



Food and Agriculture
Organization of the
United Nations

World Banana Forum (WBF)

Regional Commission of Latin American and Caribbean Producers

Working together for sustainable banana production and trade

WEBINAR

Requirements and Responsibilities of Producers, Distributors and Certifiers with Respect to Shared Responsibility and Due Diligence

The Road Towards a New Business Model and Contract

Report of the Regional Commission of Latin American and Caribbean Producers of the WBF

Monday, 18 July 2022

Moderator:

- **Victor Prada**, World Banana Forum (WBF) Secretariat, Food and Agriculture Organization of the United Nations (FAO)

Panellists:

- **José Antonio Hidalgo**, Executive Director, Ecuadorian Banana Exporters Association (AEBE)
- **Emerson Aguirre**, President, Association of Banana Growers of Colombia (AUGURA)
- **Mariano Jiménez**, Legal and Corporate Affairs Manager, National Banana Corporation of Costa Rica (CORBANA)
- **Julio Mérida**, Executive Director, Association of Independent Banana Growers of Guatemala (APIB)
- **Stephan Jermendy**, Manager Corporate Responsibility International, ALDI SÜD
- **Leonie Haakshorst**, Fruits and Vegetables Sector Lead, Rainforest Alliance
- **Marike de Peña**, Chair, Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC)

1. Welcome by the WBF Secretariat

On behalf of the World Banana Forum (WBF) Secretariat, hosted by the Food and Agriculture Organization of the United Nations (FAO), **Mr Victor Prada** welcomed participants to the first webinar of the Regional Commission of Latin American and Caribbean (LAC) Producers, recently established under the framework of the WBF. This new regional commission hopes to not only enable discussions on specific issues faced by banana producers in the region, but also to provide a model for the creation of future regional commissions.

By bringing together key actors at the upstream end of the banana supply chain in Latin America and the Caribbean, the Regional Commission of LAC Producers hopes to support moves towards a new business model, taking into account the increased importance of shared responsibility. This importance is amplified by forthcoming due diligence legislations in the European Union, which will have direct repercussions on the operations of banana producers in the LAC region. This webinar therefore aimed to identify and address the particular problems and sensibilities of the sector through interventions by various speakers, as regional and global stakeholders begin taking steps towards resolving these issues.

The proposal for a European Commission directive on corporate sustainability due diligence concerns not only the issue of living wages, but also other social and environmental threats to supply chain sustainability, such as child labour and carbon emissions. Compounded by recent global events, such as the war in Ukraine, the COVID-19 pandemic, transportation complications, inflation, and Fusarium wilt TR4, banana producers in the LAC region are under growing pressure. By coming together and committing to cooperation and dialogue, they can better formulate strategies to persevere through these hard times and increase the sustainability of their operations.

However, addressing these challenges has costs. Actors throughout the supply chain must understand the need for shared responsibility to adequately cover these costs, as well as the need for honest and respectful communication and cooperation.

2. Panel of LAC Regional Producers Representatives

Mr José Antonio Hidalgo (AEBE) began the discussions on behalf of LAC producers by summarizing the current challenges faced by banana producers in Latin America, particularly as a result of the forthcoming European Union due diligence legislation and the Farm to Fork Strategy. He further highlighted the recent initiative of the World Coalition of Fresh Produce to emphasize the important role of fruits and vegetables in both long-term environmental sustainability and in public health.

In March 2022, producers met in Brussels to promote the concept of shared responsibility. The price of the banana, according to Mr Hidalgo, is critical to the implementation of sustainability initiatives and the ability of producers to confront the exogenous shocks facing the industry. Achieving a sustainable price for the banana will, however, continue to remain a challenge so long as the tendency of retailers to drive a 'race to the bottom' continues. The stagnation and decline of banana prices has been coupled with increasing demands for certifications for producers, whose requirements cost further resources to



implement. While most profits garner at the downstream end of the supply chain, higher costs continue to accumulate at the upstream end, specifically for producers. Mr Hidalgo noted that small-scale producers suffer the most from these higher costs. Shared responsibility is therefore necessary for the stability of the entire banana supply chain, as one segment cannot bear the burden of increased costs all on its own.

Mr Emerson Aguirre (AUGURA) began with a statement on the importance of workers' rights to just and favorable work conditions. However, though most of the banana plantations in Colombia are certified and approximately 98% of workers in the sector are unionized, German and European Union due diligence legislations will raise the standards even higher, increasing costs for producers without providing an avenue towards funding these costs. He stressed that this is not possible with the resources currently available, as the price of bananas has been stagnant for two decades. A sustainable banana price must be reached if industry stakeholders hope to achieve long-term sustainability and stability.

Mr Mariano Jiménez (CORBANA) followed with a review of current due diligence legislations and norms, including the European Commission directive but also current legislations in Germany, Norway, and others. In order to cope with stricter legislations and greater costs, such as for transportation, small producers are compelled to consolidate themselves. He asserted that Costa Rican producers are uniquely positioned to implement due diligence legislations, thanks to a history of investment in social institutions. However, the principle conceptual issue with due diligence legislations is that their norms are constructed in a way that, in practice, puts all the weight of the legislation on the 'weak link' of the supply chain—in the case of the banana industry, the producers. While other fruit prices have increased as much as 300% since the 1980's, banana prices have instead decreased. The ramifications of cheap bananas for the global banana industry means structural instability, as the very survival of some producers is at stake. This problem is compounded by growing legislative and certification demands for producers, such as the push for fair and living wages.

Continuing the central argument made by the previous producer representatives, **Mr Julio Mérida (APIB)** highlighted the role of banana prices for the sustainability of the industry. The responsibilities of due diligence legislations and the necessity to uphold human rights in general, falls not only on producers but also on the entire supply chain, including the consumer. He stated that the approach taken by Fairtrade to resolve this problem, through identifying a just banana price, is ideal for moving forward with shared responsibility. There is the historic opportunity now, amidst all of the threats to the supply chain—such as Fusarium wilt TR4, inflation, the war in Ukraine, and COVID-19—for producers to marshal their strength and achieve concrete results that enable them to be both competitive and sustainable in the long term.

3. Questions and discussions

Mr Prada (FAO) opened the questions and discussions session by brainstorming ideas such as the need for a proper methodology for measuring a price for the banana box that takes into account the costs of sustainable production. He pointed out that, though there are many variables to keep in mind, there is theoretically a finite amount that need to be measured. Thus, it should be feasible to develop a methodologically sound way of measuring a fair price for banana boxes. He also noted that the intense competition between retailers drives down the price of bananas, sometimes to the point where retailers



may even lose money on their sales. Meanwhile, more and more governments are pushing for living wages, while the practical criteria for such or the means of achieving it remains unclear.

Mr Aguirre (AUGURA) then stated that the key to setting a sustainable price for the banana box is to keep the same speed or 'rhythm' as the increases in costs of production. This means that the price of the banana on the global market must change on a timely basis in line with the change in the costs of production. These costs must also include those incurred as a result of certification requirements. The key question to be discussed, then, is how to identify and match this 'rhythm'.

Mr Hidalgo (AEBE) followed by highlighting the issue of transparency and the pressure received by producers in this respect. If producers are expected to be transparent, then the retailers must also be clear and transparent. There should be no mystery regarding what costs and factors are taken into account. Transparency should extend all the way up the supply chain to retailers as well, who should also be subject to, *inter alia*, certifications and standards.

The floor was then passed to **Ms Marike de Peña (CLAC)** who accentuated the important role of a proper methodology for determining prices. Constructing globally recognized standards with clear and accurate methodology is not that complex and is certainly achievable, she stated. There are already organizations such as Fairtrade with years of experience in precisely this field of work. The one-sided demands of transparency in the upstream end of the supply chain are not enough. There are two inseparable efforts that must be supported: building transparency and constructing mechanisms that cover the costs identified.

In agreement, **Mr Hidalgo (AEBE)** asserted that the necessary mechanisms and methodology already exist through Fairtrade, and that they are already clear and widespread. The goal now is to clarify who pays these extra costs. **Mr Jiménez (CORBANA)** added that not all banana plantations or producers export only to Europe; many producers sell to many different markets, yet only one market is demanding living wages. It would be difficult to have an entire plantation complying with due diligence legislations if the shared costs only apply to the share of bananas exported to Europe. Structural issues like this, or with subsidies and other forms of market barriers, make it very difficult for producers to adequately boost their sustainability and compliance. A viable solution that could alleviate this pressure is the normalization of medium and long-term contracts between producers and retailers, rather than relying on the spot market. By not trusting producers with such contracts, while continually competing to drive down prices, retailers do not portray themselves as reliable business partners. **Mr Aguirre (AUGURA)** added that the price of the banana must be raised before extensive demands can be made regarding sustainability. Since higher prices for the banana box are necessary to enable compliance with due diligence legislations, agreeing to higher prices cannot be conditional on producers already being compliant. Thus, fair prices in long-term contracts is the first step towards sustainability. **Mr Mérida (APIB)** closed the discussion by contending that the consumer must be involved in the price-setting process to some degree, in that the consumer must be educated on the true cost of buying cheap bananas—unsustainability. It is important that this be communicated adequately.

4. Panel of Retailer and Certification Scheme Representatives

Mr Stephan Jermendy (ALDI SÜD) opened the next section of the webinar by acknowledging that transparency is of prime importance going forward with due diligence. Data on costs of production is particularly key in guaranteeing that the extra money from higher banana box prices reaches producers without being diluted as it descends down the supply chain. Costs data would need to be regularly updated, at least every half year for instance. Two-way communication is also important between producers and retailers, and Mr Jermendy expressed hope that his presence at this webinar reinforces this relationship.

Ms Leonie Haakshorst (Rainforest Alliance) then pointed out that due diligence on environmental and human rights risks is the responsibility of the entire supply chain. Rainforest Alliance advocates for mandatory due diligence legislation for a number of reasons: it sends an important signal to companies and producing country governments, helps create a level playing field for all companies, builds a culture of accountability and continuous improvement, and provides momentum for sector-wide collaboration and debate. The OECD Due Diligence Guidance for Responsible Business Conduct apply to the whole supply chain as well. The new Rainforest Alliance Certification places more emphasis on shared responsibility, encouraging all actors in the supply chain to invest in sustainable agriculture. Rainforest Alliance does this through its six-step process on due diligence, which is made up of: mapping supply chains, assessing risks, mitigating risks through engagement with suppliers, monitoring supply chains and investing in prevention, remediation when cases are found, and reporting/disclosing/communicating on due diligence.

Ms de Peña (CLAC) proceeded to acknowledge that Fairtrade is not simply a certification scheme, but a system of producers. Social, economic, and environmental threats to the industry's sustainability can be overcome by pooling resources, knowledge, and effort. With regards to the methodology of banana prices, she reiterated that Fairtrade has years of experience and has already developed a way to calculate such fair prices. These prices take into account the country of origin, the size of the plantations, and the environmental practices of the product. There is no need to 'reinvent the wheel' with respect to a proper methodology. Having a methodology alone, however, does not cause change. The price of producers' products must reflect the true cost of implementing sustainable practices so as to share the responsibility of these costs along the entire supply chain, involving to some degree the governments of the producing countries. To succeed in implementing the concept of shared responsibility, buyers need to be held to certain standards just as producers are and governments must enforce due diligence legislations with penalties for those who do not comply. To conclude, an important point was made that the problems caused over the last centuries in the industry cannot be resolved overnight, and that a substantial long-term process is needed to achieve meaningful change.

Subsequently, **Ms Haakshorst (Rainforest Alliance)** continued that Rainforest Alliance is not moving in the direction of mandatory long-term contracts, but that the certification scheme does check whether actors are complying with long-term contracts agreed on their own accord. **Mr Jermendy (ALDI SÜD)** noted that long-term contracts are challenged by the natural fluctuations of the market, which could at times hurt either producers or retailers, as well as the difficulty in codifying the requirements for these contracts into law. Progress is most achievable if steps are taken one at a time, such as retailers not demanding full transparency immediately. Over time, more cost factors will be observable until full



transparency is eventually achieved. **Ms Haakshorst (Rainforest Alliance)** then pointed out that Rainforest Alliance already has a mechanism linking transparency to prices. This transparency, she notes, does include traceability but does not mean that producers have to open all of their books to scrutiny, as this would not be just. Price alone does not determine where retailers source their products from — quality and the relationship with producers are also important factors.

5. Conclusions and final remarks

In conclusion, **Mr Prada (FAO)** expressed his belief that the forthcoming due diligence legislations are an opportunity for true progress towards sustainability in the global banana industry. Problems remain, however, such as the fact that higher prices for bananas —to cover the costs of sustainable practices— inherently reduces the competitiveness of both retailers and producers on the international market. **The role of legislation, therefore, is of paramount importance as the spot market could indeed be detrimental to producers in the market.**

The Secretariat of the FAO World Banana Forum will host the LAC Regional Commission of Producers to facilitate dialogue between all constituent groups, addressing all of the challenges facing the industry regarding the three pillars of environmental, economic and social sustainability. It agreed to facilitate the agenda of activities with the coordinators of the Commission. The main objective of the Regional Commission is to identify national and regional priorities, facilitating a structured dialogue between the various actors of the supply chain represented in the World Banana Forum.

Among its objectives are:

- Identify and bring together the key players in the banana industry of the LAC region;
- Establish strategic dialogue formats with stakeholder groups in producing countries (perhaps similar to the "cocoa talks" format);
- Prioritize key regional issues for alignment, positioning and dialogue;
- Discuss priorities, joint positioning and activities to promote the key issues identified (such as support for joint studies);
- Explore the feasibility of various approaches for joint action towards sector-specific sustainability issues
- Engage with buyers and consumers from banana importing countries so as to raise awareness of the main sustainability issues facing the industry.

The initial themes to begin activities shall be:

- Shared responsibility
- Distribution of value along global banana supply chains, especially transparency in cost structures
- Responsible purchasing practices
- MRL (Maximum Residue Limit) and EU trade restrictions
- Living wages
- Wage matrix
- Decent work and Human Rights / Informality. Occupational Health and Safety

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- European Corporate Responsibility and Due Diligence Legislation
 - Bilateral institutional arrangements between importing and exporting governments to facilitate due diligence
 - Activities against Fusarium Wilt Tropical Race 4 and coordination of regional agreements for its containment
 - Child labor
 - Gender equality
 - Climate adaptation, mitigation and biodiversity downstream in the supply chain
 - Consumer communication and awareness
 - Other relevant topics

Among the undertakings that will mark the beginning of activities, research will be conducted regarding the feasibility of using an adequate methodology to measure the banana box price, taking into account the costs of sustainable production and support in the preparation of events for Fruit Attraction 2022.

Mr Prada then thanked all of the participants, attendees, and staff that supported the creation of this webinar and expressed his hope that more valuable meetings similar to this will be held in the future.

CONTACT

To discover the benefits of becoming a member of the World Banana Forum and to take an active role towards a sustainable banana sector, please visit:

www.fao.org/world-banana-forum

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