Banana value chains in Europe and the consequences of Unfair Trading Practices
Introduction

Bananas are a major staple as well as an important cash crop in developing countries and the most eaten fruit in Europe and North America. For decades, the banana economy has been a key example of trade injustice and power concentration in the hands of a few multinational companies which has affected the lives of thousands of banana small farmers and workers. More recently, the growing market power of retailers and competition between large fruit companies to remain their ‘preferred suppliers’ has led banana chains to be increasingly driven by supermarkets, notably in Europe.

Since the beginning of 2010, a consortium of European civil society organisations began campaigning under the banner ‘Make Fruit Fair’ to raise awareness of the social and environmental issues related to banana (and pineapple) production and trade. Supporters have been encouraged to respond to appeals for urgent action, in particular on freedom of association, discrimination in the workplace, and living wages for workers on plantations.

In 2012, the Make Fruit Fair campaign began to explore the broader need for reforming European competition law and for the regulation of supermarket buyer power at an EU level. On this particular issue, notably Unfair Trading Practices of retailers in the EU, a communication of the European Commission was published in 2014. A more detailed EU report is due to be released early 2016 to present what course of action the EU should take on UTPs including an assessment of the Member States competition authorities’ actions and an independent evaluation of the Supply Chain Initiative (SCI) of the European Commission.

In this context, the Make Fruit Fair campaign has decided to commission this study with the aim to investigate:
- Banana value chains in Europe focusing on the following countries: the UK, Portugal, Malta, Italy, France, Germany, Austria, Czech Republic, Hungary, Poland, Latvia and Romania.
- Unfair Trading Practices (UTPs) between fruit buyers in Europe and banana producers in exporting countries, their consequences on farmers and workers, and the relationship with pressure on prices in European markets.

Executive summary

Executive Summary

Food sales in modern retailing (hypermarkets, supermarkets and discounters) are increasingly concentrated. In 2014, the ten biggest retailers in Europe accounted for almost 50% of modern retail food sales. Competition authorities in several member states have begun to question the impact that the market power of supermarkets has on their suppliers, led by the UK, which has created a Groceries Code Adjudicator to regulate the relationship between supermarkets and their suppliers within the United Kingdom.

Up to 90% of fresh fruits and vegetables are sold through modern retailers in Europe. Bananas are a key consumer good for setting the price image of retailers and attracting consumers, creating fierce price competition between retailers. As a result, the average consumer price of bananas in Europe, the main fresh fruit imported from outside Europe, is 25% lower than that of apples, the most consumed local fruit.
Supermarkets gaining market power

The European Union is the biggest world importer of bananas with the majority being sourced from Latin America. The import industry was traditionally dominated by vertically integrated companies that controlled all operations along the chain - production, shipping, import and ripening. In the 1980's, five companies alone (Chiquita, Del Monte, Dole, Noboa and Fyffes) traded 80% of world bananas. However, a major divesting by these companies of directly owned plantations and ships has reduced the main barrier to entry for businesses at both ends of the banana chain. A process which now sees Chiquita, Dole, Del Monte and Fyffes controlling only 39% of the banana trade in Europe. Instead, it is now the retailers who increasingly control value banana chains, with integrated fruit companies competing to be their 'preferred suppliers'. In Germany and the UK, retailers are beginning to source directly.

Declining prices

Consumer prices have stagnated or increased very slightly since 2001, except in the UK, where a banana price war between retailers has halved consumer prices. In stark contrast, wholesale prices have decreased by almost 25%, whilst retailers have increased their share of the banana value in most countries (except the UK) to between 36% and 43%.

This decline in import prices has been transferred to all major countries supplying the EU, where the value left at origin has fallen by 20% to 50% in real terms. This at a time of significant increases in both production and living costs. Inputs, such as fertilisers and pesticides, have risen by up to 130%, while the high costs of compliance with quality, sanitary and environmental standards for bananas entering the European market are incurred mainly by producers. For banana workers and farmers themselves, food, health, education and other living costs have rocketed in the period since 2001, in the Dominican Republic, for example, by 278%.

Social and environmental impacts in producing countries

These increased production and living costs generate and amplify significant social and environmental impacts in most banana producing countries, including the denial of basic human rights, gender discrimination (including low levels of women's employment), a failure to earn living wages and long working hours. Additionally, workers are often poorly protected against the effects of the heavy application of toxic agrochemicals, suffering serious health impacts. The intensification of large scale banana export production, often without ecological production practices, is causing the pollution of land, water courses and aquifers, harming local communities and reducing biodiversity.

Unfair Trading Practices

Unfair Trading Practices (UTPs) have been defined by the European Commission (EC) as those 'that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another'. For this report, over 60 banana industry stakeholders have been interviewed to better understand how UTPs arise in the sector.

Climate of fear

It should, first and foremost, be noted that collecting evidence of UTPs in the banana industry is subject to a climate of fear, with many interviewees afraid of negative reactions of buyers and
potential market loss should they be identified. Not only did respondents ask to remain anonymous, but also asked for non-disclosure of the country in which they were based.

*Imbalance of negotiating power*

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

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

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

*Small producers more vulnerable*

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

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

*Consequences for consumers*

While suppliers are the first to suffer the consequences of the current situation in the banana trade, negative consequences for consumers are likely to arise sooner or later.

If retailers continue to capture an increasingly excessive share of banana values, and buying prices are forced down to unsustainable levels, suppliers will struggle to survive. Smaller producers will be more vulnerable to extinction as a consequence.

And ultimately, the result may well be highly concentrated banana chains, from retailers down to producers, which will lack resilience and generate further negative social and environmental impacts in producing countries.
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1. The banana consumer market in Europe

a) European grocery retail: a strong and growing influence of big retailers, especially discounters

The European retail sector represents 4.3% of the Gross Value Added in the EU economy and over 8% of employment in the region. It is one of the biggest world retail markets, generating almost 18% of global sales (food and non-food), as much as the United States or China, the two other leading markets.

The modern retailing sector – which covers hypermarkets, supermarkets and discount stores – plays a central role in the functioning of the European Internal Market for food products, providing farmers and food manufacturers with critical access to millions of consumers through their distribution channels, and reciprocally allowing European consumers to access all types of food and drink goods from different origins.

Modern grocery retail sales account for 54% of the total food sales in the EU (regardless of distribution channel). On a value basis, hypermarkets and supermarkets are the two main channels, accounting respectively for 35% and 33% of food sales in Europe, while discounters are the third most popular outlets reaching 17% market share (see diagram below).

Modern grocery retail has become increasingly concentrated in Europe in recent decades (as in most other OECD and emerging countries).

In 2012, the share of the five largest retailers in modern grocery sector reached 83% on average in EU member states, ranging from 68% in Hungary up to 97% in Latvia (see diagram below).

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1 European Commission, The economic impact of modern retail on choice and innovation in the EU food sector, September 2014
2 Ibid: in particular: sales of food products account for 42% of the total EU retail sales
3 World Federation of Direct Selling Associations (WFDSA), Global Direct Selling - 2014 Retail Sales, May 2015
4 Hypermarkets are defined as stores that have a sales area above 2,500 m², while supermarkets have a sales area between 400 m² and 2,500 m², both selling a broad range of items; by comparison, discounters focus on everyday low price and limited product ranges (most often private label products); their stores are of all sizes (often between 800 m² and 1,500 m²).
5 European Commission, The economic impact of modern retail in the EU food sector, 2014 op. cit.
6 Planet Retail, European Grocery Retailing, May 2014
7 European Commission, The economic impact of modern retail in the EU food sector, 2014 op. cit.
At the pan-European level, the ten biggest retailers represent almost 50% of modern food retail sales\(^9\) (see diagram below) and are among the 30 largest world retailers\(^10\). Five of them are German (Schwarz, Aldi, Edeka, Metro and Rewe), four are French (Carrefour, Leclerc, Auchan and Intermarché), and one is British (Tesco).

\[\text{Figure 2: Concentration ratio of the top 5 retailers in the modern grocery sector}\]

\[\text{Source: BASIC, based on European Commission, The economic impact of modern retail on choice and innovation in the EU food sector, September 2014 (based on Planet Retail and Euromonitor data from 2012)}\]

\[\text{Figure 3: Share of modern grocery market by retailer in the European Union}\]

\[\text{Source: BASIC, based on Planet Retail, European Grocery Retailing, May 2014}\]

In 2014, the Schwarz group, better known for its discounter brand Lidl, became the largest retailer in Europe, and Aldi, the other leading discounter, the 4\(^{th}\) largest (cf. previous diagram). More

\(^8\) The economic impact of modern retail in the EU food sector, 2014 op. cit.

\(^9\) Planet Retail, European Grocery Retailing, May 2014

\(^10\) Deloitte, Global Powers of Retailing, 2015
globally, discounters have the strongest rate of expansion at the pan-European level (see below). Their success is strongly driven by the development of private label food products focused on (low) price. While 20 years ago their offer was limited to a small range of products, today discounters have a wide portfolio in all consumer product areas, including fresh fruits.\(^{11}\) In reaction, the other retailers have strongly developed their private labels, creating whole ranges of products from low-priced to high quality premium, created purchasing alliances through the creation of buying groups and have started to develop their own discount banners.\(^{12}\)

![Figure 4: Top 10 Discount Store Operators in Europe by Total Sales, 2007-2017 (forecast)](source: Planet Retail, European Grocery Retailing, May 2014)

In this context, several member state competition authorities have begun to question the market power of supermarkets on their suppliers. The UK Competition Commission has been the precursor: following its reports published in 2000 and 2008\(^{13}\), it created innovative mechanisms to try to regulate retail markets (through an Adjudicator with enforcement and fining powers) and paved the way for other investigations and regulatory initiatives, in particular in Spain\(^{14}\), Finland\(^{15}\), France\(^{16}\) and Italy\(^{17}\).

In September 2014, the German Bundeskartellamt published an inquiry demonstrating that “the large retail groups who make up 85% of the German market have a huge lead over their small and medium-sized competitors and can make use of their structural advantages in negotiations with manufacturers, even the large ones with well-known brands, who are exposed to the retailers’ bargaining power”.\(^{18}\)

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\(^{11}\) Euromonitor International, Overview of the Fresh Fruit, Vegetable and Floral Industries: Germany, April 2014

\(^{12}\) Planet Retail, European Grocery Retailing, May 2014

\(^{13}\) UK Competition Commission, “Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom”, 2000 and “The supply of groceries in the UK market investigation”, 2008

\(^{14}\) Comisión Nacional de Competencia, Informe sobre relaciones entre fabricantes y distribuidores en el sector alimentario, 2011

\(^{15}\) Finnish Competition Authority (FCA), FCA study on consumer goods trade and retailers buying power, 2012

\(^{16}\) Autorité de la Concurrence, Avis n° 12-A-01 du 11 janvier 2012 relatif à la situation concurrentielle dans le secteur de la distribution alimentaire à Paris.

\(^{17}\) Autorità Garante della Concorrenza, Indagine conoscitiva sul settore della Grande Distribuzione Organizzata, 2013

\(^{18}\) Bundeskartellamt, Gliederung der Sektoruntersuchung Lebensmitteleinzelhandel, September 2014
b) Bananas in Europe: one of the most consumed and cheapest fruits

The Fresh Fruit and Vegetable (FFV) sector is one of the most important categories for European retailers. Beyond margins made on these products, fresh fruits and vegetables are a “shopping destination in their own right, and a key “known value item” used to attract consumers.19

European retailers have strongly developed their share of this market over the past two decades: 60% to 90% of produce is now sold through modern retail channels (hypermarkets, supermarkets and discounters), depending on the product and country20 (with the notable exception of Italy and Romania where traditional markets continue to attract the majority of consumer sales21).

After years of development, the fresh fruits European market saw a smaller increase of consumption over the past decade (in particular in Central and Eastern countries). The main products consumed in the EU are citrus (oranges and mandarins) and apples. **Banana are the third most popular fruit and the main fresh fruit imported from outside Europe** (see diagram below).

**Figure 5: main fruits consumed in Europe by volume**

Source: BASIC, based on data from FAO Stat (2010) and Eurostat (2011)

The biggest European markets for bananas are the United Kingdom and Germany, followed by France, Italy and Spain; the consumption per capita differs very significantly between countries, ranging from less than 5 kg/person/year in Poland up to more than 17 kg/person/year in the United Kingdom, and appears to be the lowest in Eastern Europe countries (see diagrams below).

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20 Centre for the Promotion of Imports from developing countries (CBI), Market channels and segments for fresh fruit and vegetables, 2014
Bananas are one of the key consumer goods that set the price image of retail stores and subsequently competition between retailers is fierce on this product\(^{22}\), especially since the economic downturn as consumers are increasingly searching for price cuts and everyday low prices. 

As a result, the average consumer price of bananas in Europe is 25% lower than that of apples, even though the latter is the most consumed local fruit in the EU whereas bananas are exported from Africa and Latin America (see following diagram).

Even if significant disparities in banana consumer prices can be observed among European countries, this global trend is also true in most member states, except in East and Central Europe where the banana consumption is still relatively new and top range.

\(^{22}\) European Central Bank, Rational inattention, inflation developments and perceptions after the euro cash changeover, 2006
As demonstrated by the previous statistics, bananas are one of the most consumed and cheapest fruits in Europe, raising questions about the structuring of the value chain which enables this market situation.

**KEY FINDINGS**

- The modern grocery retailing sector (covering hypermarkets, supermarkets and discounters) plays a central role in the European food market. It has become highly concentrated over the last decade, the 5 largest retailers reaching a 45% share of total consumer spending on food & drink in the EU.

- Fresh fruits in general and bananas in particular are very important product categories for European retailers who use them to set the price image of their stores and attract consumers.

- As a result of the strong competition between retailers, the average consumer price of bananas in Europe is 25% lower than that of apples, even though the latter is the most consumed local fruit in the EU whereas bananas are exported from Africa and Latin America.
2. The banana value chain in the EU

a) A few dominant actors and a shift of power from global fruit companies to retailers

World banana production for export is mainly concentrated in South-East Asia, Africa, Latin America and the Caribbean. **Only 15 to 20% of world banana production is traded globally** (the biggest banana producing countries such as India or Brazil export very little and keep most for domestic consumption); it relies only on one banana variety, the Cavendish, which was selected for its high yields, resistance to Panama disease, durability in long distance transport, and consistent quality of appearance.

The majority of exported bananas come from countries in the so-called “dollar zone” (including Ecuador, Colombia, Costa Rica and Guatemala), the rest from the Philippines, African and Caribbean countries (the ACP group). **The 5 leading banana-exporting countries (Ecuador, the Philippines, Guatemala, Costa Rica and Colombia) account for almost 80% of global banana exports.**

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

![Map of banana trade routes](image)

*Figure 8: Share of banana world exports and imports*
*Source: BASIC based on Comtrade data (2013)*

**The European Union is the biggest world importer of bananas**; it has the most diversified pattern of imports because of its colonial history, its former preferential trade agreement with ACP countries (Africa-Caribbean-Pacific) and its own production in the EU (Canary Islands, Madeira and Guadeloupe and Martinique in the Caribbean, and to a much smaller extent Cyprus and Crete).

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23 Agritrade, Banana sector Executive brief, July 2011
The general pattern of banana origins for each European country is as follows:

Over the past two decades, **the supply from the so-called “dollar zone” to the EU has grown significantly**, from 2.4 million tonnes in 1996 to almost 4 million tonnes in 2014, while the bananas produced in European territories has stagnated around 650,000 tonnes per year and imports from ACP countries have only slightly increased from 800,000 tonnes in 1996 to little more than 1 million tonnes in 2014 (see diagram below).

The major points of entry of banana imports in Europe are Germany (Hamburg and Bremerhaven), Belgium (Antwerp) and the UK (Portsmouth), followed by, to a lesser extent, Italy (Salerno and Vado), France (Le Havre and Marseille), and the Netherlands (Rotterdam) as shown in the diagram below. From there, bananas are re-exported to the other European countries.
In order to understand the structure of the banana chain and its evolution, it is important to first recall the different stages of banana production and distribution (see below):

The development of the world banana trade dates back to the end of the 19th century. Given the perishable nature of the banana, **it has been historically dominated by vertically integrated companies that controlled all operations along the chain - production, packing, shipping, import and ripening** - in order to keep hold of the offer and influence the downstream market.

In the 1980s, only 5 companies – Dole (formerly the Standard Fruit Company), Chiquita (formerly the United Fruit Company), Del Monte, Fyffes and Noboa - traded 80% of world bananas.24

The resulting banana chain can be sketched as follows:

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In the early 1990s, Chiquita, Dole and Del Monte sought to take advantage of the opening of the EU market to expand their sales. Yet the European consumption did not increase as expected following the reforms adopted in 1993\textsuperscript{25}. These failed forecasts put these companies in a difficult situation and led them to sell part of the banana farms they owned\textsuperscript{26} and to leaseback their reefer fleets, removing the main barrier to entry for business actors at both ends of the banana chain\textsuperscript{27}.

Today, Chiquita sources less than 40% of its bananas from its own farms, Dole mainly owns farms in Ecuador and Costa Rica (and an organic farm in Colombia), and Del Monte grows approximately 40% of its volumes in company-controlled farms (in Guatemala, Costa Rica and Cameroon), the remainder volumes of bananas being purchased from independent growers; Fyffes did not own any banana plantation until recently. The newly prominent banana chain pattern is as follows:

![Figure 1b: Modern prominent structure of banana value chains](source)

More recently, the availability of a competitive offer of liner shipping services\textsuperscript{28}, the creation of technical quality standards (namely GlobalGAP) by supermarket chains who are increasingly concentrated and the deregulation of the EU banana market in 2006\textsuperscript{29} have enabled some retailers to buy bananas independently of the historical banana multinationals.

**Several large supermarkets, mostly in the UK, have started to build more direct chains from consumers down to producers:** since 2010, Tesco sources its entire conventional bananas directly in Costa Rica, Colombia, Ecuador, Guatemala, Cameroon and Côte d’Ivoire; Morrisons sourced for even longer bananas from independent growers through its wholly owned sourcing company Global Pacific Produce and owns ripening facility in the UK\textsuperscript{30}.

The emerging retailer-driven banana chains can be sketched as follows:

![Figure 1c: Emerging retailer-driven banana value chains](source)

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\textsuperscript{26} International Centre for Trade and Sustainable Development (ICTSD), Value Chains and Tropical Products in a Changing Global Trade Regime, 2008
\textsuperscript{27} Loeillet (CIRAD), Contribution to the world banana forum: The international banana market - From one world to the other, 2012
\textsuperscript{28} During shipping, bananas need to be stored at low temperatures (around 14°C). Traditionally this was done in refrigerated cargo ships (or “conventional reefers”). Nowadays, the 3 largest container shipping (Maersk, MSC and CMA CG) offer significant capacity for transport in refrigerated standard sized containers at competitive prices
\textsuperscript{29} As of 1 January 2006 the EU moved to a tariff-only system. Imports have been liberalised by abolishing quantitative restrictions and progressive reductions of import duties for the dollar bananas
\textsuperscript{30} European Commission, DG Comp Merger Registry, Case M.7220 - Chiquita Brands International/ Fyffes, Commission decision on the merger procedure, October 2014
The increased competition between large fruit companies to remain the ‘preferred suppliers’ of supermarkets has led to the governance structures of global banana chains being turned on their heads so that they are increasingly being driven by retailers instead of by integrated fruit companies.

This has triggered a process of ‘de-oligopolisation’ in many countries, and a renewed parallel trend of concentration among banana integrated companies (the most notable example being the attempted merger - which eventually failed - between Chiquita and Fyffes in March 2014, which resulted in Chiquita’s buy-out by 2 Brazilian groups, Cutrale and Safra, who are newcomers to the industry).

This context has fostered a decline in the market share of the 4 historical banana multinationals since the mid 1990’s. While Chiquita, Dole, Del Monte and Fyffes still controlled 62.4% of total banana world exports in 2002, this share declined to only 42.3% in 2013. In Europe, this tendency is even more pronounced: the combined market share of these four companies reached 39% in 2013, down from 67% in 2006 (see diagram below).

![Figure 13: Market share of banana importers in the European Union](source: BASIC, based on European Commission, Chiquita Brands International/ Fyffes merger procedure (2014))

Their main competitors are Noboa (Ecuadorian producer/exporter), Tesco (UK retailer) and Compagnie Fruitière (the main supplier of African bananas in Europe who also imports from Latin America through agreements with Dole, and is mainly active in France, the UK, Italy, Czech Republic and Nordic countries). These 3 companies are the only other actors to import more than 200,000 tonnes of bananas per year.

They are followed by 13 companies who import more than 20,000 tonnes per year and are mainly active in a few national markets:

- De Groot, a banana importer and ripener mostly active in Belgium and the Netherlands;
- Univeg, an importer based in Germany & Belgium who owns ripening facilities in Germany and recently invested directly in Suriname (2014);
- Winfresh, an importer, ripener and distributor of bananas located in the UK who mainly imports from the Caribbean, Ecuador and Ghana;
- Interbana in Denmark and Sweden, Cobana, Dürbeck and AFC (the main supplier of Lidl) in Germany; Fresca Group (the main supplier of Sainsbury’s and Waitrose) in the UK and T-Port in Germany who are both specialized - but not exclusively - in organic and Fairtrade bananas;
- Global Pacific Produce in the UK, the wholly owned importer and ripener of Morrisons;

31 FAO, The changing role of multinational companies in the global banana trade, 2014
- **Uniban**, a grower, exporter and importer of bananas from Colombia who has a strategic alliance with Fyffes (and Spreafico in Italy)

Finally, there is a group of smaller players, bringing less than 20,000 tonnes of bananas per year in Europe, such as **Banacol** (Colombian grower/exporter an importer in strategic alliance with Dole), **Aquifruit**, (active in the Netherlands, Germany and the UK), **N. Smyth** (based in Ireland), **Banalat** (based in the Baltic countries) or **Agrofair** (100% Fairtrade banana importer co-owned by small farmer associations).

**On a country basis, the competition between importers is less pronounced:** in most European member states, the majority of imports is shared among a much smaller number of actors:

- The banana import markets in Northern Europe countries (e.g. in Belgium, Finland, Sweden, Denmark or Ireland) tend to be more concentrated around a few importers (usually 5 to 6) who sell directly to retailers.
- By comparison, in Eastern and Southern Europe (e.g. in Italy and Poland), the market is more fragmented (between 8 and 12 leading actors) and banana importers mainly sell their bananas to wholesalers, who in turn distribute these volumes to retailers or outlets in the traditional retail channels (greengrocers).
- The situation is somewhat intermediate in the German and French banana markets, and the UK is quite distinct because of the direct sourcing initiated by several supermarkets.

**Ripening usually takes place not far from the distribution centres** since yellow bananas cannot travel too far. The ripening can be carried out in facilities belonging either to importers, retailers, or third party service providers. The sector is quite open as the required investments are relatively modest. Due to the wide availability and overcapacity of ripening services across Europe, importers as well as retailers can easily supply yellow bananas, either by using own facilities or by outsourcing to independent ripeners, and both tend to integrate this activity in recent years in order to achieve greater control over the value chain.

**b) The pressure on consumer prices translates down to export countries**

In this section we investigate the breakdown of the banana value chain in the European Union from consumer prices to CIF import prices, based on information from the UN Comtrade database, Eurostat, the French-based public research institute CIRAD and national offices of statistics such as INSEE in France, DEStatis in Germany or ONS in the UK (see diagram on the following page).

There is a clear tendency of **consumer price stagnation and very slight increase in real terms** since 2001 (from 1.43 euros/kg in 2001 up to 1.48 euros/kg in 2014). This trend has been globally the same in all European countries except the UK where the banana consumer price has been halved because of the price war on bananas among retailers (see UK country section for more details).

**In stark contrast, the wholesale price has decreased by almost 25% over the same period** (from 1.29 euros/kg in 2001 down to 0.97 euros/kg in 2013). An exception to this downward price trend happened in 2005, when the end of the European banana quota system triggered a brief price increase which soon reversed and returned to the longer-term tendency.

The FOT price (price of import after duty payment) globally followed the same downward trend, showing the benefit that retailers drew from the harmonization and reduction of European tariffs (as ripening remained fairly constant).

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33 Ibid.
34 European Commission, DG Comp Merger Registry, Chiquita Brands International/Fyffes merger procedure, 2014 op. cit.
35 Ibid.
The CIF import price (at the port of entry in the EU) amounts to little more than a third of the consumer price and also featured a significant decrease of 20% between 2001 and 2014, showing that producers didn’t benefit from the EU deregulation. On the contrary, the retailers seem to have gained substantial margins at a pan-European level over the past decade (except in the UK, see the related country section for more details).

The detailed evolution of the EU banana value chain in real terms is shown in the diagram below:

![Banana Value Chain in EU](image)

**Figure 14: Banana value chain in the EU (2001 to 2014)**
Source: BASIC based on data from Comtrade, Eurostat, CIRAD and national offices of statistics

There seems to be very little difference among European countries with regard to the level of the banana import price (see diagram below), especially when compared to the large differences observed between countries in terms of consumer prices (see previous chapter).

![Banana CIF import prices inflation-adjusted in EU (2013)](image)

**Figure 15: Banana CIF import prices by import country in the EU (2013)**
Source: BASIC based on data from Comtrade

Looking at the 6 main countries exporting bananas to the EU (Ecuador, Colombia, Costa Rica, Dominican Republic, Cameroon and Cote d’Ivoire), the decline in import prices seem to apply to all of them in the same way (albeit for a slight increase of banana prices from Cameroon in recent years which didn’t offset the bigger price fall since 2001).

The detailed evolution of the import price of main banana suppliers to the EU (in real terms) is shown in the following diagram:
KEY FINDINGS

- Whereas the world banana trade was historically dominated by vertically integrated companies that controlled all operations from production down to distribution, a major change has been taking place in recent years with retailers increasingly controlling banana chains.

- As a result, the market share of the 4 historical banana companies (Chiquita, Dole, Del Monte and Fyffes) has declined to 42.3% of banana imports into the EU in 2013; however, at a national level, the banana import and ripening markets are most often concentrated among 6 to 10 actors.

- Looking at the evolution of the banana value chain, there is a stark contrast between real consumer prices which have remained globally stable since 2001 in most European countries (except in the UK where it has been halved) whereas the import price of bananas has dropped by 20% over the same period, affecting all major countries supplying bananas to the EU (Ecuador, Colombia, Costa Rica, Dominican Republic and Cameroon) while retailers increased their share of the banana value in most countries.

3. Impact in banana producing countries

   a) Economic impact: low and decreasing share of value not sufficient to cover production costs

Based on the results obtained in the previous chapter, we have modelled and estimated the unit value that is left for the major banana export countries (Ecuador, Colombia, Costa Rica, Dominican Republic, Cameroon and Ivory Coast) based on the CIF import price in the EU, deducting:
- a conservative estimation of the costs of shipping, insurance and freight between the export country and the EU (based on consolidated data from Sopisco, the banana price index published by CIRAD and a literature review on banana production costs),
- and a conservative estimation of the margins of banana importers, based on the gross profits published by the largest importers operating in Europe (Chiquita, Fyffes, Dole and Del Monte).

An example of estimation for the year 2013 is provided below:

<table>
<thead>
<tr>
<th>CIF import price of bananas</th>
<th>Conservative estimation of shipping &amp; insurance costs</th>
<th>Conservative estimation of importers/exporters margins</th>
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<tbody>
<tr>
<td>0.75 US$/kg</td>
<td>0.31 US$/kg</td>
<td>0.08 US$/kg</td>
<td>0.36 US$/kg</td>
</tr>
</tbody>
</table>

*Figure 17: Calculation Model of the unit value of exported bananas from Ecuador to Europe
Source: BASIC*

The results are provided in the diagram below; they show that the decline in banana prices observed at the import level is transferred down to producing countries where the value left at origin decreased by 20 % to 50 % in real terms in all major countries supplying bananas to the EU.

*Figure 18: Evolution of the unit value of bananas from the main countries exporting to the EU (2005-2014) 
Source: BASIC based on data from Comtrade, Sopisco, banana import companies and literature review*
The following diagram shows the value breakdown along the banana chain between main banana suppliers and the EU, from workers’ wages up to retailers’ margins for a medium-size producer (in the case of small farmers, the workers’ wage component would not appear as the work is undertaken by family members).

The estimations in this diagram are based on the calculations detailed in the previous chapters (value chain breakdown detailed in figure 14, import prices detailed in figure 16, modelling of costs detailed in figures 17 and 18). They are completed with estimations of workers’ wages published in reports from ministries of producing countries.

**On average, workers only earn between 5 % and 9 % of the total value of bananas while retailers manage to capture between 36 % and 43 %.**

To fully understand the consequences on banana farmers and workers, it is important to compare the declining price trends illustrated in the previous analysis with the strong increase of production costs and living costs in most banana producing countries in Latin America and Africa over the past decade.

Since 2012, the Montpellier-based CIRAD (International Research Centre on Agriculture for Development) has been conducting an experimental analysis of the evolution of costs, from production up to the import of bananas (the reference year being 2001); their estimations are based on data from the World Bank and the US Bureau of Statistics for inputs and packaging, and from Maersk, Reefer Trends and the Bunker/Hamburg indices for shipping.36

The results show that, between 2001 and 2015 (see following diagram):
- Costs of shipping have increased by 233 %
- Costs of inputs (fertilizers and agrochemicals) have increased by 195 % on average
- Costs of packaging materials have increased to a lesser extent by 150 % on average

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36 CIRAD, “Coûts intermédiaires de la filière banane d’importation en Europe : Répartition et évolution”, Novembre 2012
In addition, the costs of compliance with quality, sanitary and environmental standards have also significantly increased over the past decade. This is particularly significant in the European market because of the stringent standards demanded by food retailers in most European countries. Such standards lead to more formal and complex methods for monitoring quality (e.g., risk assessment and risk management systems) and growing implementation, compliance and certification costs that are mainly incurred by producers. For example, impact studies conducted in Africa to analyse the costs and benefits of GlobalGAP in the fresh fruit sector have estimated that:

- the initial investment costs represent between 4% of annual sales for large plantations and 11% for small farmers,
- the recurrent costs represent 1% of the annual sales of plantations, and can amount to almost 20% of the annual sales of small farmers.

Finally, over the same period, one of the trends that most impacted banana farmers and workers is the significant increase in living costs. This phenomenon is best evidenced by the evolution of the national consumer price indices which are calculated on the basis of the costs of food, health, education, housing, transport and communication (see diagram below): they have increased by 92% in Colombia, 129% in Ecuador, 218% in Costa Rica and 278% in Dominican Republic since 2001.

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37 Hatanaka et al., Third-party certification in the global agrifood system, 2005; Common Fund for Commodities, 2006
39 Economic Commission for Latin America (ECLA) and International Monetary Fund (IMF)
b) Main social and environmental issues related to banana production

In environmental terms, the expansion and intensification of large banana plantations targeting export markets has given rise to a number of serious issues:

- Bananas are mainly produced as a monoculture in a humid tropical climate requiring a significant number and amount of chemicals (fungicides, insecticides, and herbicides) to be applied to protect the fruit against insects and disease\textsuperscript{40}, giving rise to pesticides resistance.

- Inappropriate production practices often lead to pollution of land, watercourses and aquifers\textsuperscript{41} with sanitary consequences for local communities\textsuperscript{42}, and a reduction in biological diversity\textsuperscript{43} (in particular the inadequate disposal of waste such as pesticide-impregnated plastic bags\textsuperscript{44}).

- The heavy or unsafe application of chemicals can also pose serious health hazards to the workers who are often exposed over extended periods of time\textsuperscript{45}. Even authorised pesticides may cause health problems if the recommended safety measures are not strictly followed. A key illustration is the lawsuit won in 2011\textsuperscript{46} by Latin American banana workers against large fruit and chemical companies who used Nemagon in plantations despite its ban in 1977.

In social terms, the diagrams on next pages illustrate the main impacts in the leading Latin American and African countries exporting banana to the European Union.

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\textsuperscript{40} S. Williamson, PAN UK, cited in Ethical Consumers, In search of a fair price, May/June 2012

\textsuperscript{41} Dr Raul Harari, IFA, Trabajo, ambiente y salud en la produccin bananera del Ecuador, Nov 2009

\textsuperscript{42} S. Williamson, PAN UK, cited in Ethical Consumers, 2012, op. cit.

\textsuperscript{43} Environmental Toxicology and Chemistry, Pesticides in blood from spectacled caiman (Caiman crocodilus) downstream of banana plantations in Costa Rica, September 2013

\textsuperscript{44} PAN UK, Bananas- the slippery road to sustainability. T. Lustig. Pesticides News No. 68, June 2005

\textsuperscript{45} International Labour Organisation, Global agrifood chains: Employment and social issues in fresh fruit and vegetables, 2008

\textsuperscript{46} Cf. the Independent’s website (Independent.co.uk): ‘Latin American banana labourers file pesticide exposure claims’, dated Monday, 27 June 2011
Bananas are the 2nd largest agricultural export of the country and an important source of employment and income in poor regions. 90% of producers are small farmers owning less than 2.5 Hac who are in direct competition with big industrialized farms. Low prices and frequent hurricanes discourage many of them to keep their farm. 2/3 of workers are migrants from Haiti who suffer from discrimination and under-payment. A majority of them have finally received papers in 2015; however, a significant minority have still not been legalised and do not have access to the same level of basic services as local workers.

Costa Rica is characterised by strong anti-union culture. Even if wages and social benefits required by law are among the highest, working hours are often excessively long. Nicaraguan and Panamanian migrant workers, who form the majority of the labour force, do not have a guaranteed access to their legal rights (healthcare, pensions) and cannot be elected as officials in trade unions. Employers have drastically reduced the number of women traditionally employed in the pack houses in the last 20 years. Costa Rican banana production is also characterised by a high use of agrochemicals and many workplace health issues remain unresearched.

The banana industry in Colombia has a very particular history; employments in large banana plantations were offered to the ex-guerrilleros to support their demobilisation and a strong union movement was established to negotiate with employers. Whereas Colombia has better working conditions and higher wages than most other banana producing countries, increasing competition in the market place creates strong pressure on workers to give up their social benefits and generates tensions. It is one of the countries where working conditions are most threatened by the price squeeze in banana chains.

Banana production is quite heterogeneous in Ecuador: 1/3 of banana producers are small farmers owning less than 5 ha of land whereas almost 50% own more than 10 Ha. Even though the government has put in place an official minimum price to support producers, it is often circumvented by exporters. Because of the pressure on prices, small farmers hardly earn enough to make their livings and younger generations do not take on the land: workers, although very weekly unionised, benefited over the past decade from the significant increase of the minimum wage set by the government, which is reaching living wage levels as of 2015.

The Peruvian banana industry has boomed over the past decade. Banana production is undertaken by micro-scale producers who own on average 1.2 Ha of land and who were historically kept as dependent providers by dominant exporters, bearing the risks of climate uncertainties and price fluctuations. In recent years, many of them have succeeded in upgrading up to the export stage, but, in parallel, tensions have risen with workers and unions around low wages, long working hours and gender discrimination.

Figure 22a: Main social issues in the banana sector in Latin America
Source: BASIC
KEY FINDINGS

- Over the past decade, the prices achieved by banana producers have consistently reduced in real terms even though production costs and costs of living have increased substantially in all regions. Meanwhile, as demonstrated in the previous sections, retailers’ margins have globally continued to grow and the “5 firm concentration ratios” have been increasing throughout the EU.

- These pressures from the market, originating from retailers, have set up an economic environment in which producers are bound to face strong competition and difficulties; workers and small farmers retain the smallest share of value and are likely, as the weakest link in the chain, to suffer from serious social and environmental impacts (see details in next section).
4. Unfair Trading Practices (UTPs): an aggravating factor for banana producers and workers

Unfair trading practices (UTPs) can be defined as: “practices that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another”. 47

In order to better understand the issue, the European Commission published a Green Paper on UTPs in January 2013 48 and most recently, a policy document to address unfair trading practices in the business-to-business food supply chains in July 2015 49.

The main categories of UTPs identified by the Commission are as follows:
- a trading partner’s retroactive misuse of unspecified, ambiguous or incomplete contract terms;
- a trading partner’s excessive and unpredictable transfer of costs or risks to its counterparty;
- a trading partner’s use of confidential information;
- the unfair termination or disruption of a commercial relationship.

In its latest communication 50, the EC acknowledged that “the potential benefits of reducing UTPs could be substantial, especially for SMEs and microenterprises as these are more likely to be subject to UTPs and their effects than large companies are. It should also be noted that UTPs applied within the EU could have direct or indirect effects on producers and companies outside the EU, including in developing countries”.

Beyond business-to-business relationships, the EC added that “where UTPs could have negative effects on product choice, availability and quality, a reduction or an elimination of these practices can be expected to be beneficial for consumers”.

To investigate how UTPs may occur in the banana sector and their potential consequences on smaller producers and workers (the weakest links in the chain), we developed a questionnaire (see appendix) and conducted a series of interviews with Latin American banana actors supplying the EU market.

Overall, the feedback of more than 60 actors from Ecuador, Costa Rica, Colombia, Peru and Dominican Republic were collected (small banana growers, middle and large plantation owners, banana exporters and unionised workers), including a mission which was conducted in Costa Rica in August 2015 by the UK organisation Feedback.

The main outcomes of these interviews has been anonymised and shared with some banana actors and experts in Europe to cross-check the information provided. The results of this research are detailed in the following pages.

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47 European Commission, Tackling unfair trading practices in the business-to-business food supply chain, communication to the European Parliament and the European Economic and Social Committee, 2014


49 EC Communication Tackling unfair trading practices in the business-to-business food supply chain (COM/2014/0472 final)

50 Ibid.
a) UTPs and fear of reprisal

While a survey conducted in 2011 among food suppliers throughout Europe revealed that 96% of respondents had already been subject to at least one form of UTP\textsuperscript{51}, the research conducted by the EC also found that the victims of UTPs very rarely, if ever, undertake legal action.

Indeed, according to the commission findings: “The weaker party often fears that the commercial relationship could be terminated in the event of a complaint on its part. This ‘fear factor’ makes such complaints significantly less likely to occur: 87\% of suppliers take no action beyond a discussion with their customer, 65\% take no action due to fear of retaliation, and 50\% doubt the effectiveness of public remedies.”\textsuperscript{52}

This “climate of fear” was the first and foremost finding of our research in the banana sector and also applies outside the EU; collecting testimonies proved to be very difficult and almost all respondents asked for full anonymity as they were afraid of negative reactions of buyers and potential market loss. They even asked for non-disclosing the countries where concrete example of UTPs were gathered.

b) UTPs and market power in the banana sector

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

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

Prices and contracts are mostly negotiated at a national level, although some retailers have managed to gain a pan-European influence as demonstrated by the case of Aldi (see boxed text).

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

\textsuperscript{51} Survey on Unfair Commercial Practices in Europe, March 2011, organised by Dedicated on behalf of CIAA (European association of the food / drink industry) and AIM (European Brands Association)

\textsuperscript{52} Green Paper on unfair trading practices in the business-to-business food and non-food supply chain in Europe, 2013 op. cit.
The ALDI Price

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

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

In particular, the Commission stated that the buying price of Aldi, one of the largest purchasers of bananas in Europe, had become "the obvious focal point for what the market clearing price** will be in any given week". This case shows the existence of banana price connections between major retailers at a pan-European level which create pressure on banana suppliers.

* A quotation price is a formal statement of promise made by a supplier to a buyer in response to a request
** The market clearing price is the mutually agreed price actually reached between buyers and sellers

In contrast, contractual arrangements in the UK have been different from those in the rest of Europe for many years: retailers negotiate contracts of annual duration (sometimes up to 3 years) with fixed prices or a fixed price formula.

In recent years, this system has been gradually adopted by most retailers in Germany and the Netherlands (including Aldi who used to be well-known for its published weekly price until July 2011, and who now negotiates yearly contracts with a limited group of banana importers).

The shift towards longer term banana contracts appears to be a progressive yet fundamental trend throughout Europe (annual contracts are being introduced in France and Italy, but not yet in Eastern Europe countries which are still playing the role of buffer markets).  

Such contracts provide more visibility and predictability to banana suppliers. However, they can also create asymmetrical risk sharing, especially for small importers and ripeners, because the formulae in the contract limits price increase whereas volume commitments are binding.

According to respondents, problems often occur when the market is high and prices suddenly step up: the importer or ripener does not get paid the full price increase (as per the contract) and, if they cannot collect the required volumes, they have to purchase the necessary complement on the banana spot markets in order to avoid defaulting, thus significantly increasing their costs and causing them to bear a higher burden of risk. In some cases, importers can end up selling at a loss to keep the contract.

In this context of commercial pressure from retailers, interviews conducted in Latin America reported that importers can make use of one-sided clauses (also called ‘leonine clauses’) which stipulate that “the buyer can withdraw from the contract at any point in time if his margin is insufficient or ruinous”, leaving producers with unsold and perishable banana volumes.

Such clauses are apparently not new and quite widespread in most Latin American banana export countries. They are a key tool used by buyers to transfer back the risks on exporters and producers, especially the smaller ones.

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53 European Commission Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008
54 Interview with banana experts from CIRAD conducted in September 2015
The other major source of UTPs appears to be related to the commercial ‘low-price season’ of bananas, during which the majority of interviewees reported that buyers more often “play on volumes” through different mechanisms in order to maintain their margins. This low-price season is a result of the structural problem of offer and demand which has affected the sector since the banana export business began in the 19th century. It occurs between May and August/September, when the demand and wholesale/import prices of bananas in Europe are lower because of the arrival on the market of many local fruits. This situation has the greatest impacts on Latin American origins because the banana production tends to be higher at this time of the year, creating oversupply and more pressure on prices.

A typical example is provided below for Ecuador (the first supplier of bananas to the EU): as shown in the diagram, the seasonal variations on the wholesale market translates down to the import stage (CIF price) and are further reflected on the local banana market, creating a low-price season for banana producers between May and August each year.

![Seasonal Prices of bananas imported from Ecuador (2013)](image)

*Figure 23: Seasonal Prices of bananas imported from Ecuador (2013)*

*Source: BASIC based on data from CIRAS, Sopisco and data collected in Ecuador*

According to the testimonials collected in Latin America, a greater occurrence of questionable buyers’ practices happen during this ‘low-price season’ in all countries under investigation. Interviewees reported that purchased volumes typically vary by 20% to 30% from original orders during this season, mainly because of the following:

- Firstly, respondents pointed out that last minute cancellation of orders increase and mainly take place between May and August (depending on the countries), thereby negatively affecting banana producers and exporters even if prices remain stable in contracts (in particular in Ecuador and Costa Rica where the minimum price of banana set by the government is respected by international buyers). If this recurs year after year, the only producers who manage to adapt without losing money are the largest ones who can find lucrative secondary markets and impose a one-week period of advance notice in their contracts. In comparison, small banana growers are most strongly affected by such practices according to interviewees.

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55 Other cases of alleged UTPs have been reported, for example buyers imposing consignments during this period: they commit to the same volumes of bananas as in winter (when production is lower) and pre-empt additional volumes which they only purchase when they find a market, producers being bound to sell the remaining volumes often at low price on local markets.
Secondly, respondents highlighted that quality claims and rejects are also higher between May and August. If quality standards are not a UTP tool per se, the fact that quality claims are recurrent in most banana countries during this season raises questions. In such cases, the producers and exporters located far from Europe, especially the smaller ones, have little or no way of appeal or arbitration according to interviewees. They have to accept lower prices or do not get paid at all if volumes are rejected; in this latter case, bananas are not always destroyed (they are burnt only when health or sanitary issues are at stake, otherwise they are sold on less profitable markets in cases of bad cosmetic appearance).

At first sight, the practices described above can be seen as normal adaptation between offer and demand. However, a clear asymmetrical risk sharing situation arises when retailers and buyers in Europe are able to protect their margins through leonine clauses in contracts, whereas producers at the other end of the chain (especially the smaller ones) are bound to find a secondary buyer for their unsold bananas and do not enjoy the same level of protection in contracts.

Another significant case of UTP reported by several interviewees specifically affects small banana growers who are in a very vulnerable position at the beginning of the chain, bound to accept the conditions of buyers in order to make ends meet and sustain the family living costs. According to respondents, small producers are often used as buffer volumes by large plantations, especially in Ecuador and Dominican Republic. They are also regularly charged extra costs by exporters and plantations for alleged “services” (e.g. the provision of banana boxes, or delivery by truck to the harbour) which can amount to 40% of the price stipulated in the contracts. For example, in the case of Ecuador, even if the contract complies with the legal minimum price fixed by the government (6.55 US$ per box in 2015), the small banana producers can get as little as 3.50 US$ per box once buyers’ costs are deducted. As reported by some interviewees, these dynamics can in turn affect input providers (especially the smaller ones) who suffer delayed payments from small and medium producers and face strong competition by banana traders who can provide low price inputs as part of their contracts.

c) Consequences for banana farmers and workers

According to the information collected in Latin America, the first and foremost impact of UTPs is to accelerate the disappearance of small banana producers in Latin American countries as they cannot afford to remain in business because of very low profitability. Lacking the sufficient resources to invest on their farms, their productivity falls dramatically, land decapitalisation takes place and migration is enhanced. This generates growing social tensions for those who remain in banana regions, as there are very few alternative local job opportunities. According to interviewees, the smaller scale the banana producer, the stronger the occurrence, and negative impacts of, UTPs, as larger and more productive plantations have greater capacity to sustain the potential consequences of unforeseen cancellation of orders or quality claims, and have a more balanced bargaining position. On the opposite, smaller producers have little or no alternative for selling their bananas, especially during the low-price season. Several respondents identified Ecuador as being the country most affected by UTPs because of the large number of small producers in its banana sector, followed by Dominican Republic, Colombia and Peru. According to them, even though organic banana producers are in a somewhat better

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56 This is further corroborated by the FAO data which show that the average price actually received by producers in Ecuador from 2001 to 2009 varied between 2.2 US$ per box and 3.5 US$ per box
situation because of higher prices in this market segment, they are not protected from UTPS and their consequences. 57

Combined with other factors – in particular the price pressure from end buyers – interviewees pointed out that UTPS also contribute to increasing pressure on working conditions, as producers compete to supply European retailers.

This can be linked to four main trends of increasingly precarious employment which have been documented in the banana sector over the past decade, especially in Latin America:

- Firstly, regular work paid on hourly rates is being replaced in several places by piece-work through the implementation of ‘Total Quality Management’ (as a result, workers have to work whatever time it takes to earn the minimum wage rather than the specified 8 hour period)58.
- Secondly, some producers increasingly hire workers for limited (and repeated) periods of three months, thereby reducing the number of permanent workers59.
- A third way is to increase the use of sub-contractors and temporary agencies60.
- As permanent contracts become less common and short-term employment increases, migrant workforce are often used in several countries to achieve a cheaper and potentially more compliant labour force (often lacking the necessary official papers). The case of Nicaraguan migrants in Costa Rican plantations, Haitians in Dominican Republic and Central American migrant workers in Belize are all clear illustrations of this situation61.

As stated by a Latin American union leader in 2013: “We recognise that the industry is facing a serious crisis, but it is not for the workers to pay the price of a crisis that only the companies and the government can resolve. We don’t have any profit-sharing arrangements, so should not be expected to bear the brunt when exchange rates and international markets affect the industry.”62

This situation is not specific to bananas, as described in a report published in 2014 on imbalances of power in agricultural chains: the combination of power concentration with the liberalisation of world food markets have created the conditions in which the accumulation of buyer power results in unlimited price pressure on suppliers in the name of consumer interest, while increasing the risks of UTPs at the expense of the least powerful actors in the chain.63

d) Consequences for consumers

The critical issue in the banana sector pointed out by interviewees is the low level of consumer prices in Europe – mainly influenced by retailers – which is aggravated by reported cases of UTPs. Almost all respondents to our survey said that this situation is not sustainable in the medium to long term.

While banana suppliers are the first to suffer the consequences of this situation, negative consequences for consumers are likely, sooner or later, to also arise.

57 Some interviewees indicated that UTPs can also affect medium-scale producers and accelerate existing trends such as the conversion of banana farms of between 20 and 50 Ha to oil palm production in order to restore profitability – because it requires only 1 worker per 10 hectare as opposed to nearly 1 worker per hectare in banana production.
58 P.K. Robinson, Precarious and temporary work: the real cost of the high yielding, top quality, low-priced banana, January 2011
59 Ibid.
60 Ibid.
62 El Colombiano, Medellin, 05/06/2013
63 FTAO, Traidcraft, PFCE and Fairtrade Deutschland, Who’s got the power: tackling imbalances in agricultural chains, 2014
The current situation of the banana sector in Europe fits closely with the analysis conducted by Consumers International\(^{64}\) and several researchers\(^{65}\) on the subject of “consumer best interest”: if the share of value is captured to an excessive extent by retailers while other actors in the chain go under-paid, and if buying prices are forced down to unsustainable levels, there are risks to the survival of suppliers, especially the most vulnerable ones; then, over time, buying prices and therefore retail prices, range and quality for consumers are likely to be substantially impacted.

It has been also confirmed by the UK Competition Commission report published in 2008 which stated that “the transfer of excessive risks or unexpected costs by grocery retailers to their suppliers is likely to lessen suppliers’ incentives to invest in new capacity, products and production processes. We concluded that, if unchecked, these practices would ultimately have a detrimental effect on consumers”\(^{66}\).

In the case of bananas, the long term trend is clearly the disappearance of small banana growers on the world market; in a ‘business as usual scenario’, the pressure on prices is likely to increase further ‘flexibilisation’ which is likely to affect more and more workers (as small farmers exit the market). The result may well be highly concentrated banana chains, from retailers down to producers, which will most probably lack resilience and increase further the social and environmental impacts in producing countries.

As stated recently by a consumer advocacy group:

“Much of the debate is about whether we may see longer term impacts that work against consumers’ interests. For example, in relation to restricted choice or increased control over pricing by a smaller number of players. Yet the very nature of these long-term impacts means they are difficult to forecast and measure, while the benefits of cheap products are immediate and clear.”\(^{67}\)

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\(^{64}\) Consumer International, The relationship between supermarkets and suppliers: What are the implications for consumers?, September 2012

\(^{65}\) In particular, Bob Hope, Roman Inderst (Goethe Institute), Prof Roger Clarke (ex-Cardiff Business School), Ariel Ezrachi (Oxford), Stephen Topping (Europe Economics) and Maurice Stucke (University of Tennessee)


\(^{67}\) CHOICE, Supermarket Special When is a sale not a sale? May 2012, reported in Consumer International, The relationship between supermarkets and suppliers: What are the implications for consumers?, September 2012
KEY FINDINGS

- Unfair Trading Practices in the banana sector are rooted in the imbalance of power negotiation between retailers and their suppliers, and get amplified at the beginning of the chain in producing countries; they mainly take the form of one-sided (also called ‘leonine’) clauses in contracts with producers and/or exporters, unforeseen cancellation of orders, banana consignments and increased number of quality claims during the low-price banana season (i.e. summer in Europe).

- Small banana growers (namely in Ecuador, Dominican Republic, Peru and Colombia) are the most impacted by Unfair Trading Practices which worsen their vulnerable position in the chain and can make their continued production and trade unsustainable. In several regions, small and middle-size banana plantations are also affected and banana workers experience increasingly precarious employment because of fiercer competition to supply supermarkets.

- At the lower end of the chain, banana workers are experiencing ever worsening working conditions. As the pressure on price and application of UTPs increases, so too does precarious employment, piece-work payment and flows of migrant workers.
The French consumer market

The French food market

The overall retail food sales in France reach amount to more than 230 billion euros, making it one of the biggest food markets in the European Union. The French retail distribution network is diverse and sophisticated: it is generally comprised of six types of establishments: hypermarkets, supermarkets, hard discounters, convenience, gourmet centres in department stores, and traditional outlets. Sales within the first five categories represented 75% of the country’s retail food market, and traditional outlets, which include neighbourhood and specialized food stores, represented 25% of food sales.\(^{68}\)

Starting in 2008, a steep decline in mass food retailers’ sales has been observed, which can be explained by a combination of factors: the economic crisis, the hypermarket model crisis, the rise of hard discount, e-commerce and drive-through retail, and the maturation of the retail food sector. In reaction, recent trends in the French retail market are the development “drive-thru” services, the expansion of private labels offer, and the growing investments in smaller format stores.\(^{69}\)

The overall breakdown of food sales by retail outlet in France can be estimated as follows:

![Figure 39: Food sales by retail outlet in France (2012)](image)

*Source: BASIC, based on GfK Shopping Monitor CEE*

The food retail market in France is dominated by a small number of large firms: Carrefour (Carrefour, Shopi), Auchan (Auchan, Simply Market, Atac), Leclerc (Leclerc, Coop), Groupe Casino (Casino, Franprix, Leader Price, Monoprix), Groupe les Mousquetaires (Intermarché, Netto) and Système U. They are followed by the two German leading discounters Lidl and Aldi. Other banners include Match and Cora.\(^{70}\)

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68 USDA, Retail Foods France, 2012
69 DGCCRF, Panorama de la grande distribution alimentaire en France, February 2014
70 Ibid.
The respective share of food market sales of the main retailers in France is estimated as follows:

![Share of food market by retailer in France](image)

*Figure 40: Food sales by retailer in France (2012)*

*Source: BASIC, based on Xerfi reported by DGCCRF*

The top 5 retailers account for 79% of food sales in the French modern grocery market. A smaller number of buying groups owned by the leading retailers within parent companies act as intermediaries between producers and retailers (e.g. Galex for Leclerc, ITM for Intermarché, Interdits for Carrefour). A total of five firms are responsible for 90% of purchases in large retail outlets and tend to bolster further the oligopolistic nature of the French market, creating a situation of significant market power vis-à-vis suppliers.  

71 DGCCRF, *Panorama de la grande distribution alimentaire en France*, February 2014

Carrefour has been losing ground in recent years, while the Leclerc model is strengthening its position and expanding, due to its policy of lower prices. The growing popularity of hard discount stores, introduced by Lidl and Aldi, is the source of additional competitive pressure, and has led the other retailers to continually lower their prices, which they have done by devoting additional shelf space to private label products and the introduction of their own discount banner.  

72 Ibid.

In this context, the French fresh fruit market is one of the biggest in Europe, bananas being the third most eaten fruit in the country (as shown in the diagram below), notably because of the wide availability of local fruits produced in the country.

The banana consumption per capita can be estimated at 9 kg per person and per year, significantly below the EU average (10 kg/person/year).  

73 BASIC, based on Comtrade and CIRAD data
The French banana value chain

The French banana market is the third biggest in Europe with Italy, its total size being estimated at more than 600,000 tonnes (or 33 million banana large case equivalent).

The French banana import market is totally distinct from the rest of Europe (apart from Spain to a certain extent): it has a significant domestic production in French Overseas Departments situated in the Caribbean (Martinique and Guadeloupe) and has close historical ties with export countries in West and Central Africa, in particular Cameroon and Côte d’Ivoire, which both produce significant volumes of bananas.

Together, domestic and African production account for roughly 2/3 of banana imported in France each year (around 30% for Guadeloupe and Martinique, and 35% for Cameroon and Côte d’Ivoire).\(^74\)

Banana wholesale and consumer prices tend to be the same regardless of origin. This provides France with a certain stability of supply (albeit when climatic disasters hit the Caribbean as in 2007-08), but generates vulnerability in times of overproduction at the global level (because of the strong competition on price with Latin American origins).\(^75\)

Annual contracts for bananas have been introduced in recent years by retailers (mainly for promotion sales) and are a growing trend in the sector.

In terms of actors, the French banana import market is mainly dominated by 5-6 integrated companies which compete to supply the retail market:

- The main supplier is the Union of French Caribbean Banana Producers UGPBAN which places on the market 90% of the banana produced in Guadeloupe (by the cooperative LPG) and Martinique (by the cooperative Banamart). To better integrate the value chain and negotiate with retailers, the UGPBAN acquired the French company Fruidor from Pomona in 2008, the largest network of ripening facilities in France which provides roughly 25% of the domestic market (yet, all volumes of UGPBAN are not channelled through Fruidor: other ripeners are also contracted by UGPBAN and conversely Fruidor also ripens bananas from other origins).\(^76\)

\(^{74}\) BASIC, based on Comtrade and CIRAD data
\(^{75}\) FruiTrop, Avril 2010
- The second main supplier is the French-based Compagnie Fruitiere which operates large banana plantations in Africa through 3 companies in Cameroon (SPHP, SPNP and SBM), one in Cote d’Ivoire (SCB), and more recently in Ghana through the investment in a Fairtrade and organic plantation. It can be estimated that two African banana workers in three are employed by the Compagnie Fruitiere. The company has integrated the shipping of its banana from African plantations through its subsidiary ‘Africa Express Line’ which operates a fleet of 8 ships equipped for the refrigerated transport of fruit and vegetables. It also owns ripening facilities (in particular in Marseille and Rungis near Paris) which can process all the production of its plantations (i.e. accounting for almost 25% of ripening in the country). Most recently, the Compagnie Fruitiere acquired the French and UK divisions of Dole, which enabled the company to reach a 20-25% share of the banana wholesale market in France.

- Their main competitors in France are international integrated companies: Chiquita which mainly operates in most Latin American countries, and Del Monte which operates not only in Latin America (Costa Rica, Guatemala...) but also in Cameroon where it employs roughly 1/3 of the country’s banana workers through its partnership agreement with the public company ‘Cameroon Development Corporation’ (CDC), the main competitor of Compagnie Fruitiere.

- Another important player on the market is AZ France (a subsidiary of the Italian GF Group) which mainly imports and ripens bananas from its plantations in Costa Rica, Colombia and Southern Cameroon. It also import bananas from organic small farmers in Dominican Republic. It operates from ports in the Mediterranean Sea in Portugal, Spain and Italy.

- Finally, some smaller French players such as Pronatura and Brochenin are dedicated to the organic and Fairtrade markets (which account for roughly 10% of the market), in competition with the above mentioned companies.

Based on the previous information, the overall market shares of main banana importers in France can be estimated as follows:

![Market share of banana importers in France](image)

**Figure 42: Market shares of main banana importers in France**

*Source: BASIC, based on DGCCRF (2009)*

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77 COGEA, Évaluation de l’Organisation Commune de Marché (OCM) dans le secteur de la banane, 2005 and Banana Link, Decent Work for African plantation workers, 2011


Based on public statistics available (published by Eurostat, Comtrade and CIRAD), the related banana value chain dynamics are the following (see graph below):

- The average banana price to consumers is among the highest in Europe, around 1.6-1.7 euros/kg in 2014, and has been globally stagnating over the past decade (once adjusted for inflation), albeit in 2005 when the end of the banana quota system in Europe triggered a brief price increase which soon reversed and returned to the longer-term trend.

- The average wholesale price has globally followed the same trend as the consumer price.

- The average import price of bananas in France has also remained fairly stable since 2000 in real terms (except in 2005 as explained above); it amounted to 0.63 euros/kg in 2014 (less than 40% of retailers’ price).

![Banana Value Chain in France](image)

**Figure 43: Banana value chain in France (2000-2014)**

*Source: BASIC, based on Eurostat, Comtrade and CIRAD data*

As described earlier and illustrated in the graph below, the main banana supply is from domestic origin produced in the Caribbean (roughly 30% of imports), followed by Cameroon and Cote d'Ivoire (with a combined share of 35%). The main Latin American origins (Ecuador, Colombia and Costa Rica) appear to be buffer volumes. This sourcing profile is very different from the rest of the European Union.

Two recent emerging trends are the development of imports from Dominican Republic (which is the main supply of the French organic banana market) and Suriname (included in ‘other’ origins) which is located close to French Guyana.
In terms of import prices, the statistics show that the 2 major banana supplying countries outside France, Cameroon and Cote d’Ivoire, have followed very similar trends and globally reach the same price level in 2014 as in 2000, once corrected for inflation (see graphs below). This situation is in stark contrast with the rise of production and living costs in these producing countries (see producer country sections for further details).

**Figure 44:** Banana import volumes per origin in France (2000-2014)
*Source: BASIC, based on Eurostat and Comtrade data*

**Figure 45:** Banana CIF import prices in France inflation-adjusted (2000-2014)
*Source: BASIC, based on Eurostat and Comtrade data*
The resulting banana value breakdown along the chain - from retailers’ share (which includes VAT) down to workers’ wages - can be estimated as follows (calculations have been made for of a banana plantation in Cameroon).

![French Banana Value Chain](image)

**French Banana Value Chain**  
Case study of Cameroon

<table>
<thead>
<tr>
<th>Stage</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>56,3%</td>
</tr>
<tr>
<td>Ripening</td>
<td>8,9%</td>
</tr>
<tr>
<td>Shipping &amp; Import</td>
<td>9,0%</td>
</tr>
<tr>
<td>Export</td>
<td>3,7%</td>
</tr>
<tr>
<td>Production</td>
<td>17,8%</td>
</tr>
<tr>
<td>Worker’s wages</td>
<td>4,4%</td>
</tr>
</tbody>
</table>

*Figure 46: Banana value breakdown between Cameroon and France (2014)*  
*Source: BASIC, based on data from Eurostat, Comtrade, Sopisco, CIRAD*

**KEY FINDINGS**

- The overall retail food sales in France amount to 230 billion euros, making it one of the biggest food markets in the EU. The food retail market in France is dominated by a small number of large firms: Carrefour, Auchan, Leclerc, Casino, Intermarché, and Système U. Its concentration ratio is equivalent to the EU’s average, but strong buying groups further enhance the retailers’ bargaining position.

- The French banana market is the 3rd biggest in Europe and is totally distinct from the rest of EU countries because of strong domestic production (30% of the market) and close ties with Cameroon and Cote d’Ivoire (another 35%). It is dominated by 5-6 integrated actors: 3 French companies (UGPBAN in Guadeloupe/Martinique, Compagnie Fruitiere in Cameroon/Ivory Coast and AZ France) and 2 multinationals (Chiquita and Del Monte).

- The average import price of bananas in France has remained fairly stable since 2000 (so as the retailers’ price). However, due to the high level of consumer price in the country, the retailers account for the lion’s share of banana value while workers hardly capture 5% of the end value of the product - see producer country sections of this report for more details.
Producer country sections

a) Ecuador

General overview of the Ecuadorian Banana sector

Ecuador is by far the world’s largest exporter of bananas. It exports almost three times more bananas than the second exporter, Colombia. The share of bananas originating from Ecuador has expanded from 18% in the 1970s to 30% in the 1990s to around 35% in 2012. The main destination of Ecuadorian bananas is Europe which has bought on average 40% to 45% of its bananas over the past decade. Banana exports represent 60% of the agricultural GDP of the country.

Production is relatively small scale compared to other Latin American countries. The latest census carried out by the Agriculture Ministry of Ecuador showed that 90% of banana producers are small and medium size farms of less than 50 hectares. The production is mainly carried out by national companies, while transnational companies control less than 3% of production. It is estimated that banana production and trade in Ecuador gives direct employment to an estimated 190,000 people.

![Production structure of banana in Ecuador](image)

*Figure 111: Production structure of Ecuador's banana industry (2009)*

*Source: BASIC based on MAGAP/SIPAGRO*

The companies that export bananas from Ecuador are either owned by national or international interests. The 10 biggest exporting companies accounts for 55% of the country’s total banana

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81 Given the importance of Europe in banana trade (30% of world imports), this bilateral trade relationship appears is a major driver of the world banana market.

82 Ecuador to Europe value chain study for the World banana forum (2015)
exports. An additional network of intermediaries trades a significant share of Ecuadorian bananas from producers to exporters (even though only farmers’ associations have commercial rights since January 2011).

The difficult social context of the Ecuadorian banana sector

The first social issue of the Ecuadorian banana sector relates to the employment of rural youth. On this subject, it is important to note that the smaller producers employ twice as many people per hectare than the big industrialised plantations (see below).

Although there is no existing reliable data on the evolution of the number of jobs in the Ecuadorian banana sector, it is clear from the above analysis that the current trend has a strong potential to affect negatively job opportunities in banana producing regions, especially for young people.

![Labour intensive ratio of banana production in Ecuador (2009)](image)

Source: BASIC based on MAGAP/SIPAGRO cited in FAO value chain study (2015)

In terms of the workers’ situation, Ecuador presents a mixed picture: it is the country where the unionisation rate is among the lowest of all banana exporting countries (less than 1%85) because of the near-collapse of the industry in the late 1970s, the history of bad industrial relations and the corruption of some trade union leaders. However, it is also the country where the minimum wage has increased the most over the past decade (see below), reaching living wage levels as of 2015.

![Evolution of the minimum wage in Ecuador 2007-2015](image)

Figure 113: Evolution of the minimum wage in Ecuador 2007-2015

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83 Ecuador to Europe value chain study for the World banana forum, op. cit.
84 Ecuador to Europe value chain study for the World banana forum, op. cit.
85 Sally Smith, Institute of Development Studies, University of Sussex, ‘Fairtrade Bananas: a global assessment of impact, 2010
86 INCAE, Analisis de la estructura salarial en la industria bananera en Ecuador, February 2012
The situation for workers has been recently analysed more in-depth by a team from INCAE Business School. In early 2012, the team conducted - for the World Banana Forum’s permanent Working Group on the Distribution of Value along the Chain - a comprehensive survey of the wages and livelihoods of 199 families throughout Ecuador. They studied two distinct groups of producers:

- In the small and medium size farms (smaller than 50 hectares), wages were between US$78 per week for a part-time worker in a packing station and US$96 per week for a permanent fieldworker.
- In more industrialised plantations (greater than 50 hectares), wages ranged from US$83 per week for a permanent worker in a packing station to US$94 per week for a permanent fieldworker.

Then, they analysed the global income of the workers’ families, showing that:

- Two factors critically influence the ability of families to achieve a ‘living wage’ for the household: the level of formality of the employment and the capacity to earn additional incomes/have multiple jobs in the family.
- The workers in small and medium-size farms have a greater capacity to achieve multiple jobs in the family than in bigger plantations.
- Overall, only 25% of banana workers in Ecuador earn a living wage for their household in 2012.

Health and environment issues in the Ecuadorian banana sector

Reports of ill health among banana producers and workers in Ecuador stem largely from the misuse of pesticides and fungicides on banana plantations. The problem is more acute in Central America than in Ecuador largely because banana diseases, such as Black Sigatoka (black leaf spot), are more of a problem and require more spraying. However, Ecuador is not exempt from the problems of chemical application: the disease known as Taura Syndrome which adversely affected Ecuador’s shrimp industry in the 1990s related to the use of aerially sprayed fungicides to control Black Sigatoka, especially the chemicals known as Tilt and Calixin. There are also significant health risks on farmers, workers and the surrounding communities.

A study conducted by IFA in 2010 demonstrated through the use of fluorescent tracer that living areas were also significantly sprayed. As a result, large areas were found to be impregnated with agrochemicals: water, farmlands and roads, even the inside of the houses. Few farms have occupational health and safety (OHS) policy in place at work: less than 50 of the 6,000 Ecuadorian producers had deposited their OHS policy with the Ministry of Labour Relations in 2009, even though it is a legal obligation.

Moreover, the depletion of ground-water reserves, owing to the diversion or transformation of ravines or rivers into drainage canals and the discharges of contaminated waste water are of...
particular concern, together with the generation of high volumes of artificial and solid waste (particularly insecticide-coated plastic).

Economic issues

Ecuador is characterized by the fact that an official minimum support price has been set by the government to guarantee a safety net to banana producers in the country. It is based on the estimation of the average costs of a typical industrialised plantation in Ecuador (> 50 Ha), with a productivity of 1,800 boxes/ha/year. However, the farm gate price achieved in reality by producers is significantly different from the official support price as already documented by several studies. The real price per kilo can vary greatly depending on the time of year (from as little as US$ 0.05 up to US$ 0.60) during the year. According to the latest data available from the FAO, the average price actually received by producers in Ecuador from 2001 to 2009 varied between US$ 0.12 and 0.16 per kilo (compared to the Ecuadorian minimum price of US $ 0.32 per kilo – US $ 6.00 per box of 41.5 lbs), the rest of the value being captured by intermediaries.

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 several other services (fumigation, etc.).

Several investigations have been conducted in recent years, documenting the illegal practices on the ground that enable to circumvent the official minimum price system (see articles in appendix): absence of signed contracts, absence of payment in the Interbank Payment System, illegal planting of banana plantations (not registered in MAGAP), creation of fictitious/shell companies, proliferation of intermediaries, exporters and brands (which are quickly set up and closed down).

The interviews conducted by Oxfam in Ecuador with producers, exporters as well as government’s officials confirmed these facts. All actors agreed that this is a genuine observation of the situation in the country. They confirmed that 60% - 70% of the banana producers’ sales are done under yearly contracts guaranteeing the minimum price (and also a maximum price) paid by intermediaries or exporters, and that the other 30% - 40% is sold at the spot market with higher prices during the high season (‘temporada alta’) and potentially extremely low prices of under 3 US$/box during the low season (‘temporada baja’).

In this context, the Ecuadorian government has decided to strengthen its controls on the ground and to tighten the legal penalties in case of breach of the legal system. More globally, the Ecuadorian government recognizes the difficulty to sustain and offset the fierce price competition in the global banana market through the establishment of an official minimum price.

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92 INCAE, Analisis de la estructura salarial en la industria bananera en Ecuador, February 2012
94 FAO, Ecuador to Europe value chain study, 2013, op. cit.
95 Oxfam Deutschland, Analysis of German banana value chains and impacts on small farmers & workers, 2014
96 Ibid.
97 Ibid.
To analyse further this situation, we have modelled and estimated the value that is left for Ecuadorian banana producers based on the CIF import price in the EU (based on Comtrade and Eurostat data), deducting a conservative estimation of:

- the shipping costs, insurance and freight (including Panama Canal fees)
- and the margins published by the major importers operating between Ecuador and Europe: Chiquita, Fyffes, Dole and Del Monte.

The results for the main destinations of Ecuadorian bananas are provided in the diagram below:

![Figure 114: Evolution of the unit value of Ecuadorian bananas exported to the EU (2005-2013)](image)

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

The above estimations indicate that the German banana market is potentially driving strong pressure in Ecuador with respect to the official support price since 2010. This doesn’t mean that the illegal practices are directly caused by the German buyers, but that German banana price trends potentially encourage further illegal practices in Ecuador through their pressure on prices. Reversely, the existing mechanisms put in place to bypass the Ecuadorian legislation on banana support price potentially enable and encourage the low price trend on bananas in Germany.

In comparison, the price trends in the EU average and the other major European destinations of Ecuadorian bananas – UK, Italy and Netherlands – are quite different from the situation in Germany: in all these cases, it seems that the actors of the value chain exert less pressure and leave apparently enough money in Ecuador to cover the official minimum price set by the government.
Costs of sustainable production

The official support price set by the Ecuadorian government is based on the estimation of the average costs of a typical industrialised plantation in Ecuador (> 50 Ha), with a productivity of 1,800 boxes/ha/year. This estimate gave the following results for 2010:

![Production costs of a typical industrialised plantation in Ecuador (2010)](image)

*Figure 115: Production costs of a typical industrialised plantation in Ecuador (2010)*

Source: FAO value chain study (2014)

However, this set-up does not correspond to the wide majority of producers as detailed earlier (90% of producers having less than 50 hectares).

A different estimate is provided by Fairtrade International (FTI) through its regular survey of the Costs Of Sustainable Production (COSP) among certified producers in the country (predominantly small banana growers). It takes into account the “labour, inputs/services and capital/investments costs of establishment, field operations, harvest and post-harvest, processing, packaging, central structure as well as transport to harbour, costs at harbour and other costs”.

The FTI’s estimations for Ecuador (see below) show the significant gap for small banana growers which cannot remain in business in the current economic context, even with the support price defined by the government (see below).

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98 Ecuador to Europe value chain study for the World banana forum (2015)

In order to ensure long term sustainability, the buyers of Ecuadorian bananas should take into account for their price setting these estimations, but also the additional hidden costs which are currently ignored by the market: job losses in rural areas, workers and producers earning less than the living wage/income, tax evasion, and the damage related to emissions of greenhouse gases (which contribute to climate change), use of chemicals, water pollution and abstraction, air pollution, soil degradation, waste not recycled, loss of biodiversity...
b) Colombia

General overview of the Colombian Banana sector

Bananas in Colombia are the third most important agricultural export after coffee and cut flowers. Over 90% of the Cavendish bananas produced are exported. Banana exports from Colombia have grown very substantially since the Gros Michel variety was substituted by Cavendish in the early 1970s.\(^{100}\)

Banana occupies approximately 45,000 hectares, which is equivalent to 7% of the total area planted to fruit crops (16% of which is for the domestic market). Production is concentrated in Uraba and Magdalena both of which are areas where conflicts has left many dead and where the current 'tense peace' between guerrilla, paramilitary and government forces remains very fragile indeed.\(^{101}\)

While production in Uraba has increased dynamically, Magdalena has tended to shrink in recent decades. This difference is related to the level of business development areas: Uraba is characterised by larger production units while Magdalena is dominated by smaller producers. As a result, Uraba contains almost 70% of the area planted to bananas and the bulk of plantains for export.\(^{102}\)

It is estimated that banana production and trade in Colombia gives direct employment to an estimated 80,000 people: Uraba generates 17,000 direct jobs and 54,000 indirect whereas Magdalena generates 7,000 direct jobs and 12,000 indirect.

![Figure 117: Productive structure of banana in Colombia (2009)](image)

Source: BASIC based on MADR cited in FAO value chain study (2012)

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\(^{100}\) FAO, The world banana economy 1985-2002, Rome 2003

\(^{101}\) FAO, Value chain study in Colombia, 2012

\(^{102}\) Ibid.
The social and environmental context of the Colombian banana sector

The banana industry in Colombia has a very particular history. As the main regions of banana production are (ex-) conflict zones, the development of the industry during the demobilisation period in the early 1990’s offered significant employment opportunities to the ex-guerilleros and their families. Their strong social identity during the civil war was the building-block for very strong trade union. Today the Sintrainagro trade union includes some 19 000 workers, representing the overwhelming majority of the permanent banana workers in the country. 103

The robust experience of unionisation in Uraba and cross-sectoral employee-employer negotiations have led to mature industrial relation expressed in a series of 2-3 Collective Bargaining Agreements that have translated into better working conditions and wages than in the rest of the country (see below)104. The wages and conditions in the Colombian 300 farms are also better than almost all other banana exporting countries in the region105:

![Figure 118: Comparison between the monthly minimum wage and average wage in Colombia](source: Augura (2013))

The level of wages in the Colombian banana sector is therefore quite close to the living wage, enabling many families to achieve a sustainable livelihood.

However, given the downward trend and growing pressure on price, there is a growing tension on Colombian workers to give up the better conditions they have obtained over the years in the name of fiercer competition between producers and producer countries to supply the retailers.

The environmental and health impact in Colombia is somewhat better than the situation in Ecuador thanks to greater involvement of the banana industry and more resources dedicated by the government. However, the intensive use of fertilizers, plastics and chemicals, as well as the dense network of drainage and irrigation systems, are generating several negative impacts: salinisation, acidification, soil sealing and soil erosion, eutrophication, accumulation of waste and pesticides in air, soil and water, loss of biodiversity, etc106.

In addition, a specific trend can be observed in Colombia in relation to the price pressure, the growing costs of production and the difficult access to credit: as the small and medium size producers can barely afford to remain in the banana business because of its very low profitability, overall

103 Fairtrade Foundation, Britain’s bruising banana wars, 2014
104 Augura, situacion del sector bananero, 2013
105 Augura, situacion del sector bananero, 2013, op. cit.
106 Cenibanano - Augura, Los desechos generados por la industria bananera Colombiana, 2008
Decapitalisation is taking place. Growing conversion to oil palm cultivation can be observed in historical banana producing regions (in particular Uraba) because it requires only 1 worker per 10 hectares (as opposed to nearly 1 worker per hectare in banana). Medium-scale farms of between 20 and 50 Ha are the ones that tend currently to be converting to oil palm production in order to restore profitability to their farm.

In turn, this is generating growing social tensions, as there are very few alternative local job opportunities. The only ‘alternatives’ at present for workers in the region are oil palm, and to a lesser extent cattle & rice production, tourism or migration (mainly to the US).

“They have increased the planting of oil palm, a crop which is not labour-intensive. While an estate of 200 hectares of banana generates 300 jobs, an oil palm plantation only employs 25 people; this is not the alternative we need” (Guillermo Rivera Zapata, chairman of Sintrainagro)

Economic issues

Together with other factors (competition with lower cost banana exporting countries, devaluation of the peso against the dollar, turmoil in some Mediterranean consumer countries), the downward trend of European banana prices contributes to increasing pressure on Colombian workers to give up the better conditions they have obtained over the years in the name of fiercer competition between producers and producer countries to supply the retailers.

This leads to regular social tensions as shown in June 2013 when the Colombian national agricultural workers’ union Sintrainagro threatened to go on strike in response to the employers’ proposal to reduce wage rates and cut social benefits (see details in Appendix). As the president of Sintrainagro explained it then:

“We recognise that the industry is facing a serious crisis, but it is not for the workers to pay the price of a crisis that only the companies and the government can resolve. We don’t have any profit-sharing arrangements, so should not be expected to bear the brunt when exchange rates and international markets affect the industry.”

To analyse further this situation, we have modelled and estimated the value that is left for Ecuadorian banana producers based on the CIF import price in the EU (based on Comtrade and Eurostat data), deducting a conservative estimation of:
- the shipping costs, insurance and freight
- and the margins published by the major importers operating between Colombia and Europe: Chiquita, Fyffes, Dole and Del Monte.

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107 El Colombiano, ‘Cierre de fincas por crisis bananera en Urabá’, January 2013
108 Ibid
The results for the main destinations of Colombian bananas are provided in the diagram below:

*Figure 11: Evolution of the unit value of Colombian bananas exported to the EU (2005-2013)*

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

The above estimations indicate that the Italian banana market is potentially driving strong pressure in Colombia in comparison with the EU average and other major destination markets. While the global trend in Europe is clearly declining, dropping by 34% between 2005 and 2013, the UK market seems to remain fairly stable in terms of prices and the German prices appear to be recovering since 2010, following a sharp decline between 2005 and 2010.
Costs of sustainable production

Recent data available on production costs provided by Augura give the following breakdown for a typical plantation of Uraba:\footnote{FAO, Value chain study in Colombia, 2012, op. cit.}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{production_costs_diagram}
\caption{Production costs of a typical plantation of Uraba (2012)}
\label{fig:production_costs}
\end{figure}

A different estimate is provided by Fairtrade International (FTI) through its regular survey of the Costs Of Sustainable Production (COSP) among certified producers in the country (a mix of middle-size plantation and small growers).

It takes into account the "labour, inputs/services and capital/investments costs of establishment, field operations, harvest and post-harvest, processing, packaging, central structure as well as transport to harbour, costs at harbour and other costs". \footnote{Fairtrade International, Standard Operating Procedure for the Development of Fairtrade Minimum Prices and Premiums, January 2013}

The FTI's estimations for Colombia (see below) show the existing gap for small banana growers and middle-size banana plantations to remain in business in the current economic context:
In order to ensure long term sustainability, the buyers of Colombian bananas should take into account for their price setting these estimations, but also the additional hidden costs which are currently ignored by the market: job losses in rural areas, workers and producers earning less than the living wage/income, tax evasion, and the damage related to emissions of greenhouse gases (which contribute to climate change), chemical use, water pollution and abstraction, air pollution, soil degradation, waste that is not recycled and a loss of biodiversity.

*Figure 121: Costs of sustainable production of FT certified producer organizations (2009)*

*Source: BASIC based on Fairtrade International information*
c) Costa Rica

General overview of the Costa Rican Banana sector

Costa Rica is the third largest exporter of bananas after Ecuador and the Philippines. Banana exports have increased at relatively stable rate growing from 85 million boxes being exported in 2002 to 110 million boxes in 2014. Europe is still the primary export destination for bananas from Costa Rica with 48.9% of exports arriving in European ports in 2014. The second largest market is the US at 40.5%.  

In Costa Rica, bananas grow on an area of about 43,000 hectares, representing almost 1% of the total area of the country (roughly 51,000 km²). Revenues from the banana sector represent on average 7% of total revenues Costa Rican exports.  

Banana crops are located especially on the northern Caribbean coast of Costa Rica, employing over 70% of the working population in the region (either directly or indirectly in trade, transport, pesticides, equipment and packaging activities). The largest banana companies active in Costa Rica are Chiquita, Dole and Del Monte who jointly own 67% of plantations in the country. Costa Rican plantation owners are organized through their national union CORBANA which represent their interests.

The social and environmental context of the Costa Rican banana sector

The banana industry employs 40,000 people directly with an additional 100,000 people employed indirectly in associated sectors such as equipment manufacturing and agricultural input suppliers.  

The country has one of the highest banana yields of all producer countries, but it is also a relatively high-cost producer, with wage costs being amongst the highest in Latin America. The minimum wage (set by law in agriculture) currently stands at 9,509 settlers (almost 16 euros) per day for a working day of eight hours.  

To offset this lack of competitiveness, many farms operate on a piece rate work system that is applied across the whole production process, from the field to the pack house, paying workers on a price rate basis. As a result, banana workers often perform tasks for more than eight hours a day to provide the services required by their employer and because the rate is often so low that it is very difficult to earn a living wage in an eight hour shift.  

The lack of employment stability is also often reported by Costa Rican unions as well as the disproportionate use of temporary contracts and subcontracting which can notably prevent workers from joining a union. These practices are often used to increase the labour flexibility and meet the changing requirements of buyers whilst keeping costs to a minimum.

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111 CORBANA, 2015 Available online: https://www.corbana.co.cr/categories/categoria_1344368863 (accessed in September 2015)  
112 CORBANA, Implementación de Buenas Prácticas Agrícolas para Reducir el Escurrimiento de Plaguicidas en el Cultivo del Banano de la Región Caribe Costarricense, 2011  
113 CORBANA, 2015 Available online: https://www.corbana.co.cr/categories/categoria_1348246255 (accessed in September 2015)  
114 Costa Rican Government, Decreto Ejecutivo No. 38728-MTSS, 10 November 2014  
115 P.K. Robinson, Precarious and temporary work: the real cost of the high yielding, top quality, low-priced banana, January 2011  
By law, workers can form and join unions, but in practice unionised workers are often pressured by management (because of the long history and culture of anti-union in the Costa Rican banana industry) and union influence is declining.

In addition, a high number of Nicaraguan and Panamanian migrants (potentially the majority of banana workers in the country) are reported working on Costa Rica banana plantations, being frequently employed by a subcontracted recruiter often without a contract, which prevents them from accessing social security and health and safety measures. 117

The main reasons given for this situation by Costa Rican plantation owners are 118:

- the continual fall in buyers' prices who demand for every-low prices, especially in Europe; and the shift of responsibility on workers by producers who argue that 'the wages are determined by the need to keep the export price of bananas below a given benchmark in order to stay in business against competitors',
- The tightly managed and demanding time schedule imposed by buyers to implement the so-called 'just- in-time banana'.

In sanitary and environmental terms, the constant pressure to produce a high yield and a perfect banana of a uniform size and colour without blemishes has resulted in production practices that can strongly impact the health of workers because of the significant use of chemicals. Reports of ill health among banana producers and workers stem largely from the misuse of pesticides and fungicides on banana plantations. The problem is more acute in Central America largely because banana diseases, such as Black Sigatoka (black leaf spot), are more of a problem and require more spraying. 119

Interviews in banana farms in Costa Rica suggest that workers consider the use of pesticides as an accepted part of the production process, and something they just have to get used to, thereby shifting the main responsibility for safety on them if they do not fully protect or stay in the field where they can be endangered. The situation appears to be somewhat different in pack houses, where health and safety requirements are often more strictly adhered to (one explanation being the fact that supervisors have more of a presence compared to the field). 120

Economic issues

Together with other factors, the downward trend of European banana prices contributes to increasing pressure on Costa Rican workers to give up the better conditions they have obtained over the years in the name of fiercer competition between producers and producer countries to supply the retailers.

To analyse further this situation, we have modelled and estimated the value that is left for Ecuadorian banana producers based on the CIF import price in the EU (based on Comtrade and Eurostat data), deducting a conservative estimation of:

- the shipping costs, insurance and freight
- and the margins published by the major importers operating between Costa Rica and Europe: Chiquita, Fyffes, Dole and Del Monte.

117 Ibid.
118 Ibid.
119 Dr Raul Harari, IFA, Trabajo, ambiente y salud en la producción bananera del Ecuador, Nov 2009
120 Ibid.
The results for the main destinations of Costa Rican bananas are provided in the diagram below:

![Unit Value Costa Rica (US$/Kg) Inflation Adjusted](image)

Figure 122: Evolution of the unit value of Costa Rican bananas exported to the EU (2005-2013)
Source: BASIC based on data from Comtrade, Sopisco, banana import companies and literature review

The above estimations show the convergence of price trends in European banana markets which dropped sharply between 2005 and 2013 once adjusted for domestic inflation. This is likely to explain the strong pressure on Costa Rican workers.

In the past two years, the prices seem to have somewhat recovered in Germany and to a lesser extent in Italy, while continuing to decline in the UK.

In order to ensure long term sustainability, the buyers of Costa Rican bananas should take into account for their price setting these estimations, but also the additional hidden costs which are currently ignored by the market: job losses in rural areas, workers and producers earning less than the living wage/income, tax evasion, and the damage related to emissions of greenhouse gases (which contribute to climate change), chemical use, water pollution and abstraction, air pollution, soil degradation, waste that is not recycled and a loss of biodiversity.
d) Dominican Republic

General overview of the Dominican Banana sector

In contrast to Ecuador, Costa Rica and Colombia, banana production for export has not been historically prominent in the Dominican Republic and the fruit companies’ presence remained limited. The country became the largest banana exporter in the Caribbean after gaining the status of an ACP State in 1990. It has benefited from the related duty free export of bananas into the EU. Exports to this market grew rapidly and by 1993, more than 80% of its total banana production was exported to Europe. In 2011, over 50% of Dominican Republic exports went to the UK and over 30% to Belgium, the rest to other EU countries and to the US.

Dominican Republic remains the number one exporter of organic bananas in the world: over 60% of the banana production for export is organic certified, accounting for 40% of world exports in 2009. Almost three quarters of banana producers in Dominican Republic are organic: 100% in the Southern region and over 50% in the Northern region.

This has been possible because of the relatively dry (low fungal disease pressure) regions (Noroeste/Cibao and Azua) in which bananas are grown and the integrated pest management techniques that have been used to control Black Sigatoka. The transition to organic was eased by the fact that most farmers were already using few external inputs and supported by technical and financial assistance provided by the largest companies (Savid S.A. and Horizontes Orgánicos).

The Dominican Republic production is predominantly small-scale, with a significant contribution from (non-wage-earning) family labour. Approximately 90% of producers are small farmers (holding between 1.2 and 2.5 Ha - mostly as a result of the national agricultural reform policy), accounting for approximately 50% of the country’s banana production. Production costs are higher than those in the “dollar banana” area.

The medium and large plantations are owned directly by the exporting companies which also buy from the small producers depending on market demand. They are mainly nationally-owned except for some Spanish companies and one large Dutch/US venture.

The social and environmental context of the Dominican banana sector

Banana is the second largest agricultural export product of the Dominican Republic and an important source of employment, wages and income in poor regions of the country where poverty rate exceeds 50%.

In 2011, the Dominican banana industry estimated that 30,000 people were directly employed by the sector and generated 20,000 indirect employments.

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121 FAO, 2003, op. cit.
122 Banana Link, Banana Trade News Bulletin 50, June 2012
123 Banana Link, June 2012, op. cit.
124 Sally Smith, Institute of Development Studies (IDS), 2010 op.cit.
125 Instituto Interamericano de Cooperacion para la Agricultura (IICA), Estudio de la cadena alimentaria de banano en la Republica Dominicana, 2007
126 Ibid.
129 Millenium Development Objectives Achievement Fund, Dominican Republic fact sheet, April 2013
The situation of banana small farmers remains very difficult in the Dominican Republic. The country’s geographical location in the Caribbean makes it particularly vulnerable to hurricanes. Production was severely disrupted by hurricanes that struck the island in 1998, 2003, 2004, and 2007 as well as by floods in 2007.

A study conducted by the FAO in 2008 showed that, although the conversion to organic enables small farmers to achieve somewhat better prices (on average 20% higher than conventional banana), this price premium is not sufficient to cover the higher costs of organic banana production (related to field work, certification, control systems, etc.) and that the added value of organic banana is mainly captured by importers and wholesalers. The insufficient price they obtain discourages many of them from maintaining the farm. As a result, they are losing yield and profitability and are increasingly stepping out of the banana trade.

Regarding the labour force, the only major recent study conducted in 2010 by the Dominican Ministry of Labour concluded that 66% of all banana workers were Haitian, varying from 54% in the South to 77% in the Northwest (other studies, including from the industry, show that this figure may well be higher, up to 90% in the border area). It also showed that 86% of field workers and 69% of pack house workers were Haitian, whilst 61% of supervisors (field and pack house) were Dominican.

Employer-worker labour relations are characteristically informal, based on verbal contracts. National statistics from 2010 state that 66% of producers did not register any of their workers with the Labour Ministry. Data from 2010 shows that there are substantial wage differences between Dominican and Haitian employees for all except harvesting and bagging jobs (see below).

<table>
<thead>
<tr>
<th>Job</th>
<th>Dominican wage</th>
<th>Haitian wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field/pack house supervisor</td>
<td>375.20</td>
<td>235.90</td>
</tr>
<tr>
<td>Pack house worker</td>
<td>311.20</td>
<td>243.70</td>
</tr>
<tr>
<td>Main field workers tasks</td>
<td>227.80</td>
<td>229.30</td>
</tr>
<tr>
<td>Other field worker tasks</td>
<td>272.00</td>
<td>198.00</td>
</tr>
<tr>
<td>Average</td>
<td>294.00</td>
<td>228.30</td>
</tr>
</tbody>
</table>

Table 2: Daily wage comparison for national and migrant workers
Source: Ministry of Labour of Dominican Republic, “Inmigrantes Haitianos y Mercado Laboral”, 2010

The case of Haitian migrant workers is very specific to the Dominican Republic. 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. Discrimination is deeply rooted in a long history of tension between the two countries. Despite international campaigns highlighting the conditions of Haitian workers (including forced recruitment and under payment), they are still discriminated against in both law and practice, in particular by the legal requirement stating that at least 80% of any firm’s workforce must be Dominican.

130 Ibid.
131 FAO, Certification in the value chain for fresh fruits: the example of the banana industry, 2008
132 Anonymised interviews with Dominican Producers
133 Ministry of Labour of Dominican Republic, “Inmigrantes Haitianos y Mercado Laboral”, 2010
134 Ibid.
135 Harari, Manual de seguridad, salud y ambiente en la producción bananera, 2005
This situation is further exacerbated by the price pressure on the banana producers of the country as they provide a cheap labour option to lower down the costs.

Only very recently have Dominican trade unions started to take an interest in organising Haitian banana workers, even though nothing in the national legislation prevents migrant workers from joining a union. In 2012, for the first time, banana workers were issued so-called «NM1 » visas, giving them full permission to work and access to the social security system. The problem for many workers, though, is that the process for getting a passport is complicated, costly and time-consuming.

In terms of environmental conditions, there seems to be less agrochemical associated health risks on small farms in conventional production as they have less financial capital to invest in regular chemical application or aerial spraying. However, health and safety risks can be higher in the small producer sector.

Economic issues

In this context, and together with other factors, the downward trend of European banana prices contributes to increasing pressure on small producers and workers in the Dominican Republic.

To analyse further this situation, we have modelled and estimated the value that is left for Dominican banana producers based on the CIF import price in the EU (based on Comtrade and Eurostat data), deducting a conservative estimation of:
- the shipping costs, insurance and freight
- and the margins published by the major importers operating between Dominican Republic and Europe: Chiquita, Fyffes, Dole and Del Monte.

The results for the main destinations of Dominican bananas are provided in the following diagram:

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137 Cf. Banana Link, Banana Trade News Bulletin 50, June 2012: ‘Many Haitian migrant workers do not even have a birth certificate, a basic requirement for getting a passport’.
The above estimations indicate that the French banana market, after being quite remunerative until 2008, is potentially driving strong pressure in Dominican Republic in comparison with the EU average (although the two seem to converge since 2012).

Looking at other major destination of Dominican bananas, the declining trend in prices appear to be taking place in all the main European markets since 2005 (from 14% drop in the UK up to 55% drop in France).

Costs of sustainable production

In this context, the average costs of sustainable production of Dominican Republic bananas estimated by Fairtrade International is as follows:

![Figure 124: Costs of sustainable production of FT and organic certified producer organizations (2009)](source)

Source: BASIC based on Fairtrade International information
At first sight, this estimation shows that the unit value of exports to all European markets are still above the costs of sustainable production of conventional bananas.

However, in order to ensure long term sustainability, the buyers of Dominican bananas have to take into account for their price setting the additional hidden costs which are currently ignored by the market: job losses in rural areas, workers and producers earning less than the living wage/income, tax evasion, and the damage related to emissions of greenhouse gases (which contribute to climate change), chemical use, water pollution and abstraction, air pollution, soil degradation, waste that is not recycled and a loss of biodiversity.
Appendix A: Methodological note

Perimeter and approach

The objective of the banana study is to bring together different strands of evidence (both qualitative and quantitative) to analyze the global value chains of bananas sold in Germany, their evolution since 2000, and the potential impacts on banana farmers and workers in the two main countries supplying the German market: Ecuador and Colombia.

The main areas of research were:
- The banana pricing trends in the German market since 2000
- The value chains of bananas imported in Germany
- The potential impacts of German value chains on farmers and workers in these countries

Limitations

The world banana market has always been heavily globalised, therefore buyers quite easily shift from one origin to another, and from one supplier to another, while keeping consistent quality bananas. In addition, exporters in banana producing countries distribute their sales and risks as much as possible between clients and consumer countries in order to maximize their gains and/or reduce their losses.

In this context, the German market only accounts for 6% to 7% of the world banana trade, and the links between pricing trends in Germany and the incomes of banana farmers and workers are indirect. However, long-term trends in global value chains can be identified and related to localised impacts on farmers and workers in banana exporting countries.

In order to analyse these global value chains, the main limitation addressed in this study is the reliability of price and cost data along the banana chain. In order to reduce uncertainties as much as possible:
- prices have been tracked from retail up to the import stage,
- costs have been estimated from the production stage down to the import stage.

The reliability and transparency of data has been considered too low beyond these boundaries, preventing from analysing prices and costs all along the chain. This is why the concept of unit value has been chosen to investigate the transmission of price pressure in exporting countries, in particular because of the lack of reliability of export statistics (see the section below for further details).

Incoterm\textsuperscript{a} prices and costs along the chain

Prices and costs along the banana chains have been respectively tracked and estimated for the following incoterms stages:

\textsuperscript{a} pre-defined commercial terms published by the International Chamber of Commerce (ICC) that are widely used in International commercial transactions and procurement processes
Unit Value of exported bananas

In order to address the lack of transparency on prices and costs along the chain, the concept of ‘unit value of bananas exported’ was used in this study to investigate the transmission of price pressure down the chain on farmers and workers.

The first reason for this approach is the greater reliability of data on flows of specific products in the databases of UN Comtrade, especially for European countries data. Moreover, the flows of bananas transiting by third countries before entering consumer countries cannot be identified in the data of exporting countries, because the latter can only record the first port of destination of bananas, whereas Eurostat identifies re-exports among European countries. The last reason is the existence of transfer pricing in banana trade, whereby bananas are exported at a FOB price that is much lower than is actually realised, through an offshore subsidiary in a third country before sending it to Germany in order to escape payment of corporation taxes in the export country.

In order to offset these limitations, we have estimated the unit value of bananas exported from Ecuador and Colombia based on the import prices of bananas in Germany, using the following formulae:

\[
\text{Estimated Unit Value of exported bananas} = \frac{\text{CIF Value of imported bananas (Comtrade...)}}{\text{Volume of imported bananas (Comtrade...)}} - \text{Estimated Unit costs between FOB and CIF (shipping, insurance, margins...)}
\]

The unit value of bananas exported represents the money left in Ecuador and Colombia once all costs of insurance, freight and average margins of traders have been deducted from the CIF import price of bananas. Insurance and freights were estimated on the basis of the work conducted by CIRAD (and cross-checked with experts) and gross margins were taken from the annual reports of the main international banana importers (Chiquita-Fyffes, Dole and Del Monte).

Import prices
Banana Import Prices for each country have been calculated dividing the import value by the import volumes both recorded by the UN Comtrade database (used by the World Trade Organisation). The FAO database has not been used for calculating banana import prices because it doesn’t take into account re-exports among European countries (unlike the Eurostat and UN Comtrade databases).

Retail prices

Retail prices of loose bananas in consumer countries have been sourced from CIRAD (International Research Centre on Agriculture for Development) which publishes monthly statistics of retail prices of bananas in its ODEADOM report each year. These retail prices of loose bananas have been cross-checked with the price trend calculated by the German National Office of Statistics (DEStatis). It is one of the key components of the Consumer Price Index and the Retail Price Index, both calculated weekly by this Office (Prices are recorded weekly for a typical selection of products - referred to as the ‘basket of goods’ which includes loose bananas - using a large sample of shops and other outlets. Each week, price collectors record about 200 prices for each good of the basket).

Nominal prices and real prices

Real prices have been calculated by adjusting for inflation the nominal prices at the different stages of the chain (export, import and retail). Inflation rates are based on the Consumer Price Index (CPI) in each country; they have been sourced from:

- Eurostat for Germany, the UK, Italy, the EU (27) and the Euro-zone
- ECLA/CEPAL (Economic Commission for Latin America) for Ecuador and Colombia

Volume units

Volumes of bananas are expressed and measured either in tonnes, kilogrammes or standardized boxes of 40 lbs/18.14 kg (the unit for transactions between fruit companies and their retail customers). Note: Other sizes of banana boxes are in use in producing countries (e.g. 41.5 lbs and 43 lbs in Ecuador). These were converted in standardized 40 lbs boxes for calculation purposes.
# Appendix B: List of acronyms

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<th>Acronym</th>
<th>Description</th>
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<td>CIRAD</td>
<td>International Research Centre on Agriculture for Development</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost Insurance and Freight (incoterms)</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
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<td>FAO</td>
<td>Food and Agriculture Organisation</td>
</tr>
<tr>
<td>FOB</td>
<td>Free on Board (incoterms)</td>
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<tr>
<td>FOT</td>
<td>Free on Truck (incoterms)</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ISO</td>
<td>International Standard Organisation</td>
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<tr>
<td>IUF</td>
<td>International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference for Trade and Development</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Program</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<tr>
<td>USDA</td>
<td>United States Department of Agriculture</td>
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</table>
Appendix C: Questionnaire used for the survey

1. Have you experienced and / or suffered by unfair trade practices from buyers in Europe (importers and supermarkets), for example: order cancellation or last minute changes, quality claims, retrospective deduction, delayed payments, loyalty payment, payments lower than official minimum price, threats of contract termination, compliance with rules/certifications generating high costs ...?

2. Can you detail specific examples of such practices:  
   What form did it take and what was the course of event?  
   What is their frequency? Who is affected? Which are the results/sequences...?

3. What are the impacts / effects of these types of unfair commercial practices on banana producers and workers, in particular on their income, their human and labour rights, their collective organisations (cooperative, trade union)?  
   Were their impacts / effects on the ecological environment?  
   Can you detail specific examples of such impacts...?

4. Do unfair trading practises lead to additional impacts and cause additional costs besides lost income to your business; for example food waste or overproduction?  
   Can you detail specific examples of such impacts...?

5. Which systems or best practices would enable to mitigate / counter these unfair trading practices from European buyers?  
   What do you think of complaint systems or legal actions?  
   What guarantees are necessary to ensure that complaint systems/legal actions are accessible and implemented in practise (e.g. guarantee of anonymity...)?

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