	--	6.65	--	10.33
	FLO min price	--	7.00	--	8.50
Country 6	COP	9.81	--	No data	--
	FLO min price	7.60	--	--	--
Country 7	COP	6.30	9.53	8.94	12.14
	FLO min price	5.50	7.25	6.75	8.50
Country 8	COP	5.52	--	8.97	--
	FLO min price	6.00	--	7.00	--

Source: FLO e.V., based on 2008 COP data and FLO minimum prices for 2009

Comparing the figures to the FLO minimum prices, there are only two cases where the FLO minimum price exceeds the average cost of production at farmgate (by US\$ 0.35 in both cases). In the remaining seven cases the shortfall ranges from US\$ 0.48 per box to US\$ 2.28 per box and is generally greater for organic production than conventional. At export level (i.e. FOB) there is consistently a shortfall, ranging from US\$ 1.36 to US\$ 3.73 per box. This is consistent with information gathered during the case studies for this report, and reflects the sharp increases in costs that producers and exporters have been reporting in recent years. However, it should be noted that producers/exporters may receive higher than FLO minimum prices for Fairtrade sales; equally, most do not sell all their production as Fairtrade and the Fairtrade price will be diluted by sales to non Fairtrade markets. Actual farmgate prices received are discussed in Section 5.1.1.3 below.

Furthermore, the COP presented here do not necessarily reflect real or direct financial costs. For example, small producers use family labour which is not always "paid" at the rates used in COP calculations. For plantations there are sometimes costs included that would vary considerably between Fairtrade farms. In the Dominican Republic, for instance, the plantation was run as a "model farm" which experimented with organic production systems and had multiple certifications. It also received a high volume of visitors. This was judged to inflate costs by as much as US\$ 2.00 per box, with other Fairtrade plantations likely to make a reasonable profit based on the FLO minimum price (in 2006). In addition, the Fairtrade Premium was sometimes used by SPOs to subsidise members' production costs, for example paying for collective infrastructure or equipment. In the past the case study plantations had also used part of the Premium for business costs, but this had since been prohibited by FLO.

5.1.1.2 PROPORTION OF PRODUCTION SOLD AS FAIRTRADE

Table 12 below indicates that the case study plantations sold between 74% and 99% of their exported production as Fairtrade, while the SPOs sold between 75% and 78% as Fairtrade.

TABLE 12: VOLUMES SOLD BY FAIRTRADE PRODUCERS ON DIFFERENT MARKETS (BOXES)

	Small Producer Organisations			Plantations		
	Ecuador 2008	Dominican Republic 2006	WI 2006	Ecuador 2008	Dominican Republic 2006	Ghana 2008
Fairtrade organic	1,680,069 75%	811,963 75%		393,682 99%	108,000 74%	120,323 55%
Fairtrade conventional			2,566,340 77.5% ⁹³			61,476 28%
Organic	560,310 25%	270,671 25%		5,109 1%	37,000 26%	
Conventional			745,066 22.5%			37,920 (17%)

Source: Case study research; FLO inspection reports

The majority, if not all, production was certified organic for four of the six case study producers (see Table 13), but it was not always sold as organic. This is a reflection of the markets each sold to, as demand for Fairtrade organic was limited in some countries, particularly the UK.

TABLE 13: PERCENTAGE OF PRODUCTION THAT IS ORGANIC

	Small Producer Organisations			Plantations		
	Ecuador 2008	Dominican Republic 2006	WI 2006	Ecuador 2008	Dominican Republic 2006	Ghana 2008
% production organic	47%	75%	0%	100%	100%	66%

Source: Case study research

5.1.1.3 FARMGATE PRICES

Price data is commercially sensitive and is therefore difficult to obtain. National statistics agencies do not disaggregate export data by type of bananas (i.e. differentiating Fairtrade exports from non Fairtrade) and so official figures can't be used as an estimate. SPOs and plantation owner/managers are required to report the average prices they receive (Farmgate or FOB) on different markets during FLO inspections, but data collection has been ad hoc. The farmgate prices reported to FLO by two case study producers are given in Table 14. Additional price data was obtained during the case study research; this is also included in Table 14, but again is relatively limited. But from the information obtained, it seems clear that producers received higher prices for Fairtrade sales than for non Fairtrade sales (either organic or conventional), with the price difference ranging from US\$ 0.38 to US\$ 4 per box. Organic Fairtrade

⁹³ This increased to 86% in 2007.

achieved a premium of between US\$ 1.25 and US\$ 2.15 over Conventional Fairtrade, although there was limited data on this. While market prices (i.e. non Fairtrade prices) had gradually increased in recent years, the figures suggest that prices received for Fairtrade sales had been quite stagnant since 2006, reflecting the fact that the FLO minimum prices have not changed since then.

Overall farmgate prices were roughly in line with FLO minimums, or slightly below. Since most SPOs/plantations did not sell all their production as Fairtrade, and farmgate prices were brought down by sales on non Fairtrade markets, this is to be expected. It is further indication that prices outside Fairtrade, on conventional or organic markets, were lower, at least until the recent upsurge in prices.

TABLE 14: PRICES ACHIEVED BY FAIRTRADE PRODUCERS ON DIFFERENT MARKETS

	FLO inspection reports	Case study research
SPO 1	No data	Farmgate prices said to be above FLO minimums, US\$ 3 to US\$ 4 higher than on regional markets and around 25% more than producers used to get on traditional markets.
SPO 2	2008 FT: US\$ 7.00 Intermediaries pay US\$ 1 – 10 dep. on time of year 2007 FT: US\$ 6.25 Intermediaries US\$ 1 – 8	Producers paid US\$ 5.05 for conventional and US\$ 7.20 for organic sales, in line with FLO minimums. Market prices had gradually increased over last four years. Fairtrade allowed for more stable prices, but not necessarily higher than market prices, especially during periods of high demand/low supply.
SPO 3	No data	Farmers received US\$ 5.50 – 6.25 for organic Fairtrade and US\$ 4.25 – 4.50 for conventional Fairtrade, after packing materials deducted. In periods of high demand/low supply, price difference between Fairtrade conventional and non Fairtrade conventional as little as US\$ 0.25, but when low demand/high supply price gap widens to US\$ 1.25 – US\$ 2.00.
Plantation 1	2006 FT: US\$ 6.83 Non FT: US\$ 6.45 Local US\$ 2.04	Producer received more on Fairtrade markets than organic markets in 2006, but in previous years the price for organic sales was higher than Fairtrade.
Plantation 2	2008 FT: US\$ 6.09 2006 FT: US\$ 6.72 Non FT: US\$ 4.36	Generally paid at FLO minimum prices but major importer had agreed to pay US\$ 1.30 above FLO minimum FOB to cover increased costs in 2008.
Plantation 3	No data	Price difference between Fairtrade organic and non Fairtrade conventional can be as much as US\$ 4 per box.

Source: FLO Inspection Reports; case study research

Importantly, in Ecuador Fairtrade did not appear to provide a guarantee that the FLO minimum price would be paid throughout the year. There was evidence that Fairtrade small producers (not members of the case study SPO) were sometimes paid above FLO minimums and sometimes below, depending on the time of year. Exporters in both Ecuador and the Dominican Republic reported that importers or ripeners in Europe did not want to sign contracts obliging payment of the FLO minimum price year round because there was speculation in Fairtrade markets and/or because they did not have contracts with retailers. This corroborates information from a UK importer who said producers in Ecuador were receiving the FLO minimum price on average over the year, but not continuously throughout the year.

5.1.1.4 OTHER FAIRTRADE IMPACTS ON SMALL PRODUCER INCOME

The impact of Fairtrade on small producer incomes was not just a result of Fairtrade market prices. The Fairtrade Premium had sometimes been used to increase farmgate prices for small producers. For example, the SPO in Ecuador had used the Premium to subsidise low prices for sales on traditional markets and to cover the cost of rejects. One of its constituent farmer associations had also distributed its share of the Premium as direct payments to members. The Fairtrade Premium had also been used in various locations to build or purchase collective infrastructure and equipment, which reduced producer costs and therefore raised incomes. Fairtrade also had an impact on income via improvements in productivity and quality resulting from SPO technical assistance. For instance, long serving members of the SPO in the Dominican Republic had considerably higher yields than new members due to continuous assistance from SPO advisors. Financing for technical assistance often came from the Fairtrade Premium (see section 6.1.5), or from profits on sales to Fairtrade markets.

5.1.1.5 NON PARTICIPANT ATTITUDES TO FAIRTRADE

Unfortunately it was not possible to directly assess whether producer income from banana sales was higher inside or outside Fairtrade, as COP and prices for non Fairtrade producers were not obtained.⁹⁴ A proxy indicator would be the interest non Fairtrade producers showed in participating in Fairtrade, although this was also influenced by other benefits of Fairtrade such as the Premium and market access, as well as additional services provided by the SPOs. Table 15 summarises the findings in relation to non Fairtrade producers. Most notable is that the quality and standards required for Fairtrade markets (including for labour) act as a disincentive to participate, which suggests that the implied costs and regulatory systems were not compensated for adequately in term of price.

TABLE 15: ATTITUDES OF NON FAIRTRADE PRODUCERS TO PARTICIPATION IN FAIRTRADE

Ecuador	<ul style="list-style-type: none"> • The SPO had grown continuously since inception and continued to attract new members, especially in the agroforestry region. • Small producers in the coastal region were less inclined to join because of lack of tradition of organisation, amounts charged for logistics by the SPO, investments required to achieve quality and FLO standards, requirement to pay high wage and social security for labourers. • When market prices peaked there were problems of temporary desertion by SPO members. • Other plantations did not appear to be interested in joining Fairtrade, reportedly because of the costs involved in implementing higher labour standards, but also because they lacked information about it.
Dominican Republic	<ul style="list-style-type: none"> • There was widespread interest in joining Fairtrade, reflected in the increase in number of SPOs and plantations certified in recent years. However, this was prior to stricter enforcement of FLO standards, especially for labour. • Some SPO members sold on non Fairtrade markets when prices were high.
Ghana	<ul style="list-style-type: none"> • There was only one other banana plantation in Ghana. It was not known whether it would be interested in joining Fairtrade, but it was owned by a multinational which, to date, would have limited its involvement.

⁹⁴ Some anecdotal evidence on COP outside Fairtrade was gathered, but it was not considered reliable enough to use as the basis for comparison.

Windward Islands	<ul style="list-style-type: none"> • The SPO had grown continuously since its inception and almost all banana farmers in the Windward Islands had become members. • Remaining farmers apparently opted for selling on regional markets as it was less demanding in terms of quality and standards. • Although there was some indication that farmers had leased land (government owned or privately rented) in order to take advantage of the revival in the banana sector, overall the returns from bananas were not sufficient to encourage previous farmers to return to banana production.
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Source: Case study research

5.1.1.6 MOTIVATIONS FOR PLANTATIONS TO BECOME FAIRTRADE CERTIFIED

The COP and price data suggest that it was not always the guaranteed minimum price that attracted plantation owners to Fairtrade. This is perhaps no surprise given the context of banana production and export in each country. For example, in Ecuador most non Fairtrade producers are at the mercy of exporters, especially big corporations such as Noboa, Dole and Reybanpac which effectively control prices, regardless of the official export price set by government. Prices fluctuate greatly during the year, depending on the season, and often fall well below costs of production. Even though the official price is what is shown on invoices, various sources reported that producers are often required to return a part of the payment to the importer in return for receiving a quota for the following week's shipment. Exporters are also accused of various other "unfair" practices which reflect their position of power in the value chain, such as overcharging for cartons and restricting access to fumigation services. Fairtrade gives producers (plantations and small producers) an alternative route for exporting their bananas and protection from these national dynamics.

Having said this, the fact that other plantations in Ecuador did not appear to be interested in gaining Fairtrade accreditation suggests that the benefits to medium scale producers were not overwhelming. As such, there were two other factors which appeared to have motivated participation for the case study plantation:

- The social and environmental orientation of the producer, which predated involvement in Fairtrade, was an incentive to continue, despite inconsistent financial rewards;
- Exporting bananas is more profitable than producing them, but it is difficult to compete with large players on traditional exports; Fairtrade provided an opportunity to enter the export business through focusing on niche markets and thereby gaining direct access to markets.

The situation for the case study plantation in the Dominican Republic was somewhat similar. The plantation was owned by the country's largest exporter, responsible for over half of all exports (the majority of which go to the UK). The motivation for getting directly involved in Fairtrade production had more to do with the export business and market requirements, than profits to be earned by the plantation. Having secure volumes from the plantations better equipped the exporter to meet the demands of retailers in terms of flexible supply of high quality, certified bananas. Although the majority of exports were still from small producer associations, the quantities coming from plantations were increasing, especially for the UK market.

Ghana presents a completely different case, in that it was the first banana plantation to be established in the country and remained one of only two, the other owned by a multinational banana company. It was set up as a joint Ghanaian/Dutch business with development objectives in mind, and since its early days had received support from aid organisations, international development funds and Alternative Trading Organisations. It had suffered numerous serious setbacks, including a Black Sigatoka attack in 1990, a drought in 1998 and a windstorm in 2002 that wiped out almost all production. In the past the company was only able to stay afloat because of the higher prices earned on Fairtrade markets, which in turn was a result of the importer (a 100% Fairtrade company) paying for the import license. As Ghana is a non traditional exporter and therefore did not have access to duty free import quotas, it was paying US\$ 4 per box for a license in 1994-1997. Following Fairtrade certification the importer paid the license fee for them. They also used part of the Fairtrade premium for core business expenses, which eased their financial situation. However, dramatic increases in costs of production and stricter enforcement of FLO standards, as well as added costs associated with selling via an intermediary, had brought it to the brink of financial collapse. Productivity levels were very low and although it exported directly, it was not able to achieve economies of scale and boost export earnings through selling production from other Fairtrade producers. At the time of the research, it was Fairtrade organic markets that were sustaining the business.

Summary of Fairtrade impact on producer income

Fairtrade producers (small producers and plantations) were managing to sell the majority of their crop on Fairtrade markets and on average over time were receiving higher prices in those markets than they would have achieved on traditional markets. This was especially the case at times of the year when market prices were low, but did not always hold true when comparing with the higher prices that have been seen on traditional markets in recent years as, unlike for some other Fairtrade products, prices do not track non Fairtrade market prices.⁹⁵ Fairtrade costs of production were high, especially given inflationary pressures in the 2007-8 period and stricter enforcement of FLO standards, and in most cases would not have been covered by the farmgate prices they received if full costs (e.g. for family labour) were taken into consideration.

As such, the overall impact of FLO minimum prices on producer income **in recent years** had been a stabilising, rather than income boosting, effect. Use of the Fairtrade Premium to enhance incomes for small producers via improved productivity, quality and certifications and/or reduced costs was therefore important. For plantations, motivations to participate in Fairtrade were usually linked to the social and environmental outlook of owners, and the opportunities it created for entering or sustaining the relatively profitable business of exporting bananas, rather than higher farmgate prices.

A full comparison of producer income inside and outside Fairtrade was not carried out, but non participant producers in several countries said the FLO standards were a disincentive to participation, suggesting they believed view the costs involved and regulatory systems were not compensated for adequately in term of price and other benefits.

⁹⁵ For instance, Fairtrade coffee producers are guaranteed to receive either the FLO minimum price or the non Fairtrade market price (as traded on international market exchanges), whichever is higher, plus the Fairtrade premium.

5.1.2 WORKER INCOME

Plantations are able to participate in Fairtrade if they are prepared to promote worker development and are willing to share extra income from Fairtrade with workers. The previous section suggests that additional revenues from Fairtrade may be limited, and are certainly difficult to calculate, but a core principle of Fairtrade is that workers are paid a “decent wage”. While this term is somewhat vague, the FLO standards for Hired Labour stipulate that wages should be:

“in line with or exceed sector CBA regulations, the regional average, and official minimum wages for similar occupations”,

and should be gradually progressed to a “living wage”.⁹⁶ In this section the wages of banana workers are assessed, in order to determine whether Fairtrade facilitated payment of a decent and/or living wage.

Agricultural labour is typically paid on a daily wage or piece rate basis. In Ecuador and the Dominican Republic, daily wages or piece rates on the Fairtrade plantations were above national minimum wage levels but broadly in line with industry averages. However, Fairtrade worker incomes had been boosted by payment of legislated wage related benefits, such as annual bonuses, paid annual leave and premiums for overtime hours. These benefits were less frequently paid outside Fairtrade farms (see Table 16) and were often linked to formalisation of employment and provision of indefinite (or ‘permanent’) contracts. In both cases this was a direct impact of Fairtrade. Receipt of wage related benefits made Fairtrade worker income among the highest for agricultural labourers in each country (see Table 16). This, along with other benefits associated with the Fairtrade Premium (see Section 5.2.2) and organic production, made employment on the case study plantations attractive. As one worker in Ecuador put it:

“I started at [the Fairtrade plantation] a couple of years ago. I was a casual worker and my dream was to come and work here, because of the benefits workers receive, the different way of working, provision of working equipment, and compliance with the law. And they have environmental security. This gives you the hope of getting out of poverty. The [daily wage rate] is low here, it’s higher elsewhere, but you have to work longer hours, with no future and no protection for workers.” *Plantation worker in Ecuador*

In Ghana the Fairtrade banana plantation had somewhat similar terms and conditions of employment as the only other banana plantation in the country (according to key informants and secondary data⁹⁷), perhaps unsurprising since both farms were unionised.⁹⁸ There were differences in the type of fringe benefits received, making a direct comparison difficult. However, the Fairtrade plantation had a shorter working week and workers were paid for 27 days despite only working 20, in line with Ghanaian tradition,

⁹⁶ Generic Fairtrade Standards for Hired Labour, 2009, Sections 1.5.1 and 1.5.2.5.

⁹⁷ Van Schendel, L. (2007) ‘Makes fair trade a difference? Comparison of a fair trade and a non fair trade plantation in Ghana.’ Bachelor thesis in Development Studies, Radboud University, Faculty of Social Sciences, the Netherlands.

⁹⁸ One key informant reported that the non Fairtrade plantation had had to align their wages and conditions with the Fairtrade plantation in order to attract workers, but the case study suggested that workers in the region would be interested in any opportunity for formal waged work, even with poorer conditions.

which made the basic wage slightly higher.⁹⁹ Importantly, all workers had indefinite contracts, which differentiated the plantation from most other agricultural work in Ghana – this was company policy rather than an impact of Fairtrade, but was supported by Fairtrade. A trade union official claimed that the Fairtrade plantation was used within the union as a reference point for good industrial practices and had influenced terms and conditions elsewhere, not only in the banana sector but in the TUC more broadly. While this could not be confirmed empirically, it was an important *potential* impact of Fairtrade.

TABLE 16: ENTITLEMENTS RECEIVED BY BANANA PLANTATION WORKERS INSIDE AND OUTSIDE FAIRTRADE

	Ecuador		Dominican Republic		Ghana	
	Fairtrade	Non-FT	Fairtrade	Non-FT	Fairtrade	Non-FT
Indefinite contracts	Yes	Not common	Yes	Not common	Yes	No (fixed contracts)
Social security	Yes	Not common	Yes	Not common	No information	No information
Overtime	\$1.7 per hr	\$1 per hr	Yes	Not common	Yes	No information
Paid annual leave	12 days	Not common	14 days	Not common	21 days	No information
Legislated annual bonuses	Yes, equivalent to 37% of basic annual wage	Not common	Bonus and dividend paid (latter equivalent to 15-20% of basic annual wage)	Bonus usually paid, dividend not so often	Yes	Yes
Standard working day/week	Field: 8 hrs/5 days Pack: 8 hrs/3-5 days	Field: 8 hrs/5.5 days Pack: 10 hrs/1.5 days	No information	No information	Mostly half days, 5 days per week	Until 4pm, 6 days per week

Source: Case study research¹⁰⁰

The case studies obtained less detailed information about terms and conditions for workers hired by small producers. The case study in Ecuador found that both permanent and temporary workers employed by small producers were generally paid higher daily rates than those employed by non Fairtrade plantations in the region. Permanent workers also received social security, which gave them access to credit and loans, but it was unclear whether they received any additional wage related benefits. Higher wage rates and social security were a direct result of SPO policy, which had been influenced by Fairtrade.

In the Dominican Republic a study carried out by the SPO had indicated that 42% of members' workers had stayed with them for more than 5 years, deemed unusual in the banana sector. This was put down to the fact members paid above national minimum wage rates and provided workers various other financial and non financial benefits (including food, social security, end of year bonus and residency permits for Haitian migrants) which were paid in part by producers and in part from the Fairtrade premium.

⁹⁹ However, a key informant reported that Fairtrade workers had fewer opportunities to enhance their income through doing overtime, meaning workers on the non Fairtrade plantation could actually earn a higher income in reality (through working longer hours).

¹⁰⁰ Information on workers outside Fairtrade was sourced from a limited number of worker interviews and/or trade union representatives and other key informants. As such, it is less reliable than the data for Fairtrade workers.

The situation in St Vincent was somewhat different, as there was a shortage of labour willing to work in banana production and small producers had to pay well above the national minimum wage of US\$ 11 per day to get workers – this was one reason why costs of production were so high. According to the SPO, there was general compliance with legislation requiring all employers to pay social security contributions, and Fairtrade had not had an influence in this case, although workers apparently sometimes insisted on not being formally employed as they did not want to make the employee contribution.

TABLE 17: ESTIMATED GROSS WEEKLY WAGE FOR BANANA WORKERS IN FOUR CASE STUDY COUNTRIES (US\$)

	Ecuador	Dominican Republic ¹⁰¹	St. Vincent	Ghana
Fairtrade plantation	\$62.9 – 71.6 incl. legislated entitlements (Region A)	Approx. \$ 37.3 incl. legislated entitlements	n/a	\$ 14.2 ¹⁰² <i>not</i> including legislated entitlements
Fairtrade small producer organisation	\$ 46.8 – 57.3 <i>not</i> incl. additional benefits (Region B)	No precise data, but <i>above</i> minimum wage (\$25.9 for permanent workers) <i>not</i> incl. entitlements	\$ 84 – 90 <i>not</i> incl. additional benefits	n/a
Non Fairtrade plantations ¹⁰³	Region A: \$60 incl. legislated entitlements Region B: \$ 45 – 50 <i>not</i> incl. additional benefits Region C, unionised farm: \$ 82.4 incl. legislated entitlements ¹⁰⁴	\$ 28.3 – 39.5 incl. legislated entitlements	n/a	Approx. \$ 13.7 <i>not</i> including legislated entitlements

Source: Case study research

Summary of Fairtrade impact on workers' wages

Although Fairtrade banana workers' wages were in line with industry averages, once wage related benefits were taken into account they generally received higher income than their counterparts outside

¹⁰¹ Research carried out in early 2007. A wage increase of 10% was scheduled for the month following the research. Figures for the other countries are from 2008.

¹⁰² Using December 2008 exchange rate of US\$ 1 = GHC 1.223

¹⁰³ This information was sourced from a limited number of worker interviews and/or trade union representatives and other key informants. As such, it is less reliable than the data for Fairtrade workers.

¹⁰⁴ Although the average wage, including legislated entitlements, on this farm was higher, it only applied to 47% of the workforce, with workers who processed bananas being employed via a third party. Furthermore, the higher salary was a result of productivity bonuses, rather than a higher daily wage – the daily wage at both the Fairtrade plantation and the unionised plantation was US\$ 10.

Fairtrade. This was due largely, but not exclusively, to participation in Fairtrade and was true for at least some workers hired by small producers as well as for those working on Fairtrade plantations. This does not necessarily mean they received a living wage – this is assessed in the next section of the report.

5.2 HOUSEHOLD INCOME AND STANDARD OF LIVING

The previous sections have indicated that, on average and over time, Fairtrade led to higher and more stable incomes for both small producers and workers, relative to producers and workers outside Fairtrade. The next step is to determine the impact of this extra income on their households. Below the findings of the case studies are summarised in relation to household income and standard of living for, first, small producers and then workers.

5.2.1 SMALL PRODUCERS

As discussed earlier, there were three types of producer in Ecuador – conventional monocrop, organic monocrop and organic agroforestry. All three types of producer had seen gradual processes of capitalisation as a result of selling to Fairtrade markets, although this was more marked with monocrop producers because of higher yields (see Table 18 and 19). All types of producers had made investments in increasing production, for example through improvements in irrigation, cabling, packhouses and drainage, as well as investing in land, trucks or other commercial activities. However, agroforestry producers were capitalising their enterprises only slowly and in some cases did not produce high enough volumes to enable reinvestment.

TABLE 18: PRODUCTION STATISTICS FOR SMALL PRODUCERS IN ECUADOR

	Conventional monocrop	Organic monocrop	Organic agroforestry
Average area under banana production (ha)	4.5	7.77	5.17
Average number boxes per week	127.3	179.1	19.1
Percentage rejected	Low 7.1% High 12.7%	Low 6.1% High 15.7%	Low 13.9% High 22.6%

Source: SPO-AFAD-SIPAE survey, 2007

TABLE 19: DISTRIBUTION OF SMALL PRODUCERS IN ECUADOR BY TYPE AND YIELD (BOXES PER HECTARE PER YEAR)

	Annual yield (boxes per hectare)	Percentage of members
Conventional monocrop	< 700	10.96
	700-1500	41.10
	> 1500	47.95
Organic monocrop	< 700	35.14
	700-1500	24.32
	> 1500	40.54
Organic agroforestry	< 700	86.30
	700-1500	10.96
	> 1500	2.74

Source: SPO-AFAD-SIPAE survey, 2007

Around 42% of SPO members in Ecuador had additional sources of income beyond bananas, but banana farming was the main source of income for most. Although over half of producers had relatives overseas, only a quarter of these received income from remittances, suggesting they were relatively secure financially. In the survey of SPO members:

- Three quarters said their income and wellbeing had improved in the last 3 years;
- Over half reported improvements in their housing and household goods;
- Three quarters reported improvements in health and food;
- Two thirds reported improvements in children's education.

Taken together, the data suggests Fairtrade was supporting sustainable development in Ecuador. However, producers in the mountain forest region were still relatively poor. For these farmers bananas had become a more important source of income than their traditional cocoa farming. For example, one agroforestry producer interviewed earned US\$ 498 per month from bananas (for an average of 30 boxes per week), compared to US\$ 78 per month from cocoa. As stated earlier, the uptake of banana farming had reversed patterns of seasonal migration, giving households and communities greater stability. In spite of this positive impact, the volumes produced by agroforestry producers were so low that they were not always able to make the necessary investments to improve production and standard of living. They also had less access to markets, as the volumes they produced did not make them so attractive to traditional exporters.

The situation for small producers in the Dominican Republic was somewhat similar in that the main economic impact of Fairtrade was to stabilise income rather than raise it, although market prices fluctuated to a lesser degree than in Ecuador. Banana production was the main income generator for 80% of farmers interviewed in the Dominican Republic, although around half had additional sources of income. 55% had household income in excess of US\$ 450 per month, although this was mainly farmers with over 5 hectares of bananas or households with additional sources of income (typically children working overseas and/or petty trading). 75% said their standard of living had improved as a result of membership of the SPO and 75% were able to save money in the bank, with 48% able to use savings to cover unexpected costs rather than having to rely on loans.

Economic benefits of Fairtrade were concentrated among organic producers that had been members of the SPO for several years and had achieved significant increases in yields through improved access to inputs and technical assistance, the latter funded by the Fairtrade Premium. For conventional farmers with low yields (mostly new members) income only just covered costs, indicating that accessing Fairtrade markets alone (without the services and support offered by producer organisations) was insufficient to improve household income.

The context of smallholder banana production in the Windward Islands was quite different. In the 1980s farmers received relatively high, stable incomes from bananas, but when the EU opened up to cheap imports from Latin America in the 1990s exports fell from 238,000 tonnes in 1993 to 99,000 tonnes in 2002 and the number of growers dropped from 24,000 to 7,000¹⁰⁵. With few alternatives for earning a

¹⁰⁵ Myers, 2004

living, this led to social dislocation and a loss of solvency and dignity for ex-banana farmers¹⁰⁶, as well as important losses to the island economies. The remaining farmers faced difficulties accessing markets and saw prices fall dramatically. Fairtrade had halted this decline. When asked what they personally saw as the best thing resulting from Fairtrade, 17 out of 53 farmers in St. Vincent mentioned “better” or “fair” prices and a further 9 said it provided “guaranteed markets” or “security”.

As outlined previously, most farmers in the Windward Islands were relatively well educated and considered middle class, but they were vulnerable to poverty. Income from selling Fairtrade bananas tended to supplement other sources of income and it was therefore difficult to attribute changes in standard of living to Fairtrade, but most farmers said they had invested their earnings from bananas in improving their homes or buying cars. This suggests that Fairtrade helped improve standards of living. The Fairtrade Premium was also being used to supplement farmer payments into a pension fund that would mature when they reached 60 years of age, enhancing their income security in old age. However, farmers also said that their costs of production had increased in recent years, while their yields had reduced due to FLO restrictions on chemicals, so profits from Fairtrade bananas were being eroded.

Summary of Fairtrade impact on household income and standard of living for small producers

Fairtrade had brought improvements in income and/or reduced vulnerability to poverty for small producer households in all three case study countries. However, economic impacts were concentrated in groups with high levels of productivity, with there being a threshold in terms of volumes required to make Fairtrade banana production financially sustainable. Below that threshold producers were less able to capitalise their enterprises and make improvements in production and standard of living unless they had significant additional sources of household income.

5.2.2 WORKERS

The case studies found that although basic wages for Fairtrade workers were generally higher than for their counterparts outside Fairtrade (albeit by a small amount in some instances), in most cases workers’ basic wage for a standard working week was not enough to cover basic needs for an average household (see Table 20).¹⁰⁷ If legislated and customary entitlements were taken into account (particularly annual bonuses), their income was usually sufficient to cover basic needs (less so in Ghana), but not other ongoing expenses (e.g. medical costs, household items, communication, etc.). Unsurprisingly, the majority were unable to save money regularly, usually only being able to do so when they had no dependents or had a second source of household income. Payment of annual bonuses served as a way to purchase high value items or cover the cost of social events (Christmas, weddings, funerals, etc.), or simply repay debts, slightly easing cash flow problems. But almost all were dependent on having at least one other income in the household or receiving remittances from relatives overseas.

¹⁰⁶ Hubbard et al, 2000

¹⁰⁷ The analysis in this section is based on interviews with workers employed by the three Fairtrade plantations and SPO members in Ecuador. No worker interviews were carried out in the Dominican Republic or Windward Islands.

TABLE 20: COMPARISON OF FAIRTRADE PLANTATION WORKERS' WAGES AND COST OF BASIC HOUSEHOLD NEEDS

	Ecuador	Dominican Republic	Ghana
Basic monthly wage (not incl. legislated entitlements)	US\$ 200 (Field) US\$ 176 (Packhouse)	DR\$ 3,784 (approx. US\$ 114)	GhC 74.25 (approx. US\$ 61)
Average monthly wage incl. legislated entitlements	US\$ 284.3 (Field) US\$ 268.7 (Packhouse)	Approx. DR\$ 5,325 (approx. US\$ 160)	No information
Estimated cost of basic needs for average household	US\$ 318 Food, water, energy, rent, clothing, school related costs (family of 4). Does not include costs such as personal care items, detergents, transport, communication.	DR\$ 4,900 (approx. US\$ 147) Food, water, energy, soap, detergent, school related costs (family of 6). Assumes own housing, does not include clothing and other transport.	GhC 138.2 (approx. US 113) Food, water, electricity, rent, washing powder (family of 6). Does not incl. other fuel, school related costs, clothing, personal care items or transport.
Average household income among Fairtrade workers	\$ 393.7 (Field) \$ 445.4 (Packhouse)	No information	No information

Source: Case study research

In all three countries workers reported that their wages were too low. The fact that they exceeded the national minimum wage, and were higher than wages earned on most other farms in the locality, did not mean that they were able to escape poverty. In Ecuador, for instance, average wages did not cover the cost of the official “basic food basket” (valued at US\$ 473.75), but did cover the “poverty food basket” (US\$ 343.29). Workers with dependents and a single income were particularly vulnerable, as were temporary workers who worked fewer days per week on average and were less likely to receive social security and wage related benefits. Levels of poverty were particularly high in Ghana where the gap between basic wages and living costs was highest and only 15% of workers interviewed had another regular source of household income. Visits to a small sample of workers’ homes revealed that they lacked basic amenities such as sanitation and were generally in a poor state, similar to housing seen in other poor parts of rural Ghana and many appeared to be experiencing extreme poverty. Interviews with workers suggested they would need to earn up to three times as much in order to meet all their household needs.¹⁰⁸ Likewise, in the mountain region in Ecuador poverty was prevalent in the households of temporary workers with only one source of income, evidenced by the fact their diet was based on noodles, rice, greens and bananas, with meat only eaten once or twice a week.

5.2.2.1 USE OF THE FAIRTRADE PREMIUM TO BOOST INCOME

Given low wage levels, it is not surprising that the Fairtrade premium had been used to directly boost worker income, as summarised in Table 21.

¹⁰⁸ Research carried out by Banana Link in 2009 found that wages would need to be increased fourfold to classify as a living wage.

TABLE 21: USE OF THE FAIRTRADE PREMIUM TO SUPPLEMENT WORKER INCOME (UP TO 2008)

Ecuador plantation	Fortnightly food bonus of US\$10 for fieldworkers and administrators and US\$8 for packhouse workers, equated to 10%/9% increase in basic wage
Ecuador SPO	IESS affiliated permanent workers received monthly food basket worth US\$ 15. Contract worker Associations received US\$ 200 per week (quality control) or US\$ 0.02 per box (loading at port).
Dominican Republic plantation	28.5% of Premium used for monthly food ration worth DR\$ 600 per worker, equivalent to increase of 12% in wages.
Ghana	Christmas bonus (Afieshiapa), equivalent to one month's wages, paid from Premium funds

Source: Case study research

Use of the Premium for cash bonuses to workers on plantations is not allowed by FLO, which had been a source of considerable controversy and, in some cases, discord. In Ecuador the fortnightly food bonus had been prohibited by FLO, replaced instead by housing and education grants. In Ghana FLO had ruled that the Premium should not be used to fund the Christmas bonus, but the company was not making a profit and simply could not afford to pay it.¹⁰⁹ The possibility that they may not receive any bonus had caused considerable anxiety and even anger among workers, as almost all depended on it to cover Christmas expenses (an important festival in Ghana) and new clothing for their children. In some cases it was even being used to pay for food, rent and education. Management were trying to abide by FLO rules, but were in a difficult position as they also wanted to give workers what they wanted.

Workers in Ghana were clear in their view that, so long as their salaries were so low, the Premium should be used to supplement their income rather than fund community projects. To quote the case study research report,

“If workers had had higher salaries, there is little doubt that they would be happy to contribute to the development of their communities... Workers felt that their salaries should either be increased or the Premium money should be investing in income generating activities rather than in providing community projects (which other organisations could fund) or mosquito nets (which they could have bought themselves if their salaries had been adequate).” *Ghana case study report*

Workers were frustrated that despite expressing these feelings repeatedly to Management, representatives from trade unions and Fairtrade organisations, researchers and a multitude of Ghanaian and overseas visitors, nothing had changed. Instead they were constantly given conflicting messages from visitors that Fairtrade aimed to benefit workers directly and guarantee decent wages, but that the Premium could not be used for the Christmas bonus (or other direct wage benefits) which they felt would help them most. Not only did this create confusion in their minds about what Fairtrade actually was (which partially accounts for previous researchers reporting low levels of awareness of Fairtrade), it was *disempowering* rather than *empowering*.

¹⁰⁹ The Afieshiapa is supposed to be based on company performance, but workers had come to expect, and depend, on it being paid, regardless of the company's financial situation.

5.2.2.2 USE OF THE FAIRTRADE PREMIUM TO IMPROVE STANDARDS OF LIVING

Aside from payments in cash or in kind, the Premium had been used on all three Fairtrade plantations to improve worker households' standard of living. The most significant uses of the Premium in the three key areas of housing, health and education are summarised below.

TABLE 22: USE OF THE FAIRTRADE PREMIUM TO IMPROVE HOUSING, HEALTH AND EDUCATION OF PLANTATION WORKER HOUSEHOLDS

	Ecuador	Dominican Republic	Ghana
Housing	59 workers received a total of \$90,000 for new houses or housing related costs in 2007-2008 \$111,900 budgeted for housing in 2009	14 workers received new houses in 2004-6 Budget for 10 houses and 20 housing improvements in 2007 (46% of Premium budget)	No impact on housing reported and no budget for housing in 2005-2008 work plans.
Health	Workers received 50% discount on medicines. Spouses and children under 18 received 40% discount.	Workers reimbursed for consultations with private doctor, prescribed medicines and other medical treatment such as operations.	National health insurance contribution paid for workers' spouses. Contribution to cost of health screening and awareness raising (HIV/AIDS, malaria, family planning).
Education	Scholarship of US\$ 75 per child per year available for workers' children who attained satisfactory grades	School utensils worth around DR\$ 350-500 for workers' children each year. Adult literacy classes for one hour after work, Monday to Friday	Grants of GhC 0.60 [check figure] to pay for school related costs (books, exam fees, etc), plus school uniforms. Scholarship scheme identified in work plans (no further details)

Source: Case study research

These benefits were of considerable value to workers and their households and went some way to improve their standard of living and wellbeing, or at least reduce vulnerability levels. In Ecuador, for instance, 78% of workers said their health and nutrition had improved either a little or a lot in the last 3 years. Medical costs can have a devastating impact on poor households, often plunging them into debt without warning. This makes access to affordable health services an extremely important area of impact of Fairtrade. In Ghana workers would struggle to afford national health insurance for their spouses without help from the Premium, giving them and their children access to a wide range of medical treatments. In the Dominican Republic state medical services were difficult to access and of poor quality, so workers benefited greatly from private medical treatment and medicines. For example, one woman reported receiving DR\$ 3,400 of medicines when she injured her back, which would have cost her almost a month's wage. Examples such as this demonstrate that Fairtrade can play a significant role in reducing poverty and vulnerability.

Although not all workers had benefited from expenditure on housing to date, those that had were highly appreciative and housing was high on the list of workers' priorities for future Premium use. For instance, in the Dominican Republic one worker said being given her own house saved her DR\$ 1,800 per month in rent (equivalent to 48% of her basic monthly wage), while another said that the extension that was built

on her house meant her 15 year old son no longer had to share a small room and single bed with his 12 year old sister.

Funding for children's education was another area in which workers expressed appreciation of Fairtrade, especially in Ghana where it was the most frequently stated benefit. Despite having free primary education in Ghana, the associated costs for uniforms, books, exam fees and so forth were prohibitive for workers' households.

The Premium had also been used in various other ways which led to improvements in plantation workers' wellbeing and standard of living, including:

- Workplace festivals/celebrations in Ghana (Fun and Games Day), Ecuador (Christmas) and the Dominican Republic (Labour Day, Mothers Day, Christmas). Worker comments on these events included:

"We don't have entertainment except when we're in Church. It is good for us to see each other... We're always worrying about money and we never do sport... Our minds are always on bananas so it's good for us to think about something else." Ghanaian worker

"It's a happy moment. We all come together as one. [The Director of Agriculture] is free... [The Managing Director] is also happy. We're joyful, there's clapping and we feel excited. On that day we're all the same. Everybody is equal." Ghanaian worker

- Bicycles for workers in Ghana, the third most frequently mentioned benefit of Fairtrade by interviewed workers
- Passports and visas for Haitian migrant workers were being processed using Premium funds in the Dominican Republic, at a cost of US\$ 295 each. This had given them the right to stay and freedom of movement, reducing their travel costs as they no longer had to travel illegally and eliminated constant fears of expulsion.¹¹⁰

Workers hired by small producers were also benefiting directly from use of the Fairtrade Premium, albeit to a less extensive degree (as one would expect). For example, in the Windward Islands workers were given annual health checks and in Ecuador they received subsidies to fund the education of their children. In the Dominican Republic, the Premium covered the cost of residency permits for Haitian migrants, plus workers' social insurance and medical costs. Other benefits were indirect via use of the Premium for community based facilities and services.

Although there was considerable positive impact on household wellbeing from Premium use, there were various examples where impact was not distributed evenly through the workforce and/or tensions had arisen as a result of Premium use. Haitians, who made up half of the workforce in the Dominican Republic, were upset that they were not benefiting from the housing project as houses were not being built or repaired in Haiti, where their families usually lived and they intended to return in the long term. They were also frustrated that the medical expenses of their families in Haiti were not covered in the same way as for Dominicans. This was causing tension within the workforce and undermining the

¹¹⁰Prior to FLO certification the plantation had covered the cost of migration cards, see Section 6.2.6.

progress that had been made in reducing discrimination against Haitians. In Ecuador the only issue was that workers with families were getting proportionally more from the Premium, as a high percentage of funds were used for medical and educational expenses of spouses and children. However, it was not apparent that this was a cause for concern among single workers.

In Ghana workers' frustration was more that the Premium was used to fund things that they felt other organisations could pay for, rather than things they prioritise, namely income boosting activities and services. As the Ghana case study report states:

“Workers were grateful for this Fairtrade funded assistance but they did not feel empowered by it. As such, Fairtrade was not making a difference greater than any other form of development assistance.” Ghana case study report.

5.2.2.3 WORKERS' ABILITY TO SAVE AND MAKE INVESTMENTS

Few workers were able to save regularly from their wages unless they had no dependents or their household had other sources of income (e.g. second earner or relatives overseas). For instance, only 24% of workers interviewed in Ecuador and 15% in Ghana said they saved regularly. However, the annual bonuses paid in Ecuador and the Dominican Republic often provided workers with an opportunity to make investments in livelihoods or assets. Having permanent contracts gave workers a form of guarantee that they would receive legislated bonuses, although the two Fairtrade plantations already had the custom of providing them prior to formalisation of employment (highlighting that they had positive employment practices prior to engagement with Fairtrade). Some workers in the Dominican Republic reported using bonuses for domestic electrical equipment, improving their homes or buying mobile phones. Others were making investments in income generating activities, such as land for rice production, livestock, a small store, a second hand motorcycle (for work as a taxi driver) or second hand clothing (for trade on the border or in Haiti). In Ecuador those that managed to save said they would spend savings on building a house, buying cattle or growing food crops, plus a few workers had invested in petty trade of goods such as clothes and shoes. The situation in Ghana was quite different as the only annual bonus was at Christmas and was mainly used to pay for food and basic Christmas gifts.

Loans were also being used by workers in all three countries for covering their costs and making investments. In the Dominican Republic part of the Fairtrade Premium had been used to set up a revolving fund that workers could draw down from twice a year and repay from their salaries. Almost all workers were taking out the maximum amount and reported using the money for investments in small scale production and one off household expenses, as well as ongoing household costs such as paying school fees. With no alternative sources of low interest credit, workers valued these loans greatly, particularly for family emergencies.

In Ghana 85% of workers had taken out loans, principally from the agricultural bank which their salary was paid into. As elsewhere, some were using loans to establish income generating activities, such as petty trading, small stores or fishing, or to pay for inputs or labour for growing food crops on their land. Others were using loans to cover costs of education, build a house, buy basic household items or even to repay other debts. Although having contracts and a regular income enabled them to access this credit, which is therefore an indirect impact of Fairtrade, interest rates were high (up to 30%, compared to inflation rates of 11-17% in 2007-9) and therefore banks may be benefiting as much as workers.

The ability to make small investments in livelihoods and household assets in the Dominican Republic and, to a lesser extent, Ecuador provide further evidence that improvements in standard of living were being achieved by workers in these countries, but this was normally dependent on having a second source of income in the household. In Ghana having a second source of income was necessary just to cover basic needs.

5.2.2.4 WOMEN WORKERS

There were no detected wage differentials between men and women doing the same work on Fairtrade plantations, but the fact that women were generally limited to certain roles, and were essentially doing part time work in Ecuador, did affect women's income, as outlined in Section 4.2.1. As a result, Fairtrade had had relatively less economic impact on women than men.

The Ecuador SPO case study revealed that women who were temporary workers in packhouses used or owned by small producers were likely to earn 17 – 25% less than men for doing similar work. Previous research in another banana growing area where there were a higher proportion of women workers indicated that women earned 40 – 50% less than men.¹¹¹ Women migrants from Peru were particularly vulnerable to this discrimination. The SPO had tried to ensure that members paid women and men equally, but said disparities often occurred when women workers were family members. Interviews with women workers revealed that they may receive less pay even when they were not related to their employer. Women were particularly vulnerable to wage discrimination because many were single mothers and dependent on earning an income.

Summary of Fairtrade impact on household income and standard of living for workers

Although most workers were receiving higher wages as a result of Fairtrade (once wage related benefits were factored in), this was not enough to bring them above poverty levels unless their households had regular additional sources of income. Part time and temporary workers and single parents, all often women, were particularly vulnerable to poverty. In this context, the Fairtrade Premium was often used to supplement household income through cash or in kind payments and by contributing to expenses related to education, healthcare and housing. In some cases these benefits were unevenly distributed. In addition, many workers expressed a preference for more direct income support, i.e. cash transfers from the Premium, and the fact this had been disallowed by FLO was a cause of confusion and consternation. But in general use of the Premium to improve standards of living was highly valued.

Overall the various socio-economic benefits resulting from Fairtrade (either directly or indirectly) were enabling permanent workers in the Dominican Republic and Ecuador to improve their standard of living and/or to make small investments in income generating activities. Worker households in Ghana were also benefiting from Fairtrade, but national wage levels were very low and additional income from other sources was irregular. As a result, their standard of living was generally poorer.

¹¹¹ Cepeda, D. 2009.

5.3 WORKING CONDITIONS

As described earlier, Fairtrade was instrumental in the formalisation of employment on the case study plantations in Ecuador and the Dominican Republic, and, to a more limited extent, on the plantation in Ghana and with small producer organisations. Some of the other improvements in working conditions that had resulted from Fairtrade are identified below.

5.3.1 SOCIAL SECURITY

Worldwide it is uncommon for agricultural workers to be covered by public social security schemes. For example, there were over 400,000 inhabitants in the Ecuadorian province where the Fairtrade plantation was located and in 2003 there were only 688 agricultural workers affiliated to IESS, despite the province being a major producer of bananas. By 2009 both the plantation and SPO included in the study had ensured that most permanent workers were affiliated; this equated to 259 plantation workers and 434 workers hired by small producers. In both cases Fairtrade had played an important role in encouraging affiliation through the FLO inspection process and general awareness raising. Affiliation of small producers' workers was almost unheard of in Ecuador and the SPO had to take special measures to achieve it, namely, getting primary level organisations to pay members' contributions directly to IESS and discount the cost from their banana sales, as well as establishing expectations in terms of number of workers affiliated according to levels of production. The latter had the unintended negative impact of being a disincentive to increase production, but overall the strategy appeared to be successful. Having social security brought Ecuadorian workers a number of short and long term benefits:

- Access to loans (general and mortgages);
- Access to Reserve Funds – a portion of employer IESS contributions is put into a fund that workers can draw down every three years;
- State healthcare.

In spite of the potential benefits, some workers in Ecuador were actually put off working for the Fairtrade plantation as it would mean they had to contribute 9.15% of their basic monthly salary to IESS. This is an illustration of the short term planning which results from low income levels, but also reflects the quality of state services, as summarised in the quote below:

“I can tell you that the majority of those that are affiliated to IESS don't use the health service; because of the time it takes, the bureaucracy... and the service. They prefer to use the medical clinics that the Association has, because it's easier.” *SPO staff member*

State health care was also poor in the Dominican Republic, which was why plantation workers had chosen to use the Fairtrade Premium for reimbursement of private medical costs. The plantation was already paying social security contributions prior to FLO certification, even though workers did not have permanent contracts. In Ghana all workers were inscribed in the National Health Insurance Scheme that was established in 2004, but this was also company policy rather than an impact of Fairtrade. In the Windward Islands the State is more successful in ensuring employers pay social security contributions, including for banana workers hired by small producers. Fairtrade had not therefore had a direct impact in

these countries, but it had some indirect impact in providing access to premium markets and strengthening the businesses of socially responsible producers.

5.3.2 HEALTH AND SAFETY

Fairtrade had contributed to improvements in health and safety conditions in most countries, most notably in the Windward Islands. Farmers in the WI said that Fairtrade had forced them to use fewer chemicals, and although this had impacted on yields and therefore income, they appreciated the health benefits – most thought it had led to improvements in the health of themselves and their families. This was confirmed in data from annual health checks which indicated that levels of pesticides in their blood and urine had declined markedly. Farmers said they were now far more careful about using protective equipment when applying chemicals and in maintaining good levels of hygiene generally.

The Fairtrade Premium had been used by the SPO in the Dominican Republic to create awareness of good hygiene, increase access to potable water and provide farmers and workers with protective equipment.

Given that all of the case study plantations were following organic practices on at least a proportion of their land, it is likely that base level standards were not as poor as on conventional banana plantations where the risk of contamination from chemicals is often high. However, FLO Inspection Reports highlighted a number of health and safety risks on the plantations in Ecuador and Ghana in the early years and over time these had gradually declined. The most common violations were inadequate health and safety management, including risk assessment, and lack of protective equipment (some workers complained of continued gaps in provision). It is important to emphasise that Fairtrade worked alongside other initiatives to improve health and safety, including government programmes, trade union education, and other certification schemes and production standards. In some instances, such as in the Dominican Republic, GLOBALGAP (formerly EurepGAP) was seen to have had a far greater impact on health and safety than the FLO standards.

5.3.3 PAID AND UNPAID LEAVE

One result of formalising employment is that workers acquire rights to various forms of paid and unpaid leave, including national holidays, annual leave, sick leave and maternity leave (depending on local legislation). In some cases plantations were giving leave prior to, or independently of, Fairtrade and Fairtrade only served to support these practices. In others Fairtrade had directly influenced the provision of leave. The clearest case of this was in the Dominican Republic where Fairtrade had resulted in the introduction of a formal system for provision of 14 days annual leave, including monitoring attendance and deducting unjustified absences from paid leave rather than workers losing a day's wage, as was previously the case. Paid leave was valued by Haitian migrants in particular, as it gave them an opportunity to spend time with their families in Haiti without forfeiting income. Paid annual leave was used by workers in Ghana to work on their farms and/or increase their income in other ways (e.g. fishing or petty trading), or to rest and visit relatives.

5.3.4 BENEFITS FOR WOMEN WORKERS

In Ghana women workers received more generous maternity leave than was offered in other sectors. This was company policy prior to Fairtrade, and therefore Fairtrade was supporting rather than bringing it

about. In the Dominican Republic Fairtrade had played a more direct role in ensuring payment of maternity benefits, as part of its influence on formalising terms and conditions of employment.

In Ecuador FLO's emphasis on compliance with national law had meant that various labour rights for women were being taken into consideration, or more formally guaranteed. For example, Fairtrade had led to the introduction of a policy to prevent sexual harassment or abuse. Women workers reported that this had encouraged them to report a case of sexual harassment to the company's "social worker", as assistance from their representatives (mostly male) or team leaders had not been forthcoming.

5.3.5 WORKER – MANAGEMENT RELATIONS

In general plantation workers reported good relations with supervisors and managers in all three countries and saw this as a specific attraction of working on the plantations concerned. Many said that the treatment they received compared favourably with that handed out by line managers on other, non Fairtrade, plantations in the vicinity. Fairtrade did not appear to have had a direct impact in this area, but as for other areas of good practice noted in this report, it has an indirect impact via its support for socially responsible businesses. In the early days of Fairtrade plantations, the positive attitude of owners and managers towards workers, exhibited via social programmes, appears to have been a primary factor in receiving initial certification.

However, in two countries there still existed some fear of repercussions or dismissals among workers if they were to speak openly about their concerns. These fears did not appear entirely justified, especially given the numerous interactions workers had had with FLO inspectors and researchers which had not brought negative outcomes. But it emerged that there had been a small number of incidents in both countries which had served to instil caution in workers, such as summary dismissals after wildcat strikes or for relatively minor infractions. Although such incidents were rare, the fact that workers continued to feel somewhat insecure about their jobs is an indication that the improvements supported by Fairtrade, such as indefinite contracts and independent organisation, had not adjusted the balance of power between management and workers as much as may be hoped.

Another potentially problematic area was the continued reliance on line managers to recruit workers. In one country a foreman had been sacked after he was found to be charging workers an ongoing fee in exchange for giving them work. This practice has been encountered on a number of conventional plantations worldwide. One of the case study plantations continued to give team leaders considerable power in recruitment decisions, as illustrated by the following quote:

"There was a [new person] for one of the packing teams, they called the head of the team and he said he had to check out who it was because he didn't know the person. They have given the team leaders the power to decide who enters." *Member of Human Resources team*

It should be noted that most of the packhouse workers in this case were long serving employees and none reported any problems with their team leaders, so this is only a *potential* area of concern.

Summary of Fairtrade impact on working conditions

Fairtrade had led to improvements in working conditions in a number of areas, both directly through encouragement of compliance with national labour law and indirectly via support for socially responsible businesses. Examples included social security for permanent workers, improved health and safety

conditions, provision of various forms of paid leave, and greater respect for women's labour rights and needs. In some cases, notably health and safety, Fairtrade was having a combined impact with other certification schemes and government/trade union initiatives. Plantation workers and workers hired by small producers had both benefited from these improvements, although not uniformly across the case studies or across different categories of worker.

Relationships between workers and management were good on all three plantations. This was not a result of Fairtrade, but could be classed as an indirect impact. However, some workers in two countries expressed fear of reprisals if they complained openly about working conditions. This reflected the precarious economic position of workers and lack of alternative employment opportunities, and a continued imbalance of power between workers and managers, as well as the historical context of poor industrial relations in each country.

6. FAIRTRADE IMPACT ON THE ORGANISATION OF PRODUCERS AND WORKERS

Democratic and independent organisation of small producers and workers is a key founding stone of Fairtrade, firstly to ensure fair and transparent distribution of the Fairtrade Premium, and more generally to facilitate long term processes of sustainable development and empowerment. In this section the impact of Fairtrade on organisational structures and processes is analysed for small producers and workers in turn.

6.1 SMALL PRODUCERS

To participate in Fairtrade, small producers must be organised into democratic organisations that “are able to engage in commercial activities [and] contribute to the environmentally sustainable social and economic development of their members and of their communities”.¹¹² The following sections analyse the organisation of small producers in the case study countries and the impact Fairtrade has had on promoting and sustaining effective organisational structures and processes.

6.1.1 ORGANISATION OF SMALL PRODUCERS

The case study SPOs were playing a major role in organising small farmers to export bananas, representing between 7% and 90% of small farmers in each country (see Table 23). The percentage of national banana exports they accounted for ranged from just under 1% in Ecuador to 10% in the Dominican Republic and approximately 95% in the Windward Islands. The SPOs performed most of the following roles in each country:

- Ensuring the production of high quality fruit through providing technical assistance and logistics and promoting collective production and processing;
- Supporting and coordinating farmers to achieve the certifications required for access to premium markets (FLO, organic) plus supermarket requirements (GLOBALGAP, private standards);
- Providing agricultural inputs and credits at below market rates;
- Organising the export of fruit (transport, loading, shipping, etc.) and managing relationships with clients;
- Representing the interests of small banana farmers before national and international institutions;
- Promoting sustainable rural development through investments in social and environmental programmes and infrastructure and training/educating farmers, workers, households and communities on a wide range of topics (financial planning and management, business administration, health and nutrition, etc.).

¹¹² See Generic Fairtrade Standards for Small Producers’ Organisations, Section 0.1, p.3.

- Educating and training farmers, workers, households and the community in general on themes related to Fairtrade.

Some of the achievements of each SPO are described below:

ECUADOR

Most small producers in the country were obliged to use intermediaries to commercialise their fruit, and were often grossly overcharged for these services. The prices they received dropped dramatically below costs of production in the summer and they struggled to achieve certifications like GLOBALGAP which were necessary to achieve market access. This context had motivated the formation of the SPO, as a way to export directly, achieve better prices and eliminate dependency on intermediaries. It had grown from 14 members in 1997 to 447 in 2008, and was now one of the country's top 25 exporters. Given Ecuador produces almost a third of global banana exports, and the industry is dominated by huge companies, even the SPO's 1% share of exports was significant, but it was also the second largest exporter of organic bananas. This gave it greater bargaining power with shipping companies as well as recognition within the export community, including membership of the Association of Banana Exporters of Ecuador (AEBE) and the Promotion of Exports and Investments Corporation (CORPEI).

As well as organising exports, the SPO was providing members with a range of services to improve production. It had co-financed various production and business development projects with national and international funding agencies. At the time of the research it was changing its structure, separating the commercial export arm from the Foundation which managed projects funded by the Premium and other sources, thereby creating a more strategic focus for each and separating their finances for tax purposes. It also had plans to create a Cooperative of Producers, to give members an equal share of assets created through internal investments and projects financed by donors (e.g. communal plantation, aerial fumigation company).

WINDWARD ISLANDS

In the Windward Islands the SPO had organised the majority of banana producers in four island states: St. Vincent, Dominica, St. Lucia and Grenada. It was established in 1982 as an umbrella body for pre-existing small farmer organisations in each country, focusing on a broad range of issues affecting small farmers and their communities. In the 1990s it became clear that an end to Commonwealth trade preferences would have severe effects on market access for WI bananas, and so the SPO began organising its small farmer members to sell to alternative, "fair trade" markets instead. This strategy was hugely successful and has been credited with saving what was left of the WI banana sector. There were originally 12 Fairtrade Groups with 466 members in total; this had mushroomed to 47 Groups and 3,376 members in 2007, accounting for approximately 95% of all WI exports in 2008.

The SPO had recently begun exporting directly, after years of operating via private and state owned exporting companies, consolidating its status as the industry's leading actor. According to one of its managers, this had brought members various benefits, including reduced export costs, more reliable payment and better extension services. Commenting on the advantages of exporting directly, he said:

"We now know the entire cost of the [export] chain and we can determine how to reduce costs and increase the price paid to producers." *SPO manager, WI*

An example of this was the wage bill for export companies, which was apparently inflated by high salaries for some managers and the inclusion of unnecessary tiers of staff. Another example was the cost of inputs – the SPO could now provide inputs to members at lower prices as they were not trying to make high profits on them. The savings made had led to a US\$ 1.00 per box increase in the price paid to members.¹¹³

DOMINICAN REPUBLIC

The SPO in the Dominican Republic was formed in 2000, bringing together 3 pre-existing producer groups which had been individually FLO certified in 1996 but were at risk of losing their certification after losing most of their production in a hurricane in 1998. At the time of the research the SPO had grown to 259 members organised in 5 groups, a quarter of all banana farmers in the country. It had successfully supported its members to access export markets previously reserved for large plantations, principally through Fairtrade and organic certification. Ongoing technical assistance had resulted in substantial improvements in members' yields, labour productivity and quality, allowing them to sell more and gain higher prices on premium markets.

Although the SPO did not export directly, it had a good working relationship with its exporter and was heavily involved in decisions about which importers/retailers to sell to. Since it had lost most of its clients when it stopped working with its previous exporter, it was being more selective about who it sold to and had sufficient bargaining power to negotiate favourable terms. As well as its commercial success, it was also widely recognised for its social mission and was a key figure in international Fairtrade networks (see Section 23).

TABLE 23: KEY CHARACTERISTICS OF CASE STUDY SPOS

	Ecuador	Dominican Republic	Windward Islands
Number of members	447 in 15 producer groups	259 in 5 producer groups	3,376 in 47 producer groups and 4 countries
% of total producers in country	7%	26%	Approximately 90%
Total exports	2,240,379 boxes (2007)	1,082,635 boxes (2006)	Approx. 3,240,000 boxes (2008)
% of national exports	0.8% (Jan – Mar 2009) 20% of organic exports (Jan – Oct 2008)	10%	Approx. 95%
% exports sold to Fairtrade markets	75% (2007)	75% (2006)	86% (2007)

Source: SPO data; AEBE/Revista Bananotas, Abril 2009; AEBE 2008; MAGAP 2006; CEI 2002-6; Probanano 2004; FAO 2006; FAO 2009

In all three countries Fairtrade had played a central role in the organisation of small producers. The SPOs in Ecuador and the Dominican Republic had been set up specifically with Fairtrade markets in mind, while in the Windward Islands Fairtrade had sustained the SPO when preferential access to the UK market was threatened by changes in EU trade rules. Between 75% and 78% of each SPO's production went to

¹¹³ This was in Dominica and St. Lucia, which began exporting directly in 2008. In St. Vincent it took until 2009 before legislation restricting the SPO's right to export directly was finally abolished.

Fairtrade markets and profits on those sales, along with the Fairtrade Premium, financed many (if not all) of the SPOs' activities and investments. As such, the achievements of the SPOs in improving the livelihoods and quality of life of members and their communities were in large part attributable, directly or indirectly, to Fairtrade.

6.1.2 LEGITIMACY OF SMALL PRODUCER ORGANISATIONS

Most SPO members expressed high levels of satisfaction with their organisations. For example, more than half of producers in Ecuador said they felt the organisation belonged to them individually and collectively, and that they felt proud of, and committed to, it. Two thirds thought it was efficient, responsive and financially viable. In the Dominican Republic farmers were totally aligned with the values of the SPO (recognition and respect, equity, solidarity, transparency) and were dismissive of those that weren't:

“Many producers try to return but aren't sincere. [The SPO] follows the standards required by FLO. A person who does not have the capacity to share his wealth with those who have need for it cannot belong to [the SPO], in accordance with FLO requirements. This is why people who want to keep everything for themselves can create conflicts... and [the SPO] reserves the right not to accept them.” *SPO member, Ecuador*

The above quote illustrates that Fairtrade often worked to reinforce and support SPO values. It also had direct impacts in terms of organisational processes. In the Windward Islands, for example, farmers were organised into local Fairtrade Groups and met monthly to exchange experiences, discuss use of the Fairtrade Premium and any issues related to Fairtrade development in general. Each Group elected a representative to serve on National Fairtrade Committees, as well as other officials (Secretary, Treasurer, etc.). Farmers reported that belonging to the Fairtrade Groups enabled them to keep in touch with changing market requirements and Fairtrade standards and gave them opportunities to take part in training workshops (e.g. financial management), as well as giving them a chance to socialise and share problems (particularly valued by women). It also allowed them to engage in wider issues such as Economic Partnership Agreements (EPAs) and WTO rulings, giving them a voice in national platforms. Farmers were also highly appreciative of opportunities to visit the UK (for Fairtrade Fortnight) which gave them the chance to meet supermarket personnel, see their bananas on sale and speak at organised events about their experience of Fairtrade.

In general Fairtrade had led to greater democracy and transparency, through its promotion of democratic organisational structures and processes for decision making and communication. This had permeated to all levels of the SPOs and had created greater cohesion and participation of members. There was still room for improvement, with producers not always satisfied that they were being involved in high level decision making; for instance, in Ecuador not all 15 producer groups were represented at board level and some producers said they would like to see different members take up new board level positions that were created, for example in the cooperative that was being formed. However, the constitution of the SPO was in the process of being changed to ensure wider representation and this illustrated that members were active in promoting democracy in their organisation. The SPO in the Dominican Republic had found it necessary to clarify the roles and functions of different parts of the organisation, and in particular the authority of board and management, following an internal conflict with one of the local producer groups (see Table 24). This enhanced the understanding of members regarding organisational processes, avoiding the misconception that democracy meant being involved in every type of decision.

The internal conflict also had the effect of reinforcing the moral values that underpinned the SPO, with the following objective added to its statutes:

“To promote a spirit of solidarity, mutual help and common good among members.” *SPO statutes, Dominican Republic*

TABLE 24: DECISION MAKING RESPONSIBILITIES IN THE DOMINICAN REPUBLIC SPO

		General Assembly	Board	General manager	Managers	Tech's
Strategy	Premium use	X	X			
	Integration of new members/employees		X			
	Growth rate (sales)		X	X		
	Price negotiations		X	X		
	SPO missions/services		X	X		
	Selection of certifications		X	X		
Management	Implementation of certifications			X	X	
	Services (technical assistance, training etc)			X	X	X
	Client relationships			X		
	Quality (complaints)			X	X	X
	Social and environmental projects			X	X	
	Allocation of Premium			X		

Source: Case study research

As indicated previously, not all SPO members demonstrated commitment to their organisations, sometimes selling to other exporters when market prices were high. The Commercial Manager in Ecuador commented that some members appeared to see the organisation as a provider of credit and services, rather than an organisation that belonged to them.

6.1.3 ACCESS TO MARKETS

Sales of all SPOs had grown steadily year on year, as illustrated in Figure 10. The majority of sales were Fairtrade, indicating that FLO certification had facilitated access to markets for small producers. This effect was particularly strong in the Windward Islands, where preferential market access had considerably declined since the EU single market was formed in 1993. Many members of the SPOs in the Dominican Republic and Ecuador were producing organic fruit and as such, would have had access to premium markets without Fairtrade certification, given overall growth in organic markets and high participation rates of small producers to date.¹¹⁴ Furthermore, since 2006 the Dominican Republic has been able to export to the EU duty free, which has made it a more attractive source for importers. However, it is predicted that high volumes of organic production will be coming on line in the next few years, as a result of investment by large conventional banana producers and multinationals, and prices are already stagnating as supply and demand balance out.¹¹⁵ This will make Fairtrade certification more critical for market access in future and highlights the importance of retaining Fairtrade markets for marginalised producers.

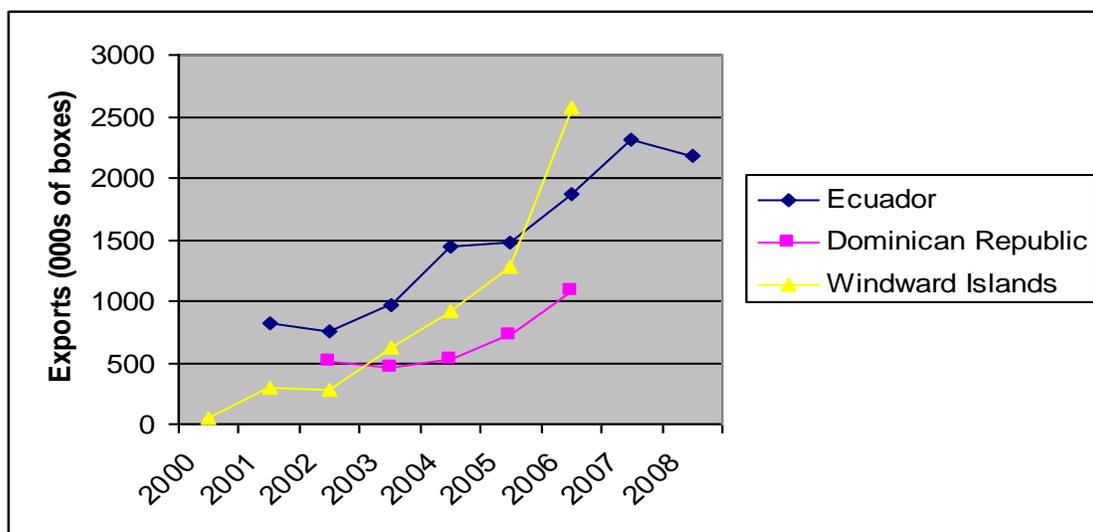
¹¹⁴ FAO, 2009

¹¹⁵ Ibid.

Market access for small producers was also enhanced by Fairtrade in other ways:

- Resources from Fairtrade sales (profits and Premium) were used to support production related services provided by the SPOs, as well as to build or improve infrastructure, which helped improve quality and achieve various certifications, not just FLO¹¹⁶;
- Fairtrade had supported SPOs to export directly, creating relationships with importers in Europe which strengthened their position in the value chain and reduced dependency on export companies for market access;
- Many markets require dual Fairtrade organic certification, meaning the two systems are mutually supportive.

FIGURE 10: EVOLUTION OF CASE STUDY SPO SALES (2000 – 2008)¹¹⁷



Source: SPO data

Somewhat unusually, the SPOs in Ecuador and the Windward Islands were selling all their production to a single importer. The relationship with that importer was therefore critical to market access and potentially placed them in a vulnerable position. However, the unique features of each value chain greatly reduced this vulnerability – to the contrary, it gave each SPO an added advantage:

¹¹⁶ All three SPOs had experienced difficulties achieving and maintaining the quality levels required by European markets, as well as getting GLOBALGAP (formerly EurepGAP) certification for members. They had invested considerable resources into technical assistance and internal control systems to facilitate this, often using Fairtrade Premium funds as well as external sources of funding. The Premium had also been used to build or improve infrastructure related to production, certification and quality, including processing facilities, irrigation, toilets (for EurepGAP) and feeder roads. As a result of these efforts, quality and market access had improved, e.g. SPOs in Ecuador and the Dominican Republic both said losses because of quality claims had been significantly reduced.

¹¹⁷ The figures for the Windward Islands relate to Fairtrade exports, they do not include non-Fairtrade exports.

- The SPO in Ecuador part owned the importing company, as a member of an association of Fairtrade producers which held 50% of shares in the company. As such, it not only had long term access to markets secured by the importer, it also had the potential to receive a proportion of value added at the import stage of the value chain through dividends paid out.¹¹⁸
- The importer that the WI SPO sold to was part owned by the WI governments, giving it a long term commitment to support the WI banana industry. As the SPO represented most banana producers in the WI and was now the main exporter, the importer was effectively tied to it (although it also bought bananas from other sources).

This was not to say that the two importers themselves had guaranteed market access – the stability of relationships between importers and supermarkets is discussed later in the report.

The SPO in the Dominican Republic was not in such a strong position, as demonstrated when it stopped selling to the country’s main exporter in 2005 and lost most of its relationships with importers of Fairtrade bananas as a result. This demonstrates that Fairtrade does not necessarily lead to closer relationships between producers and actors further along in value chains (importers and retailers). However, following that experience, the SPO had become more involved with markets, including developing a relationship with a German supermarket to sell bananas outside Fairtrade but on preferential terms.¹¹⁹ It had also stopped selling to importers/retailers that it believed made unjustified quality claims. As a result of these efforts, it had re-established and reinvigorated its client base with what it considered to be “fair trade oriented” trading partners.

Although all SPOs had achieved consistent sales growth to date, there were some concerns about future access to Fairtrade markets for small producers as a result of an increase in certification of plantations. This issue is discussed in detail later in this report (Section 9.1.4), but is closely linked to issues of quality and certification, as well as the perception held by retailers and importers/ripeners that small producers would be unable to meet the volumes resulting from rapid rates of growth in the UK Fairtrade market.

6.1.4 MANAGEMENT CAPACITY AND FINANCIAL STABILITY

The SPOs in the Dominican Republic and Ecuador were relatively large organisations, employing over 50 people. The General Manager in both cases was from Europe (although long term residents in the countries in question), but other staff were local and included many professionals. The number of staff and complexity of management structures had increased in line with sales.

The SPO in Ecuador appeared to be in a strong financial position, judging by its export success and levels of investment. Over 80% of members considered it to be a financially sound and profitable organisation. The SPO in the Dominican Republic also demonstrated strong financial performance and sustainability as an organisation (financial self sufficiency, economic profitability, liquidity). No case study data was

¹¹⁸ A total of € 861,000 was paid out to shareholders in dividends from 2002 to 2008, of which 50% went to the association of Fairtrade producers that supplied the importing company, distributed according to the value of fruit supplied.

¹¹⁹ Interestingly, this can indirectly be attributed to Fairtrade as it was the SPO’s reputation for social development, largely financed through the Fairtrade Premium, that attracted the supermarket.

gathered in the WI, but the FLO inspection reports indicate sound and democratic management at all levels. Since the Fairtrade Premium was used to cover the operational costs of all three organisations (see Section 6.1.5), the financial strength of the SPOs could be partially attributed to Fairtrade and therefore a varying risk of dependency on Fairtrade for sustainability.

Management of the SPO in the Dominican Republic said it was facing a more difficult competitive environment, as a result of a surge in the number of producer organisations and especially plantations that were acquiring FLO certification. This, along with a change in exporter, had reduced its share of Fairtrade exports by 30% between 2004 and 2006. This issue is discussed fully in Section 9.1.4.

6.1.5 USE OF THE FAIRTRADE PREMIUM

Premium Funds earned by the SPOs had risen with increases in exports to impressive levels. There was a change in the FLO minimum price and Premium structure in January 2006, which meant SPOs received US\$ 1 per box of bananas sold as Fairtrade compared to US\$ 1.75 previously, but the amounts received annually were still up to US\$ 2.9M (see Table 25).

TABLE 25: ANNUAL FAIRTRADE PREMIUM EARNED BY CASE STUDY SPOS

	2005	2008
Ecuador	US\$ 1,709,595	US\$ 1,414,753
Dominican Republic	US\$ 724,446	No data
Windward Islands	US\$ 2,231,119 (total for 3 islands)	US\$ 2,892,915 (2007)

Source: SPO data

Each SPO had a different way of using the Premium, but generally included some expenditure in each of the following areas:

- Social, economic and environmental projects/programmes for producers, workers and their communities;
- Agriculture related projects/programmes and infrastructure;
- SPO operational costs and business development.

The SPO board and management, or that of the appropriate unit within the SPO¹²⁰, developed an annual workplan for Premium use which was then approved at the AGM. Ideas from members were received during the course of the year via local groups. There was widespread approval of the use of the Fairtrade Premium among producers interviewed in all three countries, indicating that this process worked effectively.

In the WI each dollar of Premium was automatically divided as follows:

- 63c for social projects and business development;

¹²⁰ Due to the scale of Premium funds, the SPOs in Ecuador and the WI had formed a separate unit for running social and environmental programmes funded or co-financed by the Premium.

- 24c for implementation of production criteria (FLO, GLOBALGAP, other supermarket standards) and governance;
- 13c for Fairtrade education, internal monitoring and coordination at the regional level.

Until the change in 2006, the SPO in the Dominican Republic had a similar approach to allocating the US\$ 1.75 Premium:

- US\$ 1 for collective investments decided by local producer groups (social and environmental infrastructure and investments in production);
- 25c for SPO technical assistance, logistics and administration;
- 15c for supporting producers to achieve EurepGAP;
- 35c for communication and marketing.

The SPO complained that the reduction in the Premium to US\$ 1, with the remaining 75c used to increase the FLO minimum price, had reduced possibilities for collective investments in production. This was making it more difficult for the SPO to compete successfully with larger producers (that had lower costs) and for more marginalised producers to participate in the organisation.

In Ecuador the Premium was not divided up in the same way, but the same types of expenditure were included, as illustrated in Table 26.

TABLE 26: 2008 FAIRTRADE PREMIUM WORKPLAN FOR THE SPO IN ECUADOR

Area of expenditure	% of total budget
Health Programme	5
Education Programme	5
Social Programmes for producers and workers	8
Funds for Worker Associations	10
Allocation to local producer groups	30
Business Development Programme	20
Contingency/Emergency Funds	5
Seed capital for credit agreements	5
Administration	12
	100%

Source: SPO data

Some specific examples of Premium use are given in Table 27. The range and extent of examples demonstrates the potential impact on producers, workers and their communities. This impact is covered in various other parts of the report, such as Sections 5.1.1 and 5.2.1 on producer income and household standard of living and Section 7.2 on social and community development.

TABLE 27: EXAMPLES OF PAST AND PRESENT FAIRTRADE PREMIUM EXPENDITURE BY CASE STUDY SPOS

SOCIAL, ECONOMIC AND ENVIRONMENTAL PROJECTS/PROGRAMMES FOR PRODUCERS, WORKERS AND THEIR COMMUNITIES	
Ecuador	<ul style="list-style-type: none"> — Health: e.g. support for 2 clinics, including medical consultations and supplies; private medical insurance and IESS contributions; first aid brigades — Education: e.g. training and salaries for 18 teachers in 16 schools; school grants for workers' children — Social: e.g. monthly food basket for workers; sports days, Christmas party; emergency grants — Producer Groups: US\$ 0.20 per box allocated to local producer groups for use as they decide, e.g. microcredit fund, direct income support — Workers: US\$ 0.02 per box given to Association of Port Workers and US\$ 200 per week given to Associations of Graders/Quality Controllers, for use as they decide — Community: Agreements with 2 local authorities to support projects in the community
Dominican Republic	<ul style="list-style-type: none"> — Health: e.g. doctor and nurse for clinic; blood tests and vaccinations for producers and workers; medicines for workers and people in need — Education: e.g. improvements in school buildings; school uniforms; educational materials, sports equipment and uniforms; nurseries and nursery teacher salary; wages for school bus driver — Social: Legalisation of Haitian workers (residency visas); social insurance for workers and people in need; emergency grants — Environment: Training and education on protection of the environment for farmers, workers, students and community groups
Windward Islands	<ul style="list-style-type: none"> — Health: e.g. medical equipment for rural clinics; construction of medical store; wheelchairs for elderly — Education: e.g. pre-school construction and equipment; school computers, PA systems and photocopiers; scholarships for secondary school students; school bus and bus shelter — Community: e.g. refurbishment of community centres; home economic centre for cookery classes and catering events; street lights
AGRICULTURE RELATED PROJECTS AND INFRASTRUCTURE	
Ecuador	<ul style="list-style-type: none"> — Co-financed projects with Programme for the Modernisation of Agricultural Services (PROMSA), GTZ/IICA, FOMRENA, ICCO and AFAD: e.g. establishing local production of organic fertilisers and pest controls; transferring technology to 200 baby banana and organic producers to increase export offer; supporting producers to achieve EurepGAP certification
Dominican Republic	<ul style="list-style-type: none"> — Investment in collective production equipment: e.g. cableways, processing facilities, warehouses, pumps, etc. plus EurepGAP infrastructure requirements (e.g. toilets). — Activities to reduce and mitigate environmental damage caused by banana production (introduction of relevant plant species, adoption of economic irrigation systems, etc.)
WI	<ul style="list-style-type: none"> — Improvement of feeder roads and bridges giving farmers better access to banana plots
SPO SERVICES, RUNNING COSTS AND BUSINESS DEVELOPMENT	
Ecuador	<ul style="list-style-type: none"> — Salaries and expenses of Foundation employees, board expenses, staff training, rent and services, office equipment, uniforms, contracted services (e.g. insurance, marketing, etc) and other general costs — Business development projects: e.g. co-financing for planned project to develop cooperative plantation and

aerial fumigation business
Dominican Republic
— Technical assistance for producers to improve production and achieve certifications
— Logistical and administrative costs of SPO
— Marketing and communication costs
Windward Islands
— Support for implementing production criteria (certifications and supermarket standards) and cost of governance mechanisms
— Education, international monitoring and coordination related to Fairtrade

Source: SPO data; case study research

All three SPOs were using part of the Fairtrade Premium to cover running costs. Because of a lack of liquidity, Premium funds had also sometimes been used by the SPO in Ecuador as a credit line to purchase fruit and pay export costs. Until 2006 they had also been used to subsidise the price of non Fairtrade banana sales when prices were very low, and to cover discounts by importers due to problems with quality. On at least one occasion, one of the local producer groups in Ecuador had decided to distribute its proportion of the Premium (US\$ 0.20 per box) as a cash grant to support members' incomes.¹²¹ Until recently, such use of the Premium was apparently in contravention of FLO standards, but was usually justifiable in the specific context of each SPO given the challenges they and their members faced in competing with far better resourced producers. In 2009 the FLO standards for small producers were revised to allow SPO members to use the Premium for whatever means they wish, provided decisions are approved in General Assemblies.

Summary of Fairtrade impact on the organisation of small producers

The SPOs represented approximately 7% of all small producers in Ecuador, 26% of small producers in the Dominican Republic and 90% of small producers in the Windward Islands, giving them a varying degree of national and international recognition. They performed a number of roles, from facilitating production of high quality fruit for premium markets to promoting sustainable rural development through investments in social and environmental programmes. Two of the SPOs were exporting directly, giving small producers a greater share in the value added from banana trade. One was also part owner of the importing company, furthering this process. The third SPO had developed strong relationships with its current exporter and importers, but had previously lost its Fairtrade client base when it changed exporter. This is an indication that Fairtrade is not always successful in establishing long term relationships throughout the value chain.

The majority of SPO sales were on Fairtrade markets, and the Fairtrade Premium was often being used to cover operational costs related to production and certification. Fairtrade had therefore had a significant impact on the organisation of small producers and improved their access to markets and services, but there was some risk of financial dependency on the Premium.

Democracy and transparency within the SPOs had been enhanced by the standards set by FLO. This was reflected in high levels of satisfaction and confidence among producers with regard to their organisations. However, there were some concerns about future access to Fairtrade markets for small producers, in the

¹²¹ The case study research did not obtain full details of Premium use by local producer groups.

light of increased certification of plantations and stricter enforcement of FLO standards, including in relation to use of the Premium for improving production.

Due to high volumes sold on Fairtrade markets, the Premium amounted to between US\$ 0.7M and US\$ 2.9M annually for case study SPOs . The SPOs were allocating the Premium in three main areas: social and environmental projects and programmes with producers, workers and communities; agriculture related projects and infrastructure; running costs and business development. The vast majority of producers were happy with the way the Premium was being used.

6.2 WORKERS

FLO's producer standard for Hired Labour establishes the organisation of workers as a precondition for participation in Fairtrade. There are two forms of organisation promoted by Fairtrade. The first is termed a "Joint Body" and is formed specifically to oversee distribution of the Fairtrade Premium. It is a legal body with representatives from workers and management, ideally with proportional representation of different categories of worker (e.g. permanent, temporary and seasonal workers, male and female workers, workers from different regions/countries). The second type of organisation is constituted entirely by workers and is tasked with defending their rights and interests. FLO expects at least some degree of worker organisation of this type prior to certification, and there has always been an expectation that plantation workers would "normally" be organised in trade unions. The current version of the FLO Generic Standards for Hired Labour clearly states that:

"FLO enshrines the rights of freedom of association and collective bargaining and considers independent trade unions the best means for achieving this."¹²²

Where there is no active and recognised independent trade union due to restrictions under national law or government interference, or simply because the relevant union is not active in the region, FLO requires formation of a Workers Committee to represent worker interests, negotiate with management and ensure the Fairtrade Standards are adhered to. The FLO standards make clear that where independent trade unions exist nationally but are not active in the area of the plantation, they should be invited by management to talk to workers and national and global union federations should be asked for guidance in improving worker representation and developing Collective Bargaining Agreements. However, FLO is somewhat ambiguous about worker organisation when workers express a preference *not* to become members of the relevant trade union.

6.2.1 TRADE UNION ORGANISATION

The Fairtrade plantation in Ghana was unionised prior to FLO certification and all workers automatically became members of GAWU, the General Agricultural Workers' Union in Ghana (i.e. it was a closed shop). The union enjoyed broad support among workers as well as good relations with management, and the plantation was held up by Ghana's Trades Union Congress (GTUC) as an example of good labour practices. The existence of a trade union bore no relation to Fairtrade, and members of the Union Committee said

¹²² Generic Fairtrade Standards for Hired Labour, Section 1.4, page 13.

that management already took them seriously prior to Fairtrade due to strong labour laws in Ghana and the Collective Bargaining Agreement (CBA) they had agreed. However, they believed Fairtrade had provided valuable support, giving examples such as:

- “If management did not take the Union [Committee] seriously they know they could lose Fairtrade certification”;
- FLO standards help redraft the CBA every three years;
- Fairtrade complements the work of GAWU in certain areas (e.g. Premium funded health and safety education).

In Ecuador and the Dominican Republic workers were organised into Workers Committees rather than trade unions. Both countries had independent trade unions, but they had not penetrated the banana sector to any great extent. In Ecuador the national federation of agricultural workers and family farmers (FENACLE) claimed that since markets opened and the country underwent dollarisation in 2000, plantation owners had used various means to reduce labour costs, including:

- hiring workers via third party contractors instead of directly;
- anti trade union tactics such as blacklisting;
- elimination of collective contracts;
- non affiliation workers to IESS;
- non compliance with labour laws.¹²³

According to FENACLE figures, only around 0.5% of banana workers in the country were unionised. Most workers were hired on a permanent casual basis and lacked any form of organisation whatsoever. In the province where the case study plantation was located, there were approximately 334 plantations with more than 30 workers (the minimum required for formation of a union) but only 2 were unionised. Comments from workers in the area supported FENACLE’s claims that they were scared to join a union because they thought it may lead to being sacked and not able to find work elsewhere as a result of being blacklisted.

In the Dominican Republic trade unions had only existed since the 1960s and there was very little organisation in the agriculture sector. The IUF affiliate (FENTIAHBETA) had only 1,370 members in 2001, less than a quarter per cent of agricultural workers at the time, and by 2008 there was only one unionised banana plantation. In general, worker organisation was undermined by national law and employer resistance, as well as high levels of illegal migrant workers. Haitian workers had begun organising in informal associations supported by various churches, which were supporting them to access civil and labour rights, but these were also being repressed (see Section 3.3.2).

Many workers interviewed for the case studies in Ecuador and the Dominican Republic expressed little interest in joining a trade union. They gave various reasons:

¹²³ FENACLE (2005), Security, Health and the Environment in banana production. Guayaquil: SerComunicacion, p. 11.

- They were satisfied with their working conditions and relationship with management and did not see the need for a trade union;
- They felt the Workers Committee was sufficient and played the same role as a trade union;
- They did not want to pay the membership fee;
- They believed trade unions to be militant and uncooperative, causing problems for employers and employees alike (e.g. preventing them working during strikes and causing businesses to fail through making unreasonable demands).

In Ecuador some meetings had actually taken place with FENACLE, driven indirectly by Fairtrade.¹²⁴ According to one worker representative, the meeting didn't go well because, in his opinion, FENACLE promoted an anti management stance. In the survey carried out for the case study, 49% of workers said they would *not* like to join a trade union, giving the reasons stated earlier, and a further 23% did not understand what a trade union was. However, 28% said they *would* favour joining a union, giving arguments such as:

- “The union doesn't belong to the business”;
- To defend workers and ensure the labour code is respected;
- “For us it's beneficial, for the owner it's not”.

This illustrates the complexity of answers to the question of whether workers want a trade union or not. Most workers in both Ecuador and the Dominican Republic had limited understanding of the purpose and function of trade unions, and could not differentiate between their role and that of Workers Committees. They had few opportunities for employment and were loath to risk losing the jobs they had, especially given that their working conditions were superior to those on most other banana plantations. If they perceived that joining a union might jeopardise their jobs, they were not willing to take that risk. In Ecuador 68% of workers said they thought management would not allow formation of a trade union and in the Dominican Republic many workers, particularly Haitians, said organising protests about working conditions might cost them their jobs.¹²⁵ Although in reality that may not be the case, many workers did not want to take the risk and, given relatively good working conditions and high unemployment, most had little motivation to go beyond having a Workers Committee to form an independent trade union.

¹²⁴ For example, one meeting resulted from a complaint about working conditions that FENACLE had filed directly with buyers in Europe and which FLO forwarded to the plantation owners. The owners then invited FENACLE to come and justify the claims in front of workers, which they were apparently unable to do. For its part, FENACLE said they had not received cooperation from the plantation involved in relation to various proposals they have come forward with, and nor had Fairtrade organizations sought to engage with them at any point.

¹²⁵ Several wildcat (i.e. unofficial) strikes and work stoppages had taken place on the plantation in the Dominican Republic, causing a loss of income to the business and workers. In some cases those involved had been fired, and although this was legal under Dominican law, it served to enhance workers' fears about negative repercussions from complaining about working conditions.

6.2.2 WORKERS COMMITTEES

The formation of Workers Committees was a direct impact of Fairtrade in both countries, as a precondition of FLO certification. However, it was only in the last few years that the committees had taken on a role promoting labour rights. In Ecuador an Association of Workers and Employees was formed in 2000 with 1 representative for every 20 workers, along with a Joint Body with 3 representatives from workers and 3 from management. There was a lack of clarity regarding their respective roles, with the Association involved in administration of the Fairtrade Premium and even taking over the functions of the Joint Body for a brief period. Although FLO inspectors repeatedly commented on the lack of a worker organisation for promoting labour rights, it was only in 2007 that a Workers Committee was finally established. Similarly, in the Dominican Republic the Workers Committee formed in 2002 was integrated with the Joint Body until 2004 and only began progressing work related to labour rights in 2006/7.

The failure of FLO and plantation management to act on inspectors reports about weaknesses in worker organisation had severely limited the impact of Fairtrade in this area. However, in the past few years considerable progress had been made, due largely to higher levels of support from FLO Liaison Officers in each country. Advances included:

- Improved electoral processes, including separation from Joint Body elections;
- Training on labour rights for worker representatives;
- Regular meetings between worker representatives and management to discuss workers' concerns;
- Participation in formulation of procedures for receiving workers' requests, complaints and suggestions;
- Participation in Health and Safety committees;
- Having a role in conflict resolution between workers and management;
- Meetings during working hours and compensation for time representatives work outside normal working hours.

These changes had brought some concrete benefits to workers and in countries where worker organisation was almost non-existent, represented an important step forward. Worker representatives' skills and capacity was still minimal, and the Committees were reliant on management and/or the Joint Body for funding, but the process of giving workers a voice in defending their rights and promoting their interests had at least started. This is a long way from having trade union recognition, and Fairtrade should be mindful of the risk of strengthening Workers Committees to such an extent that they subvert efforts to organise workers independently.¹²⁶ Also, there is a lack of clarity regarding what happens when a majority of workers say they do not want to join a trade union and a Workers Committee has already been formed, but the local union alleges oppression of the right to freedom of association.

¹²⁶ As is the case with government and employer support for Solidarity Associations in Costa Rica, see: <http://www.state.gov/g/drl/rls/hrrpt/2001/wha/8329.htm>

6.2.3 LEGITIMACY OF TRADE UNIONS AND WORKERS COMMITTEES

In most cases there was proportional representation of different categories of workers, such as men and women, nationals and migrants, permanent and seasonal workers, and electoral processes were generally sound. Improvements in this area were directly linked to Fairtrade, including in Ghana where it had influenced elections for Union Committee members as well as the Joint Body. However, the case studies in Ghana and Ecuador found that there was a tendency for the same group of workers to be elected year on year or to rotate between union/workers committees and the Joint Body, and certain workers (particularly from the most marginalised groups) were underrepresented or lacked voice. Many workers were put off by the time involved and/or the risk of criticism from their peers. Workers with little education tended not to stand for election, believing they could not perform the role adequately. If elected, particular groups of workers may not participate actively in meetings. In Ghana, for instance, women had seats reserved for them but meetings held with the Union Committee for the case study research were dominated by men. The same was true of Haitian workers in meetings held with the Workers Committee and Joint Body in the Dominican Republic. Language was a key factor in the Dominican Republic and Ghana, as meetings were held in English/Spanish and this put migrants and workers with less education at a disadvantage. Low levels of education also made it difficult for workers to understand and explain to others concepts related to Fairtrade and labour law, especially given the complicated language used in FLO standards and legislation. Therefore, despite efforts to be inclusive, Fairtrade had not necessarily succeeded in overcoming existing social inequalities.

Although a high proportion of workers in Ghana were satisfied with their union, half of those interviewed thought they had little power to influence management decisions, especially in relation to salaries and other forms of financial assistance. Although they were told that the company was not making enough money to afford salary increases, they wanted more detailed information and greater transparency about how the company was run. This was probably related to the fact they were aware that 25% of shares in the company were being held in trust for them, which to some degree had fostered a sense of ownership among them. They felt this was not being adequately recognised in the communication they had with union representatives and management.

SMALL PRODUCER ORGANISATION OF WORKERS

As described in Section 4.2.2, the SPO in Ecuador had facilitated the organisation of several groups of workers associated with it. This was a direct impact of Fairtrade which had required that contract workers hired to carry out grading, quality control and port loading be organised into legal Associations, in order to receive more regular work and legislated benefits. There was some confusion regarding the obligations the SPO should have towards contract workers, but this was being resolved. Fairtrade had also resulted in more effective organisation of SPO employees and the recent drawing up of a collective contract for the first time. However, it should be noted that none of these worker organisations were affiliated with a trade union.¹²⁷

¹²⁷ Although there were no examples of Fairtrade leading to union organisation in the case studies, there was an interesting example of Fairtrade having an impact on worker organisation in the UK. In May 2007 the BBC reported that workers at a UK ripening company that supplied Fairtrade bananas to several supermarkets were forced to do excessive hours and were not allowed toilet breaks. This led to an enquiry by the company that found that contract labourers hired through a recruitment agency were not paid the same as directly employed staff and were not paid overtime hours. As a result they had reduced the number of contract workers they used and ensured that those that

6.2.4 NEGOTIATION CAPACITY

The plantation in Ghana had a CBA that predated Fairtrade. Union Committee members said the FLO standards helped them redraft it every three years, and that FLO inspection reports were a catalyst for discussion with managements and actions to improve conditions. This represents an important impact of Fairtrade. However, Committee members were unaware that FLO standards could help in bargaining around wages and workers more generally did not know they could be invoked in negotiations with management. Many workers felt that, although they had good intentions, Union representatives did not have the power to influence management decisions, especially in relation to wages.

Uniquely to Ghana, 25% of shares in the company were being held in trust for workers. They were legally held by the Dutch NGO Solidaridad, and administered through the Fairtrade importer that the plantation sold to. The shares had not been transferred to workers because it was felt that workers should not be burdened with the financial instability that the company faced. However, workers displayed a strong sense of ownership and collective responsibility for the company. As such, they were keen to be informed about and involved in company affairs, and some were frustrated by poor communication by Committee members.

In the Dominican Republic and Ecuador, the recent strengthening of Workers Committees had improved workers' capacity to negotiate with management, in particular through establishing a formal schedule of meetings. This had contributed to a salary increase in the Dominican Republic in July 2007, along with some other improvements in working conditions. 77% of workers in Ecuador thought the Workers Committee had the power to ensure compliance with labour law, and the manager/owner in Ecuador said the process of drawing up a collective agreement on terms and conditions, which had taken a number of years, had strengthened the relationship between management and workers and was a "process of mutual learning". Likewise, both workers and management in the Dominican Republic felt that the position of workers was stronger since monthly meetings were initiated.

However, the collective agreements in Ecuador and the Dominican Republic were weak, reflecting a lack of capacity among workers to negotiate effectively. For example, in Ecuador the agreement did not go beyond standards set by national law and included a clause stating that it was only valid as long as the plantation retained its FLO certification. FLO standards had not been used as a reference point in determining contents; the requirement that plantations without trade unions consult national or global union federations for assistance in drawing up collective agreements had also not been observed.

6.2.5 MANAGEMENT CAPACITY

In all three countries the fact that worker representatives tended to serve for long periods and/or rotate between organisations supported a gradual accumulation of skills and knowledge which strengthened the management capacity of worker organisations. Long serving members were articulate about Fairtrade and understood clearly their roles and responsibilities. Other committee members were sometimes not able to answer even basic questions, and still confused the work of Workers Committees with that of Joint

were used were paid the same rates and overtime as directly hired staff. They also allowed the GMB trade union to come and recruit members, which resulted in the union being recognised and collective bargaining being initiated.

Bodies. As stated above, certain categories of worker, such as women and migrants, tended to be less confident and vocal in meetings and were more likely to lack capacity.

6.2.6 LEGITIMACY AND MANAGEMENT OF JOINT BODIES

Joint Bodies were established on all three plantations around the time of initial FLO certification. Representation of different types of workers had improved over time, as had management capacity among longer serving members. Joint Bodies faced the same problems as the Union and Workers Committees regarding participation of certain groups, but overall enjoyed high levels of worker support. They were managing relatively large sums of money as a result of the high volumes being sold on Fairtrade markets: at the time of the research close to US\$ 400,000 per year in Ecuador and around US\$ 200,000 in Ghana and the Dominican Republic. This was challenging, especially given the lack of experience they had in running social and community programmes, and the diverse interests of workers and their communities. An overview of expenditure in the three countries is given below.

TABLE 28: OVERVIEW OF FAIRTRADE PREMIUM EXPENDITURE ON CASE STUDY PLANTATIONS

	Ecuador Actual spend 2005 – 2008		Dominican Republic Actual spend 2003 – 2006		Ghana Workplan budget 2007 – 2008	
	US\$	% total	US\$	% total	US\$	% total
Housing	182,000	14%	74,921	17%	n/a	n/a
Healthcare	217,140	17%	17,078	4%	26,500	7%
Children’s Education	103,346	8%	26,830	6%	106,800	26%
Staff/Committee education/training	Incl. in ‘other’	Incl. in ‘other’	6,064	1%	23,100	6%
Salary supplement (food bonus/ration, Xmas bonus)	377,171	29%	126,954	29%	60,000	15%
Festivals	Incl. in ‘other’	Incl. in ‘other’	72,659	16%	7,500	2%
Community works/donations	Incl. in ‘other’	Incl. in ‘other’	47,853	11%	128,900	32%
Environment projects	Incl. in ‘other’	Incl. in ‘other’	n/a	n/a	5,000	1%
Passports/visas	n/a	n/a	53,200	12%	n/a	n/a
Unrecovered loans	n/a	n/a	1,655	<1%	n/a	n/a
Running costs	Incl. in ‘other’	Incl. in ‘other’	9,290	2%	25,000	6%
Other ¹²⁸	416,719	32%	8,820	2%	22,700	6%
TOTAL	1,296,376	100%	445,324	100%	405,500	101%

Source: Joint Body documents, FLO inspection reports

¹²⁸ For Ecuador ‘other’ included staff training, running costs, Christmas festival and community works. It also included around US\$ 130,000 budgeted for salary supplement that was eventually carried over to 2009. These costs were itemised individually for Ghana and the Dominican Republic.

The different programmes for workers and their households and projects in their communities were highly valued, as described in various parts of this report (e.g. Section 5.2.2.2 on housing, education and healthcare; Section 7.2 on projects in the community). There were two main exceptions to this:

- Haitian migrant workers in the Dominican Republic disagreed with the way the Premium was allocated, believing it benefited Dominicans more than them (as described earlier in the report);
- In Ghana around a third of workers were unhappy that the Joint Body was unable to use the Premium to augment salaries, as they had repeatedly requested.

Unfortunately, in these two cases the Fairtrade Premium was therefore having a divisive effect among workers. In general, the Premium was perceived more as a charitable transfer than the product of *fair* trade. Although this was less the case for workers in Ghana, they perceived FLO to be overruling their decisions about Premium use. This gave workers less ownership over how the Premium was spent and did not make participation in Fairtrade an empowering experience. In both countries the Premium was sometimes being used to for things that, arguably, should have been company expenses, sometimes without much debate within Joint Bodies. For example, the Premium was being used to fund passports and visas for Haitians in the Dominican Republic, but previously the company had contributed to the cost of their migration cards. Other examples included use of the Premium to boost salaries and to cover the costs of certification. The Premium had also been drawn on as a loan to cover core business activities in Ghana. In several cases FLO inspectors had judged that Management was too influential in deciding use of the Premium. However, it was evident that complying with FLO standards and staying competitive was becoming increasingly difficult for some Fairtrade plantations, and so this was not a simple matter of opportunism on the part of plantation owners. More often it was a case of not being clear about FLO rules. But again, this reflects on the capacity of Joint Bodies to understand and uphold the principles and objectives of Fairtrade, and of the continued imbalance of power between workers and management.

6.2.7 WORKERS UNDERSTANDING AND ENGAGEMENT WITH FAIRTRADE

Outside worker organisations, understanding of the concepts and processes involved in Fairtrade was fairly minimal. Low levels of education were largely to blame, as in all cases efforts had been made to impart information to the workforce. But some workers complained of a lack of transparency and communication and others highlighted inconsistency in the messages they received (in relation to Fairtrade guarantees of decent wages, for instance). In Ecuador it was noted that there was little, if any, written information in a language and format workers could easily understand, and also that feedback given to workers on Premium expenditure was inappropriately presented. Even members of worker organisations were sometimes unsure of the facts; in the Dominican Republic, for instance, members did not know how much Premium was earned for each box of bananas sold on Fairtrade markets. Representatives in Ghana expressed frustration that they did not have access to and the skills to use computers, in order to find out more about Fairtrade on the internet.

6.2.8 WOMEN IN WORKER ORGANISATIONS

Fairtrade had led to improved representation of women in worker organisations. For example, in Ghana 4 seats out of 12 on the Union Committee were reserved for women; this resulted from a recommendation

by FLO. Similarly, in Ecuador FLO had insisted that the Workers Committee included a Women's Representative.¹²⁹

An increase in representatives that were women did not necessarily mean that women were adequately represented, for various reasons:

- They often lacked the education, skills and self confidence to carry out their function effectively;
- Women were responsible for most domestic duties which restricted the time they could spend on organisational activities;
- Some women were prohibited by their husbands from becoming representatives;
- Socio-cultural norms resulted in men dominating discussions in mixed meetings and not giving women's perspectives adequate consideration.

In general, banana production was a male dominated industry and gender issues tended to be sidelined at all levels. While still far from reaching gender parity, Fairtrade had at least started to challenge this and in the process had achieved some notable successes. For instance, in Ghana one woman had recently contested and won an election against a man for the first time. Another had encouraged others to put themselves forward after serving as a representative herself. In Ecuador a woman had been voted President of the Association of Workers and Employees; her experience aptly sums up the challenges and the role of different actors in achieving progress:

“From the start we worked on the [Fairtrade Premium] projects with [the managing director], we stayed until dawn working on them. It was hard to take on this responsibility, because of the machismo, it has cost me tears and battles. The support of [the managing director] has been essential, he liked it that a women participated and he encouraged me, he helped me a lot. We were guided by FLO, they came to see the projects, they gave us ideas on how to improve.” *Ex President of workers organisation, Ecuador*

Summary of Fairtrade impact on the organisation of workers

Fairtrade had had limited impact in terms of trade union organisation. In Ghana the plantation was unionised prior to FLO certification, but Fairtrade supported the union in its work, including negotiation of terms and conditions. In Ecuador and the Dominican Republic, Fairtrade had led to the formation of Workers Committees rather than trade unions. Although there were independent trade unions in both countries, they did not have a strong presence in the banana sector for social, political and historical reasons. Many workers on the case study plantations had reservations about joining a trade union and said they were satisfied with their Workers Committees, not really understanding the difference. Others saw the value of independent organisation but felt that management did not approve of unions, which was a strong disincentive to action. There had been some meetings with the relevant trade union in Ecuador, but these had not had positive outcomes.

¹²⁹ In the Dominican Republic both the Workers Committee and Joint Body included women, but it was not clear whether this was an impact of Fairtrade.

Workers Committees in both Ecuador and the Dominican Republic had initially been focused on the Fairtrade Premium and had only recently begun work promoting labour rights, as a result of increased support from FLO Liaison Officers. This had led to some concrete improvements in labour policies and practices, as well as regular meetings between worker representatives and management, but the committees still lacked capacity to negotiate successfully. This was reflected in the weakness of the collective agreements on terms and conditions that had been signed. However, further capacity building support for Workers Committees may risk undermining possibilities for independent trade union organisation, instead creating parallel organisations, if not strategically planned with the international trade union movement. This was complicated by a lack of clarity on FLO's position regarding plantations where Worker Committees had been formed but independent trade unions existed nationally and alleged oppression of trade union rights.

Workers were also organised into Joint Bodies (alongside representatives from management) for managing Fairtrade Premium funds. In general the Joint Bodies enjoyed high levels of support among workers, and were relatively successful in managing large sums of money (up to almost US\$ 400,000 per year in Ecuador, equivalent to approximately US\$ 1156 per worker). However, some groups of workers disagreed with how the Premium was allocated: in Ghana workers felt it should be used to support worker income, and in the Dominican Republic Haitian workers felt their households in Haiti should also benefit from expenditure on housing and healthcare. In these cases the Premium was sometimes a source of tension within the workforce. In general the Premium was perceived by workers as a charitable transfer, or development assistance. Furthermore, it was sometimes used to cover costs that, arguably, should have been business costs. As such, it was not always having an empowering effect.

Fairtrade had brought improvements in electoral processes and representation of different categories of workers, including marginalised groups such as women and migrants. Unfortunately the representatives of such groups were not always active in meetings as they often lacked education, language skills and self confidence. Likewise, illiterate workers generally excluded themselves from standing for election, while experienced representatives tended to be elected for consecutive years and/or to rotate between Union/Worker Committees and Joint Bodies. As such, Fairtrade had not managed to overcome pre-existing social inequalities.

Long serving worker representatives had acquired management skills and indepth knowledge of Fairtrade, but in general understanding of Fairtrade was quite limited, even though considerable efforts had been made to inform workers about it. Factors that contributed to this included low levels of education, conflicting messages about Fairtrade (e.g. in relation to what the Premium could be used for), and inappropriate communication materials and procedures.

7. FAIRTRADE IMPACT ON LOCAL AND NATIONAL DEVELOPMENT

Fairtrade seeks to contribute to the sustainable development of economically disadvantaged and marginalised producers and workers through giving them more favourable terms of trade and through the instrument of the Fairtrade Premium. In doing so it potentially has an effect on various aspects of local and national development. In this section Fairtrade impact on local and national development is analysed, although it is important to note that empirical research at this level was limited and therefore many of the conclusions reached are tentative. Unlike in previous sections, impacts related to SPOs and plantations are considered jointly.

7.1 GENERATION OF EMPLOYMENT

Rather than generating new jobs in the banana sector, Fairtrade tended to sustain existing employment and improve the quality of that employment. None of the case study plantations had grown substantially as a result of Fairtrade, but, as described previously, Fairtrade had helped them access markets, strengthened their businesses, and had led to improvements in working conditions. They did tend to use labour more intensively than non Fairtrade plantations (see Table 29), partly due to being organic but also to meet various certification requirements, meaning that relatively speaking higher levels of employment were being supported. As the 3 plantations employed just 1,164 people between them, this impact may be considered negligible. But given high levels of unemployment and few opportunities for formal employment for low skilled workers, these were still important jobs.

The figures for small producers, including self employment and hired labour, were somewhat more impressive. There were an estimated 2089 workers hired by the 447 producers in Ecuador, 20% of which were permanent workers and 80% temporary.¹³⁰ In the Dominican Republic it was estimated that around 5000 jobs were linked to the SPO (including employees and hired labour). Secondary data from the WI indicate that up to 60% of the working population was employed in the banana industry in St. Vincent, and 20% in St. Lucia (less on the other islands).¹³¹ As with Fairtrade plantations, small producers in Ecuador used more labour per hectare than conventional large scale plantations (see Table 29). In both Ecuador and the Dominican Republic workers hired by small producers were paid higher daily wages and provided better working conditions than most plantations, as discussed earlier in the report. This particularly benefited Haitians workers in the Dominican Republic, as they made up 80% of small producers' hired labour.

There were high levels of unemployment on the Windward Islands (between 12 and 16%)¹³², mainly as a result of contraction in the banana industry, so any employment that had been protected by Fairtrade should have been highly valued. However, farmers complained of struggling to find labour, as most

¹³⁰ FLO Inspection Report 2008

¹³¹ US Department of State Background Notes: <http://www.state.gov/r/pa/ei/bgn/>

¹³² US Department of State Background Notes: <http://www.state.gov/r/pa/ei/bgn/>

people wanted to work on their own plots. They had to pay well above minimum wages to secure labourers and even then many young men preferred to migrate overseas or work on illegal marijuana farms, where wages were almost double that of the banana sector.

TABLE 29: COMPARISON OF EMPLOYMENT GENERATED BY PRODUCERS INSIDE AND OUTSIDE FAIRTRADE

	Ecuador	Dominican Republic	Ghana
Fairtrade SPO	Conv. monocrop: 0.97 per ha Org. monocrop: 1.09 per ha Org. agroforestry: 0.59 per ha	No data	n/a
Fairtrade plantation	Org. monocrop: 0.98 per ha	1.79 per ha (incl. admin) 1.03 per ha in field	1.83 per ha (incl. admin)
Non Fairtrade plantations	Conv. monocrop: 0.55 – 0.70 per ha Org. monocrop: 0.74 per ha	0.80 per ha in field	No data

Source: Case study research; SPO-AFAD-SIPAE, 2007

However, new employment *was* created in the agroforestry region of Ecuador, as banana farming was introduced with Fairtrade markets in mind and this had provided work for hundreds of farmers and labourers in the region and reduced pressure to migrate in search of work.¹³³

Fairtrade had also contributed to the generation of skilled employment related to production standards and Premium use, e.g. technical advisors, social development and community workers and administrators. In the Dominican Republic the SPO employed 50 staff and Producer Groups an additional 46 employees, whereas in Ecuador the SPO had 53 employees. Premium funds also created various other forms of employment, such as teachers, medical staff, school bus drivers, construction and maintenance. This employment provided professional opportunities in semi rural areas for more educated men and women.

There was some evidence that working conditions on Fairtrade plantations had influenced conditions elsewhere, but this was largely anecdotal. For example, a trade union representative in Ghana said that the only other banana plantation had been influenced by the Fairtrade plantation and become more socially responsible¹³⁴, and that the Fairtrade plantation was used by the Trade Union Congress a reference point for good industrial practices. In Ecuador a worker on a neighbouring plantation said workers were asking their employer for benefits like those provided by the Fairtrade Premium on the case study plantation. But in general the labour practices encouraged by Fairtrade (e.g. provision of indefinite contracts and legislated benefits) did not seem to have been taken up elsewhere, not even on other plantations with the same owners (in the Dominican Republic).

7.2 SOCIAL AND COMMUNITY DEVELOPMENT

Fairtrade had brought social and community development in areas where small producers and workers lived, via use of the Premium to fund or co-finance projects and programmes in the community. Examples were too numerous to count, but included:

¹³³ For example, the SPO had co-financed a project with the Ministry of Agriculture (PROMSA) to transfer technology to 200 producers of baby bananas and organic bananas in the region to enable them to participate in export markets.

¹³⁴ One example was that workers had pressured the company to buy them bicycles after the Fairtrade plantation workers received them (funded by the Premium).

- construction/improvement of schools, clinics and community centres;
- payment of salaries of teachers, doctors, nurses, school bus drivers;
- purchase of medical supplies and equipment;
- establishment of community pharmacies, computer centres and grocery stores;
- provision of supplies to schools and libraries;
- improvement of roads, bridges and street lights;
- construction of water tanks for potable water.

An interesting use of the Premium by the plantation in Ecuador was to support a local college to train students in the cultivation of short cycle organic crops. The objective was to promote food security and sovereignty in an area where monocultivation of bananas dominated.

Comments on the benefits brought to communities included:

“One of the best things which the Premium has been invested in is the schools. There were schools which only had one teacher. Now that they pay the teachers..., the number of pupils has grown... The parents of the children are grateful for what is being done.” *SPO Foundation worker, Ecuador*

“You put something tangible in your community – in schools, clinics, roads and a playground.” *WI farmer*

[In relation to the reconstruction of a bridge] “Considering that a group of our members live in that sector and work at [the plantation], the objective is that... children and young students continue with their studies, as well as allowing the parents to continue working.” *Cited in Workers Association report, Ecuador*

SPO members in local Producer Groups made suggestions for community projects, depending on the particular needs of the area, and all planned expenditure was approved at Annual General Meetings (AGMs). A similar process was followed on the plantations in Ecuador and the Dominican Republic, but it was slightly different in Ghana: community or institution representatives made requests to the plantation’s Joint Body, outlining a proposed project; these proposals were then discussed and, if deemed worthwhile, put forward for approval at the AGM. This was perhaps a more democratic process, as small producers and workers elsewhere were deciding on the needs of their communities but, it could be argued, did not have an elected mandate to do so.

There is also an argument that use of the Premium can serve to undermine the obligation of governments to provide public services and infrastructure, and thus create problems of sustainability and social development in the long term. However, by working in partnership with communities, civil society organisations and public bodies, the Fairtrade Premium can instead build on local institutions and support government provisions rather than replace them. In Ghana all projects had to be collaborative, with a clear contribution from the community/institution in question. In Ecuador the SPO had agreements with two local authorities to jointly develop projects that would benefit producers and communities. In other

cases the Premium had helped improve public services (e.g. improving state school infrastructure and public hospital equipment in the WI and Dominican Republic). It was noted that in the WI it actually helped overcome political bias in the allocation of government funds to politicians' own constituencies. Premium funds were also used to co-finance projects in partnership with national and international institutions. For example, the plantation in Ecuador had undertaken several projects in partnership with DED and the local municipality, as well as other local groups, including development of microenterprises for producing organic inputs and recycling plastic waste. Importantly, the plantation owners put funds into these projects, with funds from the Premium a relatively small contribution. However, in general across the case studies local authorities and other institutions were not much engaged in decision making around Premium use.

Despite having sound practices for community led Premium use, in Ghana Premium projects had given rise to a culture of expectation. The perception was that Fairtrade was primarily about development assistance rather than fair trade. This was not picked up in any other case studies, and may be related to the Sub Saharan African context where communities have often had substantial contact with aid organisations.

7.3 IMPACT ON LOCAL ECONOMIES

Through sustaining employment and improving the incomes of producers and workers, Fairtrade had an indirect impact stimulating local economies. For example, it had enabled producers and workers to buy households goods, school materials and uniforms from local stores and markets, and to hire tradesmen to make improvements in their houses. Indirect impacts also occurred through generating employment and business for agriculture related service providers (technical and research institutes, certification bodies, input distributors, etc.). For instance, the plantation in Ghana listed the following local businesses as reliant on it for at least part of their income:

- Local banana market: 400 people;
- Local Kenkey (maize food wrapped in banana leaves) producers/sellers: 50 people;
- Plastics company (recycling fruit protection bags): 50 people;
- Timber company (supply of wooden pallets): 20 people;
- Inputs for composting (48 people).

Boosts to local economies also occurred as a result of the Fairtrade Premium being used to fund, or co-finance, new enterprises and income generating activities. An example of this was the plantation in Ecuador, which had gone into partnership with several local and international institutions to create microenterprises for production of organic agricultural inputs and for recycling plastic waste from the plantation.

Unfortunately, we were not able to study multiplier effects such as these in any detail.

Fairtrade may also have affected local pricing of bananas. During periods of high prices, intermediaries and exporters in Ecuador apparently used the FLO minimum price as a floor when trying to attract producers to sell their fruit to them, making sure they offered more than the FLO price. During periods of

low prices this was not the case, as supply outstripped demand by more than the total output of Fairtrade producers. Again, further research would be needed to assess this kind of impact properly.

7.4 IMPACT ON NATIONAL ECONOMIES

In general Fairtrade bananas achieved higher FOB prices than non Fairtrade bananas and so led to an increase in national revenues in each case study country. Given the lack of accurate price data, it was not possible to quantify this impact precisely. But assuming a minimum average price differential of US\$ 1 per box¹³⁵, this would equate to roughly US\$ 2.8M in the Windwards, US\$ 2M in Ecuador, US\$ 900,000 in the Dominican Republic and US\$ 200,000 in Ghana for the 6 case study producers. These amounts were considerably higher if Fairtrade sales from other SPOs and plantations were taken into account, as well as the Fairtrade Premium of US\$ 1 per box, as shown in Table 30. Totalling over US\$ 27 million, the additional income equated to 0.3% of GDP in the combined economies of the WI, but only 0.004% of GDP in Ghana. However impact also depended on the role that bananas played in each economy, as explored below.

TABLE 30: ESTIMATED ADDITIONAL REVENUE GENERATED BY FAIRTRADE IN 2008 IN RELATION TO GDP FOR CASE STUDY COUNTRIES (INCLUDING ALL FAIRTRADE PRODUCERS)

	Additional revenue from Fairtrade 2008 ¹³⁶	GDP (2008)	Additional revenue as % of GDP
Ecuador	US\$ 9,134,632	US\$ 52.6 B	0.02%
Dominican Republic	US\$ 11,797,760	US\$ 45.8 B	0.03%
St. Vincent	US\$ 5,782,400	US\$ 0.59 B	0.3%
Dominica		US\$ 0.36 B	
St. Lucia		US\$ 1.01 B	
Ghana	US\$ 572,000	US\$ 16.1 B	0.004%
Total	US\$ 27,286,792		

Source: Based on provisional FLO data and World Bank Key Development Data and Statistics: <http://web.worldbank.org>

The principal region in which there was a marked impact on the national economy was the Windward Islands, given that bananas were an important export industry for all three islands and Fairtrade had sustained that industry in the face of almost certain demise. Although exports were substantially lower than in the 1960s to early 1990s, and the service sector (especially tourism) now brought in a much higher percentage of GDP, the banana industry was still a major employer.¹³⁷ Income from agriculture was also

¹³⁵ In reality the price differential over the past 5 years is likely to have been considerably higher. The FAO (2009) estimated the FLO minimum price to be 52% higher than average FOB prices in Ecuador and 92% higher in the Dominican Republic. This equated to a difference of between US \$ 2.31 and US\$ 5.57. However, many Fairtrade sales could potentially have gone to organic markets, where average prices were estimated to be US\$ 1.41 higher than for conventional bananas in the Dominican Republic and up to US\$ 4 higher in Ecuador. Therefore a conservative estimate of US\$ 1 for Fairtrade certification was used.

¹³⁶ These figures were based on a US\$ 1 per box differential for Fairtrade sales (over conventional/organic sales) plus US\$ 1 per box as Fairtrade Premium. Annual exports were calculated based on average weekly sales between July and September of 2008 and assuming even spread of sales throughout 52 weeks. The figures are therefore only rough estimates.

¹³⁷ US Department of State Background Notes: <http://www.state.gov/r/pa/ei/bgn/index.htm>

more widely distributed than income from tourism, which often benefited foreign investors and travel companies more than local economies. As such, Fairtrade had helped ensure a steady flow of income through rural areas and counter the negative effects of forced migration and illicit agriculture (cultivation of marijuana), but it had not reversed a tendency towards contraction in the industry due to changes in EU regulations.

There was also a national level impact in the Dominican Republic, where Fairtrade had helped develop a failing banana industry into a major exporter of premium bananas. In 2007 it became the world's biggest exporter of Fairtrade bananas and until 2006, when it was overtaken by Ecuador, it was the leading exporter of organic bananas.¹³⁸ Both the case study producers (SPO and plantation) had contributed to this achievement, although in different ways. For the plantation it related to the way it had helped the country's leading exporter become a major supplier of certified bananas, whereas for the SPO it was a more direct impact as it accounted for 10% of national exports and 30% of Fairtrade exports. However, relative to GDP, impact at the national level was still fairly minimal.

In Ecuador and Ghana Fairtrade accounted for such a small proportion of exports and employment that the impact on their national economies was negligible. However, impact on local economies was comparable to the other plantations/SPOs.

7.5 POLITICAL INFLUENCE

The only countries in which the Fairtrade SPOs or plantations had significant influence on a political front were those of the WI. Through its dominance of production and more recently exports, the WI SPO was clearly in a position of some political influence, though it did not seek to be linked to particular political parties or politicians.¹³⁹ The banana sector had traditionally been important to politicians, not least because it employed vast numbers of voters. In 2007 the Prime Minister of Dominica attended an enquiry held by the UK government into Fair Trade, which gives an indication of the level of political support Fairtrade banana farmers enjoyed. As pointed out by an industry source, despite the small size of the islands, their Agricultural Ministers still get access to government ministers in the UK, and this gave the SPO unequalled national and international influence. The SPO said Fairtrade had helped give producers a voice on issues such as EPAs and WTO rulings, and also helped it secure funding from the European Union for a regional diversification programme. But the WI was a unique case, in that they are small island states with historically undiversified economies and colonial links to the UK. This raised questions about whether the banana industry's dependency on "colonial masters" had to a certain extent been replaced by dependency on UK supermarkets.¹⁴⁰ With this in mind, the SPO was working on various programmes to diversify export products and markets.

The other two SPOs had not engaged with national politics. Although the SPO in Ecuador had become a member of national industry associations, which had given it access to information and debates regarding markets, the EU trade regime and setting of Ecuador's official price for bananas, it did not feel it was in a position to influence these debates. Given the size of the banana industry in Ecuador, and the dominance

¹³⁸ FLO data, 2009; FAO 2009

¹³⁹ The WI banana sector was historically linked to politics, as banana exporting companies were formerly state owned and later closely aligned to governments.

¹⁴⁰ See: Momsen, J. (2008)

of huge corporations, this is unsurprising, except perhaps in relation to organic production. It could have had a role to play promoting the interests of small producers, and did have good links with various national and international institutions for the execution of agricultural projects, but was not part of any related political platform (e.g. in relation to land reform). Likewise, the SPO in the Dominican Republic had opted not to join industry associations or unions of small producers, and was not actively engaged in the national political context. However, it was a board member of CLAC, a network of small producer organisations in Latin America and the Caribbean which works internationally to promote the interests of small producers in involved in fair trade (see Section 9.4).

The absence of trade unions on the plantations in Ecuador and the Dominican Republic effectively stymied opportunities for workers to defend their interests at a national level. Members of Workers Committees had attended some Fairtrade sponsored events where they met other workers, but the effect was social rather than political. But as described earlier, Fairtrade support for the plantation in Ghana had an indirect impact on the political influence of its trade union, in that it was used by the GTUC as an example for good industrial practices.

Summary of Fairtrade impact on local and national development

With a few exceptions, the effect of Fairtrade was to sustain rather than generate employment, and to improve the quality of employment. Although relatively limited in scale, this “decent work” was important in the agricultural contexts of the case study countries.

There was anecdotal evidence that some of the benefits received by workers on Fairtrade plantations had spilled over to other plantations in the region, but in general labour practices encouraged by Fairtrade (such as indefinite contracts and worker organisation) were not seen elsewhere.

Fairtrade was contributing to social and community development via use of the Premium for constructing public infrastructure (e.g. schools, clinics, water tanks, roads, street lights), paying the salaries of public sector workers (e.g. teachers, doctors, nurses) and providing educational and medical supplies. Allocation of the Premium for community projects was usually decided by small producers and workers, but in Ghana it was community led which was perhaps more democratic. Although Fairtrade was often supporting public services, there were relatively few cases in which the Joint Bodies or SPOs were working in partnership with civil society organisations and local authorities to foster sustainable rural development.

Through improving small producer and worker incomes, and generating business for agriculture related markets and services, Fairtrade was undoubtedly having an indirect impact stimulating local economies. It may also have affected local pricing systems for trade in bananas. Unfortunately it was not possible to study these multiplier effects in detail.

The additional revenue brought by Fairtrade equated to approximately 0.004% to 0.3% of GDP in each country. In the Windward Islands and the Dominican Republic, bananas were an important agricultural export and Fairtrade had played an important role in sustaining/developing the sector. In Ghana and Ecuador the relatively small size of Fairtrade exports meant that impacts on the national economy were marginal.

The importance of the banana sector in the WI, and the SPO's dominance of production and exports, gave the SPO political weight and international influence. By comparison, the national political influence of the SPOs in Ecuador and the Dominican Republic was minimal, although both were active in international fair trade networks. The absence of trade union affiliation effectively eliminated possibilities for Fairtrade workers in Ecuador and the Dominican Republic to influence national or sector labour policies, but in Ghana the case study plantation was having some influence at a national level via its trade union and this was supported by Fairtrade.

8. FAIRTRADE IMPACT ON NATURAL RESOURCE MANAGEMENT

The Fairtrade standards for small producers and plantations include a large section on protection of the environment, including controlled use of agrochemicals, minimisation of waste, good management of soil and water, and avoidance of fire and GMOs. Fairtrade producers are expected to incorporate environmentally friendly practices into their production and are encouraged to work towards organic production where possible. In this section we assess impacts resulting from this aspect of Fairtrade.

8.1 ENVIRONMENTALLY FRIENDLY PRODUCTION

The case study plantations in Ecuador and the Dominican Republic were certified organic prior to gaining Fairtrade accreditation and as such Fairtrade had had limited direct impact on production practices. However, the new FLO standards that were introduced in 2007 had stricter requirements related to the environment and this had led to some changes being introduced in Ecuador.¹⁴¹ In Ghana the plantation had high environmental standards prior to becoming Fairtrade, and it was difficult to determine the specific impact of Fairtrade, but it appeared that the FLO inspectors had picked up a few issues that resulted in improvements. Overall, the direct impact on plantations was therefore quite small, but linkages between Fairtrade and organic markets meant that the two certification schemes were mutually reinforcing (i.e. many retailers in Europe only want Fairtrade bananas if they are also organic, and vice versa) and as such, Fairtrade was indirectly improving practices. However, higher relative growth in conventional Fairtrade markets, especially in the UK, meant that in future Fairtrade might have a more direct role to play.

For SPOs there was greater direct impact, although again it was sometimes hard to determine which improvements had been driven by Fairtrade and which were initiated by the SPOs. In the Windward Islands farmers identified a very clear link between improved practices and Fairtrade standards, with various positive outcomes:

- A reduction in the use of chemicals had led to noticeably more earthworms and an increase in wildlife (birds, snakes, crayfish), and meant animals could graze the grass around banana plants and food crops could be grown nearby;
- The regular campaigns to remove waste (e.g. the insecticide impregnated plastic bags used to protect fruit while it is growing) had resulted in cleaner, healthier local environments;
- Buffer zones between banana plots and rivers/roads and grass barriers had reduced soil erosion and protected fruit from traffic pollution, while also providing space to plant fruit trees for domestic consumption.

The SPOs in Ecuador and the Dominican Republic had both instituted environmental protection programmes with their members, including standards that producers were required to meet and a list of chemicals that were banned from use. Furthermore, in both countries SPOs had encouraged organic production. The SPO in the Dominican Republic said this had little to do with FLO standards, rather it was

¹⁴¹ The case study in the Dominican Republic was carried out prior to the new standards being introduced.

oriented by national law and market requirements (organic and supermarket). Indeed, it saw strengthening of the environmental protection section of the FLO standards in 1996 as duplicating other standards and causing unnecessary technical assistance and auditing costs. However, the Fairtrade Premium had been used to support producers gain organic and GLOBALGAP certifications, both in terms of infrastructure and technical assistance, and the FLO minimum price for Fairtrade Organic bananas was apparently also an incentive to producers to make the transition to organic production. As such, Fairtrade had a direct part to play in raising environmental standards. Responsible environmental practices were also linked to the SPO's social mission, which in turn was strongly affiliated with the broader "fair trade" movement and associated alternative (organic and fair trade) markets, indicating an indirect link. The latter was broadly true for the Ecuadorian SPO, and the FLO standards also had a direct impact in promoting environmentally friendly production practices on conventional banana farms.

More fundamentally, Fairtrade had not challenged the mono cultivation of bananas, which in and of itself is harmful to natural ecosystems. In fact, producers in the agroforestry region of Ecuador were gradually intensifying production of bananas to the detriment of their traditional diversified farming systems. This had led to an increase in Sigatoka attacks, requiring more frequent application of chemical controls, thereby reducing soil fertility and yields. The information on costs of production indicated that even with more intensive production, these farmers were struggling to make a decent living. This suggests that Fairtrade prices did not necessarily allow for financially and environmentally sustainable production, if a stricter perspective on sustainability is applied. In a similar vein, Fairtrade had not engaged with issues of food sovereignty and distribution of natural resources (land and water) which, in some contexts, were an important part of national debates.

8.2 ENVIRONMENT RELATED PROJECTS

The Premium was sometimes used to finance or co-finance projects with environmental objectives, such as establishing local production of organic inputs and waste recycling operations. The owners of the plantation in Ecuador were also contributing directly to environment related projects and programmes, implying an indirect impact of Fairtrade. However, overall there were relatively few such examples.

Summary of Fairtrade impact on natural resource management

In all cases Fairtrade had an indirect impact in supporting businesses (SPOs and plantations) that were promoting environmentally friendly production. There were also some direct impacts via FLO Producer Standards, use of the Fairtrade Premium and incentives created by the FLO minimum prices for dual certified products, leading to improved production practices and environmental projects in the wider community. This is important, given the poor record of the banana industry globally, and the disastrous consequences that intensive use of agrochemicals has had on people and the environment. Impact was greatest in the Windward Islands where all production was conventional and Fairtrade had resulted in various improvements, including increased wildlife, reduced soil erosion, and generally cleaner and healthier local environments. Elsewhere most farmers were producing organically and therefore the FLO standards were less relevant, although the recent increase in demand for conventional Fairtrade may change this in future.

There were some complaints that FLO had raised its standards for environmental protection without providing enough technical guidance on how to meet them or ensuring that markets paid a premium to

cover the costs; in some cases FLO's requirements actually raised costs without improving practices, given organic and GLOBALGAP certifications were already in place. Fairtrade had also failed to engage with wider issues related to the harmful effects of monocultivation of bananas on ecosystems and natural resources.



9. VALUE CHAIN ANALYSIS OF UK FAIRTRADE BANANAS

This section of the report draws on interviews with importers, ripeners and retailers in the UK banana sector, as well as information and data provided by other expert sources and case study research. A total of 15 interviews were carried out in the UK:

- 6 retailers (accounting for 67% of all UK grocery sales and 87% of Fairtrade banana sales);
- 6 importers/importer-ripeners (accounting for almost all Fairtrade banana imports);
- 3 expert sources (Banana Link, Fairtrade Foundation, GMB trade union).

Because of the commercially sensitive nature of the information provided, no names of companies or individuals have been used (except where the information is already in the public domain).

9.1 THE UK FAIRTRADE BANANA MARKET

9.1.1 SIZE OF THE MARKET

The Fairtrade Foundation estimated the retail value of Fairtrade bananas to be £184.6 million in 2008, an increase of 23% over 2007 (see Figure 11). By early 2009 Fairtrade bananas represented 24.4% of total banana sales by value and 20.2% by volume (TNS data cited by The Grocer, 21.02.09).

FIGURE 11



Source: Fairtrade Foundation, 2009

Fairtrade bananas are available in almost all mainstream grocery retail outlets in the UK (see Table 31). Around 60% of all bananas in the UK are sold loose. The other 40% are sold in pre packed bags oriented towards different consumers, typically differentiated as value packs, organic, Fairtrade and kids range

(small fingers). Fairtrade bananas are usually sold in pre packed bags of between five and seven fingers, but in a limited number of outlets they are also available to buy loose. Some stores offer both conventional Fairtrade and organic Fairtrade, but most retailers opt for either one or the other.

TABLE 31: RETAIL OUTLETS FOR FRESH FAIRTRADE BANANAS¹⁴²

	Pre pack only	Pre pack and loose
Conventional only	Asda The Co-operative Marks & Spencer Spar Tesco Ocado	Whole Foods Market
Organic only	Budgens Nisa Lidl	River Nene Organic Vegetables Riverford Organic Vegetables
Conventional and Organic	Morrisons	Booths Sainsburys Waitrose

Source: Fairtrade Foundation website: http://www.fairtrade.org.uk/products/retail_products/, accessed 19.09.09

The bulk of sales take place in the two retailers which have converted all their bananas to Fairtrade – Sainsbury’s and Waitrose. Sainsbury’s is the UK’s second largest retailer of grocery goods, with nearly 15 per cent market share. Waitrose is a smaller chain which tends to serve higher income groups and has 3.6 per cent market share. Together these two chains accounted for 63.5 per cent of UK Fairtrade banana sales (see Table 32) and 34% of global Fairtrade banana sales in the year to June 2009. The remaining UK sales were fairly evenly distributed across the other major retail chains in proportion to their overall share of the UK banana market.

TABLE 32: MARKET SHARE OF LEADING UK RETAILERS FOR ALL GROCERY AND BANANAS

Retailer	Share of UK banana market (%)	Share of UK Fairtrade banana market (%)	Share of UK Grocery market (%)	Share of UK Fairtrade grocery market (%)
Tesco	28.5	13.4	27.5	11.0
Sainsbury’s	17.6	49.3	14.7	38.7
Asda	13.0	6.2	14.2	7.3
Morrisons	11.1	5.4	10.8	5.7
The Co-op	4.7	2.2	3.7	15.4
Waitrose	5.0	14.2	3.6	11.9
Somerfield	3.0	1.4	3.3	1.0
M&S	2.9	1.6	3.2	6.0

Source: TNS Worldpanel data: 52 w/e 17.06.09, obtained during research interviews; The Grocer 21.02.09, using TNS Worldpanel data: 52 w/6.9e 5 October 2008.

Looking at TNS data for the past three years, UK Fairtrade retail sales appear to be reaching something of a plateau after a long period of growth. Excluding Sainsbury’s and Waitrose, three retailers showed positive growth and three showed negative growth. With one exception, this reflected trends in their overall banana sales. Sainsbury’s increased its grocery market share in 2008 - 2009, which accounted for

¹⁴² Not all lines identified in Table 31 will always be available in store.

significant growth in overall Fairtrade bananas sales. An increase in volumes sold by hard discounters, such as Lidl, had also contributed to overall growth.¹⁴³

These trends were confirmed in interviews with retailers, although most said they still aimed for growth in Fairtrade sales, for example through promotions, improved packaging, publicity and/or increased shelf space. All reported that Fairtrade banana sales had been maintained in spite of the recession, unlike organic banana sales which had dropped off markedly (as had sales of some other Fairtrade products). One retailer had seen a 25% increase in Fairtrade banana sales and concurrently a 25% drop in organic, suggesting that some consumers may be switching from organic to Fairtrade in order to cut costs while maintaining their ethical principles. In this context (and because of continued price wars in bananas) Fairtrade organic bananas have largely been priced out of the UK market.

The same retailer reported that demand for Fairtrade bananas was generally quite inelastic, in that their Fairtrade consumers did not readily switch to other lines. If this is the case more widely, retailers will be keen to ensure that Fairtrade is always available on the shelf and should make the Fairtrade market relatively secure in the longer term. Several retailers said the value of Fairtrade lay in high levels of consumer recognition and it was not easily substitutable with another type of certification or labelling scheme. If this situation changes, for example if Rainforest Alliance becomes better known (as is likely with its uptake by several large brands), the position of Fairtrade may be less secure.

It is quite unlikely that further large retailers will convert all their bananas to Fairtrade, for a number of reasons:

- The Unique Selling Point (USP) and associated public relations value have already been captured by Sainsbury's and Waitrose;
- Other retailers have seen the investment that Sainsbury's has had to put in (especially as they continue to price match, see below) and would find it difficult to get board level agreement to such a move;
- Some retailers are very focused on serving all types of consumer through offering choice and in interviews said they did not want to "choice edit" in this way.

However, some of the smaller retail chains, especially those with a higher income or 'ethics-oriented' consumer base, may consider category conversion an option.

9.1.2 UK FAIRTRADE IMPORTERS AND RIPENERS

In mid 2009 there were 10 Fairtrade certified traders serving the UK retail and out of home sectors. Of these, only Agrofair UK dealt exclusively in Fairtrade. Agrofair UK is a subsidiary of the Netherlands based Fairtrade fruit importer Agrofair Europe, which is 50% owned by the producers that it sources from. For two other importer-ripeners the vast majority of banana imports were also Fairtrade, albeit for different reasons. The first, Windwards Bananas, is part owned by the governments of the four islands that make up the Windward Islands (WI). The parent company, Wibdeco, was set up to drive the commercial interests and development of the WI banana industry.¹⁴⁴ The proportion of Windward Bananas' trade

¹⁴³Based on TNS data for 52 w/e 14.06.09, obtained during research interviews.

¹⁴⁴ See: <http://www.windwards-bananas.com/WIBDECOGroup/tabid/77/Default.aspx>

that was Fairtrade had grown in line with the conversion of most WI banana exports to Fairtrade, although it also sourced Fairtrade bananas from other countries. For the second importer-ripeners it was their long-standing status as a key fruit supplier to Sainsbury's that had resulted in a high percentage of their banana imports being Fairtrade certified.

The Fairtrade sales of other large importer-ripeners that acted as category managers for UK supermarkets had also been dictated by their client base, which could mean significant changes from one year to the next. Currently Fairtrade represented between 12% and 18% of their UK businesses. The remaining importers were small or medium sized enterprises which tended to serve a wide range of customers including independent retailers, farm shops, home delivery services, schools, hotels and restaurants, although some also supplied UK supermarkets indirectly. Two traded exclusively in organic fruit, some of which were also Fairtrade.

Four companies dominated UK trade in Fairtrade bananas by the end of 2008 and have seen Fairtrade sales grow almost exponentially over the last three years (although this didn't necessarily mean their overall sales had grown). Of these, one was a banana multinational which owned its own shipping and ripening facilities; the other three both imported and ripened relatively large quantities of bananas. All were category managers for at least one of the top four UK supermarkets. When Fairtrade bananas were first introduced to the UK, most large importer-ripeners were unsure what it entailed and did not necessarily want to invest in finding new sources or arranging the logistics. This provided opportunities for Fairtrade companies such as Agrofair and smaller importers to serve mainstream markets, albeit via third parties in line with supermarket preferences for concentrating supply through category managers. As Fairtrade sales grew it became a more attractive business to the multinationals and importer-ripeners and so most started sourcing at least some Fairtrade bananas direct from exporters. With ongoing pressure from supermarkets to reduce costs, category managers have to justify any additional cost in the value chain and the addition of intermediaries is one such *potential* cost. The opportunities for non traditional and smaller importers thereby reduced and the structure of Fairtrade banana value chains effectively became the same as for non Fairtrade bananas.

The exception to this overall pattern was Windwards Bananas which continued to supply several UK supermarkets via third parties, as well as being a category manager for others. The reason was that it had a deal with SPO in the WI to buy all its bananas, making it a necessary link in the chain for supermarkets that wished to source Fairtrade bananas from that origin¹⁴⁵. Agrofair had also managed to retain its position as an intermediary for one supermarket with which it had a long standing relationship and was seen to represent added value, in particular due to its expertise in developing new sources of Fairtrade supply. Some smaller importers also continued to be used as contingency suppliers, providing top up supplies in line with fluctuations in supply and demand.

The research revealed a tendency among some retailers toward sourcing bananas direct from exporters, cutting out importers and contracting out ripening services, although not necessarily for all their supply. For importers this will not only represent a reduction in available business, it will also mean retailers have access to all supply chain costs and, they fear, may intensify downward price pressures. On the other hand, many importers said they were effectively working on an open book basis with retailers, so direct

¹⁴⁵ This situation may change with the certification of a new producer in St. Lucia, but it is not known what export route this producer takes.

sourcing may not change things greatly; one importer-riper also pointed out that contract ripening is a relatively low risk business compared to taking ownership of bananas from port of export.

9.1.3 SOURCING PATTERNS: COUNTRIES OF ORIGIN

For both Fairtrade and non Fairtrade bananas, UK importers had developed long term relationships with a set of exporters, including small producer organisations, large scale grower-exporters and export only companies. They typically had repeated annual contracts with programmed volumes to be purchased at a certain price (additional volumes may be purchased at negotiated prices). Sourcing decisions for all bananas were principally made on the basis of price, product type (e.g. size of finger), quality (including taste, cosmetic appearance and shelf life), certifications (e.g. GLOBALGAP, Tesco Natures Choice, organic etc) and service (especially ability to deliver), while spreading risk of disruption to supply. In some cases importers were working with totally new exporters as a result of looking for Fairtrade sources, but more usually they had worked with existing exporters to establish Fairtrade accredited supply.

Retailers had a varying degree of influence on where bananas were sourced from, but their specific requirements in terms of type of product and pack dictated sourcing to a significant degree. They were often reluctant to take product from the same source via two importers, in order to reduce risk of non supply (e.g. for climatic reasons). For Fairtrade bananas they were sometimes more prescriptive about sources because they had, or wanted to, developed relationships with particular Fairtrade producers, often making use of these relationships in marketing their brand values.

At the time of the research, Fairtrade bananas sold in the UK were being sourced from six locations, in descending order of volumes: Colombia, WI, Dominican Republic, Ecuador, Ghana and Costa Rica. Until a few years ago the WI and Dominican Republic were the main origins, but the recent certification of new producers in Colombia had changed this. This is not to say that the volumes sourced from the other countries had decreased – the sharp rise in demand resulting from Waitrose and Sainsburys' conversion to 100% Fairtrade had generally led to increased Fairtrade sales in all countries. But Colombia had been identified as a good source of loose Fairtrade bananas, due to its ability to supply high quality, blemish free exports of large fruit. Many retailers prefer to sell loose bananas which are relatively large, as they believe consumers tend to buy a standard *number* of bananas rather than standard weight. As loose bananas are paid for by weight, there is therefore a commercial advantage in having only larger bananas available for loose purchase. They also aim to reduce wastage by ensuring that the cosmetic appearance of loose bananas is good. Bananas from the WI and Dominican Republic, and from small producers in particular, were viewed by many retailers as more suitable for pre pack lines due to their smaller size and less consistent appearance, but (potentially) better flavour. One importer recounted that when they were forced to source loose bananas from small producers, because of lack of availability from large growers, their client saw sales decrease and waste and customer complaints increase. Such clear negative commercial effects are difficult to overcome with arguments that Fairtrade should give preference to small scale farmers (see the next section for more on sourcing from small producers).

The Windward Islands continued to be a major source of Fairtrade bananas for UK supermarkets and are predicted to continue as such, all things being equal. As recently as the early 1990s, two thirds of the UK's bananas came from the WI and there is ongoing campaigning from WI governments for continued preferential treatment under EU trade regimes. Several of the major supermarkets have publicised their support for WI banana farmers, even prior to the majority of supply becoming Fairtrade accredited. This has included visits from senior executives such as Justin King, the CEO of Sainsbury's, and a commitment

from Tesco to buy Dominica's bananas. This has created social and political links which influenced commercial decision making. With bananas constituting such an important part of the island economies, any decision to stop sourcing from the WI could result in unwelcome negative press for retailers. As one industry source pointed out, no matter how small the Windward Islands, their government officials still have access to UK government ministers and pressure can also be brought to bear on supermarket executives via such routes.

Close behind the WI as a source of UK Fairtrade bananas was the Dominican Republic. It was seen as a good source of both pre pack and, to a lesser extent, loose bananas – bananas are generally larger than WI fruit and a significant proportion comes from plantations. The downside is that it's in the hurricane belt and is susceptible to flooding.

Ecuador was another common source of Fairtrade bananas, although typically on a more ad hoc basis. Unlike many other food products, demand for bananas is fairly predictable throughout the year and not so greatly affected by changes in weather, although there can be a 10% drop during school holidays because children don't need packed lunches. Category managers plan sourcing requirements based on historical data and retailers place specific volume orders according to daily sales using EPOS data. However, there can be sudden shocks to supply of Fairtrade bananas, for instance following Hurricane Dean in the Caribbean in 2007 which wiped out 45% of banana production in the Windward Islands, and the two week trade union strike in Colombia in May 2009. In this scenario importers said they had three main options to ensure they continued to meet supermarket volume requirements:

- Take additional fruit from other Fairtrade suppliers that they had contracts with, if available;
- Purchase Fairtrade fruit from other importers in the UK, if available;
- Source fruit on an ad hoc basis from contingency suppliers with whom they already had relationships.

In practice importers had been able to secure sufficient supply to date, albeit with more difficulty than for non Fairtrade bananas due to having more restricted sources. Ecuador is a contingency source for most importer-ripeners. For example, one retailer ended up sourcing more than half of its fruit from Ecuador in 2008, as a result of problems with availability in the Caribbean. However, it was less popular for ongoing supply as it had high price volatility due to seasonal production peaks and troughs, which, according to importers, made many exporters reluctant to sign annual fixed price contracts. Even if they did sign contracts for specific volumes, importers said they did not always honour them if local market prices spiked.¹⁴⁶ Ecuador could also be more expensive and time consuming to ship from to the UK as fruit had to go via the Panama canal. However, importers said it worked well as a contingency source as there tended to be Fairtrade accredited fruit available. Almost all UK importers had therefore developed relationships with Fairtrade producers in Ecuador and took fruit from them when needed.

Ghana was the fifth most common source of Fairtrade bananas, but only for small volumes and a limited number of UK retailers. The Co-op had a long standing, well publicised relationship with Ghana, which had survived various setbacks to supply arising from climatic disasters. At least one importer had recently

¹⁴⁶ This was confirmed by the case study SPO, which admitted that the high prices on non Fairtrade markets in recent years had resulted in some members selling their fruit elsewhere and therefore they had not managed to reach the volumes agree with their importer during a number of weeks of the year.

trialled sourcing from Ghana, saying it provided a good alternative to the Caribbean in terms of keeping pack size consistent, but various industry sources perceived bananas from West Africa as not reaching adequate quality (e.g. product life and cosmetic appearance) for UK markets.

Costa Rica supplied only a small amount of Fairtrade bananas to the UK, despite being a major source of non Fairtrade bananas. This was principally because there was only one Fairtrade accredited producer in the country. When Sainsbury's switched to Fairtrade attempts were made to establish an existing supplier in Costa Rica as a source of Fairtrade bananas. Despite mediation by various stakeholders (the retailer, Fairtrade Foundation, international trade unions, Banana Link), the plantation involved reportedly would not agree to independent organisation of workers in the local trade union. As such Costa Rica remained only a marginal Fairtrade supplier to the UK.

9.1.4 SOURCING PATTERNS: SMALL PRODUCERS AND PLANTATIONS

In November 2009 there were 68 certified producers of Fairtrade bananas in 9 countries (see Table 33). Producers from Colombia and the Dominican Republic accounted for over two thirds of all certified producers. This did not necessarily reflect the volumes of Fairtrade bananas sold, as organisations and plantations vary greatly in size and some only sell as small proportion of their total production as Fairtrade.

TABLE 33: FLO CERTIFIED BANANA PRODUCERS, NOVEMBER 2009

Colombia	26
Costa Rica	1
Dominican Republic	23
Ecuador	7
Ghana	1
Peru	8
Windward Islands	2
Total	68

Source: FLO data

The number and profile of Fairtrade banana producers has changed quite considerably over the past 6 years, as illustrated in Table 34. At the end of 2003 there were 15 certified producers, 11 of which were small producer organisations. By September 2008 there were 57 producers, 27 small producer organisations and 30 plantations. Over the past few years the majority of new certifications have gone to plantations in Colombia and the Dominican Republic. The rapid expansion in producers was primarily a response to the category conversions by Sainsbury's and Waitrose in 2007, although it also reflects continued growth in Fairtrade sales globally. According to industry insiders, the category conversions were also a major driver of the increased proportion of plantations, for the following combination of reasons:

- There was insufficient high quality supply from existing small producers in preferred countries to satisfy the surge in demand;
- There was a need for bananas from outside the hurricane belt, to avoid a situation in which no bananas were available on shelves;

- Around 60% of UK banana sales are loose, and plantations are viewed by buyers as more able to provide the consistent quality required for loose bananas.

TABLE 34: GROWTH IN FLO CERTIFIED SMALL PRODUCER ORGANISATIONS AND PLANTATIONS FROM 2003 TO 2008

		End 2003	July 2005	July 2007	Sept. 2008
Colombia	Small Producers	0	0	2	5
	Plantations	0	4	8	15
Costa Rica	Small producers	0	0	0	0
	Plantations	1	1	1	1
Dominican Republic	Small producers	4	5	7	7
	Plantations	1	1	10	11
Ecuador	Small producers	3	3	6	6
	Plantations	1	1	1	1
Ghana	Small producers	0	0	0	0
	Plantations	1	1	1	1
Jamaica	Small producers	0	0	0	0
	Plantations	0	0	0	2
Peru	Small producers	3	5	6	7
	Plantations	0	0	0	0
Windward Islands	Small producers	1	1	1	1
	Plantations	0	0	0	0
TOTALS	Small producers	11	14	22	27
	Plantations	4	8	21	30

Source: Compiled using FLO e.V. data

According to sales figures from Fairtrade certified producers in July to September 2008, globally 68% of Fairtrade bananas were sourced from small producers compared to 32% from plantations (see Table 35). The dominance of Colombia as a source of UK Fairtrade bananas, and relatively low levels of sourcing from Ecuador (unless there is a shock to supply), make this ratio quite different in the UK – it is estimated that around half of UK Fairtrade bananas come from small producers and half from plantations.¹⁴⁷

TABLE 35: AVERAGE FAIRTRADE SALES OF SMALL PRODUCER ORGANISATIONS AND PLANTATIONS IN JULY-SEPTEMBER 2008 (BOXES PER WEEK)

	Small Producer Organisations	Plantations	Total
Colombia	5,790	86,460	92,250
Costa Rica	4,500 ¹⁴⁸	4,500	9,000
Dominican Republic	94,870	18,570	113,440
Ecuador	79,633	8,200	87,833
Peru	18,820	0	18,820

¹⁴⁷ It was not possible to obtain exact figures, but this estimate is based on data from various different sources and is considered reliable.

¹⁴⁸ The Fairtrade certified producer in Costa Rica is a worker-owned plantation with reliance on additional hired labour, and therefore could be considered both small producer and plantation production. For reasons of expediency, its production has been split equally between the two columns.

Windwards	55,600	0	55,600
Ghana	0	5,500	5,500
	259,213	123,230	382,443
	68%	32%	100%

Source: FLO e.V. data

UK buyers did not see it as problematic to source bananas for pre packs from small producers, so long as the exporter was able to guarantee quality and delivery at a price that was attractive. Given the complexities of coordinating supply from a large number of producers in comparison to plantations, there are undoubtedly extra costs involved, but the major exporters of Fairtrade bananas grown by small producers had managed to stay competitive. Combining production from small producers with that of medium sized producers was one strategy used by Fairtrade exporters to achieve economies of scale and reduce costs.

However, given supermarket preference for homogenous, cosmetically perfect bananas, the position of small producers is likely to be threatened if:

- Availability of Fairtrade bananas from plantations increases beyond rates of growth in markets – at the time of the research it appeared supply and demand were fairly evenly balanced, but this may change once the production of all newly certified producers (particularly plantations in Colombia) comes on line;
- The difference in FLO minimum prices between Caribbean and other sources is widened, and/or the EU import tariff for dollar bananas is reduced, making the WI and Dominican Republic less price competitive.

There was some evidence that Colombia and Ecuador will become more important sources in future as buyers widen out their sourcing in order to spread risk. Around 94% of Colombia’s Fairtrade exports came from plantations in 2008, but on the other hand 91% of Ecuador’s Fairtrade came from small producers, so these trends may not affect the overall proportions greatly.

Although most retailers and importers expressed a commitment to small producers, there was also general agreement that workers on plantations also deserved to benefit from Fairtrade, as well as a perception that Fairtrade impact may be greater on plantations than for small producers. The latter is likely to be because use of the Premium is the most visible impact of Fairtrade and on plantations the Premium is used exclusively for worker and community projects, unlike for small producer associations where it may also be used to support commercial and production activities which typically result in less direct, visible impact.

9.1.5 SOURCING PATTERNS: IMPACT OF DIFFERENCES IN FLO MINIMUM PRICES

The minimum prices for Fairtrade bananas established by FLO vary from one country to the next, according to differences in costs of production (see Table 36).

TABLE 36: MINIMUM PRICES FOR FLO CERTIFIED BANANA (US\$ PER BOX, 2006 – 2009)

Origin	FLO min. price Farmgate		FLO min. price FOB	
	Conventional	Organic	Conventional	Organic
Colombia	5.50	7.25	6.75	8.50
Costa Rica	5.75	--	6.75	--
Dominican Republic	7.00	8.50	8.50	10.00
Ecuador	5.50	6.75	6.75	8.50
Ghana	--	--	8.00	10.00
Jamaica	--	--	9.06 FAS	--
Panama	6.00	--	7.00	--
Peru	--	7.00	--	8.50
Philippines	6.00	--	7.50	--
Windward Islands	7.60	--	9.00	--

Source: FLO, 2009

Most industry sources said the differences in FLO minimum prices were not affecting sourcing decisions at that time because market prices were higher. In general the higher FLO minimum prices for Caribbean origins were more than cancelled out by the EU tariff for dollar bananas, currently equivalent to an additional \$ 4.47 per box because of the strength of the Euro¹⁴⁹. Bananas from West Africa were significantly cheaper as they did not incur the EU tariff, but it was a less popular source for the reasons outlined above. If the tariff is reduced to € 114 per tonne, in line with current negotiations, this will equate to \$ 2.90 per box. In this scenario the FLO minimums would be more likely to impact decision making; one banana buyer specifically said it would mean:

“there will be other Fairtrade growers able to supply at a more competitive price and it would be unfair to customers not to get the best prices for them”. *Supermarket buyer*

As the situation stands, UK importers are unlikely to be willing or able to reduce their margins if, following the FLO price review¹⁵⁰, Fairtrade minimum prices increase beyond current market prices. They said most costs had already been squeezed out of the chain and they had had a difficult couple of years due to increased fuel prices and a weak Pound. Significantly higher FLO minimum prices are likely to lead to one of three things:

- Importers will have to try and find ways to reduce the import price of Fairtrade bananas, probably through negotiation with exporters and sourcing from cheaper locations where possible;
- Retail prices for Fairtrade bananas will have to increase, which is likely to slow growth;
- Retailers will have to reduce their margins for Fairtrade, which, in the context of the banana price wars, is likely to act as a disincentive to grow sales.

¹⁴⁹ Using exchange rate of € 1= US\$ 1.40

¹⁵⁰ FLO began a review of minimum prices for Fairtrade bananas in February 2009, which led to a decision to increase prices in January 2010 (announced in October 2009). As these increases had not been announced at the time of the research interviews, they are not taken into account in this report.

Similarly, if the current review of FLO minimum prices widens the gap between Caribbean and dollar sources, several industry sources felt buying patterns would be affected, favouring cheaper sources. An exporter in Ecuador claimed that importers were already starting to buy organic Fairtrade fruit from lower cost countries, such as Peru, in order to make more profit from Fairtrade sales. However, as reported in previous sections, there are various factors which influence decision making, from size of fruit to risk of climatic disasters, to exchange rates and social and political linkages. It is therefore difficult to predict with confidence exactly what impact FLO minimum prices will have on UK sourcing patterns in future.

9.1.6 TERMS AND CONDITIONS OF TRADE

Most retailers and importers reported no major differences between trading Fairtrade versus non Fairtrade bananas, beyond the requirement to meet the FLO minimum price and pay the licence fee. They said market prices (at the time of the research) were above the FLO minimums, so even they had little impact. The time involved in getting new packaging approved (by the Fairtrade Foundation) was also mentioned as a key difference with Fairtrade, and a source of frustration. But most other aspects of trade, such as duration of relationships with suppliers, types of contract and terms of payment, were usually the same, as outlined below.

According to importers, the FLO Trading Standards had little impact on the terms and conditions of trade they had with exporters, although several said they may provide some additional protection to suppliers in relation to procedures for quality claims. The limited impact of the standards was evidenced by the fact that none of importers interviewed had studied FLO's new Generic Trade Standards in any great detail. In some cases importers admitted to not abiding strictly by the letter of the FLO Trading Standards, for example on the time in which payment should be made, but only with the agreement of the exporter. One pointed out that they were often buying both Fairtrade and non Fairtrade or organic fruit from the same exporters and it would be complicated to have different terms and conditions for each.

In most cases producer-exporters and SPOs also reported that Fairtrade did not substantially alter their relationships with buyers. As stated earlier, importers and retailers had often stayed with the same Fairtrade producers for many years, sometimes in the face of difficult commercial decisions. For example, despite a severe a disruption to supply in the Windward Islands because of Hurricane Dean, all UK supermarkets committed to carry on sourcing from there once production was back up. However, one SPO reported that when it changed exporter it lost most of its importer/retailer clients, indicating a threat to the aim of Fairtrade to provide long term security when producers do not export themselves. It also illustrates that importers and retailers may have more commitment to exporters than to producers, suggesting standard commercial factors are at play.

Importer-ripeners usually had ongoing purchasing agreements with the major retailers, rather than contracts. In general, prices were agreed on a yearly basis for different lines (sometimes varying by source) and the number of Retail Distribution Centres (RDCs) to be supplied with each. Although some retailers gave forecasted volumes, orders were generally placed daily according to EPOS data, and suppliers based their planning on historic sales data. Typically suppliers had to re-tender for the business each year, including detailed information about supply chain costs. This was the same for Fairtrade business as for all other types of banana, as Fairtrade was a key line and was simply one element of category management supply. There were a number of examples of Fairtrade business moving from one UK ripener to another during the past three years. But several retailers clearly understood that Fairtrade included a commitment to long term relationships with producers. This meant that more consideration

was being given when thinking about changing sources, even though price and quality were still the primary factors behind such decisions. The fact that there were more limited sources for Fairtrade supply also provided some degree of security for both producers and importers.

However, another effect of the tendering process was that retailers could stay with the same suppliers but use the information provided by others to drive down each item of supply chain costing. One importer said that an unintended consequence of having FLO minimum prices was that retailers expected them to be paying those prices for Fairtrade product, and they need to justify paying more (although such justification would be usually be accepted). Prices for particular lines, especially loose and value packs, may also be reviewed and renegotiated by retailers at any time during the course of the year, in some cases as often as every 12 weeks. In the last couple of years some retailers had also agreed to review prices at the request of importers, who struggled with dramatic increases in costs resulting from higher fuel prices and weakness of the Pound. In some cases this has led to price increases and may be one benefit of working an open book system (or partially open book), although importers reported that they still covered most of the losses themselves. Similarly, if the FLO minimum prices were to increase, suppliers said that retailers would have no choice but to fund those increases, as they know that all possible costs have been negotiated out of the value chain already.

At present retailers are not bound by the FLO Trading Standards as they do not need to be certified as operators or licensees to sell own brand products. It has previously been argued that this is a loophole in the Fairtrade system, as retailers often dictate the terms and conditions of trade in their own brand value chains and as such it can be difficult for others in the chain to abide by FLO rules and regulations if they contradict retailers' conventional business practices.¹⁵¹ An example of this in the banana sector is the FLO requirement to pay exporters within 48 days of bananas being landed in port; according to importers, retailers paid up to 60 days after receiving goods. Another example is the requirement for importers and exporters to sign a contract of purchase for at least one year and purchase at least 50% of programmed volumes. In contrast, importers had purchasing agreements with retailers that did not specify volumes and had little binding content, but could still be subject to fines for non delivery. The latter sometimes led importers to carry extra weight of Fairtrade, in order to ensure they had enough supply, but then end up off loading it as non Fairtrade fruit or on spot markets at greatly reduced prices. Ripeners have a small amount of flexibility because fruit is packed in the UK (to enable them to put sell by dates on) and they can vary the ripening process by a few days, but ultimately they carry most of the risk of carrying surplus stock as they are still required to pay Fairtrade prices for it. This may explain why some exporters in the case study countries said importers can be unwilling to sign contracts with them.

Producers also talked about certain aspects of supermarket trading which they did not consider "fair". One SPO complained that weekly fluctuations in volumes ordered by supermarkets resulted in significant added costs in terms of management time and logistics, as well as a loss of credibility. It said orders could be reduced by as much as 5000 or 6000 boxes overnight, equating to 10% of production, and this caused high levels of stress among producers and everyone involved in the export chain. Most producers complained about the strict production standards supermarkets impose, including for fruit to be perfect in cosmetic appearance, with SPOs saying they made it hard for them to retain or attract members as a lot of ongoing training was required and infrastructure was costly for small producers (toilets, lunchroom, respirators, etc.). As mentioned previously, this can also make it harder for the most marginalised small

¹⁵¹ See: Smith 2008; Barrientos and Smith 2007

producers to participate in Fairtrade. A representative in the WI said that the small differences in requirements of individual supermarkets, and their lack of flexibility, made exporting from large numbers of small producers more complicated. He also pointed out that although some things contained in standards were good for health and safety, others were not appropriate in the local context. He gave the example of needing toilets in the field (a GLOBALGAP requirement), which in the WI would mean 1000 pit toilets being built – this was not necessarily good for the health of the wider community.

Most industry sources felt that requiring retailers to abide by FLO regulations and change their business practices would be counterproductive, either leading them to withdraw from Fairtrade or to only commit to minimum volumes which would limit market expansion. There were already concerns about levels of bureaucracy in the FLO system and most felt that adding further regulation would ultimately mean less money reaching producers and workers. However, some industry interviewees did feel that it would be possible to ask retailers to sign up to some kind of ‘charter of principles’ for engaging in Fairtrade, given they have agreed to do so for programmes such as the Ethical Trading Initiative. And given the relatively stable demand for bananas, and inelasticity of Fairtrade demand in particular, it is worth exploring the possibilities for securing greater commitment to Fairtrade principles and practices for retailers’ own brand Fairtrade products.

One factor that can work against the upholding of Fairtrade principles is the frequent turnover of supermarket buyers. In retail it is common for buyers to move on every two to three years, which undermines their ability to fully understand what Fairtrade is about and the impact of their purchasing decisions. All of the banana buyers interviewed for this study had been in the role for less than two years.

9.2 DISTRIBUTION OF VALUE

9.2.1 PRODUCERS AND EXPORTERS

The findings of the case studies indicated that in general Fairtrade had led to higher and/or more stable incomes for both small producers and workers. However, margins for producers were being eroded by increased costs of production and stagnation in Fairtrade prices, while wage levels for workers still did not equate to a living wage.

The transmission of price from FOB to farmgate was not always clear. Quite detailed information was obtained during the case study research for both the SPO and plantation in the Dominican Republic and it indicated that gross profit earned on exporting was around US\$ 0.25 per box in 2006, which equated to around 2.4% of FOB (see Table 37). The direct costs of exporting were around US\$ 1 per box. Detailed information was also included in the 2008 FLO Inspection Report for the SPO in Ecuador, which calculated a gross margin of US\$ 0.24 per box for exporting services (2.8% of FOB) and US\$ 0.55 for export costs. Less detailed information was obtained for the plantation in Ecuador, but it indicated higher costs of exporting than for the SPO and lower payments to producers. However, this was not verified at farmgate level and may just be down to differences in reporting.

TABLE 37: BREAKDOWN OF VALUE FROM FARMGATE TO FOB (ORGANIC FAIRTRADE SALES, US\$ PER BOX)

	Dom. Rep. SPO (2006)	Dom. Rep. Plantation (2006)	Ecuador SPO (2008)	Ecuador plantation (2008)
Farmgate price	6.25	6.25+ 0.50 ¹⁵²	7.00	6.05
Technical assist.	0.50	n/a	0.09	n/a
Certification and analysis		0.05	n/a	n/a
Other SPO costs		n/a	0.08	n/a
Quality claims	0.25 ¹⁵³	0.05	0.25 ¹⁵⁴	n/a
Packing materials	3.00	2.25	1.32	1.25
Palettes		n/a	0.20	
Admin. and customs		0.10	0.24	
Port logistics and loading		0.50	0.04	
Transport to port		0.38	0.07	
Cost of prefinance		0.05	n/a	
Gross margin Exporter		0.25	0.24	
FOB US\$		10.00	10.38	
<i>FLO minimum price FOB US\$</i>	<i>10.00</i>	<i>10.00</i>	<i>8.50</i>	<i>8.50</i>

Source: Case study research; FLO Inspection Reports

Data obtained during the FLO Price Review gave a more general picture of costs of export in different countries, taking an average of the costs of all certified producers in each country. These data are presented (in anonymous form) in Table 38 and demonstrate that packaging, transport and operational costs vary considerably from one country to the next. This provides further support for arguments in favour of FLO's policy of differential pricing based on country of origin.

Four of the case study producers were exporting directly. A limited amount of information was gathered from FLO Inspection Reports on the prices two of these received (see Table 39), which suggested exporters received prices around the FLO minimums, or slightly higher.

TABLE 38: COSTS OF EXPORT IN DIFFERENT ORIGINS OF FLO CERTIFIED BANANAS (2008)

	Cost of packaging	Transport to harbour	Operational costs	Total cost export
Country 1	2.29	1.09	0.30	3.68
Country 2	1.84	0.20	0.35	2.39
Country 3	2.14	0.69	0.62	3.45
Country 4	2.45	0.30	0.80	3.55
Country 5	1.83	0.25	0.54	2.62
Country 6	2.12	1.68		3.80

Source: FLO e.V. data from 2009 price review

¹⁵² For most of its suppliers the exporter deducted US\$0.50 for technical assistance services, but in the case of the plantation this was waived, as no technical assistance was required.

¹⁵³ US\$ 0.25 per box was discounted to cover the cost of quality discounts.

¹⁵⁴ US\$ 0.25 per box was discounted to cover the cost of quality discounts, non Fairtrade sales and dead freight.

TABLE 39: AVERAGE PRICES ACHIEVED BY EXPORTERS ON DIFFERENT MARKETS (US\$ PER BOX)

	FLO inspection reports	
Exporter 1	2008	FT Org: US\$10.00 FT Conv: US\$ 8.00 Non FT Org: US\$ 9.27 Non FT Conv: US\$7.27 Local mkt: US\$1.63
	2006	FT: US\$ 8.14 Non FT: US\$ 7.76
	2008	FT: US\$ 8.45 Non FT: US\$ 7.99
	2007	FT Org: US\$ 9.10 FT Conv: US\$ 6.05 Non FT Org: US\$ 9.10 Non FT Conv: US\$ 6.47 ¹⁵⁵
Exporter 2	2005	FT: US\$ 6.50-9.14
	2004	FT: US\$ 6.04-8.58

Source: FLO inspection reports

The following general information was also obtained during the case studies:

- Exporter A said the prices agreed in contracts with its importer were above FLO minimums and producers were in turn paid above FLO minimums at farmgate.
- Producer-Exporter B said that in 2008 his main importer he sold to had agreed to pay around US\$ 1.30 over the FLO minimum price for at least a portion of imports in order to cover the extra costs of meeting FLO standards. However, this did not necessarily mean he got higher than market prices.
- Producer-Exporter C reported getting up to US\$ 4 per box more for Fairtrade-organic sales than would be achieved on non Fairtrade markets, but was only being paid the FLO minimum price.

This information was largely corroborated by importers in the UK, who said they were currently paying exporters above FLO minimum prices as market prices were high and they needed to do so to secure supply. European import prices for non Fairtrade bananas have gradually risen over the past few years, reflecting high oil prices (causing the cost of agricultural inputs and shipping to increase), increases in the official FOB prices for Costa Rica and Ecuador, and disruptions to supply caused by climatic disasters. Some importers also said they had to pay above market prices in order to compensate for the extra costs involved in Fairtrade production, such as: more workers per hectare; reduced yields as a result of not being able to apply certain chemicals; additional requirements for health and safety equipment; certification costs. If they did not do so, the risk was that producers would opt to sell on spot markets instead.

From the limited price data that was provided by importers, it appears they were paying between \$0.10 and \$6 per box above what would be predicted based on FLO FOB prices, sometimes more when buying outside contract. One importer said they paid as much as \$18 FOB per box to secure supply when there

¹⁵⁵ This was for sales to a fair trade market outside the FLO system.

was a sudden drop in production from contracted sources, but the potential fine from the retailer for loss of sales (costed at retail prices) meant they had no choice. Several interviewees questioned whether this price difference was passed on to producers or absorbed by exporters, saying there needed to be greater transparency about that part of the value chain. However, one importer said it was paying a lower FOB price than previously after coming under pressure to reduce its cost price to supermarkets. This suggests that although exporters may be receiving prices above FLO minimums while market prices are high, they are also being impacted by a price squeeze in UK supermarket value chains.

The case study evidence confirms the findings of a relatively comprehensive review of Fairtrade and organic banana trade published by FAO in 2009. It included a comparison of FLO minimum prices with the average unit value of total banana exports reported by national statistics agencies (i.e. total revenue from bananas divided by the total amount exported). This indicated that exporters in every country were likely to have received considerably higher prices for Fairtrade sales than for non Fairtrade sales in 2006 – between US\$ 1.46 and US\$ 4.07 more per box (see Table 40). It also suggested that, so long as they received the FLO minimum farmgate prices, producers would also have received higher than average prices, as the FLO farmgate prices were higher than, or almost the same as, non Fairtrade FOB prices in every case. However, producers, exporters and importers all said prices on traditional markets increased in the 2007-2008 period, and the price differentials that previously existed had therefore been eroded.

TABLE 40: MINIMUM PRICES FOR FLO CERTIFIED BANANA COMPARED TO AVERAGE UNIT VALUE OF EXPORTS IN 2006 (US\$ PER BOX)

Origin	FLO min. price Farmgate		FLO min. price FOB		Average unit value of exports	Diff. % with Conventional FOB
	Conventional	Organic	Conventional	Organic		
Colombia	5.50	7.25	6.75	8.50	5.61	20.3
Costa Rica	5.75	--	6.75	--	5.33	26.6
Dom. Rep.	7.00	8.50	8.50	10.00	4.43	91.9
Ecuador	5.50	7.25	6.75	8.50	4.44	52.0
Ghana	--	--	8.00	10.00	--	--
Panama	6.00	--	7.00	--	4.60	52.0
Peru	--	7.00	--	8.50	8.58 (organic)	--
Philippines	6.00	--	7.50	--	--	--
Windward Islands	7.60	--	9.00	--	--	--

Source: FAO 2009, based on FAOSTAT (2008) and FLO (2007)

9.2.2 SHIPPING AND INSURANCE

Shipping and insurance costs varied between sources and depended on the deals struck with shipping companies (often owned by banana multinationals), but importers put an average high end value of US\$ 4 per box. Prices rose in the 2007 to 2008 period as the cost of oil soared to all time highs. Shipping from the Caribbean took less time than from South America but involved lower volumes, which evened out costs. Colombia was cheaper than Ecuador, as boats didn't have to go through the Panama Canal, but Ecuador tended to be a lower cost source.

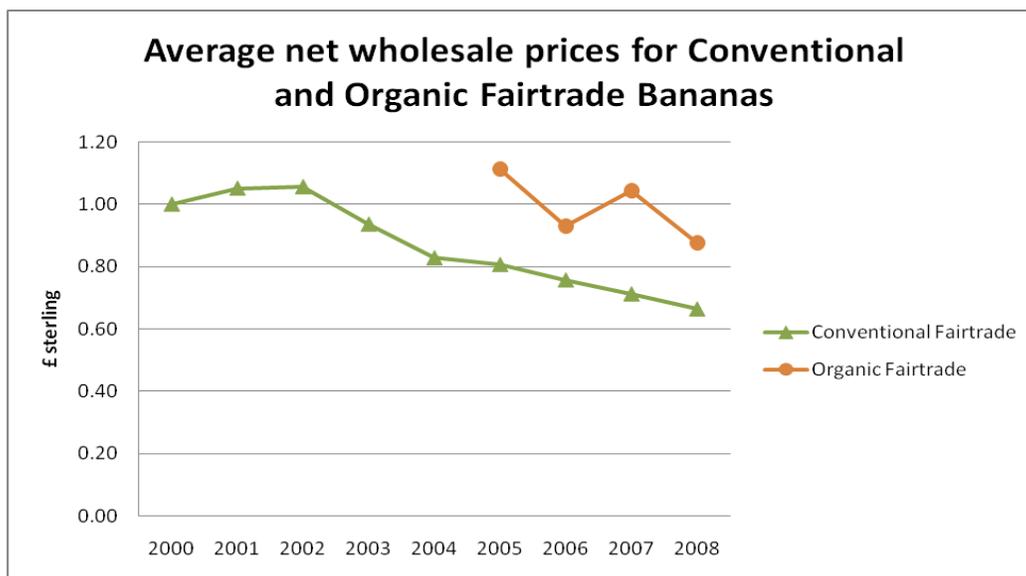
9.2.3 IMPORTERS AND RIPENERS

Importers said that there was little margin available in the UK banana trade, whether Fairtrade or non Fairtrade. All said they charged the same margins for Fairtrade pre packs as for other pre pack bananas, implying they did not profiteer from Fairtrade. Several reported net profit margins of between two and four per cent, provided everything went according to plan. If there were unplanned events, such as problems with quality, exchange rate fluctuations or oil price hikes, margins were quickly eroded.

“UK supermarkets have driven every piece of cash out of the trade, it’s a marginal business now.”
UK importer

Price pressure in Fairtrade banana value chains is evidenced by data from the Fairtrade Foundation tracking net prices received by UK licensees, which shows clear downward trends in prices received for both conventional and organic Fairtrade bananas (see Figure 12).

FIGURE 12: AVERAGE NET FAIRTRADE PRICES RECEIVED BY UK LICENSEES (PER BOX)



Source: Compiled using Fairtrade Foundation data¹⁵⁶

The current situation should be analysed in the context of fluctuations in exchange rates. Exchange rates for the UK Pound against the Euro and the Dollar were a major problem for UK importers in the 2008-2009 period as they fixed prices with producers based on more favourable rates and insured against those values. The Pound weakened against both the Euro and Dollar more than could have been predicted; the pound was worth nearly two US dollars at the start of 2008 and dropped to 1.48 by the end of the year, while against the Euro it went from 1.34 to 1.10¹⁵⁷. Since UK importers generally paid for bananas in Dollars and duty in Euros, this added considerably to their costs (see Table 41 for example). In other years

¹⁵⁶ Removed assumed double counts from the data and ignored operators that sold only green bananas and those with first sales in 2008.

¹⁵⁷ See <http://www.x-rates.com/> for full historic data.

importers may have benefited from exchange rate fluctuations, but it is unusual for rates to swing so much in such a short amount of time.

TABLE 41: SIMPLIFIED EXAMPLE OF THE EFFECT OF EXCHANGE RATE FLUCTUATIONS ON UK IMPORTERS

	Example cost price for Dollar source CIF/LCE	EU duty per LCE	Total cost
January 2008 £1 = \$1.97, €1.34	£6.90	£2.38	£9.28
December 2008 £1 = \$1.48, €1.10	£9.20	£2.90	£12.10
Difference in cost price per LCE due to exchange rate fluctuation in 2008			£2.76 (30% increase from Jan. to Dec.)

Source: Interview data and average exchange rates listed on www.xrates.com

Several producers and exporters complained about a lack of transparency in the market end of the Fairtrade value chain, wanting more information about the contracts and prices agreed between importers/ripeners and retailers. One producer-exporter said he was keen to sell direct to supermarkets, in the belief that it would mean he would get a higher price. The information provided by UK importers and ripeners indicates that they often do not have written contracts with retailers and suspicions that importers are profiteering from Fairtrade may be unfounded, at least as far as the UK is concerned.

9.2.4 FAIRTRADE LICENCE FEE

A licence fee is paid by suppliers of FLO labelled products, for use of the Fairtrade mark. The licence fee is collected by national Labelling Initiatives (LIs) and is used to cover many of the operational costs of LIs and FLO. The Fairtrade Foundation, for example, received 80% of its income from licence fees in 2007, of which 24% went to FLO.¹⁵⁸

In the UK it is the last point of wholesale supply that registers as the licensee and pays the licence fee. For Fairtrade bananas this is the ripener, although in the past some importers that did not ripen bananas were licensees. The level of licence fee has undergone various changes since it was first introduced, but at the time of the research stood at the levels outlined in Table 42.

TABLE 42: LICENCE FEE PAYABLE BY UK RIPENERS ON WHOLESAL VALUE OF FAIRTRADE BANANA SALES

	Licence Fee
On first £5 million of annual sales	1.7%
On incremental annual sales between £5 million and £10 million	1.6%
On incremental annual sales between £10 million and £20 million	1.3%
On incremental annual sales between £20 million and £40 million	0.9%
On incremental annual sales between £40 million and £80 million	0.6%
On incremental annual sales between £80 million and £160 million	0.4%
On incremental annual sales over £160 million	0.2%

Source: Fairtrade Foundation

¹⁵⁸ See: http://www.fairtrade.org.uk/includes/documents/cm_docs/2009/l/licence_fee_doc_jul08final.pdf

Licencees that sell 100% Fairtrade products qualify for a 50% discount on licence fees, reflecting the additional value that such companies bring to Fairtrade (e.g. in terms of producer support and marketing). Retailers that convert entire product categories to Fairtrade (such as Sainsburys and Waitrose for bananas) also qualify for a reduced licence fee payable by their suppliers, thereby reducing costs in their value chains.

9.2.5 RETAILERS

As reported in the introduction to this report, leading UK supermarkets had been engaged in banana price matching since 2002. This had led the UK to have the lowest retail prices for loose bananas in the EU and had reduced the total available value to be distributed between banana producers, exporters, importers, ripeners and retailers. Several industry sources interviewed for this study commented that retailer decision making in the banana sector was driven by brand marketing and impact on competitors, not profit maximisation. They said decisions were taken at the most senior levels, rather than by product managers. This has important implications for the overall impact of Fairtrade.

Most retailers sold Fairtrade bananas as a bagged product, and therefore they were not subject to the same direct cost pressures as loose bananas. Price comparisons between supermarkets were difficult to carry out, because they sold different size packs. Table 43 shows the August 2009 retail prices for different types of banana, according to four supermarket online shopping websites.¹⁵⁹ It is important to emphasise that these prices were not representative of average prices for each retailer, they simply reflected prices at one point in time. The purpose of including them in this report was not to draw conclusions about which retailers offered the lowest prices, it was to illustrate the strategies used by retailers in terms of price matching and balancing costs across the entire category.

TABLE 43: RETAILER ONLINE BANANA PRICES ON 2 AUGUST 2009 (£ STERLING)¹⁶⁰

	Loose banana		Fairtrade pack		Value pack		Organic		Kids range	
	Per pack	Per kilo	Per pack	Per kilo	Per pack	Per kilo	Per pack	Per kilo	Per pack	Per kilo
Sainsburys (100% Fairtrade)	n/a	0.84	1.29 for 6	1.72	1.09 for 8	1.09	1.69 for 750g	2.25	1.39 for 8	1.74
Tesco	n/a	0.84	1.29 for 5	2.06	1.00 ¹⁶¹	No data	Not listed	n/a	1.29 for 7	1.84
Asda	n/a	0.84	1.29 for 6	1.72	1.26 for 1.5kg	0.84	1.29 for 5	2.06	1.39 for 8	1.74
Waitrose (100% Fairtrade)	n/a	0.89	1.59 for 6	2.12	Not listed	n/a	Not listed	n/a	1.29 for 7	1.84

Source: Online shopping websites for each retailer, 2 August 2009.

¹⁵⁹ These are the only leading supermarkets with online shopping.

¹⁶⁰ Per Kilo price assumes average pre pack banana weighs 125g, with kid's size weighing 100g. This is the assumption used by the supermarket price comparison website 'moneysupermarket.com'. In reality the weight will vary depending on origin and may vary from one retailer to the next, affecting the per kilo price.

¹⁶¹ Undisclosed number in pack.

In reality, it is highly likely the profit from pre pack lines was used by retailers to cross subsidise the low margins, or even losses, on loose bananas resulting from the price wars. Target *gross* margins for retailers averaged around 30% for bananas, although they varied quite considerably between supermarkets. When there was a particularly severe drop in prices, they would have been receiving far less than this. With the focus on margin targets at the category level, rather than at product level, the figures specifically for Fairtrade bananas were difficult to determine. But in sum it meant there were limited possibilities for reducing Fairtrade retail prices to try and grow sales.¹⁶²

In the case of Sainsbury's and Waitrose, the 100% Fairtrade banana retailers, continued price matching had a more damaging effect. Sainsbury's publicly committed to continue offering choice to its consumers and use non Fairtrade prices where an entire category of products had been converted to Fairtrade. That is, they committed to absorb any extra costs themselves instead of passing them on to consumers. This meant that it continued to match the other "Top Four" supermarkets on loose bananas, no matter how low the price went and what the cost price was. Waitrose broadly seeks to keep in line with Sainsbury's prices, although there is not such a direct relationship as for the Top Four group.

Table 44 shows the estimated distribution for a loose Fairtrade banana retailed at the August 2009 price of 84p per kilo.¹⁶³ There are various points to make about this table. First, it contains only estimated figures as it was not possible to corroborate the data with many different sources. Second, it is based on 2009 market prices rather than FLO minimum prices, resulting in a higher percentage of value staying in the country of production and less margin available for importers and retailers than might sometimes be the case (although trends in European wholesale prices suggest current market prices are not unrealistically high). Lastly, the shelf price of 84p per kilo is not fixed; it has ranged from a low of 37p in October 2009 to a high of 99p at the end of 2008. It also important to reiterate that the value distribution is likely to be very different for pre pack Fairtrade bananas.

Table 44 indicates that there was very little margin available to cover the overheads of importers, ripeners and retailers, let alone allow for profit. Although retail prices for pre pack Fairtrade bananas were considerably higher than loose bananas (e.g. between £1.72 and £2.12 per kilo compared to £0.84 per kilo in August 2009), the upshot is that price matching on loose Fairtrade bananas is likely to have a number of negative consequences:

- The net margin of 100% Fairtrade retailers on bananas is likely to be below levels considered commercially sustainable, thereby requiring compensation in terms of publicity and brand value gained from selling only Fairtrade. This means Fairtrade effectively has to "punch above its weight" in terms of what it offers retailers;

¹⁶² Although Fairtrade may have been given more shelf space when the price of loose bananas was particularly low.

¹⁶³ The distribution of value in Fairtrade bananas (or any other type of banana) is difficult to determine, as price data at each stage of the chain is confidential and there are so many factors that affect prices at any one point in time. To some extent it is misleading to try and pin down exact values for a particular value chain, because in reality margins are being calculated at the category level. But for the purposes of this study it seemed helpful to try and get a sense of the distribution of value for loose bananas, as this is deemed to have an important influence on overall impact of Fairtrade impact.

- It creates pressure to constantly find ways to reduce costs in the value chain, including efforts to find new, cheaper sources of Fairtrade bananas and to lobby for FLO minimum price levels to be kept in check;
- It is a disincentive to other major retailers to switch to 100% Fairtrade bananas, as they can easily estimate the levels of investment and risk involved;
- It sends out the wrong message about Fairtrade to consumers, as it suggests that there is little link between the price they pay and what producers receive;
- It stymies opportunities to create a Fairtrade value chain that accurately reflects costs and fair margins for all actors in the chain and which can contribute towards development of a socially, economically and environmentally sustainable banana trade.

TABLE 44: ESTIMATE OF STANDARDISED COSTS FOR LOOSE FAIRTRADE BANANAS AT CURRENT EXCHANGE RATES (DOLLAR ORIGIN)¹⁶⁴

£ per kilo	% of retail price		Distribution of value
0.241	29%	Farmgate price using current market prices (FLO min would be approximately 0.19/kg)	Producer country = 39%
0.052	6%	Export costs including exporter margin	
0.034	4%	Fairtrade premium	
0.138	16%	Shipping	International = 16%
0.004	<1%	Insurance	
0.159	19%	Duty	EU = 19%
0.007	<1%	Import costs	UK = 26%
0.014	2%	Transport to ripener	
0.072	9%	Ripening, materials and distribution	
0.013	2%	Wastage (2% CIF)	
0.010	1%	Fairtrade license fee	
0.093	12%	Total margin/overhead available for importers/ripeners/retailers	
0.84	100%	Retail price Fairtrade loose banana	

Source: UK interview data

9.3 DIFFERENCES BETWEEN THE UK AND OTHER EUROPEAN MARKETS

Although it was beyond the scope of this study to research other Fairtrade markets, it is important to point out some core differences between commercial practices in the UK and elsewhere, as this affects the global impact of Fairtrade bananas.

A key difference is in UK retailers' use of category managers to organise every aspect of supply for them, from tracking market trends, to ripening fruit and ensuring "just in time" delivery of stock, to managing relationships with growers in order to meet strict standards for quality and production. This is far less common in continental Europe, where retailers tend to buy from traders on a weekly basis and either ripen themselves or contract out ripening services. However, there are some signs that this is changing

¹⁶⁴ Exchange rates: £ 1 = US\$ 1.60 and € 1.14; US\$ 1 = €1.40.

and more retailers are beginning to use some type of category management (for example in Holland and Germany).

UK supermarkets are said to be the most demanding in terms of quality, especially cosmetic appearance, and compliance with production standards – all require producers to be certified GLOBALGAP and many also want compliance with their own specific codes of practice (e.g. Tesco’s Natures Choice, Marks and Spencer’s Field to Fork). Fairtrade producers are expected to reach the same standards, although some retailers do accept FLO certification in place of their own code. In many European countries there is greater tolerance for fruit that is marked or misshapen, partly because retailers are at arms length from production and do not apply the same kinds of standards in their supply chains. However, this is changing, and exporters reported strict standards for cosmetic appearance and pesticide residues in various markets outside the UK (e.g. Switzerland), with one saying that this was making it hard to export fruit from small producers.

Price matching between supermarkets is largely a UK phenomenon, although price based competition between discounters like Aldi and Lidl is common in some countries. This is not to say that large retail chains don’t have a significant influence on wholesale prices, as evidenced by industry reference to the “Aldi price”. But in general prices more closely follow trends in costs of production and shipping, in conjunction with the balance between supply and demand. Furthermore, it is illegal to sell below cost in countries such as France and Germany, which places a lower limit on prices and reduces the possibility that Fairtrade banana sales will be used to cross subsidise losses on non Fairtrade sales.

There are also differences in the way Fairtrade bananas are sold. In most European countries Fairtrade bananas are also certified organic and are sold as a niche, high value, low volume product. This is very different to the UK where Fairtrade bananas have become a mainstream product, being one of five key lines in all major supermarkets.¹⁶⁵ In general, the UK market is far more segmented in terms of product differentiation, compared to supermarkets in other countries which may only stock one or two lines of a product like bananas. This creates more opportunities for growing the Fairtrade market, but is also likely to accentuate the tendency for Fairtrade products to be treated in exactly the same way as any other product.

Estimates on the distribution of value for Fairtrade bananas in another European market illustrate the difference final retail price can make in terms of margins made by different actors in the chain (see Table 45)¹⁶⁶. In this example 13 to 19% of the retail value remained in the country of production, compared to an estimated 39% for loose Fairtrade bananas sold in the UK. However, producers/exporters received approximately the same amount as for sales to the UK (around £ 0.34 per kilo including the Fairtrade Premium). This meant there was more value to be distributed between other actors, which is positive in the sense there is greater potential for the chain to represent real costs and sustainable margins. However, the figures also suggest that retailers receive quite high margins compared to other actors. This is also a cause for concern if it is restricting market growth, just as in the UK it is a concern if high margins on pre pack Fairtrade bananas are used to cross subsidise losses on loose bananas.

¹⁶⁵ Switzerland, Finland and the USA also sell predominantly non organic Fairtrade, but such countries are in the minority (see Section 1.8).

¹⁶⁶ The source of this data did not want to be identified and asked that the country in question not be named, because of the sensitivity of price data.

TABLE 45: ESTIMATE OF STANDARDISED COSTS FOR FAIRTRADE BANANAS IN ANOTHER EUROPEAN MARKET (EUROS PER KILO)

	Conventional Fairtrade € per kilo	Organic Fairtrade € per kilo
Average FOB	0.31	0.40
Fairtrade Premium	0.04	0.04
Shipping and Insurance	0.24	0.24
Import costs, margins and duty	0.26	0.29
Ripening, handling, distribution, wastage	0.19	0.37
Retailer gross margin (incl.licence fee, VAT, etc.)	0.78	0.80
Total retail price	1.81	2.13

Source: Confidential data source¹⁶⁷

Summary of Fairtrade impact on UK value chains

By mid 2009 Fairtrade bananas accounted for a quarter of all banana sales in the UK. Over half of these sales were by Sainsbury's and Waitrose, the two supermarkets that had converted all their bananas to Fairtrade, but all major supermarkets stocked Fairtrade as a key line. Sales of Fairtrade bananas had been maintained during the 2008-2009 recession, with demand apparently quite inelastic, but growth appeared to have plateaued and there was little prospect of further large category conversions. Dual certified Fairtrade organic bananas had effectively been priced out of the mainstream market.

Four importer-ripeners dominated the UK trade in Fairtrade bananas, with few opportunities for smaller importers (including 100% Fairtrade companies) to participate. As for conventional bananas, sourcing decisions were mainly based on price, quality (including size, cosmetic appearance and certifications) and service, although social and political linkages with Fairtrade producers sometimes had an influence. The differences in FLO minimum prices had little effect, as higher prices in the Caribbean were counterbalanced by the EU tariff for Dollar bananas. Some new relationships with producers had formed because of Fairtrade, but most importers worked with incumbent suppliers to secure Fairtrade bananas. Supply and demand were fairly evenly balanced and gave the case study Fairtrade producers relative security of markets, although some non case study producers apparently only sell a small percentage as Fairtrade. Ecuador was often used as a contingency source when there was a disruption to supply from other countries (e.g. due to hurricanes), but was less popular for ongoing supply due to price volatility.

Bananas from small producers were generally perceived by UK retailers and importers as unsuitable for loose banana sales, meaning the category conversions had predominately favoured plantations.¹⁶⁸ There was a surge in certification of plantations in Colombia and the Dominican Republic in 2007-2009, resulting in increased overall supply. If the FLO minimum prices for Caribbean sources increases, and/or the EU tariff is reduced, this may threaten the position of small producers.

¹⁶⁷ See previous footnote

¹⁶⁸ This was not the case with the earlier category conversions that took place in Switzerland, with one of the two major Swiss retailers reportedly sourcing most of its bananas from an SPO, proving that small producers *are* able to supply loose bananas of sufficient quality for a demanding market.

Exporters, importers, ripeners and retailers reported no major differences between trading Fairtrade versus traditional bananas, beyond guaranteed payment of the FLO minimum price, Premium and licence fee. At the time of the research market prices exceeded FLO minimums and so eliminated even this difference. All other terms and conditions of trade were the same. There was some mismatch between the terms of trade retailers had with importer-ripeners and the terms importer-ripeners had with exporters, creating risks for the importer-ripeners. Importer-ripeners were also being squeezed on price, as supermarkets had to cut all possible costs out of the chain to reduce the financial impact of price matching. This price squeeze was sometimes being passed down the value chain, but high export prices on non Fairtrade markets were limiting the extent to which this could happen. When export prices are low, the FLO minimum price would no doubt have a greater role to play in protecting exporters and producers from price squeezes. In this context, the limited availability of Fairtrade bananas, and relative parity in import prices, are important to protect producers in all countries, demonstrating the need to carefully manage supply and demand and FLO minimum prices.

Industry sources reported little available margin in the UK banana trade, due to supermarket price wars on loose bananas. Decisions on retail pricing were driven by marketing and impact on competitors, rather than profit maximisation. Pre packed bananas, including Fairtrade bags, were effectively cross subsidising low profits or losses on loose bananas. Supermarkets that had converted the entire category to Fairtrade continued to price match, regardless of real costs, which was creating further price pressures throughout the chain, including on the FLO minimum price. It also discouraged other retailers from category conversion and stymied opportunities to contribute to the development of social, economic and environmental sustainability in the global banana trade.

10. CONCLUSIONS AND FURTHER ANALYSIS

The previous chapters have shown that Fairtrade has supported socially and environmentally responsible banana production and enhanced the benefits received by marginalised small producers and workers from global banana trade. Positive impacts have occurred at all levels from individuals to households, to local communities and national economies, although not uniformly across countries and cases. In terms of sustainable development, the impact was greater for small producers, as Fairtrade had helped them stabilise their income, improve their production, gain direct access to markets and participate more actively in organisations and networks. In Ecuador and the Dominican Republic this had allowed farmers to capitalise their enterprises and make improvements in their standard of living, although those with low volumes were only able to do if they had additional sources of household income. In the Windward Islands it had prevented banana farmers losing their livelihoods altogether and falling into poverty. For plantation workers the effect was more one of poverty alleviation, mainly due to continued low wage levels (despite being higher than those of workers outside Fairtrade) and limited success in organising. In this context, the Fairtrade Premium had largely been used to supplement income, rather than for supporting worker education and organisation or strengthening public infrastructure and services, and therefore had less potential for sustained impact. In Ecuador and the Dominican Republic, the lack of independent organisation of workers, and absence of links to trade unions, was also limiting potential for long term improvements.

At the UK sector level, Fairtrade has successfully penetrated mainstream markets and accounted for nearly a quarter of UK banana sales by the end of 2008. This is largely due to the decision taken by two large retailers, Sainsbury's and Waitrose, to convert all their bananas to Fairtrade. This has generated a huge increase in demand for Fairtrade bananas, which has provided opportunities and benefits to a large number of producers and workers. Plantations in Colombia and the Dominican Republic that supply loose bananas have benefited most in terms of new sales, but increased demand for both pre packed and loose bananas has filtered through to Fairtrade producers in many countries. All case study producers showed impressive sales growth on Fairtrade markets in recent years, although reportedly there are still some Fairtrade banana producers that only sell a small proportion as Fairtrade. A potential downside of success in the UK mainstream is that it has introduced new dynamics to Fairtrade value chains, including pressure to reduce costs to a minimum and biases in favour of larger scale producers and suppliers. This means there are fewer opportunities for more marginalised producers (as well as 100% Fairtrade traders) to participate. The fact that retailers are not bound by FLO regulations also increases the possibility of tension between social and commercial objectives within Fairtrade value chains. Ongoing banana price wars between UK supermarkets only exacerbate these tensions by removing value from the chain and limiting the possibilities for creating a genuinely sustainable trade.

In this chapter the impacts described throughout this report are analysed in relation to the main instruments used in Fairtrade. As described in Section 2.1.2, there are four main avenues through which Fairtrade can have an impact:

1. FLO Producer Standards
2. FLO Trade Standards
3. Organisational support and business development

4. Networking

Assessing impact via these avenues helps with attribution and also facilitates processes of learning within Fairtrade. It allows further conclusions about the impact of Fairtrade to be drawn, and sets out a clear foundation for the recommendations that follow.

9.1 FLO PRODUCER STANDARDS

In general the Fairtrade Producer Standards served as a catalyst and/or reference point for socially and environmentally responsible practices, and were a useful tool for SPOs and plantations. The case study producers had been subject to almost yearly FLO inspections (initial, renewal and follow up) since they were first certified. This had supported processes of continuous improvement. The non-compliances identified in inspections were usually addressed before the next visit, although in some areas the same non-compliances had been picked up for several years running without action being taken. However, since 2007 there had been far stricter enforcement of the standards by FLO, including greater use of the sanctions of suspension and decertification. This meant impact had been enhanced for both SPOs and plantations, but to greater extent for the latter.

It was not always clear whether change was *caused by* or simply *documented by* the inspection process, especially for SPOs. Areas in which causal links with FLO's Producer Standards were quite clear included:

- Formalisation of permanent employment on plantations, especially in Ecuador and the Dominican Republic, and associated provision of written contracts and legislated entitlements (e.g. social security, annual bonuses and paid leave) which in turn led to a net increase in wages¹⁶⁹;
- Formation of Workers Committees to promote and defend plantation workers' interests (Ecuador and the Dominican Republic);
- Formation of various organisations for workers associated with the SPO in Ecuador (employees, graders, port workers) to facilitate collective contracts and more regular, formalised employment for contract workers;
- Better representation of different types of worker in Union/Worker Committees and Joint Bodies, including marginalised groups such as women and migrants;
- More structured organisation of small producers in order to achieve and sustain certification;
- More democratic decision making and enhanced communication and transparency in SPOs, at both local producer group and umbrella organisation levels;
- Improved environmental practices, especially on conventional farms and in the WI;

¹⁶⁹ Inscription in social security schemes often reduce net wages, as employees are required to make a contribution from their wages in the interest of securing longer term benefits and income protection (e.g. pensions and unemployment benefits). However, in the plantation case studies workers received more from guaranteed legislated entitlements and bonuses as a result of the formalisation of employment than they paid out in social security, resulting in a net income gain.

- Improved health and safety practices on farms and in communities for SPOs and plantations;
- Use of the Fairtrade Premium more closely aligned with Fairtrade rules, including fewer cases of cash transfers to small producers and plantation workers and less frequent use of the Premium to cover business or operational costs.

In other areas the causal link with FLO standards was less clear or was indirect. For example, in Ghana the trade union said it referred to FLO standards when renegotiating its CBA every three years. SPOs in both Ecuador and the Dominican Republic had introduced policies in favour of workers hired by small producers; given FLO had paid more attention to this group of workers in recent years, it is reasonable to assume that this influenced SPO decision making, but direct lines of causality could not be drawn. In some cases FLO standards had a combined effect with other sources of influence, the most obvious being health and safety and environmentally friendly production, where other certification schemes (organic, GLOBALGAP) as well as government and trade union activities also played a role.

There were various limitations in terms of the changes that had been achieved. In some areas the standards had brought less benefit to the poorest or most vulnerable individuals within the broad categories of “workers” and “small producers”. For example, improvements in terms and conditions of employment were concentrated among permanent workers employed by plantations and small producers, with temporary and casual workers seeing relatively little benefit from Fairtrade (although they now formed a smaller proportion of the workforce on plantations). Similarly, producers with low volumes or yields were receiving less economic benefit from Fairtrade and their businesses were often not financially viable, although the SPOs were taking some steps to try and address this. Progress in relation to the organisation of workers was disappointing, with Workers Committees only recently separated from Joint Bodies on plantations, and little organisation of workers in small producer contexts. Despite significant advances in a short time, Workers Committees were weak and dependent on management support, rather than being worker led organisations formed from the grassroots up; this was evidenced by the fact workers generally deemed them less important than the Joint Bodies. Even though representation of different types of worker had improved, elected representatives with low levels of literacy, difficulties understanding or speaking the language used in meetings, or a lack of self confidence, were unable to participate effectively.

On a related issue, the Producer Standards had also had little success in challenging social and institutional norms related to gender relations. Women were active farmers and members of the SPO in the WI, but elsewhere were often perceived as unsuited to the heavy work of banana production. On plantations they formed a significant minority and faced restrictions in terms of job opportunities and income, while within SPOs it was usually men who were active members, even where women owned the land under production. While there are some tasks that women may be less physically able to carry out, such as transporting banana stems from field to processing plants, there are others such as planting, pruning and weeding, as well as participating in organisational life, that women should be equally capable of doing. In most countries the gendered division of labour and participation in farmer and worker organisations was based on social and cultural expectations, which have been internalised by women as well as men, rather than actual skills and abilities.

Similarly, although Haitian migrant workers in the Dominican Republic had seen some improvement in their legal status, they continued to be disadvantaged due to deep rooted social and political discrimination. This manifested itself in the way the Fairtrade Premium was allocated, with migrants

benefitting proportionally less than local workers (see below). In areas such as these, the process of continual improvement promoted by FLO standards and inspections, along with the provision of support from FLO and other organisations, will hopefully secure greater progress in future.

However, in certain areas the standards had had a negative impact from the perspective of some stakeholders. Trade unions were understandably concerned about the formation of parallel types of worker organisation which, despite achieving some practical gains for workers, had little strategic role or political weight and had the potential to undermine opportunities for independent organisation. Workers often disagreed with (recently enforced) FLO restrictions on use of the Premium to supplement their income, especially given their wages fell significantly short of a living wage. This was causing distress and potential economic difficulties among people that Fairtrade sets out to support. More generally, the high standards set by FLO, exacerbated by demands for continual improvement, as well as strict market requirements, were increasing costs of production and reducing the economic benefits of participation in Fairtrade (see below). They were also making it harder for producers that were more marginalised economically or geographically to participate in Fairtrade. These issues are in urgent need of re-evaluation and action by FLO and its stakeholders.

Another area of weakness in the application of the Producer Standards was the lack of engagement of workers and trade unions in their implementation. Although workers were interviewed during inspections, they (or their representatives) were rarely given feedback and were not involved in deciding how non-compliances should be addressed, except on the unionised plantation in Ghana. The standards stipulate that even when a plantation is not unionised, national or international trade unions should be consulted about how to improve collective bargaining, but this had not occurred. Trade unions had also not been contacted by FLO inspectors for background information on key issues for workers in the particular country, sector and/or region.

FLO standards and inspection reports had become long and complicated, making it more difficult for workers and small producers with low levels of education to participate actively in implementation. It also made the certification process a largely top down, non-participatory experience. Understanding of the concepts and principles of Fairtrade was quite limited among workers, except among long serving members of union/worker committees and Joint Bodies. This was not helped by the fact their experience sometimes contradicted the expressed objectives of Fairtrade; workers in Ghana, for instance, couldn't understand why the Premium could not be used to supplement their wages if Fairtrade was supposed to guarantee workers a decent wage. Small producers had a better understanding of Fairtrade, especially in the Windward Islands where there was an ongoing process of education and regular meetings of Fairtrade Groups. The means for understanding Fairtrade was slightly different in the Dominican Republic – farmers there were closely aligned with the mission of their organisation, which reflected the principles and objectives of “fair trade” rather than the FLO standards. This sometimes led to confusion about recent developments within Fairtrade, such as the certification of plantations or SPOs which were focused on commercial objectives rather than a social mission to support the most disadvantaged producers.

9.2 FLO TRADE STANDARDS

FLO's Trade Standards include perhaps the most well known avenues of Fairtrade impact, namely: a guaranteed minimum price, “fair” terms of trade, and payment of an additional “development” Premium. Each of these elements will be discussed in turn.

9.2.1 MINIMUM PRICE

Producers in all case studies were selling the majority of their crop on Fairtrade markets (something which is relatively rare in Fairtrade generally) and on average over the years had received higher prices than they would have done on non Fairtrade markets, particularly during the summer period when production peaked and demand dropped off, causing non Fairtrade market prices to fall. This had allowed small producers to capitalise their businesses and make improvements in production and standard of living, although additional sources of household income were still important for producers with low volumes. The economic impact on plantations was less clear, as it was difficult to gain full transparency on costs and make a comparison with non Fairtrade plantations with more intensive production. Two of the case study plantations were struggling to maintain profitability, but this was partly due to inflated costs of production and/or economic setbacks caused by climatic disasters and disease. The third plantation said its costs of production were higher than FLO minimum prices, but was apparently gaining from being able to export directly. This gives an indication of the difficulties of ensuring any extra earnings gained by plantations from Fairtrade are shared with workers. It also highlights the fact that Workers Committees may not be well placed to bargain collectively on the basis of company performance without receiving substantial support, such as from national trade union federations.

The effect of the FLO minimum price had diminished in recent years, as non Fairtrade market prices had gradually increased and in periods of high prices far exceeded the FLO minimums. Producers and exporters in all countries complained that the minimum prices were now too low, and SPOs were sometimes facing difficulties securing supply as members opted to sell to other exporters offering higher prices. Producers reported that costs of production had increased markedly since 2007 due to inflationary pressures, higher oil prices, and stricter enforcement of the FLO standards. This was impacting on profits and reducing the economic benefit of Fairtrade to such an extent that producers outside Fairtrade were not incentivised to participate. In this context, it was proving difficult to increase the wages of plantation workers, and the Fairtrade Premium was being used to support worker income. The Premium was also providing important economic support for small producers, but mainly indirectly via technical assistance to achieve certifications and improve yields and quality, as well as paying for collective infrastructure.

In terms of sourcing decisions, UK importers said the differences in FLO minimum prices for each country were not having much impact given the counterbalancing effect of the EU tariff on non ACP imports, and the fact they were paying above the minimums due to higher prices on non Fairtrade markets. But if the tariff is reduced and/or the gap between FLO minimums for Caribbean and Dollar sources is increased, the impact is likely to be greater, with preference given to lower cost sources. This is made more likely by downward pressures on prices caused by supermarket price wars (see below).

9.2.2 TERMS AND CONDITIONS OF TRADE

Actors along the length banana value chains (producers, exporters, importers, ripeners and retailers) reported that there was little difference in the terms and conditions of trade for Fairtrade versus non Fairtrade bananas. Leaving aside the effect of the FLO minimum price (which had anyway been minimised by increases in non Fairtrade market prices), most aspects of the trading relationship remained the same. There was some evidence of greater commitment among importers and retailers to Fairtrade suppliers, partly for ethical reasons and partly because there were fewer available sources, but in general importers had developed long term relations with all their suppliers, whether Fairtrade or not. However, the

relationship was principally with the exporter rather than producers, as demonstrated when the Dominican SPO changed exporter and automatically lost many of its end clients. This underlines the importance of encouraging and facilitating SPOs and plantations to be able to export directly.

The terms on which orders and payments were made were largely the same, and sometimes did not conform strictly to the letter of FLO Trading Standards. Importers/ripeners were in a relatively difficult position given they were required to abide by the Trading Standards but retailers were not. As such, they had to absorb the risks created by the differences in trading conditions, such as terms of payment and security of orders. For example, importers/ripeners were required to sign annual contracts with exporters and purchase at least 50% of programmed volumes. In contrast, ripeners generally did not have binding contracts with retailers for specific volumes and were required to re-tender for business on a frequent basis, but could be subject to heavy fines if they did not fulfil orders. Their profits were also being squeezed, as UK supermarkets are engaged in a price war on loose bananas and need to cut costs and maximise profits wherever they can. Although most Fairtrade bananas were being sold in bags, margin targets were for the whole category rather than on particular lines and therefore Fairtrade was effectively cross subsidising low profits elsewhere. The two retailers that had switched all their bananas to Fairtrade had continued to track non Fairtrade prices, creating even greater pressure in their supply chains. At the time of the research this pressure was largely being absorbed by importers/ripeners, but there were indications that it was already affecting sourcing decisions. A drop in the price of loose bananas to an all time low of 37p per kilo in October 2009 could only have exacerbated this.

At the level of producers and exporters, the main concerns were about the strict requirements that retailers impose on suppliers in terms of quality and packaging, including what they considered to be excessive demands for cosmetically perfect, blemish free fruit. This was making it harder to attract and include new producers in SPOs, particularly smaller producers who were most in need of Fairtrade support. There were also some complaints about fluctuations in orders (in Ecuador) and a lack of transparency in Fairtrade value chains, as well as claims that some importers don't want to sign contracts. But overall the relationship between producers-exporters and importers appeared to be good and to reflect the principles of Fairtrade.

This was particularly true for the plantation in Ghana and the SPO in Ecuador, both of whom sold to a 100% Fairtrade importer in Europe of which they were part owners. It was also true for the SPO in the WI that sold to an importer part owned by the WI governments. The structural and political links that were thus created deepened the trading relationship and enhanced producers' security. In the case of the Fairtrade importer, it also gave producers access to added value further along the chain. The flip side was that for some markets (including the UK), the inclusion of a relatively small importer in the chain added cost and made it a less attractive source for ripeners and retailers. The Fairtrade banana value chains of most major retailers in the UK were comprised of the same large commercial actors as for non Fairtrade bananas, given that Fairtrade had become a key line for category managers. As indicated above, all possible costs were being squeezed out of the chain, and made it difficult for small exporters and importers to participate.

There were also some signs that market access for small producers was being threatened, especially to the UK. Although importers and retailers were happy to source pre packed bananas from SPOs, most did not think small producers were able to produce consistent enough quality for loose bananas and many thought Fairtrade had a greater impact on plantations than on small producers. With increased availability of Fairtrade bananas from plantations, and possible increases in the cost of bananas from

small producers in the Caribbean (due to change in FLO minimum prices and EU tariffs), there is a very real possibility that small producers will lose market share.

Within the SPO category there were also some potential “winners and losers”. Under FLO’s rules, SPOs can source up to 50% of Fairtrade exports from producers not classified as “small”. On the one hand, this had allowed SPOs to reach the volumes and economies of scale necessary for supplying supermarkets at a competitive price, and effectively cross subsidised services for smaller producers. But it also had a tendency to concentrate volume linked benefits of Fairtrade among less poor producers and raised the risk of opportunistic participation in Fairtrade by larger producers. As stated earlier, the high standards imposed by retailers and FLO were already becoming a barrier to entry and made it harder for more marginalised small producers to take part. SPOs with a strong social mission, including a focus on poorer producers and the costs that including them implied, may eventually find it hard to compete.

9.2.3 FAIRTRADE PREMIUM

SPOs and Joint Bodies were paid US\$ 1 per box of bananas sold on Fairtrade markets for investment in social, economic and environmental development (US\$ 1.75 until January 2006). With sales of up to 50,000 boxes per week per organisation, Premium funds had had a substantial and wide ranging impact. As mentioned earlier, SPOs had used Premium funds to help producers improve production and quality, including meeting certification standards (FLO, organic, GLOBALGAP). They had also invested heavily in health, education and community development, including financing public infrastructure and services. Funds were also put aside for assisting workers hired by small producers and SPOs; in the Dominican Republic, for instance, the Premium covered the costs of residency visas and social security for Haitian workers. On plantations the Premium was primarily used to supplement workers’ income and improve their standard of living, via expenditure on annual bonuses, food rations, housing, health and education, plus passports and visas for Haitian workers in the Dominican Republic. It was also invested in various community development projects, such as water tanks and pumps, as well as annual festivals.

Given the range of uses, the impact of the Fairtrade Premium was difficult to quantify. In general, producers, workers and community members were highly appreciative of the benefits they received, and were supportive of the way the Premium was spent and managed. Investments in health, education and community infrastructure helped address serious failings in public services in some of the case study countries. For example, the building of a new school block in Ghana meant children no longer had to have their classes outside; perhaps more importantly, provision of educational subsidies meant workers could actually afford to send their children to school. In Ecuador the SPO used the Premium to pay the salaries of 18 teachers in 16 schools, which had reportedly led to increased numbers of students attending:

“One of the best things that the Premium has been invested in is the schools. There were schools in which there was only one teacher. Now that they pay the teachers [salary]... the number of children has grown... The parents of those children appreciate what they are doing.”
SPO employee, Ecuador

Similarly, expenditure on health services (e.g. paying the salaries of doctors and nurses, covering the cost of consultations, medicines and operations, buying medical equipment and providing training on health and hygiene) helped improve the health of rural communities and reduced the risk of sudden shocks to workers’ and producers’ household income. Indirectly, it may have helped education levels among children; in Ghana, for instance, a Premium funded de-worming exercise aimed at promoting child health

is also liked to have helped children overcome chronic fatigue and improved their learning ability in school. Many other such examples of positive impact from the Premium have been given throughout this report.

However, there were a few areas in which the Premium had a less positive impact. In Ghana it had generated a culture of expectation among communities, who perceived it as another form of development assistance. Similarly, workers in the Dominican Republic tended to view the Premium as a charitable transfer, rather than the product of their labour, which gave them less ownership over it and increased the potential for management to influence decisions about its use. Also, Premium impact was not always evenly distributed across categories of workers and small producers. For example, migrant workers in the Dominican Republic were disadvantaged because their families were usually in Haiti and therefore did not benefit from expenditure on housing and healthcare. Temporary and casual workers generally only benefited from the Premium via its use for community development. The SPO in Ecuador allocated a portion of the Premium to constituent producers groups based on volumes produced, meaning those with lower volumes (already the poorer group) were less able to finance improvements in production. Although hard to avoid, differentiation in impact such as this can cause tension and discord among Fairtrade workers and producers.

One of the more controversial uses of the Premium was to supplement the salaries of plantation workers. Premium funded food bonuses/rations and annual bonuses resulted in a salary increase of between 8% and 12% for plantation workers in Ghana, Ecuador and the Dominican Republic. FLO rules prohibit cash transfers from the Premium to individual workers, and in recent years steps had been taken to put an end to it, which had caused dissent among workers in Ghana and Ecuador (also in the Windward Islands). This is not a simple matter. On the one hand, using the Premium to subsidise wages may reduce pressure on employers to increase wage rates and distribute profits gained from Fairtrade, by making employment on Fairtrade farms more attractive and ensuring a ready supply of willing workers. It may also lessen the likelihood that workers participate actively in organisations which can negotiate around contractual terms and conditions, which is central to the sustainability of Fairtrade impact. On the other, the case study evidence suggests that Fairtrade producers do not always generate enough profit to allow for substantial wage increases and, given low wages in agriculture, it could be argued that workers should benefit more directly from their labour producing Fairtrade bananas. Increasing FLO minimum prices by a moderate amount is unlikely to have much impact, as costs of production have risen markedly and many producers were already receiving above FLO minimums in line with market prices. Bigger increases in FLO minimum prices, without reducing the Premium, are likely to affect market growth as it would open up the differential with non Fairtrade fruit. One option would be to transfer a portion of the Premium to the minimum price, but it would be difficult to guarantee that additional funds generated translate into increased wages, especially in the context of loss making enterprises. Collective bargaining would help and seems to be the only sustainable way to ensure fair distribution of the benefits from Fairtrade sales. But until (and if) it is established on all Fairtrade plantations, it seems that the most direct route to lift workers out of poverty would be to allow for direct cash transfers from the Premium, on the clear understanding that it is an interim measure. In the longer term, it is *essential* to find ways to ensure that the Fairtrade banana value chain that generates enough value to enable workers hired by both plantations and small producers to earn a living wage, not least to avoid serious reputational risk to the whole Fairtrade movement.

Finally, although the Premium was often used to support public services, it was quite rare for SPOs and Joint Bodies to be working in partnership with communities, civil society organisations and local

authorities. Generally decisions about Premium use were made within SPOs and plantations, with little input from community members (although there were some exceptions). As such, there was a danger that by “plugging the hole”, the Premium actually relieved pressure on governments to improve services to rural communities, rather than allowing Joint Bodies and SPOs to work strategically with local partners to achieve sustainable rural development.

9.3 ORGANISATIONAL SUPPORT AND BUSINESS DEVELOPMENT

The case study SPOs had received considerable support from external institutions, both national and international. For instance, Oxfam provided support for the WI SPO in its early years, including helping educate farmers about Fairtrade and setting up financial and administrative instruments. The Fairtrade Foundation assisted with marketing and advocacy and facilitating contact with retailers. Financial support was given by donors such as the Impetus Trust, for rebuilding at Hurricane Dean in 2007 and restructuring of the organisation in 2008, and the EU, for regional diversification. Likewise, Solidaridad was involved in the initial set up of the SPO in Ecuador, and had helped with funding for various projects and studies related to certification, quality, infrastructure, irrigation and business development. Support for improving quality, as well as advance credit, also came from the Fairtrade importer, and, since becoming a well established exporter, various linkages had been made with national and international institutions for further development of the organisation (e.g. funds from GTZ, IICA and FOMRENA for production of organic inputs). These kinds of support were invaluable for development of the organisations, and facilitated a continual process of improvement and growth. As their success grew, it had become easier to attract financial support from a wider group of institutions, and this was allowing them to develop new areas of work to extend the benefits to small producers. Fairtrade had played a central role in this sequence of events, from being the target market in the original conception of the SPOs, to allowing the investments in production, organisational development and community development that underpinned their success.

The plantation in Ghana was also heavily supported by external parties, including injections of cash from Solidaridad and its trading partner (which specialises in fair trade) in Europe for set up costs and to recover from setbacks due to Black Sigatoka and climatic disasters. Links were also made with the trade union movement from the start, which gave the plantation and its workers access to additional forms of support which Fairtrade subsequently enhanced (e.g. through reference to FLO standards during collective bargaining and use of the Fairtrade Premium to support union led training and education). Solidaridad owned 25% of shares in the company which were being held in trust for workers; this had the potential to significantly enhance the benefits workers received from international banana trade, and would be an important step towards fulfilment of Fairtrade aims. Unfortunately the precarious economic situation of the plantation (caused mainly by various unforeseen setbacks to production) had limited progress on this front, as it was felt that workers should not be burdened with its poor financial performance. This illustrates the importance of ensuring that Fairtrade prices allow for decent returns, and of ensuring producers receive professional support to run a successful business and find new premium markets when needed.

In comparison, the plantations in Ecuador and the Dominican Republic had received almost no support until the recent establishment of FLO Liaison Officers in each region, which partially explains the slow progress made in meeting all FLO standards and forming worker organisations. Worker representatives were given little training on their duties and, given they had no links to other workers organisations, were

understandably ineffectual. Business facilitation was not required, as demand for organic bananas was high and both plantations were owned by the exporting companies, but management did not receive any support or guidance on how to comply with FLO standards, even following inspections that picked up repeated non-compliances. The plantation in Ecuador had an extensive programme of work in the local community, including projects co-financed by DED and national bodies. This predated Fairtrade but was supported indirectly by sales to Fairtrade markets and perhaps also its Fairtrade accredited status. But overall the impact of Fairtrade on the plantations in Ecuador and the Dominican Republic mainly related to use of the Premium, which was limited in terms of scale, scope and sustainability (a high percentage being used to supplement worker income and alleviate poverty). Had there been more consistent organisational support, the impact is likely to have been far greater, especially in terms of empowering workers. The progress that has been made recently as a result of increased levels of support from FLO Liaison Officers is evidence of this.

9.4 NETWORKS

Fairtrade had facilitated the development of national and international networks of producers but again this had been more successful in some countries and with some producers than others. At a grassroots level, the networks created through strengthening SPOs had allowed small farmers to meet with other farmers in their region to exchange experiences and find solutions to problems, and to work collectively and/or collaboratively to reduce costs. Representatives from each local group then participated in the SPO boards, furthering this process, and in addition allowing for links with other SPOs in the country. In Ecuador, for example, the success of the SPO had resulted in other Fairtrade SPOs in the country, as well as from neighbouring Peru, coming for workshops to learn from its experiences. It was also a member of the association of producers which had a 50% stake in the Fairtrade importing company in Europe. This put it in a more strategic position in relation to markets and enhanced its negotiation capacity. The SPO in the Dominican Republic was a board member of CLAC, the Latin American and Caribbean Network of Small Fair Trade Producers, which, according to CLAC's website:

“has allowed a strong increase in the presence, visibility and influence of... small producers on the international Fair Trade scene”¹⁷⁰

This is evidenced by the fact CLAC is represented at board level in FLO and WFTO, the two main international fair trade institutions, and has influenced decision making within those organisations. It also has links with other regional Fairtrade networks (e.g. African Fairtrade Network, AFN) and various other institutions related in some way to fair trade.

Fairtrade plantations had far fewer opportunities to engage with networks, although worker and management representatives had been invited to a number of Fairtrade sponsored events and conferences in recent years. As mentioned earlier, Workers Committees were not linked to other organisations of workers, such as trade unions, or other types of civil society organisation. This stymied opportunities for mutual support, exchange of experiences, and political influence at a national or international level. The Union Committee in Ghana was better connected, given it was affiliated to a national trade union federation. Management and union representatives were also part of the AFN and

¹⁷⁰ <http://www.clac-pequenosproductores.org/english/profile/mission.html>

the Human Resources manager was vice chair of the West African Fairtrade Network (WAFN), which had allowed them to travel and interact with other Fairtrade producers (small and large). The individuals concerned were enthusiastic about these experiences. Plantation owners/managers in both Ecuador and the Dominican Republic had also participated in some Fairtrade events (along with worker representatives) but said they avoided getting politically involved in national producer networks, partly because other producers were often opposed to their stance on social and environmental responsibility.

One downside of being well connected and supported by a range of organisations, is that it can create a considerable amount of work. Several case study producers reported being inundated with requests for participation in consultations exercises, conferences and studies. Most received regular visits from auditors, trading partners and clients, Fairtrade and NGO representatives, researchers and journalists, each of which required management time. It could also be frustrating for small producers and workers, who get tired of being asked the same set of questions about Fairtrade by visitors, especially when their concerns or complaints don't appear to result in changes being made.

The above analysis illustrates that each of the different Fairtrade instruments have been important for bringing about positive impact, and all could be strengthened in various ways. The next chapter provides recommendations that arise out of this analysis.



11. RECOMMENDATIONS FOR IMPROVING THE IMPACT OF FAIRTRADE

Here follows a series of recommendations emerging from the findings of the study. Note that each set of recommendations should be subjected to further analysis and discussion with Fairtrade stakeholders (primarily small producers and workers) prior to implementation.

11.1 ENSURE ALL PARTICIPANTS IN FAIRTRADE ARE ALIGNED TO ITS PRINCIPLES AND CONTRIBUTE TO ACHIEVING ITS OBJECTIVES

- Lobby UK supermarkets to end the banana price wars as they undermine possibilities for adding value and creating a sustainable banana trade. Encourage supermarkets that have converted all their bananas to Fairtrade to stop price matching and use this to promote their ethical credentials.
- Develop a charter of principles that all participants in Fairtrade value chains sign up to, including producers, exporters, traders, processors and retailers. Develop confidential complaints mechanisms with impartial mediation that any actor in a Fairtrade value chain can use when they perceive another actor to be violating the charter.
- Work with (UK) retailers selling own brand Fairtrade products to see how their trading practices can be more closely aligned with Fairtrade principles and the FLO Trading Standards, particularly in relation to contracts, quality specifications and fluctuations or changes in orders.
- Undertake value chain analysis in other Fairtrade banana markets to establish similarities and differences from the findings presented in this report which relate specifically to the UK market. Encourage exchange of experiences and good practice between actors in different markets.
- Reconsider growth targets within Fairtrade, in the light of experiences to date with mainstreaming. Allow sufficient time for consolidation of impact among existing Fairtrade producers, especially in relation to workers and the most marginalised small producers.
- Involve other relevant value chain actors in Fairtrade (e.g. transport and shipping companies) to facilitate greater transparency and enable negotiation of prices and redistribution of margins.

11.2 INCREASE THE RETURNS FROM FAIRTRADE BANANA PRODUCTION

- Investigate the possibility of a 'Recommended Retail Price for Fairtrade bananas', promoted by national Labelling Initiatives, which allows reasonable returns for all actors in Fairtrade value chains and sets the benchmark for retailer pricing.
- Review FLO minimum prices more regularly to ensure they cover costs of sustainable production, bearing in mind the costs of full compliance with FLO standards. Maintain up to date information on costs of inputs, labour and equipment in different countries.

- Improve data management within SPOs to track costs of production and prices received on Fairtrade and non Fairtrade markets, in order to work to reduce costs where necessary and use the information about the economic impact of Fairtrade to secure further support. Support producers to increase productivity and reduce costs, including allowing more marginalised small producers to use the Premium for individual investments in production, and facilitating professional technical and management advice to producers (small and large) that are struggling to stay competitive. Also facilitate new business contacts for SPOs that are unable to sell all members' production on preferential markets.
- Encourage and facilitate producers to export directly, including helping them to access technical and legal advice, and investment capital.
- Explore ways to harmonise the FLO standards with GLOBALGAP and organic certifications and thereby reduce the costs of management systems and auditing.

11.3 PROTECT THE POSITION OF SMALL PRODUCERS IN FAIRTRADE

- Maintain a careful balance between supply and demand, taking into account total production available from existing producers. New producers should only be certified when there is sustained growth in Fairtrade markets, rather than on applicants providing evidence of a market, as the latter could reflect cannibalisation of small producer markets by plantations.
- Do not allow the price differential between FLO minimum prices for Dollar and ACP sources to increase significantly, as this is likely to jeopardise the position of small producers in ACP countries.
- Give preference to applications from SPOs when there is room for new supply, on the basis that they are more vulnerable than plantations to exclusion and exploitation in global banana trade. If this is deemed incompatible with ISO 65 requirements, then the appropriateness of ISO 65 for Fairtrade should be assessed.
- Seek contact with SPOs that may not be aware of Fairtrade and/or require assistance to reach the necessary standards for certification. Support these organisations directly and facilitate additional support from external bodies and established certified SPOs.
- Ensure that SPOs have a genuine mission to improve the livelihoods of small producers and their communities, and are not opportunistic ventures by producers or exporters seeking to exploit FLO rules that 50% of Fairtrade volumes can come from larger producers.
- Support SPO diversification programmes to reduce dependency on banana trade, especially in the hurricane belt.

11.4 STRENGTHEN WORKER EMPOWERMENT IN FAIRTRADE

- Within Fairtrade generally, recognise and raise awareness of the challenges of worker empowerment given the power dynamics created by the economic relationship between employers and employees, especially in contexts of poverty, high unemployment and antipathy

- or hostility towards worker organisations. Ensure that all policy decisions related to workers are taken with these realities in mind.
- Treat workers as equal partners with management in relation to the certification of plantations, including them in all communications with plantations. This includes involving them in all meetings from the time of first contact and ensuring that workers are given feedback following inspections, including a simplified version or summary of the inspection report in a language they can understand. Also ensure workers are involved in discussions and decisions regarding the implementation of FLO standards and addressing non-compliances.
 - Be explicit in all Fairtrade policies, procedures and communications, as well as internal training, that the independent organisation of workers is central to the achievement of Fairtrade objectives for worker empowerment. If workers report that management would not allow a trade union to be formed, this should be treated as a clear violation of FLO Standards which prevents certification.
 - Make sure workers can meet during working hours, and that trade unions have access to the workplace, prior to initial certification. Worker representatives must also be able to meet, receive training and attend networking events during working hours, and must be protected from discriminatory practices (such as unfair dismissal).
 - Provide greater levels of support to worker organisations (trade unions, Workers Committees, employee associations, Joint Bodies) and facilitate linkages with appropriate organisations that can provide specialist training on issues such as national labour law, freedom of association, collective bargaining, gender, migrant labour and sustainable rural development.
 - Consider Unions/Workers Committees as important as Joint Bodies for achieving the aims of Fairtrade. This should be reflected in the amount of training, materials and support given to each from the start from FLO. Insist Unions/Workers Committees are legally registered under the appropriate ministry (usually the Ministry of Labour) within a specific time frame (e.g. one year from certification), and assign one permanent seat on Joint Bodies to Union/Workers Committee representatives, to enhance democracy and accountability.
 - Ensure Liaison Officers are adequately trained about labour conditions and worker organisation in the sector, including exchanges with trade unions and specialist NGOs. Require FLO inspectors to consult with national and/or international trade unions and relevant NGOs for background information on labour practices in the sector and/or region.
 - Allocate a set proportion of the Premium for strengthening and running worker organisations which defend workers' interests, and for deeper and more reflective education about labour rights and responsibilities. This includes workers on plantations and those hired by small producers and their organisations. This should only be done in combination with:
 - Work strategically with national and international trade unions to promote independent worker organisation (without compelling workers to join existing trade unions). Ensure that any strengthening of other types of worker organisation is done with the aim of developing independent trade union organisations, not as a parallel means. Where worker committees have

been formed, develop strategies with local trade unions for how to make the transition to independent organisations.

11.5 WORK TOWARDS A LIVING WAGE FOR FAIRTRADE WORKERS

- Include analysis of living wages as part of FLO inspections and price reviews; the cost of sustainable production should reflect payment of living wages for workers. Seek advice from, and collaborate with, organisations that have expertise on living wages (e.g. CREA in the US, Ethical Trading Initiative in the UK).
- Develop mechanisms to ensure the additional profits earned from selling to Fairtrade markets are shared with workers, as required by the FLO Producer Standards for Hired Labour. A key part of this will be:
 - Strengthen collective bargaining on Fairtrade plantations. Where no trade union exists, ensure that advice is sought from national or international union federations, as outlined in the FLO Producer Standards.
 - Compare Fairtrade plantation practices against regional averages in areas such as wages and benefits, productivity, and prices achieved.
- If analysis demonstrates that profits are insufficient to increase wages above poverty line levels, allow part of the Premium to be used as a supplement to income. However, this should explicitly be a temporary measure, with clear boundaries on how much of the Premium can be used and for how long, until other mechanisms to increase returns from Fairtrade production kick in (see above).

11.6 WORK TO OVERCOME DIFFERENTIAL IMPACTS WITHIN SMALL PRODUCER AND WORKER CATEGORIES

- Provide extra support to vulnerable groups of workers, such as migrants, women and illiterate people, to enable them to participate fully in their organisations. This includes encouraging them to stand for election and ensuring meetings and communication materials are in a language they fully understand (or translation is provided or it is provided in pictorial form). They must also be able to participate in training and meetings during paid working time.
- Raise awareness among small producers and workers of the difficulties faced by certain categories of producers/workers and the need to ensure the Fairtrade Premium and other benefits are distributed fairly. This includes encouraging a spirit of solidarity and redistribution in favour of poorer or more marginalised groups.
- Encourage Joint Bodies and SPOs to allow the Premium to be used in migrants' home communities, and share knowledge and experience of successful ways for doing so within FLO.
- Where illiteracy levels are high, promote Premium funded adult literacy classes, but ensure these are good quality and are run at a time that suits workers, otherwise they are likely to fail.

11.7 STRENGTHEN GENDER PERSPECTIVES IN FAIRTRADE

- Develop gender specific criteria in the FLO Producer Standards for SPOs and Hired Labour, going beyond non discrimination clauses to promote gender equity more directly.
- Provide training and educational materials on gender to all FLO staff, especially inspectors and Liaison Officers, as well as small producer and worker organisations.
- Require small producer and worker organisations to undertake a full gender analysis, including assessing the role of women in small scale farming and on plantations, and development of strategies to strengthen their position (with support from FLO and partners where necessary).
- Include a breakdown of members by gender in SPO inspection reports (as for hired labour).

11.8 USE THE FAIRTRADE PREMIUM MORE STRATEGICALLY

- Encourage more strategic use of the Premium in line with current theory and best practice within sustainable rural development and international aid. Provide FLO Liaison Officers, SPOs and Joint Bodies with training and materials on sustainable rural development theory and best practice. Ideally training will be run by local development organisations and academic institutions, to ensure it is contextually appropriate.
- Encourage Joint Bodies and SPOs to work in partnership with community based and civil society organisations, as well as local authorities, to strengthen public infrastructure and services as well as building the institutions required for sustainability of impact.
- Require communities and partner organisations to contribute to projects either with finance or other means (e.g. provision of inputs or labour).
- Encourage use of the Premium for developing income generating activities, but ensure such projects are well researched and planned, learning from the experiences of others.
- In partnership with trade unions, review FLO requirements about legitimate use of the Premium on plantations, given experience to date. Include the possibility that workers can decide to use a portion of the Premium to supplement wages on a temporary basis, where evidence shows plantations are not making enough profit to pay living wages.
- Consider allocating a proportion of the Premium (e.g. 10%) to a collective international fund that can be used for co-financing larger scale development projects, strengthening links with, and the capacity of, civil society organisations (especially trade unions) and developing networks of Fairtrade producers, among other things.

11.9 ENHANCE CONTACTS BETWEEN FAIRTRADE PRODUCERS AND WORKERS, AND WITH INSTITUTIONS THAT COULD PROVIDE SUPPORT

- Continue developing Fairtrade networks, especially for worker representatives and plantation owners/managers, in order to encourage cooperation and exchange of experiences, as well as enhance their ability to influence Fairtrade policy. Make use of internet based communication

- tools to facilitate participation in virtual networks, in order to reduce economic and environmental costs.
- Promote a climate of mutual respect and exchange between Fairtrade producers, rather than competition and criticism (including between SPOs).
 - Enable Fairtrade producers to create a common platform at a political level, e.g. in relation to official export prices, minimum wages, labour rights and trade regimes.
 - Facilitate links with government organisations, local and international NGOs, trade unions, donors and credit organisations, with the aim of garnering support for organisational development.
 - Organise national events to inform interested parties about Fairtrade and increase its potential for influence, including producer and exporter associations, trade unions, NGOs and community based organisations.

11.10 IMPROVE COMMUNICATION WITHIN FAIRTRADE AND BEYOND

- Develop appropriate communication and training materials for explaining Fairtrade concepts to small producers, workers and their communities. This includes the use of simple language, diagrams and pictures, as well as various media (brochures, posters, DVDs, etc.). Use visual information materials, talks and meetings within SPOs and on plantations to communicate with small producers and workers on a regular basis.
- Ensure consistent messages are used with producers and workers, especially regarding permitted use of the Premium. Where there are different rules in different countries, be transparent about the reasons for this and work to minimise them where necessary.
- Develop a better style of communication with Fairtrade producers, which allows for dialogue rather than one way communication whenever possible. Following consultation processes, ensure feedback is given to producers and workers regarding how decisions have been arrived at. Provide plenty of notice of changes to FLO standards and inspection procedures.
- Where possible, speed up processes for certification, setting standards, reviewing prices and approving packaging, while continuing to observe the need for full consultation on major policy changes.
- Regularly calculate returns to producers from Fairtrade and develop full visibility and traceability of Premium use. Use this data to market Fairtrade.
- Provide retailers with more support on how best to promote Fairtrade and grow sales. Develop innovative ways to attract consumers, such as competitions to win a trip to visit producers and in store visual media.

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APPENDIX 1: GUIDING FRAMEWORK OF RESEARCH QUESTIONS FOR SMALL PRODUCER ORGANISATIONS

Research Questions for Small Producer Organisations	Relevant data
1. Changes in social differentiation	
<p>What type of households benefit from Fairtrade in the region?</p> <p>What types of producers participate in Fairtrade? What are the socio-economic demographics of their households?</p> <p>How do Fairtrade producers/households compare with other producers/households in the region and country?</p>	Type of households involved in Fairtrade
<p>Is Fairtrade beneficial for all social categories (e.g. men and women, young and old, ethnic minorities, etc) equitably? Does Fairtrade reduce, replicate or increase social inequalities?</p>	Social status of household members
2. Changes in the socio-economic situation of farmers and their households	
<p>What is the supplement to farmer incomes generated by Fairtrade? Does this supplement enable the households to:</p> <p>Meet their basic needs (food, clothing, housing, healthcare and education)?</p> <p>Ensure a simple reproduction of the farm (maintain/replace the tools and means of production)?</p> <p>Save money and make additional investments?</p>	Farmer incomes and standard of living

<p>When additional investments are possible, where do they go? Are they:</p> <p>Investments related to the Fairtrade production?</p> <p>Investments in other activities in the farming system?</p> <p>Investments in other income generation activities and goods?</p> <p>Does Fairtrade lead households to specialize in the product related to the Fairtrade market or does Fairtrade help to promote the diversification of production-related activities?</p>	<p>Investment and agricultural diversification</p>
<p>Does Fairtrade enable small producers to avoid getting caught in the circle of selling their products in advance for a low price in order to avoid cash flow problems?</p> <p>Does Fairtrade stabilise the income of small producers or promote the creation of collective mechanisms which reduce cash flow problems (e.g. advance payments by producer organisations, provision of inputs etc.)?</p>	<p>Cash flow</p>
<p>Does Fairtrade help to uphold small scale farming and does it contribute to its potential?</p> <p>Does Fairtrade make small scale farming attractive to rural populations? Does it help to maintain rural young people in the region and avoid farm abandonment and long-term migration?</p> <p>If migration occurs, is it linked to processes of capitalisation supported by Fairtrade (e.g. investments in education, savings etc)</p>	<p>Upholding of small scale farming</p> <p>Levels of migration</p>
<p>Is Fairtrade a threat to household food security and does it increase the risk of specialising in a product dependant on international markets?</p>	<p>Food security</p>
<p>3. Changes in the organisation of rural zones</p>	
<p>Does Fairtrade have a structuring effect in rural zones?</p> <p>Does it improve farmers' confidence and sense of self-worth?</p> <p>Does it contribute to the development of producer organisations?</p> <p>Does it help strengthen professional farming organisations at a local and national level?</p>	<p>Organisation of rural areas</p>
<p>Does Fairtrade help strengthen/consolidate the legitimacy and credibility of organisations in the region?</p>	<p>Legitimacy of producer organisations</p>

<p>Does Fairtrade contribute to reinforcing democracy and social control within the community?</p> <p>Does it improve farmers' capability to manage their organisations in an efficient and transparent way?</p>	Administration and management capabilities
<p>Does Fairtrade help strengthen capabilities to establish long term and diversified trade relationships?</p> <p>Does Fairtrade enable organisations to get higher prices and to be in a better position on the traditional and speciality markets other than Fairtrade?</p> <p>Does Fairtrade put some organisations in danger by making them dependant on privileged markets?</p>	<p>Trading / commercial capabilities</p> <p>Markets, sales, prices</p>
<p>Does Fairtrade increase farmers' possibilities of negotiation with other stakeholders in order to obtain the appropriate support, loan services and technical assistance, as well as local and national policies in support of local producers?</p>	Negotiation capabilities (other than commercial)
<p>Does Fairtrade help finance appropriate non-commercial services (e.g. technical assistance, credit, transport, education etc)?</p>	Development of Services
<p>4. Changes in local and national development</p>	
<p>Does Fairtrade help to uphold or even create new jobs in rural zones (temporary jobs, new services etc.)?</p> <p>Is the socio-economic situation of permanent, temporary, seasonal or casual workers hired by small producers improved as a result of Fairtrade (e.g. through improvements in pay or working conditions)?</p> <p>Does Fairtrade contribute to the development of new activities and economic initiatives at a local level?</p> <p>Does Fairtrade play a role in regulating prices for farmers in the local market?</p>	Economic initiatives and returns at local and national levels
<p>Does Fairtrade help to attract national or decentralised public institutions and private organisations which support local dynamics, and investments in local agriculture, and generally contribute to the development of the region?</p> <p>Does Fairtrade provoke a concentration of support (projects, NGOs etc.) on certain organisations to the detriment of other organisations and rural areas?</p>	Support for the development of the region (public and private)

Does Fairtrade help promote recognition of producer organisations and their leaders' ability to defend the interests of rural populations at a national or even international level?	Political influence of producer organisations
Does Fairtrade help restructure the distribution of value and power in international trade? Does it promote long term and mutually supportive relations between actors in international trading chains? Does it allow a higher proportion of value added to remain in producer countries?	Restructuring of global trade
Does Fairtrade support the development of export agriculture which takes into account the national agrarian issues at stake - food sovereignty, accessibility of resources (land, water etc) for small producers, preservation of indigenous knowledge, regional development, etc.?	Food sovereignty
5. Changes in the management of natural resources	
Does Fairtrade contribute to the production of high quality products, reflecting standards and norms for sustainable agriculture?	Quality and sustainable agriculture
Does Fairtrade make more sustainable management of natural resources possible? Limiting soil erosion? Good management of soil fertility? Good management of water resources?	Soil and water management
Does Fairtrade limit over-use of chemical products? Does Fairtrade help promote the use of biological control mechanisms (e.g. farmer trials, best practice exchanges between producer organisations etc)?	Fertiliser and pesticide use
Does Fairtrade contribute to the development of more environmentally respectful and autonomous production methods?	Environmentally friendly management



APPENDIX 2: GUIDING FRAMEWORK OF RESEARCH QUESTIONS FOR HIRED LABOUR SITUATIONS

Research Questions for Hired Labour situations	Relevant data
1. Changes in the social differentiation	
<p>What type of households benefit from Fairtrade in the region?</p> <p>What types of workers participate in Fairtrade (permanent, seasonal, casual, migrants, etc)? What are the socio-economic demographics of their households?</p> <p>How do Fairtrade workers/households compare with other producers/households in the region and country?</p>	Type of households involved in Fairtrade
<p>Is Fairtrade beneficial for all social categories (e.g. men and women, young and old, ethnic minorities, etc) equitably? Does Fairtrade reduce, replicate or increase social inequalities?</p>	Social status of household members
2. Changes in the socio-economic situation of workers and their households	
<p>Does the guaranteed minimum price (where it exists) and other Fairtrade trading standards permit a better profitability for the estate? Does Fairtrade guarantee access to preferential markets? What influence does this have on the motivation of owners to participate in Fairtrade?</p>	Profitability of estate
<p>Does Fairtrade help improve the economic situation of workers through improved salaries and/or other financial work-related benefits (e.g. bonuses, maternity or sick pay, etc)?</p> <p>Does the income earned by Fairtrade workers allow their households to:</p> <p>Meet their basic needs (food, clothing, housing, healthcare and education)?</p> <p>Save money and make additional investments?</p>	Worker income

<p>Does Fairtrade help improve working conditions (contracts, social security, working hours, fair treatment etc)?</p> <p>Does Fairtrade improve the health of workers as a result of promoting occupational health and safety?</p>	<p>Working conditions</p> <p>Worker health</p>
<p>Do the Fairtrade standards and/or Premium use contribute to improvements in the standard of living of workers and their households (housing, health, education etc)?</p>	<p>Standard of living</p>
<p>Does Fairtrade help stabilise workers' employment and income? As a result, does it allow greater investments in education, health and pensions for workers and their households?</p> <p>Does Fairtrade allow workers' households to make investments in other economic activities?</p> <p>Does Fairtrade help maintain young people in rural areas and avoid long-term migration? If migration occurs, is it linked to processes of capitalisation supported by Fairtrade (e.g. investments in education, savings etc)</p>	<p>Security and vulnerability</p> <p>Levels of migration</p>
<p>3. Changes in the organisation of workers</p>	
<p>Does Fairtrade help to structure or strengthen trade unions?</p> <p>Does Fairtrade help to improve the legitimacy of trade unions with management and others stakeholders?</p> <p>Does Fairtrade encourage the formation of alternative forms of worker organisation (i.e. parallel means), other than Joint Bodies? Does this support or undermine the position of trade unions in the region?</p>	<p>Structure and legitimacy of trade unions</p>
<p>Does Fairtrade help improve workers' negotiation power? With regards management? At a local level?</p> <p>Does Fairtrade contribute to strengthen workers' negotiation capacity for collective bargaining?</p> <p>Do workers have access to FLO standards and inspection reports? Do they use them in their negotiations with management? Do they participate in addressing corrective actions?</p> <p>Is access to means of production (land, water etc) part of worker demands in their negotiations with management?</p>	<p>Worker organisation negotiation capabilities</p>

<p>Does Fairtrade improve the management capacity of worker representatives to be able to participate actively in a Joint Body? In a trade union? In other forms of worker organisation?</p> <p>Does Fairtrade contribute to strengthen workers' ability to participate and request transparent decision-making processes from their representatives in the Joint Body or trade union?</p>	<p>Worker organisation management capabilities</p>
<p>What legitimacy does the Joint Body have with workers?</p> <p>Does Fairtrade help to develop a common perception among workers on priority needs of different social groups living in their area?</p> <p>What legitimacy does the Joint Body have with the communities affected by expenditure of the Fairtrade Premium?</p> <p>Does Fairtrade contribute to the active cooperation of worker representatives with other local stakeholders for the realisation of projects to improve community services?</p>	<p>Legitimacy of Joint Body</p>
<p>4. Changes in local and national development</p>	
<p>Does Fairtrade contribute to maintaining or even creating jobs in the local area (temporary labour, new services etc.)? Are these jobs attractive for local residents?</p> <p>Does Fairtrade influence wages paid by other employers in the region? Does it influence working conditions on other estates outside Fairtrade?</p> <p>Is Fairtrade used as an income complement for smallholders in the area (as temporary or seasonal workers)?</p>	<p>Employment opportunities at local and national levels</p>
<p>Does Fairtrade contribute to the creation, maintenance or strengthening of public and community services in the local or regional area?</p> <p>Does Fairtrade improve the participation of individual workers in the decision making processes in their villages and living area (as citizens, parents of students, members of churches etc)?</p> <p>Does Fairtrade encourage national or decentralized public institutions and private organisations to support local activities and services?</p> <p>Are activities and services financed by Fairtrade supplementary or complementary to public sector support?</p>	<p>Access to services at local and national levels</p>

Does Fairtrade contribute to the development of new economic activities and initiatives at the local level (individual or collective)?	Economic initiatives at local and national levels
Are workers organisations in contact with others organisations? Does Fairtrade facilitate the exchange of experience and best practice among worker representatives (in trade unions and Joint Bodies)? Are networks developing? Does Fairtrade help to strengthen trade unions and workers' leaders in their ability to defend the interests of the rural workers at national or even international levels and to influence public support policies?	Political influence of worker organisations
Does Fairtrade help restructure the distribution of value and power in international trade? Does it promote long term and mutually supportive relations between actors in international trading chains? Does it allow a higher proportion of value added to remain in producer countries?	Restructuring of global trade
Does the development of estates take into account agricultural policy issues in terms of food self-sufficiency, access to resources for small producers and local development?	Food sovereignty
5. Changes in the management of natural resources	
Does Fairtrade contribute to the production of high quality products, reflecting standards and norms for sustainable agriculture?	Quality and sustainable agriculture
Does Fairtrade make more sustainable management of natural resources possible? Limiting soil erosion? Good management of soil fertility? Good management of water resources?	Soil and water management
Does Fairtrade limit over-use of chemical products? Does Fairtrade help promote the use of biological control mechanisms (e.g. farmer trials, best practice exchanges between producer organisations etc)?	Fertiliser and pesticide use
Does Fairtrade contribute to the development of more environmentally respectful and autonomous production methods?	Environmentally friendly management