



Fairtrade Bananas Impact Study

**Dominica, Windward Islands
June 2004**

'Fairtrade is empowering people to manage their own affairs – the development of human capacity that is so vital for the future. With Fairtrade, small farmers have been transformed from marginalised farmers into businessmen.'

Amos Wiltshire, National Fairtrade Co-ordinator for Dominica.

Survival of banana trade is crucial

Bananas are crucial to the economies of Dominica and the other producing countries of the Windward Islands¹. Successive changes to the EU banana regime introduced in 1993 have steadily eroded the protection traditionally given to the islands' producers, resulting in a dramatic decline in the fortunes of the banana export trade. Compounded by global oversupply and low UK retail prices², the islands' market share has been eroded by lower-cost producers resulting in reduced revenues, decreased production and increases in unemployment and related social problems. Further reforms to the EU regime from January 2006 'will put the viability of the industry in serious question' according to an IMF report³.

While it is vital that the islands' governments and industry bodies continue to press the EU to stand by its commitment under the Cotonou Agreement to protect the region's banana growers⁴, Fairtrade has emerged as a means of helping hundreds of disadvantaged farmers protect their livelihoods. 71% of Dominican bananas are now sold to the Fairtrade market, but the figure for the Windwards as a whole is 17%, making it essential to increase UK sales and develop the Fairtrade market for other fresh fruit and juices from the islands.

Rise and decline of the islands' banana industry

The export banana industry has been the mainstay of the Windward Islands' economies since it was developed by the former British colonial power in the early 1950s to supply the UK market and replace unprofitable sugar production.

Windward Islands bananas are produced in a more socially and environmentally friendly manner than Latin American 'dollar bananas'. They are grown on small, hilly, family farms with intensive labour, fair wages and low usage of agro-chemical inputs. Farmers have to contend with a difficult climate – the rainy season, extensive dry periods and hurricanes. This inevitably results in lower

¹ The Windward Islands grouping consists of the Commonwealth of Dominica, Grenada, Saint Lucia, and St. Vincent & the Grenadines.

² The supermarket 'banana war' of the mid 1990s saw prices fall to 43p a kilo. The current situation has seen loose banana prices fall by 30% from 110p a kilo in 2002 to 74p in June 2004.

³ IMF Country Report 03/29 St Vincent and the Grenadines Statistical Appendix February 2003.

⁴ ACP-EU Partnership Agreement signed in Cotonou 23 June 2000, Protocol 5: Article 1: "*The Parties recognise the overwhelming economic importance to the ACP banana suppliers of their exports to the Community market. The Community agrees to examine and where necessary take measures aimed at ensuring the continued viability of their banana export industries and the continuing outlet for their bananas on the Community market.*"

yields and a higher average cost than the vast, fertile and flat plantations of Latin America where chemical usage is much higher, and where workers are paid subsistence wages.

The banana trade provides a direct living for thousands of small-scale producers and accounts for up to 50% of the Windward Islands' total export revenue. But since the introduction of the EU regime their banana exports have fallen from 274,000 tonnes a year in 1992 to 99,000 tonnes today⁵, while their value has shrunk from US\$147m to US\$45m⁶.

At the start of the 1990s, the Windward Islands supplied around two-thirds of the UK's bananas. By 2000, this had fallen to 19%, its market share being gradually whittled away by imports of cheaper Latin American bananas.

The falling market price, combined with increased costs for agricultural inputs such as fertilisers, has hit the islands' banana producers hard and driven many out of the industry altogether - there are now just over 5,000 farmers compared to 27,000 in 1992. High unemployment, youth unrest and poverty are real threats now facing the island communities.

The banana industry is especially critical to the economy of Dominica, where more than 30% of the population lives below the poverty line. Up to 1992, the industry accounted for about 69 per cent of all exports and employed 60 per cent of agricultural workers. Between 1992 and 2003, annual export volumes fell from 58,000 tonnes to 10,000 tonnes, while revenues crashed from US\$32m to US\$5.3m. As a result, the number of banana farmers has dwindled from 11,000 in the 1980s to just 700 in 2003.

International pressures point to an uncertain future

When the EU banana regime was introduced in 1993, the Windward Islands, along with other ACP countries⁷, were given preferential treatment through a system of import licences, quotas and tariffs to ensure their access to traditional European markets. This is in line with the EU's obligations under the Lomé Convention, 1975 and its successor the Cotonou Agreement, 2000.

The US, with Honduras, Guatemala, Ecuador and Mexico lodged a series of complaints with the WTO claiming that the EU regime discriminated against Latin American producers. Following a series of reforms, the EU agreed at WTO talks in 2001 to abolish quotas and adopt a single tariff system by 1 January 2006.

Although ACP producers are expected to remain exempt from the tariff⁸, Caribbean producers are deeply concerned that the tariff rate, which has yet to be set⁹, will be too low to make up for the price difference between Caribbean bananas and the cheaper 'dollar bananas' from Latin American plantations which would then swamp the market.

The challenge will be to set a tariff that can be agreed by non-ACP countries, as required by WTO regulations¹⁰. Many interested parties argue that the fairest solution would be variable tariffs that reflect the circumstances of producing countries – not all ACP producers are high-cost; not all Latin American producers are low-cost.

⁵ 2003: 67,767 tonnes, internal source.

⁶ Caribbean Banana Exporters Association, www.cbea.org.

⁷ The Africa, Caribbean and Pacific (ACP) group of countries, which includes the Windward Islands.

⁸ Caribbean Banana Exporters Association, www.cbea.org.

⁹ 'Insiders expect the EU to raise tariffs from €75 per tonne to €200 per tonne', Edmund Conway, Daily Telegraph, 3 July 2004.

¹⁰ 'The Latin American suppliers have the right to take the issue to arbitration if they are not satisfied with proposed level'. Succeeding in Trade Negotiations, A case study of the role and prospects of the Windward Islands in the Reform of the European Community's banana market and the lessons for future trade negotiations (P.16). Edwin Laurent, May 2004.

During 2004/05, it is vital that the islands' governments and industry bodies, in coalition with the ACP lobby, can persuade the EU to ensure that the tariff level will preserve favourable and preferential access¹¹ - particularly as this will form the basis for the Economic Partnership Agreements (EPAs) which the EU is negotiating with regional blocs from the ACP countries to replace the transitional agreements on trade established by the Cotonou Agreement which expire at the end of 2007.

The Windward Islands have no realistic economic alternative to the banana industry. Given the resources, the islands' dependency on bananas could be reduced by expanding tourism and diversifying into other fresh tropical products such as mangoes and limes. But if bananas are lost, so too will be the shipping service to Europe, wiping out all prospects for diversification along with islands' economic survival.

Tariff update in brief

The EU tariff proposal of €230 a tonne announced at the end of October 2004 has had a mixed response:

Governments within the EU are split, with some wanting €75, others €150, some €230 or higher, while Spain proposes €259.80.

The Association of European Banana Producers wants €295.

Dollar banana companies like Noboa and Chiquita want a maximum of €75.

Latin American producer country governments say €230 is too high but have failed to agree a common position on what tariff level should be set.

ACP countries say €275 is the minimum needed to protect their industries, but some lower-cost African countries say €230 is an acceptable compromise.

Some civil society organisations think maintaining the current EU regime is the lesser evil.

Euroban is calling for a moratorium of 1 or 2 years to give all actors time to design a better alternative.¹²

Fairtrade 'a shining light'

The Windward Islands National Farmers Association (WINFA) began working with Fairtrade in the 1990s. They set up Fairtrade Groups (associations of Fairtrade farmers) on each island and began shipping Fairtrade bananas to the UK in 2000. Fairtrade has seen the beginnings of a revival of faith in the Dominican banana industry with farmers returning to the land and their numbers climbing to 1,000 in 2004.

17% of all Windward Islands bananas are now sold to the Fairtrade market. This means farmers get a higher price for their bananas plus a premium¹³ which they decide democratically to invest in commercial, social or environmental projects. To date, Fairtrade has generated premiums of more than US\$1m for these projects. Tesco's decision in September 2002 to stock Fairtrade bananas and source them all from Dominica was a huge boost - sales have increased sixfold to an average of more than 8,000 boxes¹⁴ a week, 71% of total production¹⁵.

Amos Wiltshire, banana farmer and National Fairtrade Coordinator for Dominica, explains how hard the low prices hit the island: *'When prices dropped farmers lost interest and trust in the industry. The economy went down to zero because bananas are the heartbeat of the country... Everything was going haywire: increasing crime, youth violence, youth delinquency. We even had families torn apart because there was no income, nothing coming in, husband couldn't maintain their families. Thousands of Dominicans all over the small islands were doing next to nothing.'*

¹¹ Support the campaign at www.supportcaribbeanbananas.org.uk.

¹² Summary of companies' and governments' positions in WTO negotiations, Euroban January 2005.

¹³ The Fairtrade minimum price is US\$5.75 per 18.14kg box. Fair Trade Groups receive an additional premium of US\$1.75 per box.

¹⁴ 145 tonnes by volume; one box = 18.14 kg.

¹⁵ Total production in Dominica varies between 13,000 – 18,000 boxes a week; Fairtrade orders vary between 9,000 – 14,000 boxes a week. Source: Windwards Bananas.

There was a real exodus from the country because things were so bad. It was a total downturn in the industry, total collapse. Prices were too low, it was forcing farmers out. Depots were closed. No-one was bringing in fertilisers. Even the remaining farmers couldn't survive'.

But Amos wasn't about to take it lying down. He had helped set up WINFA to fight the farmers' corner back in 1982 and 10 years later he knew the situation was becoming desperate. They didn't have the resources or finances for diversification so bananas were the only game in town. Amos saw the potential of Fairtrade and was instrumental in laying the foundations and setting up the Fairtrade Groups. He is enthusiastic at the way things are working out.

'When Fairtrade started, the farmers started gaining interest,' says Amos. 'They took out loans and started to invest again. But they had hoped to sell more so we do need to increase the market. It has made a huge difference to the families, the farmers concerned and to the economy as a whole. There are now 1,000 farmers growing bananas of which 730 are Fairtrade members. Now we have overproduction for Fairtrade, we can produce up to 18,000 boxes, so we sell the rest to the region and to WIBDECO¹⁶ as conventional bananas.'

'Fairtrade is a shining light pointing us to one response to free trade if we are to survive at all in the export of agriculture. In fact, Fairtrade has been the saviour of the farmers in Dominica – of agriculture and the whole economy. Since we started selling Fairtrade to Tesco, we have moved by leaps and bounds.'

Amos hasn't used chemicals for years because he was getting skin rashes, so he is optimistic that implementing Fairtrade environmental standards will benefit the island. *'We all know about the negative impact of agrochemicals,'* he says. *'For example, in the islands we used to have a coral reef right across the region. But the reef gradually disappeared because of the chemicals from the bananas flowing into the sea. Only now is it beginning to recover. Moreover, our freshwater fish stocks have declined dramatically – some species have disappeared because of over-fishing but also because of the chemicals from bananas running into the rivers.'*

Fairtrade benefits are tangible

Fairtrade sales have generated total premiums of almost \$500,000 for the Dominica Fairtrade Group since 2000 and have been invested in a number of projects:

Schools

- Purchase of school furniture means children can attend classes all day rather than just in the morning or afternoon
- Purchase of a photocopier and four computers for primary schools
- Construction of a pre-school building in the community so children no longer have to walk four miles to school.

Community

- Installation, for the first time, of nine street lights in Castle Bruce
- EC\$25,000 for construction of a community centre in Castle Bruce for meetings and social gatherings

¹⁶ WIBDECO, the Windward Islands Banana Development & Export Company is jointly owned by the banana growers and the governments of Dominica, Grenada, St Lucia and St Vincent and the Grenadines. WIBDECO undertakes the transport and marketing of bananas from the Windward Islands to the UK.

- Street gangs, guns and drugs were on the increase in Castle Bruce. A lawn mower was purchased to maintain an overgrown sports ground where football, rounders and cricket leagues now flourish. The gangs have split up and a similar scheme is planned in Bells
- Construction of a bus shelter painted in Fairtrade colours at Calibishie. People can now shelter from the rain or sun while waiting for the bus.

Farmers' projects

- EC\$96,000 has been used to help farmers meet EUREPGAP standards – upgrading packing sheds, building pit toilets and hand washing facilities and employing two field officers
- Renovation of 12 farm access roads with labour supplied by the farmers
- Renovation of a former banana distribution centre to accommodate the Dominica Fairtrade Group
- Purchase of 40 weed trimmers to reduce or replace use of chemical herbicides
- Measures to control banana diseases and purchase of six mist blowers to control leaf spot disease
- Financial support to help farmers meet Fairtrade standards e.g. on the environment
- Fertiliser credit scheme to help maintain quality requirements
- Participation in various conferences e.g. the National Pesticide Board and representation of the farmers on the Bureau of Standards.

Organisation is the Key

Today, Fairtrade is not only making a huge difference to hundreds of farmers, it is benefiting whole communities as well as the island economies and is increasingly being accepted by the industry as a crucial part of its survival strategy.

Farmers who join a Fairtrade Group have to make a commitment to attend regular meetings to discuss farming issues, Fairtrade standards and how to use the social premium. Members are elected to represent the group at national and regional committee meetings, while delegates from WINFA Fairtrade Unit attend Fairtrade international producer assemblies to contribute to the development of Fairtrade policies and strategies.

This process of participation has had a number of positive consequences in Dominica that have been observed by Colin Borton of Windwards Bananas, WIBDECO's marketing company.

He comments: *'There is an enhanced sense of participation in the banana industry, an increased social awareness within communities both by farmers and, as a knock on effect, by the community as a whole. Health and safety issues have been highlighted and environmental issues have been brought to the fore and been taken up by the community as a whole.'*

'Fairtrade has encouraged growers to discuss, consider and improve their farming practices. This is well borne out by the quality of the product being produced, which is consistently the best the Windward Islands have ever produced, and has resulted in a greater awareness and understanding of the banana industry as a whole.'

'Fairtrade has rekindled hope and confidence in the banana industry in Dominica, which was in serious decline. There is now an unmistakable pride by the farmers in their work, a concept seriously lacking in banana farmers before the introduction of Fairtrade.'

As Amos Wiltshire put it: *'Fairtrade is about much more than just another packing case...it's not just that we want a healthy banana, it's that we also want a healthy banana farmer'*.

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