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pour  
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et  
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Organización  
de las  
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Unidas  
para la  
Agricultura  
y la  
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## COMMITTEE ON COMMODITY PROBLEMS

### INTERGOVERNMENTAL GROUP ON BANANAS AND ON TROPICAL FRUITS

#### Third Session

Puerto de la Cruz, Spain, 11-15 December 2003

### ORGANIC AND FAIR TRADE BANANAS AND ENVIRONMENTAL AND SOCIAL CERTIFICATION IN THE BANANA SECTOR

## I. INTRODUCTION

1. This report briefly reviews the main environmental and social issues in banana production and trade and introduces the certification programmes that have arisen in response. It then analyzes the markets for two types of certified products: organic and fair-trade bananas.

## II. ENVIRONMENTAL AND SOCIAL ISSUES IN BANANA PRODUCTION AND TRADE

2. Until constraints on land availability began to limit such plantation expansion, banana cultivation was often undertaken at the expense of forest or other natural vegetation. Intensive production on large plantations, with heavy use of agrochemicals and inadequate disposal of waste such as plastic bags often led to the pollution of land, watercourses and aquifers, and a reduction in biological diversity.

3. Over the past decade these problems have been more systematically recognized and solutions have been sought. Banana areas have stabilized in the main producing countries and are less of a threat to primary forests. Waste disposal has improved considerably over the past ten years. Collection of plastics, composting of organic materials and filtering of wastewater are common practices on an increasing number of plantations.

4. However, the pollution caused by the intensive use of agrochemicals in monoculture production remains a challenge, as changes in input use may directly affect productivity. Banana

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monoculture attracts a wide range of pests and diseases, notably fungal diseases, which are difficult to combat in tropical climate.

5. Even authorized pesticides may cause health problems if the recommended safety measures are not strictly followed. These may include the wearing of facial masks, boots and gloves, or even impermeable clothes. However, such clothes are extremely uncomfortable in the hot and humid conditions of banana cultivation. For this reason, the International Code of Conduct on the Distribution and Use of Pesticides of the FAO states in Article 3: “Pesticides whose handling and application require the use of personal protective equipment that is uncomfortable, expensive or not readily available should be avoided, especially in the case of small-scale users in tropical climates.”<sup>1</sup>

6. In addition, the banana industry has often faced social problems related to the non-respect of labour rights on plantations. In several instances the conventions of the International Labour Organization (ILO) and even national labour laws were not applied, leading to abuses such as child labor, excessive working hours, non-respect of health and safety regulations and absence of provision of medical assurance. Another frequently debated social issue in banana production is the right to freedom of association and collective bargaining, as formulated in ILO conventions No. 87 (1948) and No. 98 (1949). In many cases plantation management resisted independent worker unions while on the other hand, union demands for higher wages and other benefits was often seen as unrealistic in the eyes of plantation management. At times, the relationship between unions and banana companies has been highly contentious.

7. Nevertheless, some progress has been observed in recent years. Under pressure from NGO campaigns, retailer demands and increased consumer awareness of ethical trade in the importing countries, transnational banana companies have taken steps to improve the situation of their work force. Some have sought certification against social standards, as discussed below. In general, relations with trade unions have improved gradually in many countries, although tensions remain in some. For example, Chiquita signed in 2001 an agreement with the IUF (an international federation of trade unions) and Colsiba, the Central American federation of banana worker unions, in the presence of the Director General of the ILO.<sup>2</sup>

### **III. ENVIRONMENTAL AND SOCIAL CERTIFICATION PROGRAMMES IN THE BANANA SECTOR**

#### **A. ORGANIC STANDARDS AND CERTIFICATION**

8. Organic agriculture is a holistic production system which emphasizes the use of agronomic, mechanical and biological methods to enhance the whole farm ecosystem. The use of synthetic fertilizers and pesticides and of genetically engineered organisms is prohibited.

9. There are many private standards for organic farming, such as the Basic Standards of the International Federation of Organic Agriculture Movements (IFOAM). In addition, many countries have developed national organic standards and regulations to prevent fraud and facilitate trade. With a view to harmonizing standards, the FAO/WHO Codex Alimentarius Commission has adopted guidelines for the labeling of organically produced food.

10. Organic standards for plant production typically include criteria for conversion periods; use of organic fertilizers and natural pesticides; seeds and propagation material; soil and water conservation; maintenance of soil fertility through the use and recycling of organic materials; and pest, disease and weed control.

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<sup>1</sup> FAO. 2002 *International Code of Conduct on the Distribution and Use of Pesticides*. Rome

<sup>2</sup> IUF. 2001. *IUF, Colsiba And Chiquita Sign Historic Agreement On Trade Union Rights For Banana Workers*. Available at: [www.iuf.org.uk](http://www.iuf.org.uk)

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11. In addition, the IFOAM traders group has launched a voluntary Code of Practice for Organic Trade in February 2003, promoting for example “transparency and accountability of negotiations” and “equitable distribution of returns”.<sup>3</sup>

### **B. FAIR-TRADE<sup>4</sup>**

12. The fair-trade initiatives seek to provide better market access and better trading conditions to small farmers. This includes a price premium for producers to be invested in social and environmental improvements. For larger production units, an additional aim is to improve the conditions of workers. Fair trade labeling NGOs verify that producers and traders comply with the fair trade standards. They do not take part in the trade relationship in order to guarantee independent monitoring. In 1997, they founded the Fair-trade Labeling Organizations International (FLO). FLO has established a legally-independent certification body, which uses local auditors to monitor compliance with its standards.

13. FLO’s standards for farmer associations and co-operatives set criteria for a democratic participation of all members in the organizations. Its labor standards for plantations and factories deal with freedom of association; wages and accommodation; occupational health and safety; and absence of child or forced labor. Environmental criteria for bananas include the installation of buffer zones and the prohibition of the use of herbicides.

14. Trading standards stipulate that traders have to pay producers the FLO minimum price plus the fair-trade premium, partially pay in advance when producers ask for it, and commit to a long-term trade relation. The FLO member NGOs grant licenses to traders against a fee. Part of the license fees are channeled to FLO to cover the certification costs.

### **C. ISO 14001**

15. The International Organization for Standardization (ISO) is the major standard setting body for voluntary international harmonized industry standards. ISO-14001 was designed to support the implementation of environmental management systems. It requires companies to develop an environmental policy including an implementation and communication plan, define responsibilities, staff training activities, documentation and monitoring. The standard does not set specific performance targets, which means that its actual impact on the environment depends on the targets that are set by the certified company.

16. Certification against ISO-14001 is carried out by either governmental or private certification bodies under their own responsibility. The ISO logo cannot be used in connection with certification or on product labels. However, an indication on the product that the producing firm is ISO 14001 certified would be allowed under the control (and logo) of the certification body.<sup>5</sup>

17. ISO 14001 is rapidly becoming a default certification for plantations. It may be useful to companies in structuring documentation, monitoring their environmental impact, providing environmental management tools and, in some cases, it may help in reducing costs.

### **D. EUREPGAP<sup>6</sup>**

18. EUREPGAP is a private certification system driven by 22 large-scale retail chains in Europe that form the core members of the Euro-Retailer Produce Association (EUREP). The other

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<sup>3</sup> IFOAM. 2003. *IFOAM Code of Conduct for Organic Trade: Guidance Document*. Available at: [www.ifoam.org](http://www.ifoam.org)

<sup>4</sup> FLO. [www.fairtrade.net](http://www.fairtrade.net)

<sup>5</sup> ISO. 1998. *Publicizing your ISO 9000 or ISO 14000 certification*. Geneva. Available at: [www.iso.ch](http://www.iso.ch)

<sup>6</sup> EUREPGAP [www.eurep.org](http://www.eurep.org)

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members are large fresh produce suppliers/producers. Furthermore, there are associate members from the agricultural input and service industries. FoodPLUS GmbH, a commercial company, serves as legal owner of the normative document and hosts the EUREP Secretariat.

19. The declared aim of EurepGap is to increase consumers' confidence in the safety of food. Consequently, the focus is on food safety and traceability, but the standard also includes some environmental (IPM practices) and social (worker health) criteria.

10. There is no product label associated with EurepGap certification and no price premium. The market for EurepGap certified produce consists of the 22 EUREP retailers. Certification will not be a guarantee for being "listed" by those supermarkets, but may become a prerequisite (although no clear deadline has been set by EUREP).

#### **E. SUSTAINABLE AGRICULTURE PROGRAM OF SAN/RAINFOREST ALLIANCE<sup>7</sup>**

21. The Sustainable Agriculture Network (SAN, formerly Conservation Agriculture Network – CAN-) is a coalition of ten conservationist NGOs in the Americas. The Rainforest Alliance, an NGO based in the United States, is the main force behind the Sustainable Agriculture Program and its Costa Rican office is the secretariat of SAN.

22. SAN standards prohibit clearing primary forest and include requirements for soil and water management; conservation and buffer zones; use of agrochemicals; integrated pest management; waste management; and a monitoring system. The certified company should respect all ILO conventions ratified by the country in which they operate. In addition, criteria include requirements communication with workers; wage contracts; no discrimination; no child labor below the age of 14; no forced labor; freedom of expression and the right to organize and bargain collectively; occupational health and safety; working hours; training; adequate housing; and linkages with local communities.

23. SAN's "Better Banana Project" and "ECO-OK" seals are being replaced by a new label "Rainforest Alliance Certified" in 2003. Until now the labels have seldom been used directly on the product. Both Chiquita and ReybanPac have had all their plantations certified against the SAN standard.

#### **F. SA8000<sup>8</sup>**

24. The Social Accountability standard SA8000 is a workplace standard that was developed in 1998 by Social Accountability International (SAI), a New York-based NGO. The SAI Advisory Board includes experts from trade unions, businesses and NGOs.

25. The standard requires compliance with the core ILO conventions. These include prohibition of child or forced labor, enforcement of safe and healthy working environments, rights to freedom of association and to collective bargaining and criteria on working hours, wages, freedom from discrimination and the requirement for a social management system. The standards were approved for use in the agricultural sector in 2000.

26. SAI accredits independent certification bodies to audit production facilities. The individual auditors performing the inspections must be accredited as well. The SAI-SA8000 label is not used on products. Companies that do a substantial amount of sourcing from contracted suppliers can join the Signatory member program, which requires that the company issue a plan for moving company owned and supplier facilities to SA8000 certification over time and report

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<sup>7</sup> Rainforest Alliance. 2002. *Sustainable Agriculture*, available at: [www.rainforest-alliance.org](http://www.rainforest-alliance.org)

<sup>8</sup> [www.sa-intl.org](http://www.sa-intl.org)

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publicly on progress. Dole is a signatory member. So far, 2 banana plantations have been certified SA-8000 (Dole and Chiquita).

#### **IV. THE MARKETS FOR CERTIFIED BANANAS: ORGANIC AND FAIR-TRADE**

27. National agricultural census data and official import statistics normally do not distinguish between certified and non-certified products. Therefore, the figures on organic banana markets presented in this section are estimates. Figures for fair-trade bananas in this paper refer to bananas produced on farms certified by FLO and traded under fair-trade conditions controlled by FLO. Bananas certified under programs other than fair trade and organic are not covered in this section as they are sold on the conventional banana market without any certification label.

##### **A. SUPPLY**

28. World exports of certified organic bananas were estimated at some 140 000 tonnes in 2002, accounting for over 1 percent of total banana trade.

29. The world largest supplier of organic bananas is the Dominican Republic. In 2002, its exports totaled over 60 000 tonnes, exceeding exports of conventional bananas.<sup>9</sup> The second largest producer of organic bananas is Ecuador, where output has grown at high rates. Peru exported nearly 19 000 tonnes in 2002, up from less than 1 000 tonnes in 2000. Other suppliers of organic bananas are Mexico, Colombia, Honduras, Guatemala and the Canary Islands (Spain).

30. The Dominican Republic, the Windward Islands, Ecuador, Colombia, Peru, Costa Rica and Ghana export fair-trade bananas.

##### **B. MARKET SITUATION**

###### *Organic*

31. Table 1 and Figure 1 give an overview of the growth of the organic banana market in recent years. While growth rates have been high compared to conventional bananas, organic imports represent only about 2.5 percent of the total European banana market and just over 1 percent of the North American market.

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<sup>9</sup> This figure is an underestimation of its real potential, as exports from the DR decreased in 2002 for the first time due to a drought that curtailed production at the beginning of the year.

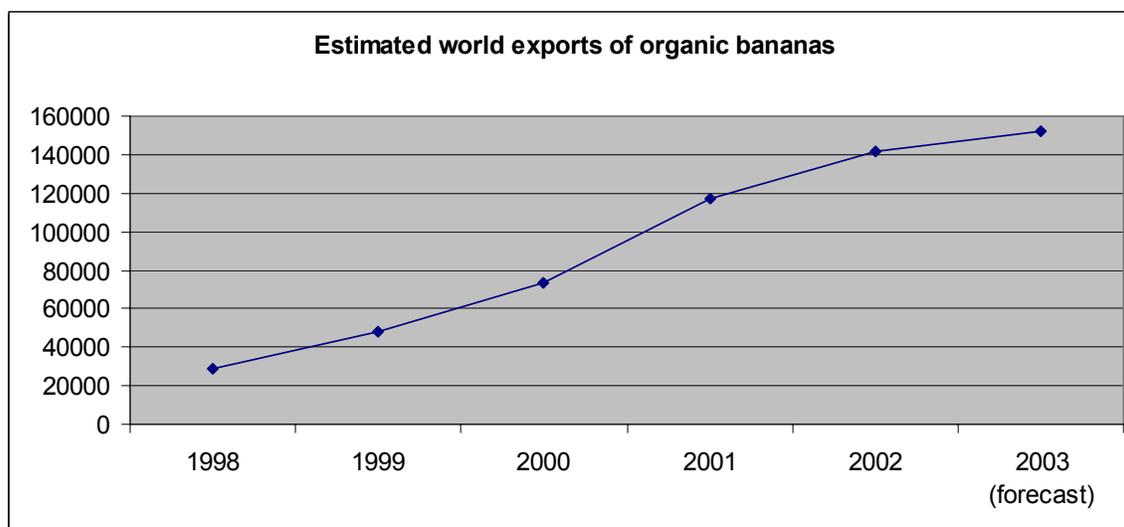
**Table 1: Estimated fresh organic banana imports per year by region/country**

| Region/country      | Imports (000 metric tonnes) <sup>a</sup> |      |      |       |       | Annual growth (%) |       |       |
|---------------------|--|------|------|-------|-------|-------------------|-------|-------|
|                     | 1998                                     | 1999 | 2000 | 2001  | 2002  | 99-00             | 00-01 | 01-02 |
| USA & Canada        | 13 <sup>b</sup>                          | 16   | 22   | 39    | 48    | 37                | 78    | 23    |
| Europe <sup>1</sup> | 13                                       | 27.5 | 45.5 | 73    | 87.6  | 66                | 59    | 13    |
| Japan               | 3  | 4.4  | 5.7  | 5     | 5.4   | 30                | -12   | 7     |
| Other               | -  | -    | -    | 0.5   | 0.5   |                   |       |       |
| Total               | 29                                       | 48   | 73.2 | 117.5 | 141.5 | 53                | 60    | 16    |

<sup>1</sup> EC(15) + Switzerland + Norway

<sup>a</sup> Based on industry estimates, country surveys and official country statistics, unless stated otherwise.

<sup>b</sup> Sauv , E. (1998), the global market for organic bananas, INIBAP, Montpellier, France

**Figure 1: Growth of world exports of organic bananas since 1998**

### *Fair-trade*

32. Fair-trade banana imports started in 1996 and until now Western Europe has remained the main market. Total fair-trade banana imports increased from around 12 500 tonnes in 1997 to about 36 600 tonnes in 2002. From 1998 to 2001 this increase was due partly to their penetration into a larger number of countries in the European Union, and also to a steady increase of fair-trade imports into Switzerland (see Table 2). About 25 percent of fair-trade bananas are estimated to be also certified organic, and this share is increasing.

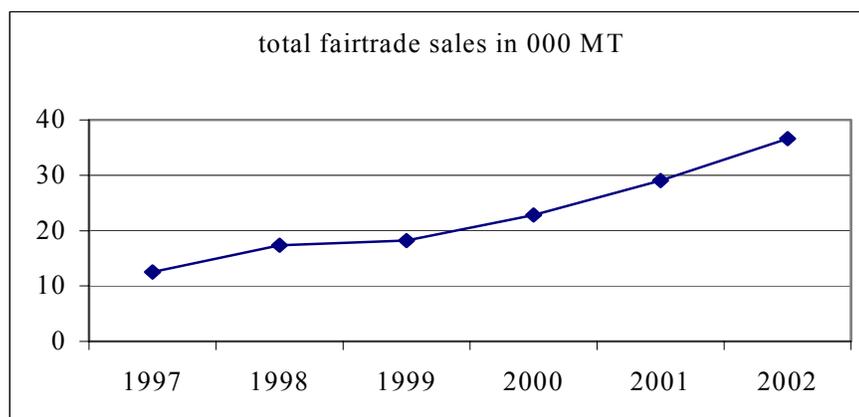
33. In Japan, small quantities (e.g. 2000 tonnes in 1998) of fair-trade “balangon” bananas have been imported from the Philippines since 1989 by Alter Trade Japan, which is not a member of FLO.

**Table 2: Imports of labeled fair-trade bananas into Europe**

| Country      | Imports (metric tonnes) |               |               |               |               | Annual growth (%) |           |
|--------------|-------------------------|---------------|---------------|---------------|---------------|-------------------|-----------|
|              | 1998                    | 1999          | 2000          | 2001          | 2002          | 00-01             | 01-02     |
| Switzerland  | 7 500                   | 10 778        | 11 403        | 13 170        | 15 090        | 15                | 15        |
| UK           | -                       | -             | 5 557         | 9 701         | 11 426        | 75                | 18        |
| Finland      | -                       | -             | -             | 1 707         | 2 833         |                   | 66        |
| Netherlands  | 5 200                   | 4 180         | 3 603         | 2 303         | 1 996         | -36               | -13       |
| Austria      | -                       | -             | -             | -             | 1 775         |                   |           |
| Belgium      | 849                     | 431           | 401           | 925           | 1 314         | 123               | 42        |
| France       | -                       | -             | -             | 82            | 696           |                   | 750       |
| Sweden       | 50                      | 301           | 570           | 568           | 586           | 0                 | 18        |
| Denmark      | 725                     | 847           | 493           | 294           | 365           | -40               | 24        |
| Luxembourg   | -                       | 74            | 179           | 168           | 178           | -6                | 6         |
| Norway       | -                       | -             | -             | 33            | 154           |                   | 367       |
| Germany      | 3 042                   | 1 580         | 617           | 101           | 117           | -84               | 16        |
| Italy*       | -                       | -             | -             | 20            | 82            |                   | 310       |
| <b>Total</b> | <b>17 366</b>           | <b>18 191</b> | <b>22 823</b> | <b>29 065</b> | <b>36 612</b> | <b>27</b>         | <b>26</b> |

Source: FLO

\* actual imports are higher as sales from CTM, the main Italian importer of fair-trade bananas, are not included in FLO's figures

**Figure 2 Growth of fair-trade banana sales since 1997**

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## C. PRICES

### *Organic*

34. Very few data are available on prices for organic bananas. Reported wholesale prices in Italy in 2002 ranged from €2.00 per kg in February to €4.71 per kg in September, while the average price over the period February - November was €3.15 per kg.<sup>10</sup>

35. Traders indicate that FOB and CIF prices in nominal terms have remained stable throughout the years, with CIF prices in Europe at around €17 per box. CIMS reported FOB prices for the first quarter of 2003 of US\$5.4 to US\$8.5 per box, depending on origin, and observed an organic premium of US\$1 per box compared with conventional bananas from the same origin.<sup>11</sup> FOB prices reported from Peru were US\$5.5/box in 2001 to US\$6/box in 2002. Producer prices for organic bananas in Peru were as low as US\$2.3/box in 2002.<sup>12</sup>

36. Some sources state that producer prices cannot decrease below the current level if organic banana production is to be profitable. Production capacity of organic bananas is much higher than what is sold at the moment, especially in Peru. Some producers sell organic bananas on the conventional market at conventional prices.

### *Fair-trade*

37. Fair-trade prices are set on the basis of production costs. FLO estimates the average production costs per country, taking into account “extra” costs as specified during fair-trade certification, such as the “living wage” for workers. The minimum fair-trade price to be paid by licensed traders is the production cost plus a fair-trade premium.

## D. MARKET PROSPECTS

### *Organic*

38. World imports grew less rapidly in 2002 than in 2001, and the deceleration trend is expected to continue in 2003.

39. While the market share of organic bananas in 2002 reached 1.2 percent in North America, the short term potential could range between 2 and 2.5 percent, which is the current share of organic fresh fruits and vegetables in conventional supermarkets. This would translate into volumes of 85-110 000 tonnes for North America in 2005-2006. In the longer term, assuming that a 5 percent share is reached in 2010, imports might total some 230 000 tonnes. This would require a sustained growth rate of some 22 percent per annum, a rate that has been observed for the US organic sector as a whole since 1985.

40. In Europe, the growth of the organic banana market has slowed down, which is not surprising after the dramatic growth in 1999 and 2000. The high growth rates have resulted in a current market share of organic bananas of 2.1 percent, which is in line with other organic fruit. Sales are expected to continue growing at around 15 percent per year, which is equivalent to the rate of other organic fruits during the last years. At this rate, organic and fair trade bananas could reach a combined market share of four percent in Western Europe in 2005, accounting for some 170 000 tonnes.

41. The Japanese market is forecast to expand rapidly as organic producers and traders adapt to the recent Japanese Agricultural Standard (JAS) regulation on organic labeling.

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<sup>10</sup> Osservatorio Nazionale dei Prezzi dei Prodotti Biologici. Prezzi Bio. <http://www.prezzibio.it> Data extracted June 2003

<sup>11</sup> CIMS. 2003. *Sustainable Bananas Market Profile* Issue 1-2003. By L. Garrett. Alajuela, Costa Rica.

<sup>12</sup> Soldeville, personal comm.

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42. Overall, supply is expected to continue to increase rapidly, probably faster than demand, which will put downward pressure on prices. Considerable areas are being converted to organic agriculture, especially in Ecuador and Peru.

#### *Fair-trade*

43. Market prospects for fair-trade bananas are favorable. High growth can be expected in France, where consumer awareness and recognition of the fair-trade mark has increased dramatically during the last two years and two supermarket chains started to sell fair-trade products. Other countries where growth can be expected are Austria, Finland, the United Kingdom and Italy. Conversely, the Dutch market is expected to shrink further and sales in Germany are forecast to remain at current low levels.

44. The introduction of a new EC banana import regime in 2001 did not greatly affect the fair-trade market. Fairtrade organizations are uncertain on whether they will benefit from the transition to a tariff-only import system expected from 2006.

### **E. OUTLOOK AND IMPLICATIONS FOR BANANA PRODUCERS**

#### *Organic*

45. Although supply appears to be sufficient to cover demand, some technical problems remain to be solved. Industry sources report that organic control of Black Sigatoka and crown rot diseases remain major technical constraints for growing and transporting organic bananas. More research on organic control methods for those two diseases is recommended.

46. Strict phytosanitary rules and inspections pose challenges for the organic banana sector, notably in Japan, New Zealand and the United States. The different organic regulations in the main markets (including different standards), and above all different inspection and certification requirements cost time and money to producers and traders.

47. Competitiveness with conventional bananas is likely to improve, as retail price differentials are expected to shrink due to improvements in the efficiency of the marketing chain. With enhanced quality at farm level as experience with organic production improves, fewer fruit losses can be expected, resulting in improved returns to growers.

48. In view of the oversupply situation, the main commercial risk of conversion to organic production is that some producers might not be able to find an outlet and be forced to sell the organic bananas as conventional, despite the higher production costs incurred. Another risk is that farm-gate prices might decrease.

#### *Fair-trade*

49. Production of bananas by existing fair-trade producers currently exceeds market demand. As a result, future demand growth will primarily be met by these producers, making it difficult for other growers to obtain inscription in FLO's register of suppliers. New producer groups seeking inscription have to demonstrate that they will be able to sell in a new fair-trade market, so that they will not compete with existing fair-trade producers.