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NEW ZEALAND BANANAS
THE BIG SQUEEZE

New Zealand Bananas: The Big Squeeze

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

This report has been commissioned by Fairtrade Australia & New Zealand to better understand how New Zealand's banana market is impacting the sustainability of global banana production. It is hoped that this report will lead to greater commitment from the banana industry, supermarkets and consumers to protect this valuable commodity and the millions of livelihoods it supports around the world.

Executive summary

Bananas are a major staple as well as an important cash crop in developing countries, providing farmers with a regular income throughout the year.[1] About 15-20% of global banana production is exported, mainly from Latin America and the Philippines, with the rest consumed locally (for example in India and Brazil).[2]

Bananas are also the most eaten fruit in Europe, Northern America, Australia and New Zealand, the latter having one of the highest per capita consumption (amounting to 20 kg per person and per year).

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

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

However, the sourcing of bananas by retailers in New Zealand remains largely unsustainable; there is little commitment to Fairtrade when compared to many European countries and little evidence that retailers' sourcing policies address the issues in banana supply chains. They could do a lot more to address the negative impacts of their sale of conventional bananas.

This report by BASIC is based on public statistics and academic research, and aims to raise the issues linked to the (un)sustainability of banana production and consumption in the New Zealand public debate.

From field to fruit bowl: The value chain for New Zealand's bananas

A market pushing downward pressure on producers and workers

Bananas are the most popular fruit consumed in New Zealand, ahead of citrus fruit and apples. They represent more than 23% of the retail value of fruit sold in the country each year.[5]

Bananas are an essential part of Kiwi's diet, with them consuming more than 90,000 tonnes per year. Kiwi households spend an average of $88 annually on bananas and each New Zealander consumes 20kg a year, or about 2 bananas a week, which is the double of the OECD average consumption.[6]

More than two out of three (67%) shoppers purchase bananas from a mainstream supermarket, by far the most popular channel.[7] The New Zealand supermarket industry is among the most concentrated in the world. The two supermarket leaders, Foodstuffs (which owns New World and PAK'nSAVE supermarkets) and Progressive Enterprises Limited (which owns Countdown supermarkets), respectively hold 55% and 43% of the supermarket retail market in the country.[8]

> "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."
>
> A banana trader interviewed by the European Commission during the review of the Chiquita-Fyffes merger

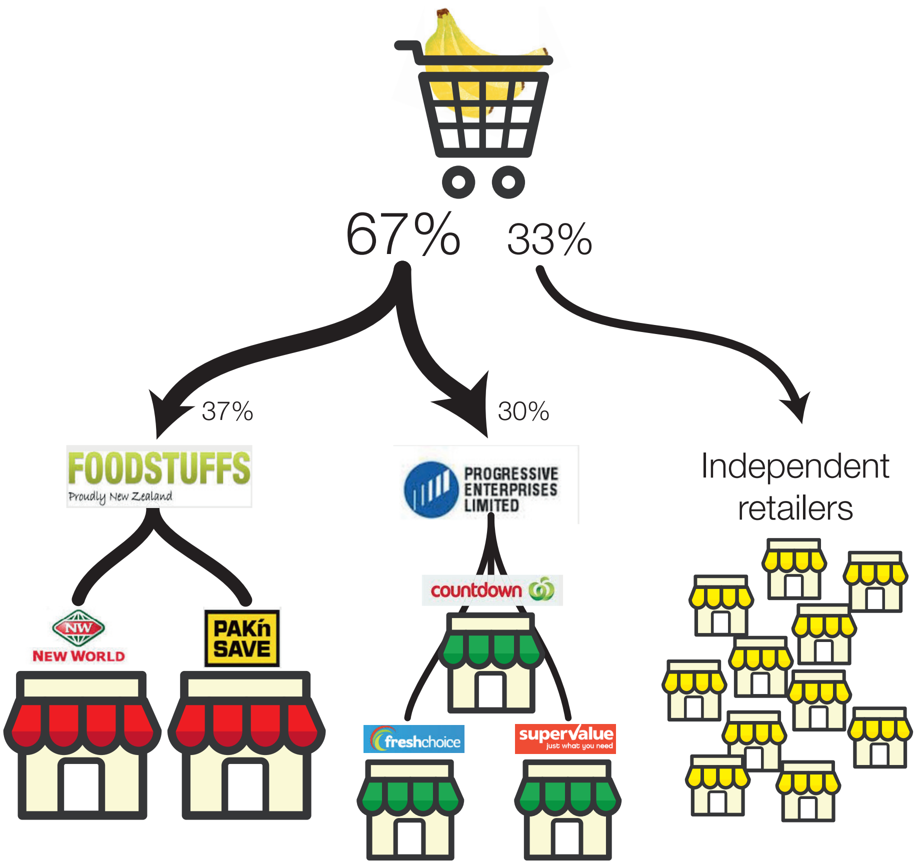

Fig. 1: Global market share of the main supermarkets chains in New Zealand (source: BASIC)

Fig. 2: Banana imports breakdown imported into New Zealand (source BASIC, based on Statistics NZ and UN Comtrade data).

Almost two-thirds of New Zealand's bananas come from Ecuador and one third from the Philippines, the two main banana exporters at the international level. Remaining volumes come from Mexico (less than 2%).

At the beginning of the banana chain there are 2 main ways of production:[9]

- Approximately 40% of world banana production is grown on plantations (of more than 100 hectares) owned by large fruit companies, which also organize the export and import of the fruit in consumer countries.
- The rest are grown by independent producers (mainly on plantations, but also by smallholders, some organized in associations, others selling through intermediaries), then sold either directly to large fruit companies, or through local independent exporters.

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 maintain their influence over 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.[10]

In the early 1990s, Chiquita, Dole and Del Monte sought to take advantage of the opening of the EU market to expand their sales. However, European consumption did not increase as expected following the reforms adopted in 1993.[11] These failed forecasts put these companies in a difficult situation and led them to sell part of the banana farms they owned[12] and leasing back their shipping assets. **This removed the main barrier to entry and enabled more businesses and large producers to establish themselves along the banana chain.**[13]

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, Cameroon…), the remainder volumes of bananas being purchased from independent growers. Fyffes did not own any banana plantations until recently.

The banana supply chain

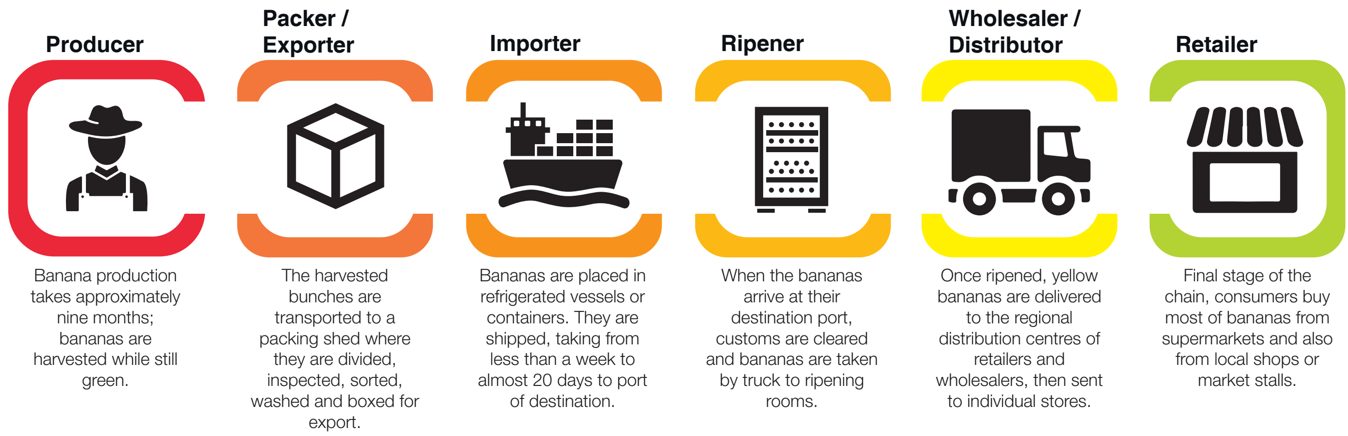

Fig. 3: Global view of the banana supply chain (source: BASIC)

More recently, the availability of a competitive offer of liner shipping services[14], 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[15] have enabled some retailers to buy bananas independently of the historical banana multinationals.

Several large supermarkets, mostly in the UK, have started to build their own more direct supply chains from producers – capturing more of the value.[16]

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**.[17]

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,).

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.[18]

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.

In this context of commercial pressure from retailers, a study conducted in Latin America in 2015 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.[19]

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. In producing countries, contract buyers control the access that small farmers have to packers and exporters, and can use weekly trade uncertainty to push down the price that small farmers can ask for.

Our estimation of the overall value breakdown along the banana chain - from producers to consumers - shows that the majority of the value is captured at the end of the chain; **only 18% of the end price of bananas sold in New Zealand remains on average for banana farmers and workers, compared to 40% for supermarkets.**[20]

In producing countries, small holders are not only bound to earn the remaining value left by leading actors at the other end of the banana chain, they also suffer the consequences of market volatility, with prices varying up to 50% during a single year as in the case of Ecuador.[21]

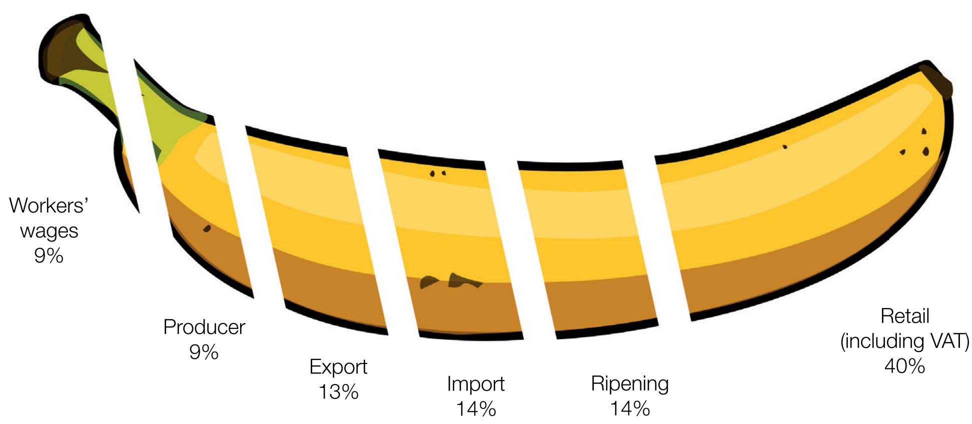

Fig. 4: Average banana value breakdown imported into New Zealand (source BASIC, based on Statistics NZ, UN Comtrade data, FAO data and interviews with sector experts).

Social, environmental and economic impacts for producers of New Zealand's bananas

The hidden costs of conventional banana production and trade

> "The money earned from conventional banana production is not sufficient, because it is below the cost of basic needs; it is not enough to pay for education, health, water and electricity."
>
> Fabiola Ramon, president of the banana association Asoguabo, Ecuador

The New Zealand banana market exerts a significant backward pressure in producing countries, mirroring what happens in the world banana trade.

Although the price of bananas imported in New Zealand has increased by 25% since 2005 (in dollar terms)[22], small farmers and workers have suffered from ever-increasing costs over the past decade:

- Costs of shipping have increased by 211% and costs of fertilizers have risen by more than 126%.[23]
- Living costs for farmers and workers have greatly risen; consumer price indices have increased by 50% in Ecuador and Philippines, the two origins of bananas sold in New Zealand.[24]
- Costs of compliance with quality standards have further increased the burden on producers.[25]

As a result, as shown in the graph below, producers supplying the New Zealand banana market are being caught between pressure on prices from buyers and rising costs of living and production.[26] **The dollar value from each box of bananas sold in New Zealand from Ecuador and the Phillipines has remained relatively flat over the last 10 years, whereas living costs have risen by 75%.**

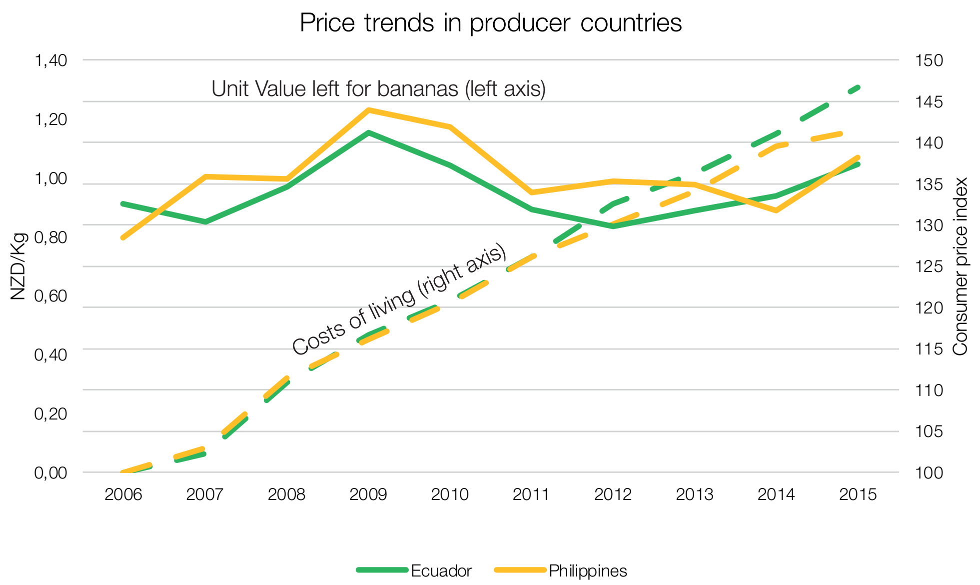

Fig. 5: Evolution of the average unit price of bananas imported in New Zealand 2005-2015 (source: BASIC, based on data from NZ Government statistics department [StatsNZ], UN Comtrade and banana experts on costs of freight and insurance) and of the consumer price index in producing countries 2005-2015 (source: BASIC, based on the data from the World Bank).

The banana export sector is critical for the economies of many countries, especially in Latin America and the Philippines. As the costs of living have risen quickly compared to the limited evolution of import and export prices, very significant impacts can be monitored on the ground which put the sustainability of the sector as a whole at risk in many regions. Recent research has found the largest social costs to be insufficient wages and social security for hired workers and insufficient income for small producers and their families. Together, they amount on average to 33% of the total external costs.[27]

- **Small farmers:**
  Small farmers struggle to compete on costs with plantations and to access the markets; they suffer from their weak bargaining position in many areas, and barely earn enough to live on.[28]

- **Workers:**
  The situation of workers is not any better: their wages in real terms have declined in several producing countries, flexibility in employment and working conditions is increasingly imposed on them - with the explicit aim of reducing labour costs - and labour rights conflicts are frequent.[29]

- **Environmental issues:**
  Finally, despite recent progress in the management of environmental issues, a significant amount of chemicals is still applied and inappropriate practices lead to serious health hazards for farmers and workers, as well as sanitary problems for local communities because of the pollution of local watercourses and aquifers.[30] Recent research has found the largest average environmental costs across all countries are land occupation, climate change and water depletion representing 21%, 10% and 6% of the total external costs of bananas respectively.[31]

Ecuador

is by far the world's largest exporter of bananas. The world market share of bananas originating from Ecuador has expanded from 18% in the 1970s to 35% in 2015. 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 85% of banana producers are small and medium size farms of less than 50 hectares.[32]

Ecuador (65% of supply in New Zealand):
Banana production is relatively small scale in Ecuador: 1/3 of banana producers own less than 5 ha of land (and 85% own less than 50 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 do not earn enough to make their living, younger generations do not take on the land, and workers, who are very weakly unionised, on average do not earn a decent wage.

The production is mainly carried out by national companies, while transnational companies control less than 1% of production. It is estimated that banana production and trade in Ecuador gives direct employment to an estimated 190,000 people.

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 exports.[33] 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).[34]

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 the INCAE Business School.[35] The real price can vary greatly depending on the time of year - from as little as US$ 0.10 up to US$ 0.40 per kilo - compared to the Ecuadorian minimum price of US$ 0.33 per kilo (US$ 6.26 per box of 41.5 lbs), the rest of the value being captured by intermediaries.[36]

Even though the official price is what is shown on invoices, an Oxfam investigation conducted in Ecuador in 2014 found 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.).[37]

In addition, several investigations conducted by Ecuadorian journalists[38] have documented the illegal practices on the ground that enable companies to circumvent the official minimum price system: absence of signed contracts, illegal planting of banana plantations, creation of fictitious/shell companies, proliferation of intermediaries (which are quickly set up and closed down). In this context, the Ecuadorian government is strengthening its controls on the ground and tightening the penalties for breaching of the legal system.[39] However, such corrupt business traditions have proven difficult to remediate.

The main social issue of the Ecuadorian banana sector relates to the employment of rural youth. Industrialised plantations have developed at the expense of small-scale banana growers and employ half the amount of people per hectare.

Ecuador also presents a mixed picture in terms of workers: it is the country where the unionisation rate is among the lowest of all banana exporting countries (less than 1%[40]) because of the near-collapse of the industry in the late 1970s, and the long history of bad industrial relations and corruption.[41] However, it is also the country where the minimum wage has increased the most over the past decade, reaching living wage levels as of 2015.

The situation for workers has been recently analysed more in-depth by a team from INCAE Business School. It conducted a comprehensive survey of the wages and livelihoods of 199 families throughout Ecuador.[42] They concluded that in reality, only a minority of workers' households achieved a living wage in the banana sector, due to the significant level of informal employment and minimal opportunity to earn additional incomes or have multiple jobs.[43]

Reports of ill health among banana producers and workers in Ecuador stem largely from the misuse of pesticides and fungicides on banana plantations. The disease known as Taura Syndrome 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.[44]

There are also significant health risks to 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.[45]

Recent investigations by Doctors for a Healthy Environment have found that Ecuadorian workers on conventional banana farms show significantly more symptoms of dizziness, vomiting, diarrhoea, burning eyes, skin irritation, fatigue, and insomnia: culminating in a 6 to 8-fold increased risk of illness. **The biocides used are classified as probably carcinogenic and further testing of these workers' skin cells revealed significantly high levels carcinogenic cell anomalies and likelihood of cancer.**

The situation is aggravated by the fact that the farmers use only minimal protective clothing. During pesticide application only one-fifth of the farmers regularly used masks and gloves for personal protection - mostly because they are not provided by the employers.[46] Few farms have an 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.[47]

The Philippines

is the world's third largest exporter of bananas, after Ecuador and Costa Rica. In 2014, it exported more than 3 million tonnes of bananas (essentially the Cavendish variety) and made up 98% of the Asian banana trade. Two thirds of the exported volumes were shipped to Japan, China and South Korea.[48]

Banana exports have been significantly reduced in 2015 and 2016 due to natural calamities, in particular the El Niño phenomenon that hit the Mindanao island where bananas for exports are grown. In terms of production volume, banana is the third largest commodity in the country, next only to rice and coconuts. In value terms, bananas represent more than 10% of the country's total agricultural export value.[49]

The banana industry in the Philippines is dominated by multi-national companies that control most of the exports: Lapanday Foods is the leader with a 25% market share, followed by TADECO-Del Monte Fresh Produce (20%), Sumifru (who bought Dole operations), Marsman- Drysdale and Chiquita Unifrutti.[50]

The agrarian reform which was mandated in 1986 paved the way for the emergence of small growers' operations in the areas traditionally planted to bananas, taking advantage of the exporting infrastructure already in place. In 2008, the limits on hectarage for export bananas were lifted, enabling bigger banana plantations to develop (in particular La Frutera which sells its bananas to Chiquita Unifrutti).[51]

The small-scale banana farmers who grow the majority of export bananas in the Philippines do not share in the benefits of the success of this industry.[52] Most of them were former workers in banana plantations. Following the government's agrarian reform program, they were emancipated but have been embroiled in onerous contracts with banana exporters. They saw very little economic improvement: some have been mired in debt for years and in worse cases, some have been driven back to being farm workers – on their own land.[53]

The situation is mostly due to prices that are controlled by large banana trading companies and disadvantageous provisions for farmers, written into agribusiness venture agreements (AVAs). Farmers are most often locked into these contracts for up to 15 to 25 years with complicated and lengthy clauses. The contracts often fix a low buying price for the company and stipulates that farmers have to buy all their inputs (like pesticides) from the company. As a result, banana growers have no control over the price of their produce and no say regarding the type and cost of inputs; they are not informed about quality standards and are banned from growing anything else on their own land to supplement their income.[54]

Philippines (33% of supply in New Zealand):
Bananas in the Philippines is surrounded by a number of issues: agrarian reform, income below the poverty line, labour rights violations, environmental degradation.[55] The practices and price determination remain under the control of a small number of large international fruit companies. Reported cases of labour rights violations (specifically union rights), health problems and pollution have become prominent in the last decade and as recent as last year, pushing multinational companies to address these critical issues.[56]

Such provisions have in effect relegated the farmers back to being workers on their own land, driving them back into a vicious cycle of debt and poverty, contrary to the vision of the country's agrarian reform program. This is also exacerbated by natural calamities, such as typhoon Bopha in 2012, as well as civil unrest in the southern island of Mindanao.[57]

In this context, multi-national companies manage to avoid being responsible for worker welfare (like minimum wage, sickness and vacation leave, social security insurance) by contracting 'middle men' to supply workers and small holder farmers to supply bananas. Under these third-party contacts violations of minimum wages and basic worker welfare are rampant on the farms and amongst producers and workers. The compressed workweek and prolonged contractual employment status bode ill to implementing workers' rights. The situation of workers in these farms also keeps them from forming unions neither are they guaranteed with security of tenure.[58]

The low buying price of banana and other disadvantageous provisions in the agreement imposed on producers by multi-national exporters somehow explain the contract producers' incapacity to comply with basic well-being standards, but are not a justification for non-compliance.[59]

With regard to environmental impact, it appears that biodiversity, soil and waterways have degraded over time. The continued use of chemicals such as Gramoxone (which has been banned in EU) and Furadan (which has been banned in the US) seems to indicate a disregard for environmental hazards. Workers seem not to be fully cognizant of the hazards of chemicals they use or are exposed to whether inside the plants and in the fields. Despite warnings not to enter the plantations after aerial spraying, workers - especially those working in the field - continue to do so. In addition, the replacement of protective gear is not always readily available when needed.[60]

Benefits for small farmers and workers generated by Fairtrade

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

Several independent studies conducted over the past decade have demonstrated the positive impacts of Fairtrade on the ground. The major economic benefits of Fairtrade are to provide producers with a guaranteed minimum price, which is set on the basis of studies of the costs of sustainable production and in consultation with Fairtrade's supply chain partners, as well as a Fairtrade Premium. The Fairtrade Premium is an additional sum that is received by farmer cooperatives/associations and workers' premium committees to democratically invest in housing, health and education, social projects for their community, and farmers' business projects (currently this is $1 USD per box for Ecuador).[61]

The Fairtrade Minimum Price acts as a safety net for producers; independent impact studies conducted in Ecuador, Colombia, the Dominican Republic and the Windward Islands showed that it has had a stabilising effect on producer income, which they critically need given the volatility and low level of the prices they are suffering in the conventional trade (see previous section).[62]

In order to increase their income, the studies showed that small banana growers invested the Fairtrade Premium money into productivity, quality, collective infrastructure and additional certification, achieving better prices on the market and reducing their production costs, hence increasing their disposable income. In plantations, the Fairtrade premium is invested in improving housing, education and health conditions of workers, their families, and more generally the local communities they belong to. In 2014, the total premium earned by Fairtrade banana producers amounted to EUR19 million.[63]

Globally, Fairtrade small producer households have improved their standard of living and reduced their vulnerability to poverty compared to producers outside Fairtrade.[64]

In addition, a new study on the externalities of bananas shows that Fairtrade producers have 48% less social and environmental costs than the average conventional banana operation.[65]

"The Fairtrade market is key for the protective strategy of producers because it offers more stable prices."

Marike de Pena, Chair of the Latin American Fair Trade Producer Network CLAC

A major impact of Fairtrade on the conditions for workers is the significant decrease in the number that are employed on a casual or temporary basis in favour of more secure employment. Furthermore, Fairtrade enables workers to improve their collective representation. Through these and other interventions, Fairtrade has helped sustain employment in the banana sector, and contributed to the generation of new jobs. By improving the income of these small producers and workers, Fairtrade has also stimulated the local economies and communities that surround banana farms.[66]

On the environmental side, the Fairtrade standards promote good agricultural practices via the significant number of environmental requirements to be met by producers (small farmers and plantations). The aim is to foster reduction of carbon emissions, minimisation of water use and waste, modernise waste management and the protection of biodiversity. Fairtrade standards prohibit certain pesticides and any allowed pesticide use must follow best practice guidelines. In addition, the Fairtrade farms often use their Fairtrade Premium to support their transition towards organic production.[67]

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

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

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

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

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

Fig. 6: Main impacts of Fairtrade for banana small farmers and workers demonstrated by independent studies (source: BASIC based on impact study assessments compiled by CIRAD)

Impacts of Fairtrade in the Ecuador

The 2010 impact assessment conducted by the Institute of Development Studies in Ecuador[68] showed that small-scale producers belonging to Fairtrade certified cooperatives/associations managed to sell the majority of their crop on Fairtrade markets and received higher prices on average over time in those markets than they would have achieved on conventional markets. This was especially the case at times of the year when market prices were low (but not necessarily when the price peaked).

Thanks to the Fairtrade certification, the Ecuadorian banana cooperatives/associations appeared to be in a strong financial position, judging by its export success and levels of investment. Over 80% of their farmer-members considered their organisations to be a financially sound and profitable organisation.

In addition, the Fairtrade certified cooperatives/associations used part of the Fairtrade Premium to support their farmer-members with the investments that improved productivity, for example through improvements in irrigation, cabling, pack-houses and drainage, as well as investing in land and trucks. Combined with an improved access to inputs and technical assistance through the cooperative/association and greater access to markets through the Fairtrade system, the majority of small-scale farmers were able to reach a threshold in terms of volumes required to make banana production financially sustainable.

The cooperatives/associations also often supported their farmer-members to make investments in income-generating activities (on the farm and off-farm) and to enhance their ability to save. As a result, most small-scale producers' households who belong to Fairtrade certified cooperatives/associations have improved their standard of living of and reduced their vulnerability to poverty compared to the situation of producers outside Fairtrade.

In the case of Ecuador, surveys of small farmers provided the following results:

- **75 % said their income and wellbeing had improved in recent years;**
- **Over 50 % report improvements in housing and household goods;**
- **75 % reported improvements in health and food;**
- **66 % reported improvements in children's education.**

Regarding workers, the Institute of Development Studies found that both permanent and temporary workers employed by small producers and plantations were generally paid higher daily rates than those employed by non-Fairtrade farms in the region (although not enough yet for workers to save money regularly). These impacts were a direct result of the policies developed by certified cooperatives/associations and plantations.

On Fairtrade certified plantations, the Fairtrade premium has been used to improve worker households' standard of living through investments in housing, health and education (78% of interviewed workers said their health and nutrition had improved either a little or a lot in recent years).

In terms of employment conditions, the first and foremost impact of Fairtrade is that the number of workers employed on a casual or temporary basis is significantly reduced in cooperatives/associations as well as plantations. Having permanent contracts gave workers a form of guarantee that they would receive legislated bonuses, which was often used by workers as an opportunity to make investments in their livelihoods or assets. Permanent workers also received social security, which gave them access to credit and loans.

More generally, Fairtrade has also led to improvements in working conditions in terms of improved health and safety conditions, provision of various forms of paid leave, and greater respect for women's labour rights and needs.

In addition, the study showed that the representation of formerly marginalised groups had substantially improved through the worker organisations set up within Fairtrade banana producers (e.g. migrant workers, temporary workers and women), even though the lack of education, language skills and self confidence remains a critical issue.

In general labour practices encouraged by Fairtrade (such as indefinite contracts and worker organisation) are not seen elsewhere and there are examples where the benefits received by workers on Fairtrade plantations have spilled over to nearby plantations.

Recent impact analysis by Trucost and True Price quantified social and environmental externalities and found that the social costs to Hired Labour and Small Farmers on Fairtrade certified farms in Ecuador to be significantly less than the social costs associated with conventional production, as illustrated in the figure below.[69]

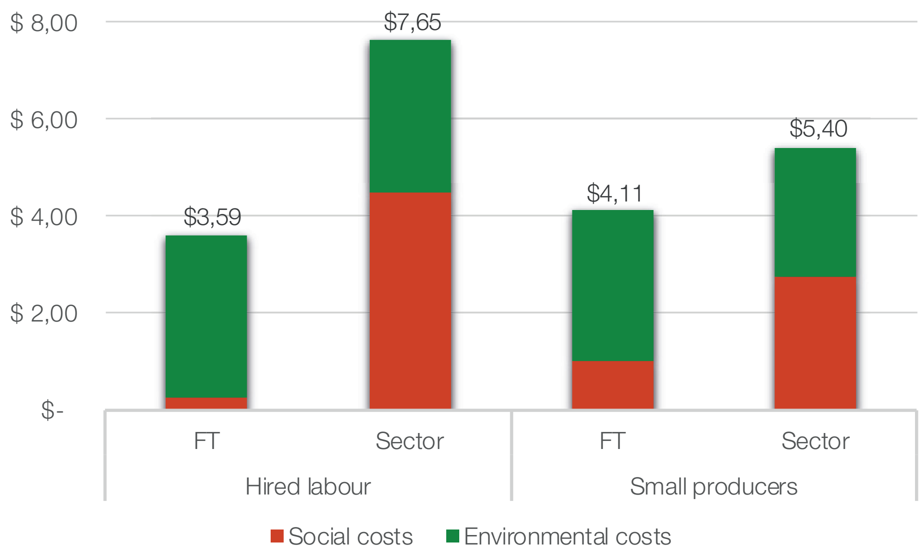

Fig. 7 Social and environmental external costs of Fairtrade and the sector average banana (source: Trucost and True Price, 2017)

Fairtrade has had a very positive impact in Southern Ecuador.

Sales of Fairtrade certified bananas, secured by the Fairtrade Minimum price, has increased small farmers' household income and stability; the investment of the Fairtrade Premium in services and loans for smallholders has facilitated housing improvement, and better access to medicine and education. It has strengthened smallholders' cooperatives in terms of market access, innovation, transparency and justice. It has contributed significantly to the revitalization of the regional economy in the Machala banana zone.

Fairtrade has also had impact on workers by sustaining employment in the region, reducing casual and temporary work and generalizing written contracts. The Fairtrade Premium has been invested in medical and community assistance, and in education and training programmes for producers, workers, their families and community members.

Fairtrade and the New Zealand retail market

Supermarkets remain exposed to unsustainable sourcing

There are a growing number of global reports, including the recent study published by AlphaBeta and commissioned by the Business Commission[70], that show how food and agriculture businesses could grow most significantly in the coming years by pursuing sustainable and inclusive business models aligned with the Sustainable Development Goals (SDGs).[71]

This global trend towards responsible sourcing translates into a growing number of tools and policies developed by supermarket chains. This is illustrated amongst UK supermarkets, including The Co-operative Group, Sainsbury's and Marks and Spencer. Importantly, the sustainable sourcing policies of these supermarkets constitute legal obligations and involve independent ethical audits and trade reviews of supply chains and key supply chain actors to ensure the compliance of their suppliers.[72]

However, New Zealand retailers seem to lag behind. Countdown's (Progressive Enterprises) Ethical Sourcing Policy is mainly focused on a risk management approach without provision for independent evaluation or enforcement of its suppliers.[73] New World and PAK'nSAVE (Foodstuffs) don't appear to have a publicly available ethical sourcing policy.[74] These retailers seem to share a common strong requirement that fresh fruits, especially bananas, have to be Global GAP[75] compliant, a stringent safety norm originally developed by leading European retailers which has become a prerequisite for producers to enter the market in any significant way, including in New Zealand.[76]

Fig. 8: Shares of fairtrade and conventional bananas consumed in New-Zealand (source: BASIC, based on Fairtrade International and Comtrade data).

However, importantly, Global GAP and Fairtrade have very different objectives, which need to be carefully considered when making banana purchasing decisions:

Global GAP is a sector-specific standard defined by retailers with an emphasis on food safety first and foremost. About 31% of global banana exports are Global GAP certified, with the vast majority going to western markets, including New Zealand.[77] For supermarkets, the Global GAP certificate is primarily a reassurance that food reaches accepted levels of safety and quality, with provisions for worker health, safety and welfare, the environment, and animal welfare. Global GAP provides no benchmarks for sustainable or fair pricing or additional premiums to support investments at a farm level.

Fairtrade, on the other hand, is concerned with the reduction of poverty and the empowerment of producers in developing countries. Fairtrade works to help small-scale farmers and workers lift themselves out of unsustainable economic relationships by creating links with importers and consumers that want to foster sustainable development. These and other provisions within the Fairtrade standards ensure that Fairtrade farmers and workers are 48% safer than the industry average, about 31% of which satisfy Global GAP standards.[78] Fairtrade is also unique in ensuring a Fairtrade Minimum Price and Premium that enables farming communities to democratically invest in projects that improve their businesses and community well-being. Importantly, Fairtrade Standards are developed in consultation with supply chain partners, including farmers and workers who own 50% of the international system.

In this context, there is still a lot to be done by retailers in New Zealand, especially when compared with other countries such as Switzerland and the UK (see below).

Fig. 9: Average consumption of Fairtrade certified bananas in key countries in 2015 (source: BASIC, based on Fairtrade International and Comtrade data)

On the up side, research conducted in New Zealand shows that awareness and appetite for Fairtrade is very high: 79% of people surveyed are aware of Fairtrade.[79]

So there's plenty of opportunity to increase Kiwi's demand and consumption of sustainable and Fairtrade certified bananas.

Conclusion and recommendations

The banana trade is emblematic of trade injustice, its conventional models of production and commercialization very often contravening the newly adopted SDGs. Banana small farmers deserve to receive a fair price that covers their costs of sustainable production and earn enough money to make a decent living. Similarly, banana workers should be entitled to earn a living wage, to benefit from decent working conditions and to freedom of association. Bananas also need to be produced in a way that respects the environment and which uses natural resources more carefully.

To make this happen, retailers in New Zealand need to commit to act on these problems and help consumers reconcile their shopping choices with their ethical values.

If retailers in European countries can make a big difference to banana farmers and workers, then Kiwi retailers can too. Being one of the biggest banana eating countries, New Zealand consumers need to show them their desire for a sustainable banana.

To help achieve this we recommend that;

1. Kiwi consumers demonstrate their values through buying more Fairtrade bananas, keeping informed and continuing to demand that retailers ensure their sourcing policies are socially and environmentally sustainable.
2. New Zealand retailers and supermarkets use their growing influence in supply chains in collaboration with importers to build the capacity of their banana producers in Ecuador and the Philippines for social and environmental sustainability through fair pricing.
3. Retailers publicly set and commit to targets that ensure their bananas are sustainably sourced through independent schemes like Fairtrade.
4. Retailers and the New Zealand Government get together to commit to sustainable and fair sourcing and develop enforceable policies and practices (such as the UK's 2015 Modern Slavery Act) that ensure New Zealand is contributing to the SDGs and a sustainable global future.

"We believe in the power of the consumer. He/she votes every day when choosing what to bring back to his/her house. When realizing he/she can use this power, he/she can go further in his/her demands towards the companies he/she buys from."

Luis Martinez Villanova, Board member of the Latin American Producer Network

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