

**STUDY ON FRUIT AND VEGETABLE INDUSTRY AND RESPONSIBLE  
BUSINESS CONDUCTS AND CORPORATE SOCIAL  
RESPONSIBILITY TOWARD SOCIAL AND ECONOMIC UPGRADING:  
THE CAVENDISH BANANA INDUSTRY IN DAVAO REGION**

**By**

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## **ABSTRACT**

The study documented the responsible business conducts (RBCs) of selected enterprises in the Cavendish banana industry in Davao Region adapting the supply chain analysis as the conceptual framework. Three banana growers and one processor of banana rejects are the subject of the case studies. The three growers have varied classification as a business entity, one multi-national company (MNE), one big locally owned enterprise and the third is an agrarian reform cooperative (ARC). The main business of the fourth case (family owned enterprise) is focused on processing banana chips from the rejected produce of banana growers.

The study recorded the RBCs being practiced by these enterprises and probe whether the practices have trickled down to the bottom line of the organization. Both labor and management agreed to resolve the concerns regarding the Agri-business Venture Arrangement (AVA) under the Comprehensive Agrarian Reform Program (CARP) and succeeded to craft new forms of contracts without turning into leasehold arrangements. A salient provision in the new contract has resolved the problem on pricing policy which allow renegotiation in accordance with the existing rate in the global market.

In the case of the banana chips factory, two main achievements were recorded, saving the rejects while generating employment opportunities for the local folks. The company also ventured into processing the production wastage into fertilizer to be distributed back to the growers to encourage less application of chemical pesticides.

At the industry level, a new form of tripartite arrangement was developed, called Tripartite Plus. Key players were expanded to include ARCs, banana companies (MNEs, small-medium to big enterprises), social development enterprises and other not for profit organizations. The Tripartite Plus have crafted a Voluntary Code of Conduct on Decent Work for the observance of all members where most of the provisions promote decent work and safeguard the interest of the players at the bottom line. Though some RBCs are traditional in nature with some dole-outs, at the minimum provided additional resources for the beneficiaries. The Tripartite Plus Voluntary Code of Conduct remained not fully implemented and monitored; however the initiative is worth noting for it was the first to be recorded. But most of all, through RBCs, major bottlenecks and challenges were addressed – saving AVA, developing sound relationships among and between the key players in the labor relations system, providing higher income and benefits to the workers, thus contributing to the social and economic upgrading of the all the stakeholders.

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## **List of Acronyms**

ACIAR	Australian Centre for International Agricultural Research
ARB	Agrarian Reform Beneficiary
ARC	Agrarian Reform Cooperative
AVA	Agri-Venture Arrangement
CARL	Comprehensive Agrarian Reform Law
CARP	Comprehensive Agrarian Reform Program
CARPER	Comprehensive Agrarian Program Extension with Reforms
CB	Collective Bargaining
CBA	Collective Bargaining Agreement
CDA	Cooperative Development Authority
CG	Collaborative Governance
CGA	Collective Growership Agreement
CRS	Catholic Relief Services
CSR	Corporate Social Responsibility
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DILG	Department of Interior and Local Government
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DTI	Department of Trade and Industry
ECOP	Employers Confederation of the Philippines
FarmCoop	Foundation for Agrarian Reform Cooperatives in Mindanao
HVCDP	High Value Crops Development Program
ILC	International Labour Conference
ILO	International Labour Organization
ISO	International Organization for Standardization
LMC	Labor Management Council
PIDS	Philippine Institute for Development Studies
PBSP	Philippine Business for Social Progress

OECD	Organization for Economic Cooperation and Development
TADECO	Tagum Agricultural Development Company, Inc.
TIPC	Tripartite Industrial Peace Council
SCM	Supply Chain Management

## **Introduction**

The business world is now encountering challenges brought about by the fast-changing global environment. The business sector has to face the challenges of gaining competitive advantage which includes coping with the very stiff competition, enhancing higher productivity through installation of quality control systems, and high performing production operations. It has to respond to the changing patterns of consumer behavior and develop social mechanisms that promote strong linkage and network with business partners and forging genuine partnership with the key stakeholders at the enterprise and industry level.

It has been recognized that meeting these challenges will not be successful without taking into consideration the trends and development in the labor relations system, as well as new approaches to resolve constraints and bottlenecks encountered both at the industry and enterprise level.

The initiative to promote corporate social responsibility (CSR) along with the global supply chains has been gaining momentum in recent years. CSR is coined as responsible business practices (RBCs) by the Organization for Economic Cooperation and Development (OECD) and International Labor Organization (ILO). There is also an increasing number of corporations committed to the United Nation Sustainable Development Goals (SDGs) along with other international frameworks such as the UN Global Compact, the UN Business and Human Rights Framework and its Guiding Principles and the ISO 26000. Many lead firms in the global supply chains subscribed to the framework of the UN Principles of Responsible Investment (PRI), the Equator Principles and the Environment Social and Governance (ESG) investment and ILO MNE Declaration (see Annex 1).

It has been observed in Philippine setting that these new models of strengthening CSR and RBC cannot be met without focusing on forging partnership with the key stakeholders, specifically, the workers and its organizations, the suppliers and its associations, the general public as represented by peoples' organizations (POs) and non-governmental



organizations (NGOs) the government sector with its concerned agencies e.g., Department of Labor and Employment, Department Science and Technology (DOST), Department of Agriculture (DA), Department of Interior and Local Government (DILG, Cooperative Development Authority (CDA) and other concerned agencies. ILO (Phils.) in collaboration with the European Union (EU) engaged in three programs to assess the gains and potentials as well as the level of compliance and commitment of selected enterprises in the fruit industry.

ILO conducted three studies in the agribusiness sector mainly using the value chain analysis (VCA) as a tool for examination. The first research undertaking is the study on "The Future of Work in Agro-Food Value Chains: Social Upgrading in the Philippines' Pineapple Production" (Henry & Chato: ILO: 2019) The said study concluded that there are many issues and concerns in the value chain of pineapple growing, from the crafting of the growership contract between the MNE and agrarian reform beneficiaries (ARBs) up to the implementation aspect. The study also shows that the failure of the growership arrangements led the ARBs to enter into leasehold contracts with the multi-national enterprise (MNE). This scheme reflects the failure of the Comprehensive Agrarian Reform Program (CARP) for the main mission of the government program is to award land for the landless and to be tilled by the farmers themselves. (refer to the Review of Literature for further discussion of results).

The second research is focused on the study of "Trade and Value Chains in Employment-Rich Activities (TRAVERA): An Analysis of Selected Non-Traditional Coconut Products in the Philippines". (Costales: ILO: 2019). This said research concluded that there a potential growth in the processing of other by-products of coconut. The study proposes a business model that is integrative and comprehensive with the notion that its application should be tailored fit to the existing conditions and driving forces in the production system. The decent work agenda could be possibly attained if there is close coordination and harmonization of approaches and goals of the key players

within the value chain. (refer to the review of literature for further discussion of results)

The third research focused on "The Study of Fruits and Vegetable Supply Chains and Responsible Business Research Conducts Towards Economic and Social Upgrading: The Cavendish Banana Industry in Davao Region". The study is part of a larger ILO initiative on documenting the RBCs and reforms on social accountability programs of the various formations with an industry. As required in the Terms of Reference (TOR, see Annex 2) of this research, at least three selected cases in the cavendish banana industry and two from the non-banana sector must be documented. The results indicated a prospect for the development of more RBCs as the gains and benefits have assisted in the resolution of some bottlenecks encountered in the production system. (refer to the "Results" and "Conclusions" for detailed discussion).

It is expected that the findings and results of these three researches will guide the crafting and promotion of new programs and initiatives that will further foster the decent work agenda and protection of workers' rights and for the interest of the agri-business industry. It also aimed at documenting the best approaches and practices that will serve as guide for other industry with parallel conditionalities.

## **2. Objectives**

The research objectives of the 3 studies as provided in the Terms of Reference (TOR) (See Annex 2) are:

- 2.1 to explore the possibilities of the RBC or the CSR practices in contributing to both economic and social upgrading in specific fruits or vegetable supply chains in the Philippines by:
  - 2.1.1 documenting relevant RBC/CSR cases in the country that achieved the upgradation of the double-bottom line (economic and social) in supply chains (including those outside of the fruits and vegetable supply chains); and

- 2.1.2 generating an in-depth knowledge of employment and labour issues in a selected value chain of fruits and vegetable sector in the Philippines along with the competitiveness and productivity issues.
- 2.2 to review the objective evidences of social and economic upgrading done by the MNEs or the national lead firms of the supply chain addressing decent work deficits in the weakest parts of the supply chains.
- 2.3 to analyze and draw from findings, the employment and labour issues, competitiveness and productivity aspects of a selected fruits/vegetable value chain such as those of pineapple, and the non-traditional coconut products, and the growing knowledge base of similar cases studies by ILO globally.
- .
- 2.4 to construct a value chain map of a key commodity where the decent work deficits are analyzed along with productivity bottlenecks and competitiveness challenges
- 2.5 to provide an input to high-level tripartite plus dialogue at the national level during which the findings and recommendations will be discussed. The outcome of the dialogue could possibly lead to a common understanding on the way forward and concrete actions to be implemented at the policy and enterprise level.

### **3. Review of Related Literature**

#### **3.4. Dimensions of RBC and CSR**

The definition of RBC and CSR has evolved since the ancient times. Werther & Chandler (2011) have pointed out that the Egyptians and Sumerians made use of rules for commerce in order to facilitate trade and ensure that the large public's interest is taken into consideration. The authors furthered that evidence of social activism against corporations back in 1790s, when one of the first consumer boycotts

was organized the slave-harvested sugar in British West Indian slave plantations.<sup>1</sup> From then on the definition of CSR and RBC has transformed and expanded its dimensions from economic concern to enterprises' response to environmental issues and programs to serve the stakeholders as well as the community needs and interests. It also became the lead agenda of government agencies (GAs), non-governmental organizations (NGOs) and peoples' organizations. (POs).

### 3.5 The ILO and EU Initiatives and Programs to Strengthen RBCs

The European Union (EU) has defined CSR as the responsibility of enterprises for their impact on society. CSR should be company led. Public authorities can play a supporting role through a smart mix of voluntary policy measures and where necessary complementary regulation. Companies can become socially responsible by: a) following the law; and b) integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.<sup>2</sup>

ILO defines CSR "as a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise driven initiative and refers to activities that are considered to exceed compliance with the law".<sup>3</sup>

As early as 1977, the Governing Body of ILO has adopted the Tripartite Declaration of Principles. Same policy was finally developed and came to be known as the 5<sup>th</sup> edition of 2017. The principles laid down in the declaration offer guidelines to multinational enterprises, governments, and employers; and workers/

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<sup>1</sup> As cited by Georgescu, Gabriela (2016) Patterns of Corporate Social Responsibility in the Philippines: A case Study of Japanese Companies Operating in the Philippines, A Master's dissertation submitted to Osaka Jogakuin University Graduate School of International Collaboration and Coexistence in the 21st Century, Master's Course, Retrieved from: <http://ir-lib.wilmina.ac.jp/dspace/bitstream/10775/3171/1/814001-Gabriela%20Georgescu.pdf> on 12/12/2019.

<sup>2</sup> Source: European Union (n.d.) Corporate Social Responsibility (CSR), *Internal Market, Industry, Entrepreneurship and SMEs*. Retrieved from: [https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility\\_en](https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en) on 14/12/2019.

<sup>3</sup> Source: ILO (2018) The ILO and Corporate Social Responsibility (CSR) – ILO Helpdesk Factsheet No. 1. Retrieved from: [https://www.ilo.org/empent/Publications/WCMS\\_116336/lang--en/index.htm](https://www.ilo.org/empent/Publications/WCMS_116336/lang--en/index.htm) on 12/20/2019.

organizations in such areas as employment, training, conditions of work and life, and industrial relations. This guidance is founded substantially on principles contained in international labour Conventions and Recommendations. The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up<sup>4</sup>, which is universally recognized as essential for realizing the objective of decent work for all, also underpins the guidance offered.

Integrating the MNE Declaration of Policy (See Annex 1) and the OECD Due Diligence Guidance<sup>5</sup> for strengthening RBCs concerned enterprises were given working guidelines. As further postulated by ILO, “the continued prominent role of MNEs in the process of social and economic globalization renders the application of the principles of the declaration important and necessary in the context of foreign direct investment and trade, and the use of global supply chains. The parties concerned have the opportunity to use the principles of the Declaration as guidelines for enhancing the positive social and labour effects of the operations and governance of MNE to achieve decent work for all, a universal goal recognized in the 2030 Agenda for Sustainable Development. These guidelines can also be used in developing partnerships to address many of the challenges which neither governments nor companies can address on their own, including the multi-stakeholder partnerships and international cooperation initiatives”.<sup>6</sup>

Thus, the General Conference of the ILO, having met at Geneva in its 105<sup>th</sup> session, 2016 have adapted the ILO Resolution concerning decent work in global supply chains.<sup>7</sup> Among other provisions, the conference have ascertained that, “There is a

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<sup>4</sup> ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up Adopted by the International Labour Conference at its Eighty-sixth Session, Geneva, 18 June 1998 (Annex revised 15 June 2010). Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_467653.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf) Thus,

<sup>5</sup> OECD (2018) OECD Due Diligence Guidance for Responsible Business Conduct. Retrieved from: <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

<sup>6</sup> ILO (2017) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Retrieved from [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---multi/documents/publication/wcms\\_094386.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf) on 08/12/2019.

<sup>7</sup> ILO (2016) Resolution concerning decent work in global supply chains. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_497555.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_497555.pdf) on 07/12/2202.

concern that current ILO standards may not be fit for purpose to achieve decent work in global supply chains. Therefore, ILO should review this issue and convene, as appropriate, by decision of the Governing Body, a technical; tripartite meeting or a meeting of experts to: (a) assess the failures which lead to work decent work deficits in global supply chains; (b) identify the salient challenges of governance to achieve decent work in global supply chains and (c) consider what guidance, programmes, measures, initiatives or standards are needed to promote decent work and and/or reducing decent work deficits in global supply chains.”<sup>8</sup>

### 3.6 The Formation of RBC and CSR in the Philippine Setting

CSR in the Philippines started as philanthropic undertakings by civic, social and religious organizations. According to the Asian Institute of Management (n.d.) “Philanthropy has been a tradition in the Philippines, where individual giving and volunteerism are acknowledged to be “hidden forces” in the social and economic life of Filipinos. Its practice is particularly prevalent within and across families and kinship groups, and in church-related organizations or social welfare agencies...”<sup>9</sup> Furthermore, the Asian Institute of Management also cited that Velasco (1996) that, “the notion of philanthropy and concern for humanity form part of the Asian psyche. In the Philippines, mutual aid is manifested in rural traditional communities. For example, the spirit of “bayanihan” (a Philippine tradition which entails ‘brotherhood’) is exemplified in the lending of mutual assistance. It is rooted in a deep sense of mutual respect”.<sup>10</sup>

<sup>8</sup> ILO (2016) General Conference Resolution concerning decent work in global supply chains, Geneva in its 105th Session. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_497555.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_497555.pdf)

<sup>9</sup> AIM, RVR Center for Corporate Responsibility, Corporate Social Responsibility in the APEC Region: Current Status and Implications (Corporate Social Responsibility in the Philippines). Retrieved from publication.apec.org>2005/12>TOC>Philippines>pdf on 11/12/2019.

<sup>10</sup> As cited by Asian Institute of Management (n.d.), Velasco, G. (1996) Corporate Philanthropy in APEC Region: The Philippine Case. Retrieved from: [https://www.google.com/search?q=Asian+Institute+of+management+Csr+with+velasco+cited&rlz=1C1CHBD\\_enPH880PH880&oq=As&aqs=chrome.0.69i59l3j69i57j0j69i60l3.2966j0j7&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=Asian+Institute+of+management+Csr+with+velasco+cited&rlz=1C1CHBD_enPH880PH880&oq=As&aqs=chrome.0.69i59l3j69i57j0j69i60l3.2966j0j7&sourceid=chrome&ie=UTF-8) and .Velasco G. (2003) Corporate Philanthropy in Asia: The Philippine Case: An Overview of East and Southeast Asian Philanthropy, Retrieved from: <https://www.semanticscholar.org/paper/Corporate-Philanthropy-in-Asia-%3A-The-Philippine-%3A-Velasco/89e2bf2947afb08e05adb933b2914153ea08a8a8>

The dimensions of philanthropic undertakings expanded as it evolved from one company to another. RBC and CSR has emerged from simple to a broader dimension. More and more enterprises committed to form CSR and eventually included plans to integrate programs that will protect the workers' rights and interest and in the long run lead to the promotion of decent work. The Philippine Business for Social Progress (PBSP) promoted CSR which proposes that the long-term sustainability of business is best served when profitability and growth are attained alongside the development of communities, the protection, and sustainability of the environment and the improvement of the people's quality life.<sup>11</sup> Corollary to these developments, the conglomeration of Employers Federation of the Philippines (ECOP), Federation of Free Workers (FFW) and Danish Trade Union Council for International Development Cooperation (Ulandsskretariatet) launched a project (2016-2019) focused on the promotion of CSR among companies entitled Principles-based, Inclusive and Business Sustainable CSR Approach in the Philippines.<sup>12</sup>

Most importantly, the concept of doing service for others, extending assistance or helping those who are in need is embedded in the cultural heritage of the Filipinos. The *Bayanihan* system is a culture that must be tapped to CSR to flourish. However, there must be a shift from traditional practice like thrust of "dole outs, or donations and grants to a perspective that will address the needs of the stakeholders to include the agenda for decent work side by side with business sustainability and social upgrading at the bottom line.

### 3.4. Integrating RBC with Value Chain Management and Promotion of Decent Work Agenda

The value chain approach become very popular not only among academicians but more so with the practitioners in the business sector. It did not remain as a theoretical

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<sup>11</sup> As cited by Georgescu, Gabriela (2016) Patterns of Corporate Social Responsibility in the Philippines: A case Study of Japanese Companies Operating in the Philippines, A Master's dissertation submitted to Osaka Jogakuin University Graduate School of International Collaboration and Coexistence in the 21st Century, Master's Course, Retrieved from: <http://ir-lib.wilmina.ac.jp/dspace/bitstream/10775/3171/1/814001-Gabriela%20Georgescu.pdf> on 12/12/2019.

<sup>12</sup> ECOP (2016-2019) Promotion of A Principle-based Inclusive and Business Sustainable Corporate Social Responsibility Approach in the Philippines. Retrieved from: <https://ecop.org.ph/project/promotion-of-a-principle-based-inclusive-and-business-sustainable-corporate-social-responsibility-csr-approach-in-the-philippines/>

construct but served as an approach in analyzing the various phases and operational aspects of a business enterprise.

The definition of value chain has evolved depending on the nature of application and context of environment. It is described with a common denominator, e.g. all processes and activities from production to consumption. As defined by Kaplinsky & Morris (2002), a "value chain" describes the full range of activities that required to bring a product or service from conception, through the intermediary phases of production (involving a combination of physical transformation and the input of various producer services, delivery to final consumers, and final disposal after use".<sup>13</sup>

As pointed out by UNESCO (n.d.) that among the multiple uses of a value chain analysis a few uses that may not be obvious are: value chain analysis can (a) help to ensure sustainability and scale. (b) helps improving the understanding of key actors and their role in the chain, (c) helps to identify market opportunities and how to overcome multiple gaps and chain constraints, and (d) chain analysis case studies can also demonstrate models that can be scaled, replicated or propagate in other cultural and creative industry sectors.<sup>14</sup>

Accordingly, ILO (2015) highlighted that, the term value chain is more often used with a developmental connotation, addressing productivity, growth and job creation. It does not take a particular enterprise, and its needs and interests, as its starting point, but considers the process of bringing products and services to markets as a complex system, in which all market actors have a role to play.<sup>15</sup> As such, value chain analysis can be used as a tool for identifying bottlenecks and work deficits by examining the role that every key player is performing by looking

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<sup>13</sup> As cited by FaBe, et. al. (2009), Value Chain Analysis Methodologies in the Context of Environment and Trade Research Retrieved from:

<https://www.econstor.eu/bitstream/10419/37104/1/609241915.pdf> on 21/12/2019.

<sup>14</sup> UNESCO, (n.d.) Center for the Cultural Diversity of Expressions, Introduction to Value Chain. Retrieved from: <https://en.unesco.org/creativity/sites/creativity/files/digital-library/Introduction%20to%20Value%20Chain.pdf> on 01/03/2000.

<sup>15</sup> ILO (2016) How to create employment and improve working conditions in targeted sectors, 2<sup>nd</sup> edition. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/instructionalmaterial/wcms\\_434363.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/instructionalmaterial/wcms_434363.pdf) on 11/20/2019.



at the expected output, availability of materials, acceptability of rules and policies, enterprise structure, labor conditions, and enabling environment.

ILO postulated that value chain analysis can be a tool for promoting decent work agenda. Results of the analysis can be used as a guide for resolving problems at the firm and industry level. ILO (2015) further discussed the drivers of change that prompt value chain development. It is suggested that, for useful application as a tool for analysis, the five drivers of change should also be considered: (a) system efficiency, (b) product quality, (c) product differentiation, (d) social and environmental standards, and enabling business environment.<sup>16</sup> Thus, value chain is now equated with decent work promotion.

As defined by ILO (1999), decent Work is 'productive work for women and men in conditions of freedom, equity, security and human dignity'.<sup>17</sup> It refers to opportunities for work that are productive and deliver a fair income; provide security in the workplace and social protection for workers and their families; offer better prospects for personal development and encourage social integration; give people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantee equal opportunities and equal treatment for all.<sup>18</sup>

Kortelainen (2008) also claimed that, the increased interest in labour conditions of global supply chains has driven companies to integrate corporate social responsibility (CSR) into supply chain management (SCM) practices. It was also highlighted that SCM and supplier management are key areas for the success of global companies. Differences among competitor value chains are a key source of competitive advantage (Porter, 1998). Companies are investing in SCM and collaboration. The competitive advantage is increasingly a function of supply chain

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<sup>16</sup> ILO (2016) How to create employment and improve working conditions in targeted sectors, 2<sup>nd</sup> edition. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/instructionalmaterial/wcms\\_434363.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/instructionalmaterial/wcms_434363.pdf) on 11/20/2019.

<sup>17</sup> As Cited by ILO (2016) How to create employment and improve working conditions in targeted sectors, 2<sup>nd</sup> edition. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/instructionalmaterial/wcms\\_434363.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/instructionalmaterial/wcms_434363.pdf) on 11/20/2019.

<sup>18</sup> ILO (2016) How to create employment and improve working conditions in targeted sectors, 2<sup>nd</sup> edition. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/instructionalmaterial/wcms\\_434363.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/instructionalmaterial/wcms_434363.pdf) on 11/20/2019.

efficiency and effectiveness, and it will be apparent that the greater the collaboration, the greater the likelihood that an advantage can be gained (Christopher, 1998). This is achieved via streamlined operations and procedures, optimizing the capabilities of each supplier in the chain and reduced inventories and costs. Collaboration capabilities of a supplier network are strengthened by supplier management practices which include supplier selection, contracting, supplier assessments, development and relationship management. These practices can be used to promote CSR as well.<sup>19</sup> Since value chain and SCM deal with labor aspects and deficits, then crafting of CSR can be a resolution for labor system deficits which is directly linked with the promotion of decent work.

#### **4. Designing the Conceptual Framework Based on Initial Scanning of the Environment**

Growing bananas in Davao Region is a very complex system. It is confronted with problems and challenges, related to sourcing of lands and raw materials, management of workers, searching for the most appropriate technology, gaining competitive advantage, meeting the expectations of the market and in the long run – economic and social upgrading.

Figure 1 is an Initial mapping of the banana industry in Davao Region based on exposures and observations, scanning of the environment and review of secondary materials relevant to the study. This was drawn before the inception of the research undertaking as a prelude to the crafting of the final research proposal. It serves as an illustration of the landscape of cavendish banana production. It serves as an illustration of the landscape of banana production. It is designed to identify the major players, the workers and their organizations, the MNEs and private enterprises to include the ARB's cooperatives, the facilitating civic and non-profit organizations with the government agencies as the lead facilitators and coordinators. The supporting functions as well as the laws, standards and rules governing the industry are also indicated to show the linkages and interconnections with the various channel in the

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<sup>19</sup> Kortelainen, Ketty (2008), *Global Supply Chains and Social Requirements: Case Studies of Labour Condition Auditing in the People's Republic of China*, Business Strategy and the Environmental Business Strategy 17, pp. 431-443, John Wiley & /sons, Ltd. And ERP Environment. Retrieved from: [www.interscience.wiley.com](http://www.interscience.wiley.com)) DOI 10.1002/bse634 on 11/10/2019.

value chain. It identifies all the major concerns confronted by the industry which affects all key players. As a whole, the shows the various channels from the production to consumption.

Figure 1: The Rich Picture of the Cavendish Banana Industry in Davao Region (An Adaptation of the Rich Picture Model (Checkland: 1999)

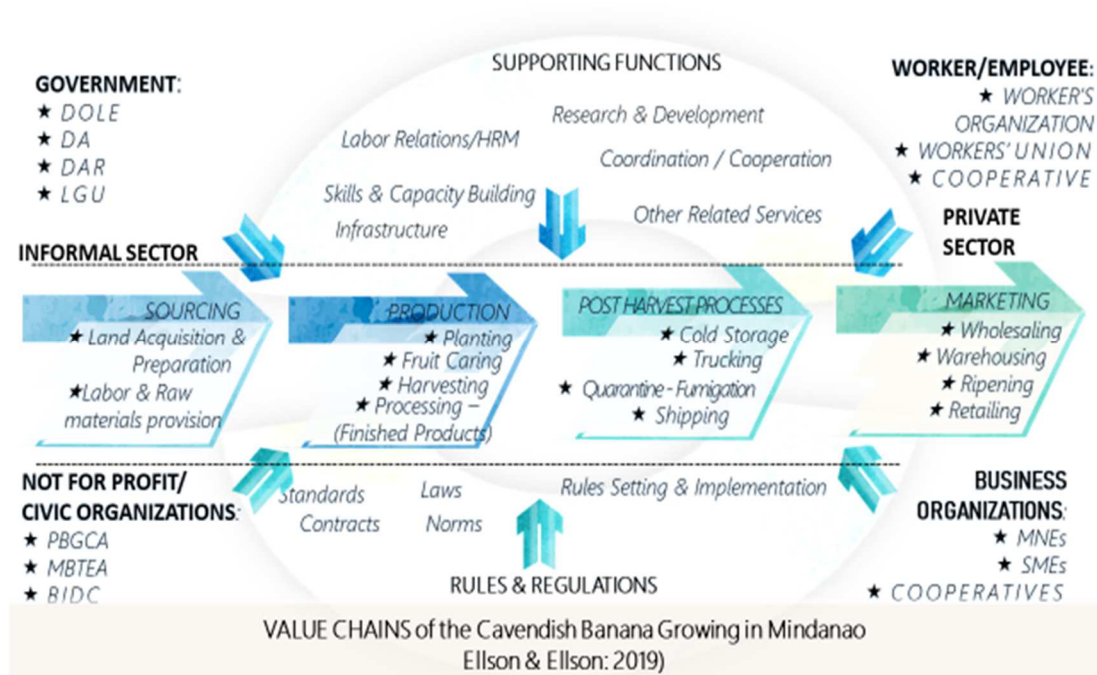


The framework as illustrated in Figure 2: Preliminary Value Chains of the Banana Industry in Davao Region was developed by integrating all the concepts and coverage of the discussion on ILO and OECD definition of CSR along with the value chain model. A review of existing literature was also done to augment the crafting of the framework. It was designed to meet the objectives and deliverables of the research undertaking. Focus is directed on highlighting the bottlenecks and challenges being confronted by the key players in every channel of the value chain while at the same time identify the point of convergence among the actors in order to resolve the current issues and problems related to productivity, profitability, viability and survival of the company.

The concern for competitiveness, the entry of new banana producers to the current Philippine buyers and the changing patterns of consumer behaviors affected the

rules, operations and directions of all producers, big and small. These concerns affected the sourcing and policies on the labor relations system which resulted to the proliferation of new employment patterns, workers' unstable income brought about by job contracting and outsourcing, absence of job security, unemployment and underemployment, presence of hazardous and high risk work due to excessive application of chemical fertilizers and pesticides. The labor only contracting is practiced from processes involving land preparation, production, post-harvest handling up to marketing and retailing.

Figure 2: Value Chain of the Cavendish Banana Industry in Davao Region: Key Players and Processes  
(Based On Initial Observations and Exposure of the Researcher)



Another bottleneck identified is the occurrence of climate change and the spread of banana diseases with fusarium wilt (also known as panama disease) as the major concern. The treatment for this global disease is still being searched by all players in the global banana industry. Thus, proactive approach is still experimental (hit or miss results) which mostly causes abandonment of plantation areas which led to workers' lay-off and dismissal. As such, the security of tenure of plantation workers are endangered also causing a decline in the volume and sustainability of production.

The total aggregate production level of bananas still does not meet the demand of Asian market. As such, enterprises are all pushing for higher quality and quantity of production, and pushing for a higher production target. This has resulted to expansion of areas all over Mindanao which resulted to hiring of outsourced workers or job only contracting from the local communities with no job security, tapping the services of pseudo cooperatives, illegal service providers, also called “cabo system”<sup>20</sup>

A salient feature of the Cavendish banana growing in Davao Regions (also with the rest of plantation areas in Mindanao) is the presence of agrarian reform beneficiaries (ARBs) as the major player in the growership system. Majority of the plantations in the region are covered by the Comprehensive Agrarian Reform Program (CARP). Big companies are engaged in the production contracts, under the Agri-business Venture Arrangements (AVA) as provided for by CARP. The failure of the program implementation through individual farming system (IFS) and collective farming system (CFS) by agrarian reform cooperatives (ARCs) led to the cancellation of growership contracts. This scenario paved the way to the development of a new arrangement called leasehold arrangement which is contrary to the very purpose of agrarian reform - and for the landless to be tilled by the farmers themselves. Under the leasehold contracts ARBs are paid with yearly land rental, rehired by the former employer under an arrangement that has no job security, and with low compensation package. Others are tagged as self-employed workers with no employee-employer relations. However, the AVA system was amended and that the Department of Agrarian Reform (DAR) allowed the new scheme.

As required by the TOR, the study shall construct a value chain where the decent work deficits are analyzed along with productivity bottlenecks and competitiveness challenges. Thus, Figure 3 was conceptualized to depict the work deficits and the challenges to be met by the ARBs, company workers and its organizations and other hired workers at various processes within the value chain.

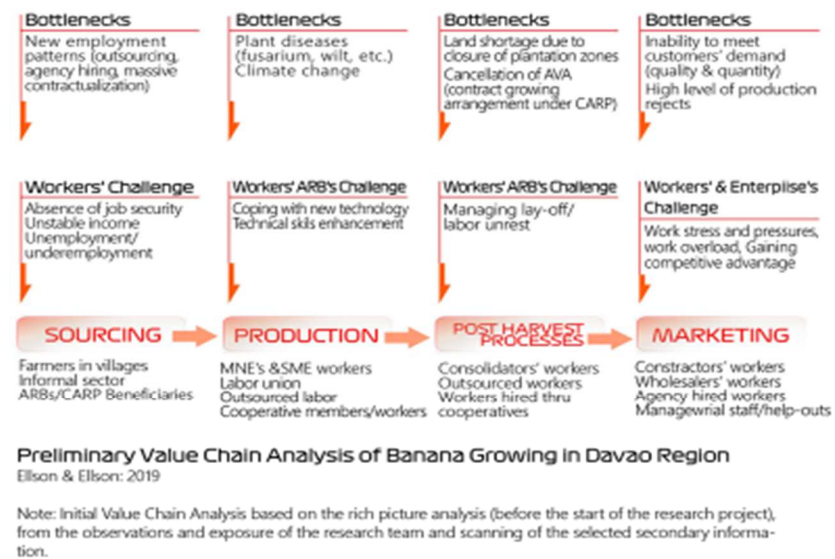
Figure 3: Preliminary Value Chain Analysis of Banana Growing

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<sup>20</sup> Refers to illegal recruiters of manpower offering low wages, no job security, and absence of benefits mandated by law and labor standards. As such, there is no formal labor-management relations. This approach is prohibited by the Philippine Labor Code.



In Davao Region (Based on initial exposure of the author)



There are also some problems like “pole vaulting”<sup>21</sup>, uncontrolled application of chemical pesticides, massive outsourcing and contractualization of workers and agency hiring. However, these concerns are not present in the four case studies. All of these bottlenecks cater to challenges of various level of density. If not resolved, this will lead to greater problems which is low productivity in the short run and possible downfall of the industry in the long term, thus resulting to a failure of the government major program – CARP.

## 5. Methodology

This research was delivered in two (2) phases and used both primary and secondary qualitative research methods.

### 5.1 Phase 1: Primary Data Collection

5.1.1 Primary data collection was made through key informant interviews (KII) in Metro Manila with key ILO officials, the tripartite constituents of ILO (DOLE, ECOP, and relevant trade unions), industry

<sup>21</sup> Refers to an activity of the under contract small banana growers who sells harvested bananas to the “spot market buyers” who usually offer higher purchase price.

associations, lead business organizations, and academic center on RBC/CSR. Instead of key informant interviews for the case studies, small group discussions and semi-structured interviews with identified companies were conducted at companies' plant sites.

In analyzing the key players in the Cavendish banana industry, four (4) cases with unique programs and experiences were worth documenting:

- The role of a local private company, Tagum Agricultural Development Co., Inc. (TADECO) in the value chain in pursuing RBC and CSR representing a big local grower that has adapted an innovative approach in contract growing systems under leaseback arrangements of the Comprehensive Agrarian Reform Program (CARP).
- The case of FarmCoop which represents the agrarian reform beneficiaries (ARBs) of CARP and its role in changing the landscape of banana growing through contract growing system (CGS) and agricultural venture agreement (AVA); It also showcases the formation of a new business venture with the Organic Producers and Exporters Corporation (OPEC) to explore other opportunities offered by the new global arrangements (direct exportation of agricultural produce to other Asian countries), which has created a new market and improved the supply chain management of the industry.
- The case of Unifruitti Philippines Incorporated, representing the MNE sector to showcase an innovative pattern of dealing with the small farmers/growers, its partner unions and the community where the enterprise operates; and
- The case of Banana Chips Factory which represents the sector of banana by-product processors to highlight the need for appropriate technology of processing new products from the wastage of the production processes.

5.1.2 Group discussions were done with selected players in the industry. Workshop and discussion guides were constructed for the key informant Interviews (KII), and small group discussions (SGDs). (See Annex 5) Discussions and interviews were recorded with permission from the participants. However, not all key informants agreed to record the proceedings.

#### 5.1.3 Secondary research

Documents, academic publications, and statistics relevant to the study were compiled and analyzed to provide the complete picture or background of what had been done in the past in the area of interest. It also reviewed the result of the two prior researches done by ILO, 1) The Nature of Work in Agro-food Value Chains: Social Upgrading in the Philippines' pineapple production; and 2) Trade and Value Chains in Employment-Rich Activities (TRAVERA): An Analysis of Selected Non-traditional Coconut Products in the Philippines.

#### 5.2 Phase 2: Field interviews and report writing

The snowball technique was used in identifying company key informant interviewees (KII) in each of four major channels in the value chain. . Farmers, input suppliers and exporters were interviewed. Triangulation was made between key players in the value chain. A focus group discussion (FGD) was done to supplement the KIIs. A discussion guide was developed for use of the facilitators. Some discussions recorded on audio and photo/video with consent of the participants. The analyses were based on the objectives of the research undertaking.

## 6. Discussion of Findings

### 6.1 An Overview of the Philippine Labor Relations System

The labor relations system is tripartite in nature as shown in Figure 5. It is envisioned that there will be an orderly promotion of industrial peace and harmony

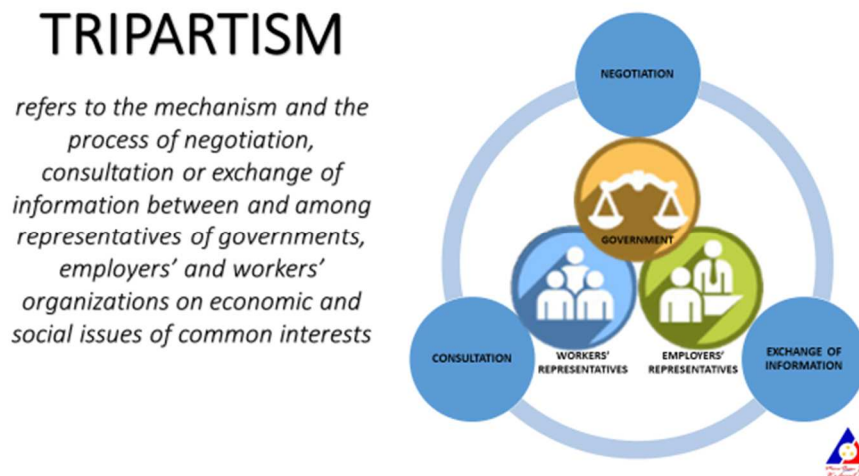


with the key players in the system: the government as third party neutral, the workers and its unions and other forms of organizations and the enterprise owners as represented by its management staff. However, in reality, as postulated by the Marxist Theory, there exist an inherent conflict due to variations and differences of interest among labor groupings and management prerogatives and perspectives.

Taking from the writings of Atty. Azucena (2007: Notes on Labor Code), “labor relations refers to the interaction between employer and employees or their representatives and the mechanism which the standards and other terms and conditions of employment are enforced. The government labor relations policy is declared in Art. 300 of the Labor Code which echoes the constitutional mandates. The policy intends to attain social justice through industrial peace and progress. The latter is founded on employee participation and collective interactions between employer and employees.”

Figure 5 illustrates the tripartite arrangement where collective bargaining between labor and management representatives is the adapted model of settling disputes. The expected output of the process is a collective bargaining agreement (CBA) which contained the agreed provisions on economic, political and other non-wage provisions to include union recognition, grievance machinery system (GMS), labor management council (LMC), and other concluding agreement to protect labor rights and welfare and management prerogatives. Exchange of information and consultation supports the process of collective negotiation between and among the major players.

Figure 4: Tripartism in the Philippine Industrial Relations System  
Source: Department of Labor and Employment



The Philippine Industrial Relations System is described to be very fragmented/divided and problematic. There are 2 major divisions: the public sector unions and federations composed of workers in the government agencies (national government agencies and local units), state universities and colleges, government owned and controlled corporations and the private sector comprised of labor centers, federations and independent unions. As of March 2019, data (DOLE: BLR)<sup>22</sup>, there are: 13 Labor Centers, 136 Labor Federations, and 7,590 independent unions. Membership are coming from across industries. These major groupings are either aligned or not aligned with a specific political group, from extreme progressives (leftist) to moderate and neutral groups depending on the political directions and perspectives of the leadership and members. This makes the labor sector very divided and fragmented and labor centers are the ones trying to merge the sector on consensus building or issue-based unity while respecting the political ideology of every union and federation. The independent unions are workers' associations who opted not to belong to any specific labor federation. As reported by BLR:DOLE, (as March 2019), there are registered 394 Collective Bargaining Agreements (CBAs) covering the independent unions and 577 CBAs coming from the Labor Federations. It is worth noting that these groupings were originally under one big federation. However, as

<sup>22</sup> BRL: DOLE (as of March 22019) Existing Labor Organizations, Workers' Associations and Collective Bargaining Agreements. Retrieved from: <https://blr.dole.gov.ph/wp-content/uploads/2019/04/EXISTING-LABOR-ORGANIZATION-AND-CBAS-Q1-2019.pdf> on 07/01/2020.

the labor organizations transcend and develop, there arises some differences in perspectives, directions and beliefs which have caused the splits, formation of new federations and birth of independent unions.

The new global economic arrangement has affected the PIRS. The system is posed with major challenges to enable the workers and its organizations to cope with the changing behavior of both labor and management. The new employment patterns (e.g. casualization, redundancy declaration, downsizing, streamlining, etc.) have threatened the labor force. These new patterns led to undue dismissal, loss of job security, or to some extent, a decline in the unionization of the workers.

On the other hand, the new economy has also threatened both small and big companies. Gaining competitive advantage over other enterprises became a major concern while at the same time addressing social challenges which are developed through RBC/CSR. This has resulted to a shift from adversarial and conflictual relations to concession bargaining in order to preserve the mere survival of the business enterprise. Healthy relations and concession bargaining are observable in some organizations where workers unions and management representatives observe peaceful co-existence and partnership.

## 6.2 Labor Relations, Collective Bargaining and Social Dialogue in the Cavendish Banana Industry

ILO defines social dialogue to include “all types of negotiation, consultation or simply exchange of information between representatives of governments, employers and workers”, and involves “issues of common interest relating to economic and social policy.”<sup>23</sup> According to Olney & Rueda (ILO: 2005), “collective bargaining is an important form of social dialogue.” They furthered that, “institutions for social dialogue and collective bargaining help protect the fundamental rights of workers, help provide social protection and promote sound industrial relations”.<sup>24</sup> These concepts of collective bargaining and social dialogue integrate ILO Convention 154 and

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<sup>23</sup> ILO, Social Dialogue, Governance, Retrieved from: <https://www.ilo.org/ifpdial/areas-of-work/social-dialogue/lang--en/index.htm%20%20a>

<sup>24</sup> Olney & Rueda (ILO:2005) Convention No. 154 Promoting collective bargaining. Retrieved from <http://library.fes.de/pdf-files/gurn/00349.pdf>

Recommendation No. 163. These two important instruments acknowledge that information, consultation and negotiation are inter connected.

Olney & Rueda (ILO: 2005) also contended that, “while collective bargaining can often be an adversarial process, it should better be used to build trust between the parties. This trust can be reinforced through dialogue which can continue after bargaining ends. Solutions that are built on trust and enjoy the genuine support of both sides are more likely to be respected. This is due to the sense of participation and ownership inherent in the process. As a result, unnecessary disputes, and disruptions through industrial action, can more easily be prevented.”<sup>25</sup>

MNEs and big local companies in the banana industry in Davao Region adapt collective bargaining as a mode of settling labor disputes. Some goes beyond collective bargaining and establish other means of social dialogue and constructs to resolve differences. However, some big companies failed to subscribe with the mandate of MNE Declaration (ILO) and Labor Laws. The principles of peaceful negotiation and bargaining were not respected which resulted to labor unrest and workers’ dis-contentment leading to pickets, strikes and lockouts. Small players and growers are not organized and wage and non-wage compensation setting purely rely on the decisions of the owners and management staff.

The banana industry in Mindanao area is traditionally characterized by a low rate of unionization. Small and medium enterprises are mostly not organized while small farmers/growers mostly tapped family members and relatives as plantation workers. Some growers even declare themselves as self-employed workers. For big growers, reasons for low rate of regularization include the “casualization” and “labor only contracting” of the workforce through agency hiring and other anti-union approaches by employers in the guise of seasonality of operational processes of growing bananas.

Social dialogue is practiced with some selected big enterprises but a very common practice among cooperative growers. ARCs as governed by the Cooperative Code

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<sup>25</sup> Olney & Rueda (ILO:2005) Convention No. 154 Promoting collective bargaining. Retrieved from <http://library.fes.de/pdf-files/gurn/00349.pdf>

is both a social and economic enterprise and must subscribe with mandate of the universally accepted principles. There must be democratic consultation among the members and major decisions must be concluded at the level of the General Assembly. Several big enterprises adhere to social dialogue and respect collective bargaining while some companies do not commit to social dialogue due to failure in the bargaining negotiations.

Fragmentation of the PIRS also exists in the banana industry. With big companies, there are various local unions affiliated with different federations. It could be cited that big enterprises has 10 - 32 (based on the initial immersion of the author as a freelance consultant to selected banana companies from 20024 to 2019) local unions/federations (all under one roof) depending on the nature of work (technical, plantation areas, office workers and/or political commitment). There is no single or unified CBA for one enterprise. Each group has its bargaining negotiation and some even does not meet “eye to eye” due to differences in ideology.

There are however recorded effective social dialogue in the global banana industry as documented by the World Banana Forum Working Group on Labour Rights.<sup>26</sup> These undertaking shave proven that social dialogue is possible and similar future activities can be patterned from the success of the various agreements.

The presence of the new players in the industry agrarian reform beneficiaries (ARBs) and agrarian reform cooperatives (ARCs), an offshoot of the agrarian reform law through the Comprehensive Agrarian Reform Program (CARP) and now amended to Comprehensive Agrarian Reform Program Extension with Reforms (CARPER: Republic Act 9700), have changed the landscape of labor relations from tripartism to expanded tripartism (Tripartite Plus). Figure 5 illustrates the new form of expanded tripartism showing the other key players in the banana industry.

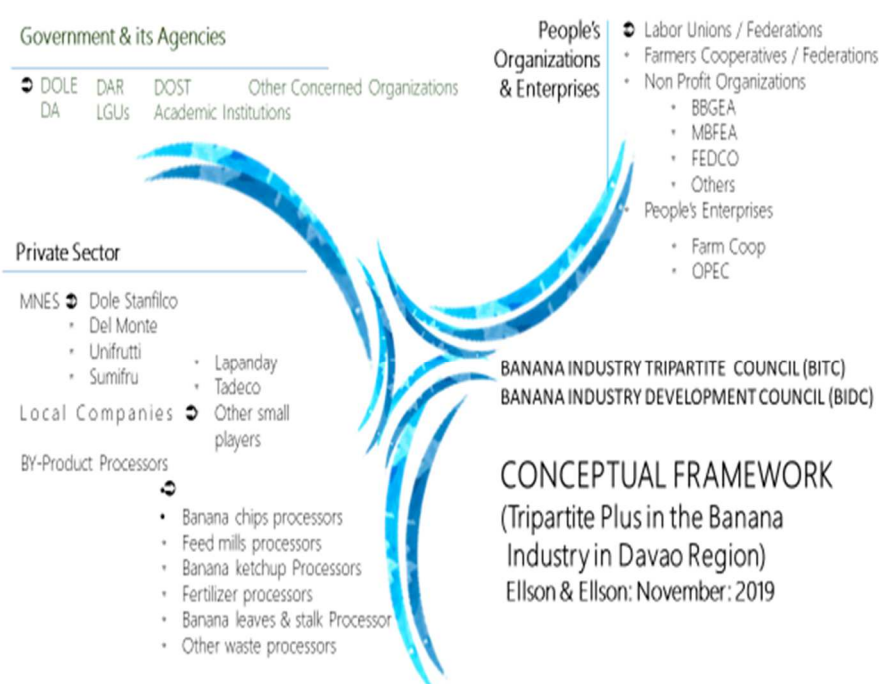
Non-unionization and absence of social dialogue prevail in the cavendish banana industry in the region. Reasons for non- compliance include, among others, that ILO conventions, recommendations and lately, the MNE Declaration are not binding despite the presence of labor laws and standards re-enforcing the ILO mandates.

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<sup>26</sup> FAO (n.d) Collective Bargaining in the Banana Industry, World Banana Forum Good Practices Collection.. Retrieved from: <http://www.fao.org/world-banana-forum/projects/good-practices/collective-bargaining/en/>

Until now, some companies refuse to abide by the minimum wage settings, occupational health and safety policies and fail to forge cooperative relations with unions and federations. Small grower companies have no labor organizations and the setting of wages and benefits are solely on the hands of the company owners. For the cooperatives, organizing a union is not a practice for the simple reason that the ARBs and their family members are the workers themselves. An ARB has triple identities: owner/worker/manager at the same time in the event that these ARBs hire other workers (tagged as help-outs), organizing is remote for casual and seasonal workers.

Figure 6. The Expanded Tripartism (Tripartite Plus)  
(Based on the exposure and observations of the researcher)



It is worth noting that the presence of ARCs and ARBs, and some management organizations, grower's association gave birth to the formation of a new structure called Tripartite Plus. The structure is very loose in nature where organizations perspectives and interest are respected. The binding factor is based on what is appropriate and acceptable by all members and grounded on the existing labor relations rules and policies. Consensus building and social dialogue is in practice.

However, some enterprises (through its representatives) refused to affirm the Voluntary Code of Good Practices on Decent Work (see Annex 4) for the complete provisions) crafted by the said formation. From the gathering of these players in the cavendish banana industry, a new Tripartite Plus arrangement can be drawn as shown in Figure 6. The formation has expanded its membership and there is no limit and boundaries as to its membership. All players, small or big, all workers and cooperative members are welcome to participate in any of its undertakings. However, as observed by the author in the conduct of consultation and small group discussions, the formation remains to be inactive and need to be revitalized and monitored.

### 6.3 Tripartism and Tripartite Plus: Venue for Honing RBC/ CSR and Promoting Decent work

As defined by the Department of Labor and Employment (Dole)," tripartism refers to the mechanisms and the process of negotiation, consultation or exchange of information between and among representatives of governments, employers' and workers' organizations on economic and social issues of common interests." Thus, tripartism is a consultative process.

The Philippine government adopted tripartism as a state policy by virtue of the following:

- Article XIII, Section 3 (Social Justice and Human Rights) of the Philippine Constitution.
- ILO Convention No. 144 (Tripartite Consultations to Promote the Implementation of International Labour Standards) – Ratified on 10 June 1991
- Article 275 (Tripartism and Tripartite Conferences) of the Labor Code the Philippines, as amended, declares tripartism as a State policy.
- Republic Act No. 10395, An Act Strengthening Tripartism, Amending for the Purpose Article 275 of Presidential Decree No. 442, as amended, otherwise known as the Labor Code of The Philippines"

In addition, DOLE promotes the creation of ITCs pursuant to ILO Convention 144 which institutionalizes tripartism by providing a continuing forum for tripartite advisement and consultation empowering workers' and employers organizations, enhancing their respective rights, attaining industrial peace and improving productivity.

The ILO office through the MNE Declaration (See Annex 1) has adopted "appropriate laws and policies, measures and actions, including in the fields of labour administration and labour inspection" directed to both Governments and Enterprises. Among various provisions, ILO has specifically directed enterprises to:

- carryout due diligence"<sup>27</sup> taking account of the central role of freedom of association and collective bargaining, industrial relations and social dialogue, (para. 10) and
- consult with government, employers' and workers' organizations ensure that operations are consistent with national development priorities (para. 1).

Furthermore, the same Declaration mandates the Governments, among others, to:

- promote good social practice in accordance with the declaration (para. 2) and
- be prepared to have consultations with other governments whenever the need arises (para. 2)

Furthermore, specifically on employment, the following provisions, among others, the following are invoked:

- establish and maintain, as appropriate, social protection floors within a strategy to progressively ensure higher levels of social security (para. 22);
- endeavor to increase employment opportunities and standards
- taking the employment policies and objectives of governments into account (para. 18)

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<sup>27</sup> As cited in the MNE, for a general description of due diligence, see Guiding Principles on Business and Human Rights Implementing the United Nations "Protect, Respect and Remedy" Framework. Available at [https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf).



- before starting operations, consult the competent authorities and workers' organizations in order to keep employment plans as far as practicable in harmony with national social development policies ((para. 18); and
- use technologies with generate employment both directly and indirectly and take part in the development of appropriate technology and adapt technologies to the needs of and characteristics of the host country (para. 9).

Under the Philippine Constitution, the following provisions are contained:

- Guarantees the right of all workers to participate in policy and decision-making processes affecting their rights and benefits
- Promote the principle of shared responsibility between workers and employers
- State shall regulate the relations between workers and employers, recognizing the right of labor and of enterprises
- Reinforced the application of the principles of tripartism in the country
- Established a mechanism for tripartite consultations to promote the implementation of International Labour Standards
- Regular dialogue between and among the key players: key players: government and its concerned agencies led by DOLE, workers and its representatives, and the owners of the enterprise as represented by the management staff and the owners themselves.
- Regular consultation to highlight issues and concerns confronted by the workers, not only limited to operations but to include the framing of RBCs that are beneficial to the workers themselves and to the bigger community and environment where the company operates.
- Regular exchange of information not limited to company concerns but to include changes and challenges in the global market to make the workers and its representatives adept with current development.

Honing CSR/RBC through social dialogue and other forms of consultation has the mandate of the ILO MNE Declaration, the Constitution and the Labor Law. It could be a joint undertaking of all the key players where DOLE and other support agencies to jointly facilitate the formation of RBC/CSR with labor organizations, cooperatives and enterprise owners in conceptualizing, implementing and monitoring the program.

DOLE (2018 Annual Report) reported that almost all industries have established Tripartite Industrial Peace Councils (TIPCs). Applying the approved structure of TIPC, there is a total of 129 TIPCs, 10 National ITCs and 316 local ITCs spread all over various industries in the country. The TIPCs are guided by the said structure as well as its basic accountabilities. However, it has been observed that not all formations are performing the mandated functions.

Based on the prescribed structure and functions of tripartism, it can be ascertained that the formation is a perfect venue to hone RBC /CSR that will protect the interest and welfare of the workers as well as the sustainability of a business enterprise. However, this opportunity has not been explored fully. One specific agenda of tripartism (though implied) is the crafting, formulation and implementation of RBCs/CSR that will further push for the attainment of decent work. It is worth noting that, a total of 81 processed orders and issuances as of July 2019 were concluded under TIPC. (DOLE Annual Report 2018).

#### 6.4 Promotion of Decent Work in the Agri-Business Sector

The promotion of decent work is an over-arching agenda of ILO and EU. The study of Henry & Chato (ILO, 2019) on pineapple growing in Mindanao approaches the issues of economic and social upgrading from a supply chain perspective to probe whether the presence of economic upgrading is an evidence of social upgrading. The research findings revealed that, “steady economic upgrading within the local supply chains, but evidence of social upgrading is minimal, particularly for growers and contract workers. There instead appears to be segmented and uneven social upgrading at local levels. Working conditions and terms have improved for regular workers with secure jobs, but they remain a small minority of the overall supply chain

workforce. In contrast, the vast majority of the workforce are contract labourers and informal workers, who have seen little improvement, remaining precarious, and poorly remunerated.”<sup>28</sup>

The study on the pineapple industry, revealed pessimism in relation to the promotion of decent work for both the ARBs as well as the hired labor in the plantation areas. Majority of the pineapple plantation is being tendered by ARBs and hired labor. The study revealed that the employment in the pineapple industry “has been characterized by increasing numbers of contract labourers and shrinking regular or permanent employees as a share of the workforce”. These group of workers classified as contingent contract labour are covered by informal work arrangements. Contract labour in the MNEs are predominantly supplied by labour service cooperatives.

In addition, the study noted that, “contract labour, supplied by cooperatives and private job contractors, more than doubled the number of workers in both MNEs. There are also unaccounted informal workers (unpaid family labour and help-outs) in smallholder growership that increases together with plantation expansions through growership or lease contracts. Contract labour is receiving minimum but poverty level wages, insecure, unorganized and with no prospect of upward movement. The unaccounted informal workers, due to the informality of the arrangement, their wages and protection has not been documented nor were they covered by social audits by concerned agencies.” These findings put in record that the promotion of decent work is far from reality for the seasonal, contingent, itinerant or agency hired workforce.

The study recommends that, to wit, “government regulations and enterprise-based measures are needed to ensure an even trickle-down and translation of economic upgrading to all types of workers in the pineapple value chains (in terms of wages and social benefits, security of tenure, rights at work, and compliance with labour standards). The upgrading should be felt by all workers regardless of whether they are within the direct or indirectly managed operations by MNEs.”

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<sup>28</sup> Henry & Chato (ILO:2019), Economic and social upgrading in the Philippines’ pineapple supply chain  
Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_730959.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_730959.pdf) on 07/2020.

The study also revealed the failure of the implementation of CARP. The non-sustainability and profitability under contract growing arrangement pushed the ARBs to enter into lease back contract as a new form of AVA. The contract agreement is designed for a fixed term with a fixed land rental. In most cases, the rental fee does not suffice the land amortization as well as the basic needs of the farmers and workers. Thus, as contained in the leasehold contract, the ARBs are rehired by the contracting company and classified again as a wage earner and a member of the contract worker again.

The TRAVERA study (Costales: ILO: 2019) indicated a positive prospect of promoting decent work agenda. The study cited that, "The country has a number of laws, rules and regulation on quality of work life and decent jobs. However, implementation is a bottle neck for compliance more particularly for micro- and small enterprises. However, for enterprises that export their products compliance is high since GAP, GMP, HACCP and fair certifications is a requirement. These certifications which are renewed annually requires that good working conditions are maintained in the value chain and fair trade is practiced. The TRAVERA Enterprise survey reported that those who responded compliance to good working conditions and decent jobs are exporters."

Finally, the study highlighted that, to wit, "The recommended business model considers vertical integration as a means of tying up together and coordinating the various activities of the value chains. With better control of the VCs' performance competitiveness and business sustainability are achieved. As the business model are export oriented certifications are a must to comply with GAP, GMP, HACCP and ISO. With these certifications the enterprise ensures that quality working life and decent jobs are enshrined in the operation of the enterprises."

## 6.5 Overview of the Vegetable and Fruit Industry in Mindanao

The Davao Regional Development Plan (DRDP) is anchored on the Philippine Development Plan (PDP), which is an articulation of the plans and programs of the

government at a given planning period. The PDP 2017-2022 is the first medium-term plan anchored on the vision of the Filipinos that,

In 2040, we will all enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children's future. Our family lives together in a place of our own, and we have the freedom to go where we desire, protected and enabled by a clean, efficient and fair government” (Executive Order No. 05, series of 2016).

The Davao Regional Development Plan identified long-standing challenges that hamper the development of the agriculture, forestry and fisheries (AFF) sector in the Philippines. These issues include inadequate logistics and infrastructure support for the agriculture sector; inadequate delivery of services; inadequate capacity to cope with climate change risks; unsustainable fishery practices; contamination of river water for irrigation; issues on land use and tenure; and inadequate market linkages.

To address these long-standing challenges, the Philippine Development Plan identifies the existing crop lands and the potential expansion areas where there will be an application of six broad strategies, namely: 1) improved competitiveness and quality of products; 2) harnessed export market opportunities; 3) rehabilitated marine and fishery resources; 4) increased access to financing; and 5) increased access to technology.

The holders/farm operators in the Davao Region reported 338 thousand holdings/farms, covering 576 thousand hectares in 2012. Compared with the 1980 data, the number of holdings/farms in 2012 increased by 80 percent as the area of holdings/farms decreased by 23 percent. Consequently, the average holding/farm area decreased from 4.0 hectares in 1980 to 1.7 hectares in 2012. (PSA: 2017)<sup>29</sup>

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<sup>29</sup> PSA (2017) Highlights Davao Region. Retrieved from: [https://psa.gov.ph/sites/default/files/CAF2012Agri\\_Reg11.pdf](https://psa.gov.ph/sites/default/files/CAF2012Agri_Reg11.pdf) on 07/07/2020

The land conversion scheme was also observed in the agri-business system. Due to land conversion, there is an increase on the number holdings/farms in Davao Region. This could be attributed to 1) land conversion among family members from one generation to another; 2) the government's implementation of the Comprehensive Agrarian Reform program since 1998 and Comprehensive Agrarian Reform Program Extension with Reforms since 2009; and 3) continued agricultural land conversion due to urban development or expansion (PSA, 2018).

About half of the total holdings/farms (154 thousand) reported in the Davao Region in 2012 had sizes of less than 1.0 hectare (Table 3.1.2). Thirty-eight percent (129 thousand holdings/farms) were estimated between 1.0 hectare and 2.9 hectares. Another 17 percent (56 thousand holdings/farms) were reported to be at least 3.0 hectares. (PSA: 2017)<sup>30</sup>

- More than half (54%) of the total holdings/farm parcels in Davao Region were planted with permanent crops while about 23% were planted with temporary crops. The remaining 22% were used as home lots and 1% for other purposes. The major temporary crops planted in Davao Region, or crops with less than one-year growing cycle, include banana, corn, cassava, sweet potato, rice and eggplant. Majority of the temporary crops are grown in Davao del Sur, while majority of the permanent crops are grown in Davao del Norte (PSA, 2012).

About half of the total holdings/farms (154 thousand) reported in the Davao Region in 2012 had sizes of less than 1.0 hectare. Thirty-eight percent (129 thousand holdings/farms) were estimated between 1.0 hectare and 2.9 hectares. Another 17 percent (56 thousand holdings/farms) were reported to be at least 3.0 hectares (PSA:06/2017)<sup>31</sup>Census of Agriculture and Fisheries.

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<sup>30</sup> PSA (2017)Highlights Davao Region: . Retrieved from:  
[https://psa.gov.ph/sites/default/files/CAF2012Agri\\_Reg11.pdf](https://psa.gov.ph/sites/default/files/CAF2012Agri_Reg11.pdf) on 07/07/2020

<sup>30</sup> PSA (2017)Highlights Davao Region: Retrieved from:  
[https://psa.gov.ph/sites/default/files/CAF2012Agri\\_Reg11.pdf](https://psa.gov.ph/sites/default/files/CAF2012Agri_Reg11.pdf) on 07/07/2020

<sup>31</sup>PSA (06/2917) Census of Agriculture and Fisheries. Retrieved from:  
[https://psa.gov.ph/sites/default/files/CAF2012Agri\\_Reg11.pdf](https://psa.gov.ph/sites/default/files/CAF2012Agri_Reg11.pdf) on 20/07/2020.

On Employment, it was reported that in 2018, a total of 43.46 million persons were in the country's labor force, of which 94.7 percent were employed. The agriculture sector employed 10.00 million persons and it represented a share of 24.30 percent to the national employment data. Consequently, wage rate in agriculture in 2017 was recorded at Php 280.37/per day (nominal wage) and equal to Php 251.45 in terms of real wage (PSA: 2019)<sup>32</sup>. As such, poverty prevailed among agricultural workers. Similarly, Tadem (2015) cited that, "of the country's poor households, 61 percent are in the agricultural and fishery sectors and poverty incidence is highest among farmers at 41 percent and fisherfolk at 37 percent compared to the national poverty incidence of 27 percent".

Majority of small farmers in vegetable growing as mostly self-employed working in their small farms of half hectare or less, with the family members are co-workers. Income will depend on the volume of harvest and in most cases, not recorded. Some workers who do not own land for farming are serving as "help-outs" or "jornal"<sup>33</sup>. The minimum wage rates set by government agencies proved that majority of the small farmers and farm workers are living beyond the poverty line. In the same manner, since the employment of the help-outs are temporary in nature, these workers are living below subsistence level. As such, decent work is far from reality in the vegetable growing sector.

The fruit and vegetable industry is the favorite topic of particularly, particularly Mindanao cases. It is simply because, Mindanao is tagged to be the "fruit and vegetable basket" in the country. Studies have shown that there are many concerns identified coming from all channels in the value chain, from sourcing of inputs, to production, to marketing. It is noticeable that bulk of the concerns are focused on the marketing aspect to include: farm to market roads, packaging and post-harvest processes, adoption of the appropriate technology, and sustainability of farm production.

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<sup>32</sup> PSA (2019) Selected Statistics 2019. Retrieved from: <https://psa.gov.ph/sites/default/files/Selected%20Statistics%20on%20Agriculture%202019.pdf> on 07/07/2020.

<sup>33</sup> On call casual workers residing on the nearby areas of farms who are paid daily, piece work, or per lot.

Vegetable farmers in the Philippines sell only to wholesalers in urban markets and to traders and consolidators making the supply chain of vegetable growing in Mindanao very simple. Lately, there are some opportunities facilitated by the government and NGOs in terms of training and development for smallholder producers to promote improvement in the efficiency of production and doing retailing activities. Improvements in the production may be implemented to ensure that smallholder producers can produce better quality vegetables and can become more competitive. The increasing retail prices, on the other hand, suggests opportunities for farmers to do retail activities themselves. However, smallholder farmers may have to organize a group to share risks among members and take advantage of economies of scale.

High Value Crops Development Program (HVCDP: 2016) mentioned that in 2006, the United Nations Development Programme (UNDP) reported that the vegetable industry in the Philippines contributes 30% to total agricultural production and a major component of Gross Domestic Product (GDP). Vegetable production is based on highland and lowland cropping in the wet and dry season.<sup>34</sup> However, one of the important challenges to the vegetable industry in the Philippines is to develop a production system that adequately meets the need for year-round production of safe and high-quality goods. It is difficult to meet this need with conventional field production of crops because of high rainfall, which makes vegetable production difficult and leads to fluctuations in supply and prices of the commodities in the market.

The vegetable industry is also affected by social, demographic and cultural barriers. The Food and Agriculture Organization of the United Nations (n.d.) also reported the social and cultural barriers to agricultural change. These include the farmers' respect for their tradition, their belief in their own culture, pride and dignity, relative values, and their responsibilities and social obligations. According to FAO (n.d.), many agricultural societies have very high respect for their tradition and when new

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<sup>34</sup> As cited in HVCDP (2016) Vegetable Commodity Profile. Retrieved from: [http://bpi.da.gov.ph/bpi/images/PDF\\_file/Vegetables%20Elements%20Paper%202016.pdf](http://bpi.da.gov.ph/bpi/images/PDF_file/Vegetables%20Elements%20Paper%202016.pdf)



farming methods and innovations are introduced, rural farmers in developing countries take it with suspicion. In such situation, the objectives of extension workers are often misunderstood in farming communities. FAO (n.d.) highlighted that such attitudes explain the behaviors of farmers who seem to agree to the new methods and/or innovation but are not prepared to put them in practice. Most farmers also take pride and dignity in their farming systems and techniques which they have practiced for decades, which is one of the reasons why they are not receptive to changes.

Another major factor that invade the industry is the reality about ageing farmers. The same is true with ARBs, where average age is from 65 to 80, but remained enveloped with poverty. The proportion of older workers in the agriculture sector, or those aged 25 years and older, increased from 2008 to 2015. However, the proportion of younger workers, or those aged 15-24 years old, decreased in the same time period. These results are consistent with the long-term trends in farming, wherein mean age has increased from 46 years old in 1966 to 59 years old in 2006 (Briones, 2017). The study of Elauria (2015) further showed that the average age of farmers in the Philippines is at 57 years and average level of education is primary. Studies show that ageing farmers is common in developing countries, wherein younger workers opt for non-farm occupations (Moya et. al. (2015) as cited in Briones (2017). Studies also show that older farmers are more resistant to change than younger farmers.

The changes in climatic conditions impact vegetable production and product quality. A study conducted by Bisbis, Gruda and Blanke (2018) proved that vegetable production is affected by climate change due to the shifting in carbon dioxide levels and shifting in precipitation patterns and temperature condition. Results showed that these factors reduce fruit set of fruiting vegetables, and impaired product quality thereby reducing yield and increasing food waste. These results were validated by a recent study of Parajuli, Thoma and Matlock (2019) which showed that the potential risks of climate change includes decline in productivity and quality of fruits and vegetables, thereby affecting the supply chain.

The political and legal forces play a vital role in the industry. These include discussion on local governance, HVCDP of the Department of Agriculture, Organic Agriculture Act and the implementation of Good Agricultural Practices. These specific programs are included in the insights of the Department of Agriculture, Support in the Organizational Development and Human Resource Development (DA: 2019) contained the following developments:

- 6.3.1 In 2014, Davao Region, through the Regional Development Council started the developing the priority Industry Clusters in the Region, 9 of which (Banana, Mango, Cacao, Durian, Abaca, Seaweeds, Bangus, Livestock and Poultry, and Rice).
- 6.3.2 The RDC through the secretariat of National Economic Development Agency (NEDA Region XI) in partnership with the implementing agencies regularly conducts monitoring and appraisal for the progress of the government- initiated programs in the agri-business sector.
- 6.3.3 The formation of different commodity councils increased in number.
- 6.3.4 Upgrading of those which are already formed have strengthen the representation of the commodity councils for an intensified support from different government agencies.
- 6.3.5 The councils serve as an effective avenue for sectoral partnership between the private sector and the government agencies and triggers the harmonization of the inter-agency and sectoral program.

Republic Act 9160 or an act providing for a local government code of 1991 stipulates the devolution of funds, power and authority to local government units to perform specific functions and responsibilities. As such, City and Municipal Mayors appoint city officials who are coterminous to their three-year term as city and municipal mayors. The appointed officials include unit heads or directors of the City or Municipal Agriculture Office, who implements programs of the national government.

The idea behind decentralization was to implement a strategy that is led by local government units with support from the national government agencies. However,

the local government units lacked absorptive capacities. Thus, budget and manpower are limited and many local government units depend on the support from the Department of Agriculture. While the local government code of 1991 brings agricultural extension services closer to the users and provide opportunities for local governments to provide interventions to the farm sector in their areas, several issues have emerged. One of these is the lack of capabilities and manpower of local governments to implement extension services in their respective areas. These agricultural extension workers assist on improving crop production within its scope of coverage, not only for vegetables but for all agricultural crops.

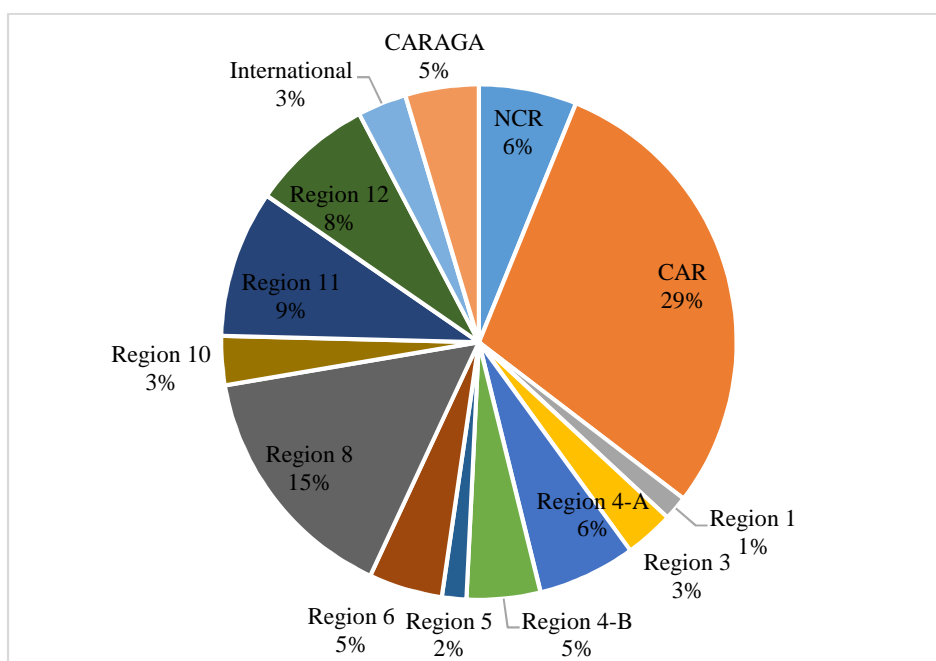
The industry is guided by the provisions contained in the Organic Agriculture Act of 2010 or RA 10068, which provides for the development and promotion of organic agriculture in the Philippines. This law provides that only third-party certification is allowed to be labelled as organically grown produce. There are only two third-party certifying bodies in the country– the Organic Certification Center of the Philippines (OCCP) and the Negros Island Certification Services (NICERT). The Participatory Guarantee System (PGS), which is less tedious and less costly compared to NICERT and OCCP certifications, is not recognized in the Philippines as a certifying body. Participatory Guarantee System is recognized by the International Federation of Organic Agriculture Movement (IFOAM), an international umbrella of organic agriculture associations around the world. In the Philippines, one cannot claim that the product is organic unless certified by either the Philippines OCCP or NICERT. The certification coming from the Department of Agriculture is still in the stage of structuring, though there some issuances awarded with selected agri-business organizations lately.

As of September 2018, there are only 65 certified organic operators in the Philippines, wherein 80% of these operators are certified by OCCP while 20% are certified by NICERT. These include operators who manufacture and sell organic fertilizers, pesticide, coconut, vegetables, fruits, perennial crops, root crops and coffee, among others. Of the 65 certified organic operators, majority are from the Cordillera Administrative Region while six operators (or 9%) come

from the Davao Region as shown in Figure 6: Percentage distribution of certified organic operators.

In Davao Region, the certified organic operators are producers of organic insecticide (Aktiv Multi Trading Inc.); organic fertilizer (Dori Bangkas Import and Export); vegetables (Organic Producer and Exporter Association, Lao Integrated Farms Inc., and DMI Medical Supply); and vegetable seeds and fruit seedlings (Bureau of Plant Industry – National Crop Research and Development Center, Davao). The last to apply for certification was FarmCoop from Japan and from the Department of Agriculture.

Figure 6. Percentage distribution of certified organic operators, 2018  
Source: Bureau of Agriculture and Fisheries Resources (2018)



While there have been government efforts in promoting organic agriculture, there are still few farmers who are adopting organic farming practices. Among the issues that constrain the adoption of organic agriculture are lower quality of produce; high cost of certification; and no price premium in selling organic produce. There were also issues raised that despite stringent requirements for organic agriculture certification, the organically grown products in the country are not yet recognized in the international market. There are also no accredited sources of organic planting materials in the country. In addition, there is a very long process in procuring certification. Only the organized farmers and cooperatives can afford to undergo the tedious process of certification. The customer behavior is also a deterrent factor. Buyers will still opt the non-organic grown vegetables for its low price and abundance and accessibility of the public markets.

The adoption of good agricultural practices is another target of the industry. Republic Act 10611 or an act to strengthen the food safety regulatory system in the country to protect consumer health and facilitate market access of local foods and food products, defines Good Agricultural Practices (GAP) as the practices that address environmental, economic and social sustainability for on-farm processes, and which result in safe and quality food and nonfood agricultural products.

## 6.6 Summarizing the Problems and Prospects of the Vegetable Industry

The fruits and vegetables sub-sector show great dynamism despite lack of government support compared to other sub-sectors within agricultural system. To further realize the potential of the fruits and vegetables sector, one promising instrument is investment in research and development (R&D). The government is the primary source of funding for agricultural research and development efforts due to the “public good” character of such kind of research. However, the Philippines lags behind its neighbors in Asia in terms of agricultural research investment. Moreover, current R&D investments are skewed towards traditional commodities.

The study of Australian Centre for International Agricultural Research and Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development

(ACIAR-PCAARRD) assessed the prospective impact at the industry level of fruits and vegetables R&D using their horticulture project as case study. An economic surplus model running on a spreadsheet was used to evaluate measures of project worth for R&D investment.

Application of the model shows the high social returns from raising investments in horticulture R&D. This assessment was made as part of a systematic process of evaluating the impacts of clustering vegetable farmers in the southern Philippines. Program theory was used to map the impacts. The performance of cluster and non-cluster farmers was compared. Farmers' performance before and after clustering was also examined. The study found that on the average, cluster farmers had higher incomes than non-cluster farmers. Moreover, farmers increased their income by about 47% after clustering. Examining the returns on investment in the research project, it was found that the net present value (NPV) was 35.3 million pesos, the internal rate of return (IRR) 48.6% and the benefit-cost ratio (BCR) 2.47. When spillover effects were considered at a 5% adoption rate, the NPV, IRR and BCR increased to 106.9 million pesos, 81.5% and 3.8, respectively.<sup>35</sup>

Smallholder fruit and vegetable farmers in the southern Philippines face many barriers in maximizing profits and being competitive in the marketplace. The production barriers that prevent many smallholder crops achieving maximum yields and quality include soil and nutrition issues, damaging weather conditions, pests and diseases, and postharvest losses. There are also constraints such as agricultural policies, local infrastructure, access to markets and market information, and access to finance and extension services. These challenges disrupt supply chains and threaten Filipino farmers' livelihoods, making the fruit and vegetable industry less competitive and sustainable.

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<sup>35</sup> ACIAR-PCAARRD move to intensify fruits and veggies value chain programs. Retrieved from: <http://www.pcaarrd.dost.gov.ph/home/portal/index.php/quick-information-dispatch/2123-aciarrd-move-to-intensify-fruits-and-veggies-value-chain-programs> on 12/12/201

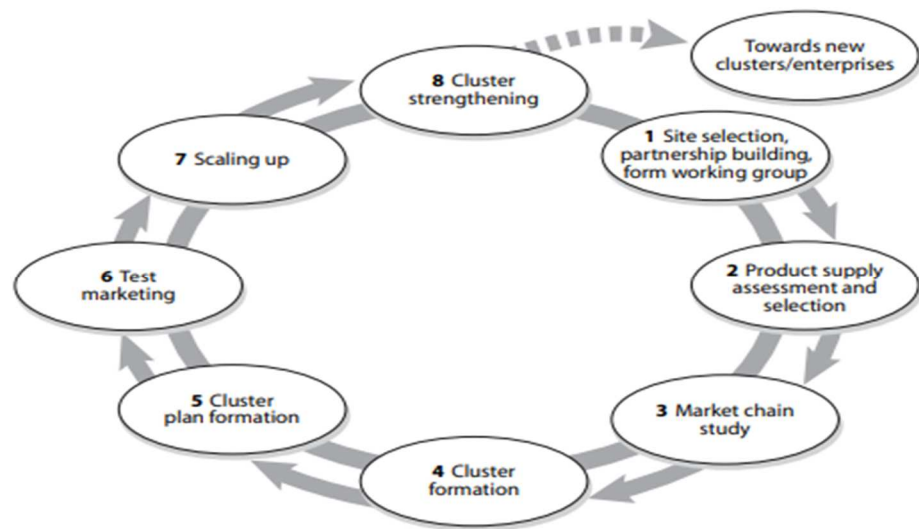
The growership system in the vegetable industry is done by small farmers, mostly involving the family as labor force. There are instances of getting hired labour (popularly known as help-outs or jornal<sup>36</sup>) if there is a big volume of production or in the land preparation. As such, there is no formal employment patterns, mostly informal. Payment of wages are normally based on "pakyaw system" (pricing per lot or job order) or per volume of harvest. Since there is no formal employment arrangement, there is zero possibility of organizing farmers union. What is viable and visible to date is clustering and formation of farmers' council and farmers' cooperatives.

The study of Rola-Rubzen, et. al. (2013) indicated that there is a viability of organizing the farmers and workers in vegetable growing. . The Clustering model as illustrated in Figure 7: Eight-step Process of the Clustering Approach to Agro-enterprise Development: An Action Learning Process, can be used as a guide for forming and organizing the workers in the vegetable industry. The study of ACIAR team has revealed a positive result. As such, the clustering is a recommended model of organizing small farmers. The said approach could also serve as a venue for crafting and formation of RBC and CSR program that will be beneficial to all the key players in the vegetable industry value chain.

Figure 7: Eight-step Process of the Clustering Approach to Agro-enterprise Development: An Action Learning Process  
(Source: CRS-Philippines 2007)

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<sup>36</sup>On call hired labor, usually on a seasonal basis, paid on a daily basis either piece rate or per lot where in most cases, below the mandated wage rate.



Based on the review of selected literature in vegetable growing, there is no formal employee-employer relationship. The industry is saturated with small farmers/growers, where the production process involves unpaid family household workers (housewives and children of the lead farmer). As such, tripartism or tripartite plus involving the farmers/workers and other stakeholders within the supply chain can be formed with the intervention of the government agencies (DA & LGUs).

The case study done by Rola-Rubzen, et. al. (2013) have shown the viability of clustering or grouping of farmers as it has increased the farmers' income. It has also been observed that clustering or forming of groups create a venue of pooling of resources, exchange of technology and information, sharing of experience and improved marketing strategies. Thus, it can be concluded that since tripartism *per se* is quite remote to occur, formation of RBC/CSR must be initially be done through clustering with the facilitation of government agencies. In some areas of Mindanao (Davao Regions, Cagayan de Oro), where the center of vegetable trading is located, clustering was facilitated by DA and LGUs and have shown improvement in the production processes and in relationship among farmers. The formation of cooperatives among growers is seen to be a potential breeding ground for crafting of RBC and CSR that will protect the interest and welfare of the agri-business small farmers/growers.



## 6.7 An Overview of the Cavendish Banana Industry

Banana, pineapple and mango are the major fruit export commodities of the country both in fresh and processed forms. Banana is the number one fruit commodity in the Philippines both in production and hectarage. The industry is divided into two distinct sectors namely those for the domestic market and those for the export market. For the former, the cultivars being grown are 'Lakatan', 'Latundan', "Bungulan" and 'Saba'/'Cardaba', while for the latter, it is the Cavendish-type cultivars ('Umalag', 'Grand Nain', 'Giant Cavendish', Dwarf Cavendish', etc). Furthermore, banana for the domestic market are grown throughout the country in small farms under minimal care while for the export market, large integrated farms are concentrated in Mindanao where typhoons/strong winds seldom occur and grown under intensive cultivation. Harvesting occurs throughout the year.

PSA (2017) recounted that, the economic performance of the Philippines' country's agriculture sector can be monitored through the year on-year growth of Gross Value Added (GVA) and/or Gross Domestic Product (GDP). PSA (2019) reported the following: (a) The total GDP in 2019 for agriculture, forestry and fishing amounted to 1,722,211 million pesos while GVA totaled 900,785 million pesos. (b) The country's earnings from agricultural exports, which accounted for 8.83 percent of the total exports revenue, declined by 7.02 percent in 2018. (c) Fresh banana, coconut oil and tuna were the top agricultural export products. These contributed 48.27 percent to the total value of agricultural exports. The major export destinations were still China and Japan for fresh banana, United States of America (USA) and the Netherlands for coconut oil, and United Kingdom and Japan for tuna.<sup>37</sup>

FAO accounted that bananas rank as a leading crop in world agricultural .production and trade. It is also highlighted that, "precise figures on total global banana production are difficult to obtain as banana cultivation is often conducted by smallholder farmers and traded in the informal sector, which is often untraceable".

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<sup>37</sup> PSA (05.2019) Selected Statistics on Agriculture. Retrieved from: <https://psa.gov.ph/sites/default/files/Selected%20Statistics%20on%20Agriculture%202019.pdf> on 08/20/2020

Estimated available data indicate that between 2000 and 2017, global production of bananas grew at a compound annual rate of 3.2 percent, reaching a record of 114 million tons in 2017, up from around 67 million tons in 2000". Accordingly, it was also recorded that, the main exporter is Ecuador, which accounted for an annual average of one-third of total global banana export volume between 2014 and 2018. Other large exporters are the Philippines (13 percent volume share between 2010 and 2016), Costa Rica (13 percent), Guatemala (12 percent)<sup>38</sup>

Furthermore, FAO reported that, available estimates indicate that average global banana production rose from 69 million tons in 2000-2002 to 116 million tons in 2017-2019, at an approximate value of 31 billion USD. The most commercialized banana variety is the Cavendish type, which is estimated to account for around 40-50 percent of global production. This variety is able to achieve high yields per hectare and, due to its short stems, is less prone to damage from environmental influences such as storms. Cavendish banana plantations are also able to recover from natural disasters quickly given their short time to maturity of approximately nine months. Global exports of bananas, excluding plantain, are estimated to have reached a new record high of 20.2 million tons in 2019, an increase of 5 per cent compared to 2018.<sup>39</sup> The major importing countries are Japan, China, South Korea, United Arab Emirates, Singapore, US and Iran that started in 2013. Japan is still considered as the premium market by the exporters. The USA is the newest market which was opened a few years ago.

The lifting of government regulation in 2008 that imposed limitation on area (in hectares) that may be devoted to banana growing for exportation expanded the continuing emergence of small banana farmers and exporters. In addition, the awarding of lands to agrarian reform beneficiaries have also contributed to the increase in volume of production. As cited by PSA (2017) about half of the total holdings/farms (154 thousand) reported in the Davao Region in 2012 had sizes of less than 1.0 hectare. Thirty-eight percent (129 thousand holdings/farms) were

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<sup>38</sup> FAO Banana Facts and Figures. Retrieved from: [http://www.fao.org/economic/est/est-commodities/bananas/bananafacts/en/#.Xz8\\_j8gzbmU](http://www.fao.org/economic/est/est-commodities/bananas/bananafacts/en/#.Xz8_j8gzbmU) on 07/31/2020

<sup>39</sup> FAO Banana Facts and Figures. Retrieved from: <http://www.fao.org/3/ca9212en/ca9212en.pdf> on 07/07/2020.

estimated between 1.0 hectare and 2.9 hectares. Another 17 percent (56 thousand holdings/farms) were reported to be at least 3.0 hectares. (PSA: 2017)<sup>40</sup>

“Banana is the top traded fruit worldwide and the Philippines is one of the major banana exporters and was ranked no. 2 next only to Ecuador in the past decades.”<sup>41</sup> Similarly, “for the second consecutive year, in 2019, the Philippines was the second-largest exporter of Cavendish bananas, with total shipments reaching a record high 4 million tons.”<sup>42</sup> At the same time, TADECO is one of the four GLOBALG.A.P certified producers in the world that was awarded for obtaining the most outstanding results (both in quality and volume) in their consistent compliance to GLOBALG.A.P. principles and high commitment to implementation of good agricultural practices for more than 40 years in banana operations. (TADECO: 2019)

However, as recorded by PSA (2019), the industry generated a negative growth rate of negative 16.77%. As such, the major players are confronted with challenges and problems. Furthermore, PSA (2020) reported that, for the period July to September 2019, banana production was down by 1.62 percent. There is also a noticeable decrease in volume of production in the industry as of the third quarter of 2019. In Davao Region, there was reduction in area harvested because of abandonment of areas affected by fusarium wilt disease in both small and commercial farms.

The offshoot of fusarium wilt<sup>43</sup>, the climate change among other factors have led to closure of affected plantation zones, thus, creating problems in the industrial relations, economic and social systems. These closures have mounted to laying off of workers and cancellation of contracts (AVA and growership agreements). Cooperatives, local companies and MNEs cannot meet the demands of the market. These repercussions will bring chaos in the future if not attended. Now is the best time to document, reinvent and strengthen best models of CSR and RBC to manage

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<sup>40</sup> PSA (2017) Census of Agriculture and Fisheries. Retrieved from: [https://psa.gov.ph/sites/default/files/CAF2012Agri\\_Reg11.pdf](https://psa.gov.ph/sites/default/files/CAF2012Agri_Reg11.pdf) On 07/07/2020.

<sup>41</sup> DAR Annual Reports, 2017 & 2018.

<sup>42</sup> As cited in Fresh Plaza, Philippines still no 2 banana exporter in 2019. Retrieved from: [https://www.freshplaza.com/article/9188087/philippines-still-no-2-banana-exporter-in-2019/#:~:text=For%20the%20second%20consecutive%20year,Agriculture%20Organization%20\(FAO\)%20said.](https://www.freshplaza.com/article/9188087/philippines-still-no-2-banana-exporter-in-2019/#:~:text=For%20the%20second%20consecutive%20year,Agriculture%20Organization%20(FAO)%20said.)

<sup>43</sup> The disease, caused by the soil-borne fungi *Fusarium oxysporum* f. sp. *cubense* (Foc) and also known as “Panama disease”.

and control damages that may affect all the key players within the value chain. Now is the time to forge genuine concern for economic and social upgrading of the banana industry.

According to Vicente, et. al. (Vicente: FAO: 2014), the devastating impact of Fusarium wilt on Cavendish plantations in Asia was first observed in Taiwan in the late 1960s, China in 2004 and Philippines in 2008. The disease eventually caused a significant reduction of production to just 10% of former levels and ultimately increase the cost of production. The authors furthered that, “the disease threatens the 400 million-dollar banana export industry of the Philippines, currently the second largest supplier of the global market after Ecuador”<sup>44</sup>. To date, more and more plantations are being abandoned or burned due to the disease. It has spread all over plantations in Davao Region, big or small. The search for the treatment is on the pipeline and a major concern of all growers, especially the MNEs. This is where “big and small brother” relationship is seen to be practiced. Scientists in cooperation with big companies are still developing the “high resistant” breed. However, the search has not fully succeeded due to low output of production. As such the closure of the plantations have resulted to lay-off and retrenchment of workers, particularly those who are assigned in plantation areas (outsourced, itinerant, casual and help-outs).

## **6.8 Some Insights on the banana global markets: tariff, taxes and challenges**

The ASEAN Common Market in 2015 created a big challenge to provide a safe product at competitive prices. This can only be achieved through the integration of the production and marketing for each fruit species. Furthermore, productivity and/or areas of production should be increased in order to attain the economy of scale to expand and/or open new markets abroad. There is a need to enhance the extension services provided by the different government agencies in order to efficiently transfer new technologies to growers to enhance their production and marketing efficiency. Product standard and safety are major concerns in both domestic and export markets

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<sup>44</sup> Vicente, et. al.(FAO:2012) Technical Manual Prevention and Diagnostic of Fusarium Wilt (Panama disease) of banana caused by *Fusarium oxysporum* f. sp. *cubense* Tropical Race 4 (TR4). Retrieved from: <http://www.fao.org/3/a-br126e.pdf> on 02/07/2020.

such that application of Good Agricultural Practices (GAPs) should be strongly pursued by the growers as well as its subsequent product certification.

Global exports of bananas, excluding plantain, reached a record high of 19.2 million tons in 2018, on the back of ample growth in supplies. Reported figures for the full year indicate an increase in global shipments of 5.7 percent compared to 2017. Strong supply growth in two leading exporters, Ecuador and Philippines, was mainly accountable for this rise. Meanwhile, adverse weather conditions continued to affect shipments from several other key suppliers, most notably Costa Rica and the Dominican Republic.

Meeting the requirements of the foreign market is very difficult to achieve. The standards set for the “less chemical banana produce” are; zero ripe, zero bruises, zero stain, zero freckles, perfect fingering and must meet the set minimum residue limit. In the case of “upland organically grown bananas” the same requirements are applied except for the minimum residue limit since the bananas are grown with organic fertilizers derived from natural components. There is also a need for accreditation by the buyer’s country.

The imposition of tariff and taxes by the importing countries like Japan and South Korea has affected the setting of wages and benefits of the banana workers and small growers. Recently, the Philippine government expressed an appeal for the abolition of tariff imposition to zero level. However, the request remained unanswered. PBGEA argued that reducing, or eliminating the tariff, would keep the Philippines competitive against Japan’s and South Korean’s other banana suppliers that are exporting to the East Asian country at zero tariff.

Tropical fruits and vegetables have become important products in Japan’s market as the Japanese are consuming more tropical fruits and vegetables from other countries. Since consumers are concerned about the health effects of chemical residue in food, it is becoming important for banana exporters to make sure bananas are not contaminated by chemicals, bacteria, mold or insects. This means improving standards in banana production processes, Itagawa (1991)

Corollary to the discussion of Itagawa (1991), Subittawat (2015) concluded that, there are several components to best practices in banana production processes, and each one has its own characteristics. Banana exports must comply with standard guidelines. The processes required between receiving the harvested bananas and storing them must be carefully followed, as each step involves a critical process to keep quality high, and reduce the risk of bacteria or mold growth. The best processing practices will delay ripening and create high-quality bananas that are delicious and do not ripen too quickly. Facility improvement programs are going to be important since some banana producers' facilities do not meet the standards. Facility improvement will directly benefit exporters by increasing their market share, since their banana exports would be of good quality.

The "upland organically grown bananas" is gaining more recognition and patronage in the Japan market. However, the issue of rejection is higher compared with the "less chemical banana produce". The rejection prompting the growers (both small and big companies) to look for ways and means to use the rejects to produce more by-products which could be another source of additional income and to care for the environment of the plantations. Very popular are the conversion of the rejects to banana chips. Those that are further rejected for banana chips production are used for feed mills and lately for organic fertilizers. However, these ventures are not enough to recover the cost of production, so companies are still on the search for further usage of banana rejects that will generate higher returns.

As contained in *Unpeeling the Banana Trade* (2009), bananas have become increasingly popular, retail prices have dropped significantly, forcing prices down across the entire supply chain in a race to the bottom. This pressure inevitably results in lower wages, longer hours and worsening working conditions for many plantation workers who are often paid pittance wages – less than £1 a day in some cases – not enough to provide for their families. They are very often prevented from forming trade unions to protect their rights and improve their situation. The increasing use of casual and sub-contracted labour results in further abuses of workers' rights.

China is the 2<sup>nd</sup> major destination of the aggregate exports of PBGEA member companies. It is the destination of about 25% of PBGEA's total exports each year. It

is also the number 1 market of non- PBGEA members, independent growers and cooperatives. Since 2010, it does not impose any tariff. However, trading with China is enveloped by issues and challenges related to compliance with the market set standards. However, other destinations continue to charge tariffs (South, Korea and others despite continuing request.

One of the major issues related to the negative behavior exhibited by some workers is the threat and perceived fear of acquiring diseases caused by continuous exposure to chemical pesticides and fertilizers. Corollary to this issue, Fairtrade denounces that the “economic benefit of the intensification of productions in the banana industry through the expansion of farms and use of more modern input technologies was at the expense of the environment”<sup>45</sup>.

From 1994 to 2016, the area planted for banana rose from 3.8 million hectares to 5.9 million hectares with farms heavily relying on synthetic fertilizers and pesticides, especially in monoculture crops, resulting to pesticide-resistant pests

Following are the discussions of DOLE (2019)<sup>46</sup> related to the use of chemical pesticides and fertilizers:

- Banana plantations rank second to rice where agricultural chemicals are used extensively. A large majority of these plantations are aerially sprayed with a variety of chemicals (insecticides, fungicides, herbicides, molluscides, nematodes and other such compounds) to ensure high quality fruits, maximize profit and minimize labor cost.
- Fluazinam is a protectant fungicide, that is neither systemic nor curative. It acts by inhibiting the germination of spores and the development of infection structures. As per FPA, Fluazinam locally known as Omega EW45 is a registered pesticide product with DA-FPA and is used to control of post-harvest diseases of banana and pineapple.
- Fluazinam locally known as Omega is the pesticide in question here that is used in the post-harvest operation of the three plantations. As alleged by a labor federation, exposure to the said chemicals causes various effects on exposed workers ranging from skin irritation, difficulty of breathing and in Union to request for an OSH Investigation. Significant quantities of

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<sup>45</sup>Fairtrade, Philippine Cavendish Banana Value Chain: Exploring Potential for Fair Trade Certification. Retrieved from: <https://www.fairtradenapp.org/wp-content/uploads/2018/05/Cavendish-Banana-Fairtrade-Extended-Summary.pdf> on 05/01/20

<sup>46</sup> DOLE Report on Use of Pesticide

bananas are lost between harvest and consumption. In order to reduce these losses, post-harvest technologies which delay senescence, occurrence of fruit diseases and which maintain quality must be applied.

- The cavendish bananas are cut from the bunch, washed, drained, graded and packed as hands into 13 kg cartons. Bananas are graded into extra-large, large and medium sizes. The companies cited the measures they undertake to resolve the concern through the post-harvest handling which includes actions such as washing, cleaning, sorting, packing, cooling, storing of raw agricultural products, and pest management. These actions can be performed in handling facilities.

DOLE further reported on the findings related to occupational Safety and Health Standards Compliance:

The pesticide in question, fluozinam, with a brand name Omega, is approved and registered with FPA. However, upon inspection, it was noted that pesticides are not labelled properly nor Safety Data Sheets posted in the workplace. There is no Safety Practitioner to oversee the implementation of the OSH Program of the company. The absence of a trained First-Aider was also noted during the OSH Investigation. No accurate and complete medical record was presented during the inspection. The stock of first-aid medicine was noted to be inappropriate. Safety signage was conspicuously absent in the premises. The number of fire extinguisher in the premises is inadequate. No safety orientation was conducted by the company for its workers nor certificate of training in handling chemicals for their applicators. The Safety and Health Committee of the company does not meet regularly to tackle health and safety issue. Non-submission of administrative report on safety and health was confirmed by the team as the company failed to submit proof of submission. Noise control measures, proper ventilation and use of appropriate PPE remains wanting. Availability of welfare facilities as emergency treatment room/clinic, drinking and shower are not available for use of the workers.

DOLE concluded that, chemicals as pesticides whether registered to FPA or not is inherently hazardous. Thus, establishments handling chemicals must observe due diligence in implementing their Pesticides Control Program. Whether the allegations in the letter are true or not, the team based their recommendations on their findings. Below are the suggested interventions which companies may adopt:

- . Improvement of medical surveillance of the company



- Immediate hiring of a safety practitioner and OH personnel (OH Nurse) as this will help answer for the other deficiencies that were noted such as formation of functional OSH committee, proper implementation of safety and health programs, procurement of appropriate PPE, formulation of OSH policies, conduct of accident/illness investigation and improvement of premises.
- Provide trainings for applicators and other workers of the plantation.
- Provide an EC logbook for workers who will become sick or injured in line of their work.
- The company must periodically provide the appropriate equipment, not only to workers doing work in the plantation but also to those involve in post-harvest activity.
- Provision of welfare facilities as clinic, shower rooms and drinking facilities.
- Improve the Engineering Controls as ventilation.

It must be noted that the concerns on the use chemical pesticides did not came out in the interview with the key informants and FGDs regarding the concern for infections or contaminations. Specifically for the TADECO case, the issue of pesticide and fertilizer infections was not highlighted but what was discussed further is the compliance with new issuances on occupational health and safety. There are instances where the plantation workers both in the company managed and ARCs plantations neglect to use the appropriate tools and gears. However, any occurrences of symptoms are early detected and treated under the company health and wellness program. The presence of an occupational health and safety as required by DOLE is strictly followed with the appropriate training program and other supplementary exposures. Same is true in the case of Unifruitti, the company is very much aware of all the precautionary measures and there is strict compliance with the new rules and regulations on occupational health and safety.

In the case of FarmCoop, the perceived threat is totally eliminated. It may be recalled that the former workers (ARBs) formally filed several legal complaints (through the Union, NFL-KMU) on this specific concern. Nothing was legally concluded. It is also one of the major considerations that FarmCoop envisioned a “chemical free” plantation which resulted the shift from “chemically driven banana plantation” to “upland organically grown system” and less application of chemical pesticides at the lowland plantations.

## 6.9 The Agrarian Reform law - from CARP to CARPER: Its Prevalence in the Cavendish Banana Industry

June 30, 2014 was marked as the end of the implementation Republic Act 6657 of 1988 (also known as the Comprehensive Agrarian Reform Law of 1988 {CARL}). It was supplemented by Proclamation 131 (1988) during the administration of Former President Corazon C. Aquino, also known as the Comprehensive Agrarian Reform Program (CARP), which provided for a special fund known as the Agrarian Reform Fund (ARF) in the amount of Php 50 billion pesos to cover the estimated cost of the program for the period 1987-1997. On September 01, 2009, Republic Act 9700, an Act Strengthening CARP, was promulgated with the purpose of extending the acquisition and distribution of all agricultural lands, instituting necessary reforms, amending certain provisions of RA 6657 (CARL) as amended and appropriating funds therefor. This is also known as the CARP Extension with Reforms (CARPER) Law. On 08 December 2006, DAR issued Administrative Order 09, series of 2006, providing for the Revised Rules and Regulations, popularly called Agri-business Venture Arrangements (AVAs)<sup>47</sup> in agrarian reform areas.

Both positive and negative feedback from the different stakeholders were raised. The extension of the CARP, as provided by Republic Act 8522 (popularized as CARPER) for another five years providing for an additional augmentation funds amounting to Php 50 billion for five years (after 2008) have influenced and raised the level of expectation of the key players (government, sponsors, and agrarian reform beneficiaries (farmers)).

The decision of the Supreme Court (GR No. 171101, Nov. 2011) on the case of Hacienda Luisita favoring the agrarian reform beneficiaries have also changed the perception of spectators and key players. But still the dilemma among the government implementers is to prove whether these developments will advance the implementation of the agrarian reform program and surpass the achievements of the past government administrations. Until now, the potential claimants are waiting for

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<sup>47</sup> A 58 page administrative order which refers to entrepreneurial collaboration between ARBs and investors to implement an agri-business venture involving lands distributed under CARP. (DAR, AO signed by OIC-SEC. Pangandaman, published on 13 December 2006)

the finality of court decisions which is indicative of the long wait and complexity of land distribution to the declared and qualified beneficiaries.

With the ending of CARPER last 30 June 2014 and institutionalizing AVA as the last guideline to continue the implementation of CARP, the decision to extend/continue or pass another law is a big question. As announced by the Department of Agrarian Reform (DAR), due to the uncompleted land acquisition and distribution program, House Bill 4296, which extends the land acquisition and distribution until 2016, was certified by President Benigno Aquino (DAR, 2014). However, the extension did not resolve the pressing issues.

The provisions of CARP included big plantations, privately owned and government lands leased to MNEs. As such, the workers, mostly represented by their unions and labor federations took the opportunity to avail of the program. A program that will distribute land for the landless workers/farmers to be tilled and managed by themselves. The implementation of land ownership and its supplemental processes involved the participation of former employers (multinational enterprises, MNEs) who are mostly engaged in banana, pineapple and papaya growing in Mindanao.

CARP and CARPER are meant to resolve a major problem in the society – the skewed and inequitable distribution of land. Vast lands are only held by the few, while majority are landless. As such there is a disparity of the ownership means of production in the country side. However, the provisions of the program are embedded with inherent conflict of interest. The processing of land distribution became a long-wait, Beneficiaries described the transition as a very tedious process, with mounting petitions due to ambiguity of the provisions. The stipulations of AVA were bound to create “onerous contracts” with one sided provision favoring the MNEs and former owners of the land.

Similarly, Tadem (2015) concluded that,” CARPER was also essentially the result of a compromise between pro and anti-agrarian reform blocs in the Philippine Congress and thus also contained provisions inserted by landowner lobbyists that are considered loopholes in the law. The program is further hampered by an ineffectual

bureaucracy, rampant land conversions and displacements of peasant communities, incursions of property developers, other rent-seekers, and special economic zones, and the expansion of urbanization into the countryside.”<sup>48</sup>

Tadem (2015) discussed that, “the basic principles of a genuine, meaningful and sustainable agrarian reform program are enshrined in the long history of agrarian unrest and rural social movements that have punctuated the country’s experience since colonial times”<sup>49</sup> Table 1 is a matrix showing the major bottlenecks originating from inception to the implementation of the said program particular to the growing of Cavendish bananas.

Under the implementing strategy of CARP (DAR, 1990), the development goals and objectives of the program emphasize the pursuit of certain activities related to institutional support, such as:

- strengthening of collaborative efforts among government agencies and synchronization of their activities in the implementation of the CARP;
- improvement of administrative and technical capabilities at the various structural levels of the implementing agencies;
- enhancement of the service capabilities of concerned agencies through increased provision of facilities and other supplemental support for Institutional Strengthening;
- Institutionalization of grassroots-level participation in the implementation of the program, i.e., farmers’ organizations, cooperatives, non-government organizations, etc. to serve as conduits of support services. and
- Increasing awareness and responsiveness of all sectors in the program.

The call for collaborative effort among the 11 government agencies is an opportunity to be tapped. The goal of pursuing collaborative effort can be expanded to include all stakeholders, not only among the government side. This collaborative governance approach, once institutionalized should involve all players through social dialogue, e.g. consultation with in depth search for problem resolution.

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<sup>48</sup> Tadem, E. (2015) The Agrarian Reform in the 21st Century. Retrieved from: [https://www.iss.nl/sites/corporate/files/CMCP\\_D2-Tadem.pdf](https://www.iss.nl/sites/corporate/files/CMCP_D2-Tadem.pdf) on 03/15/2020.

<sup>49</sup> Tadem, E. (2015) The Agrarian Reform in the 21st Century. Retrieved from: [https://www.iss.nl/sites/corporate/files/CMCP\\_D2-Tadem.pdf](https://www.iss.nl/sites/corporate/files/CMCP_D2-Tadem.pdf) on 03/15/2020.

In particular for the Cavendish banana growing, crucial stipulations of AVA were reverted to favor and consider the plight of small farmers and growers like setting of buying price, changing of partner/buyer, shortening of contract terms, re-structuring of farmers growers loans and other approaches to resolve the pitfalls and multiple and conflicting interpretations of the law and its implementing rules.

The implementation of CARP/CARPER is not a smooth sailing process. It has been a never-ending plight of all peasants in the country. The evolution of the law that have passed from the first Philippine Republic up to present is indicative that the search for a solution to address peasants' unrest cannot be resolved by a single program of the government.

Table 1 is a summary of the bottlenecks and obstacles as well as the challenges encountered by key stakeholders in the adaption of CARP/CARPER. The matrix traverse from the inception period up to implementation of CARP/CARPER. It can be observed that obstacles and challenges must be resolved by all players – government, ARBs and MNEs, and other partners. As the saying goes, “it takes all to tango”. Resolving conflict of interest between and among the players is far from reality with the exception of the chosen 3 cases in this study. Some MNEs blocked the way for union/workers while some are still moving to a peaceful co-existence with their partners in leaseback arrangements. The tripartite plus formation is stand still and the implementation and actions agreed upon in the Voluntary Code of Ethics remained to be unmonitored. Similarly, the implementation of the agreement remained to be seen. The plight of the ARBs and other workers under CARP/CARPER is a protracted struggle. The same goes with the promotion of decent work in the agricultural system.



**Table 1. Summary of Bottlenecks and Challenges in Banana Growing in Davao Region**

<b>Period/Stages of CARP/CARPER</b>	<b>Bottlenecks/Obstacles</b>	<b>Challenges/Opportunities</b>	<b>Action taken/ Results/Remarks</b>
<b>A) Pre-inception period</b>	1) Inherent conflict of interest among the key stakeholders	1) Crafting the law with less damages & problems and observing the principle of neutrality	1.) 11 government agencies were tasked to support the implementation of the law with DAR as the lead agency 2.) CARL heavily criticized due to “onerous contracts” contained in AVA implementation
<b>B. Implementation phase</b> 1) Filing and processing of applications from qualified beneficiaries	1) Widespread resentment/resistance on the part of the landowners 2) Threats coming from the opposing parties were observed 3) Technicalities, legalities and stringent requirements delayed the awards of land	1) Coping with technicalities and legal issues 2) Searching for support system and allies from both parties 3) Majority of legal cases were elevated to court trials (from the lowest level up to the Supreme Court)	1) Government agencies became aware of the flaws in the law, trying to serve with neutrality 2) The call for collaborative effort was in place, however, not all efforts were effective
2.) Distribution of awards – titles of ownership under CLOA <sup>50</sup>	1) Addressing the pitfalls in AVA implementation 2) Continuous resentment of some landowners to leave the properties subjected to CARL 3) ARBs lack of essential skills in farm operations	1.) Shifting mindsets from worker to landowners on the part of ARBs to include the formation of agrarian reform cooperative (ARC) 2.) Developing the coping mechanisms to deal with the identified bottlenecks	1.) DAR faced multiple cases in Court 2.) ARBs resulted to undertake both legal and para-legal actions (lobbying in Congress, petitions in court, rallies, boycotts, strikes, etc.)

<sup>50</sup> A **CLOA** “is a document evidencing ownership of the land granted or awarded to the beneficiary by the [Department of Agrarian Reform (DAR)], and contains the restrictions and conditions provided for in the [Comprehensive Agrarian Reform Law (CARL)] and other applicable laws,”

**Table 1. Summary of Bottlenecks and Challenges in Banana Growing in Davao Region**

<b>Period/Stages of CARP/CARPER</b>	<b>Bottlenecks/Obstacles</b>	<b>Challenges/Opportunities</b>	<b>Action taken/ Results/Remarks</b>
		3.) Need for skills upgrading 4.) Searching for alternative solutions to deal with “onerous contracts”	3.) Some landlords faced the ARS using para-legal mode
3.) Land cultivation- growing Cavendish banana	1.) Lack of financial capital and other farm inputs 2.) Failure of AVA 3.) Indebtedness due to accumulated arrears of land amortization and loans covering farms inputs from MNEs 4.) Facing the effects of over-application of chemical pesticides in plantation areas 5.) Climate change and infestation of fusarium wilt 6.) Plantation shortage caused by the spread of fusarium wilt	1) Searching for new partners/buyers who will develop new contracts favorable to both parties 2) Forming new business ventures to augment the shortage in income of the cooperative 3) Search for alternative means of farming with less chemicals or “chemical free” farming 4) Search for additional land for cultivations to resolve the economies of scale issue	1) Production, purchase and other supplemental contracts were executed with new MNEs 2) DOLE in search for workable solutions to resolve pressing concerns facilitated the formation of Tripartite Plus among stakeholders in Cavendish banana growing 3) Expanding the cooperative organizing beyond the ARS (to introduce organic upland farming of bananas, other fruits and vegetables with tribal groups)



## **7. The Refined Conceptual Framework**

The findings of the research undertaking and the review of additional related literature paved the way to redesign and refined the conceptual framework illustrated in Figure 3: Preliminary Value Chain Analysis. This refined framework can be used as a guide for future studies in the banana industry. As earlier illustrated in Figure 1: (The Rich Picture of the Banana Industry in Davao Region , growing bananas is a very complex system. Plantation areas are spread all over Mindanao with concentration in Davao Region. The industry is confronted with problems and challenges, related to sourcing of lands and raw materials, management of workers, promotion of decent work, searching for the most appropriate technology for eradicating fusarium wilt, gaining competitive advantage and meeting the expectations of the market. All of these concerns when addressed will lead to economic and social upgrading.

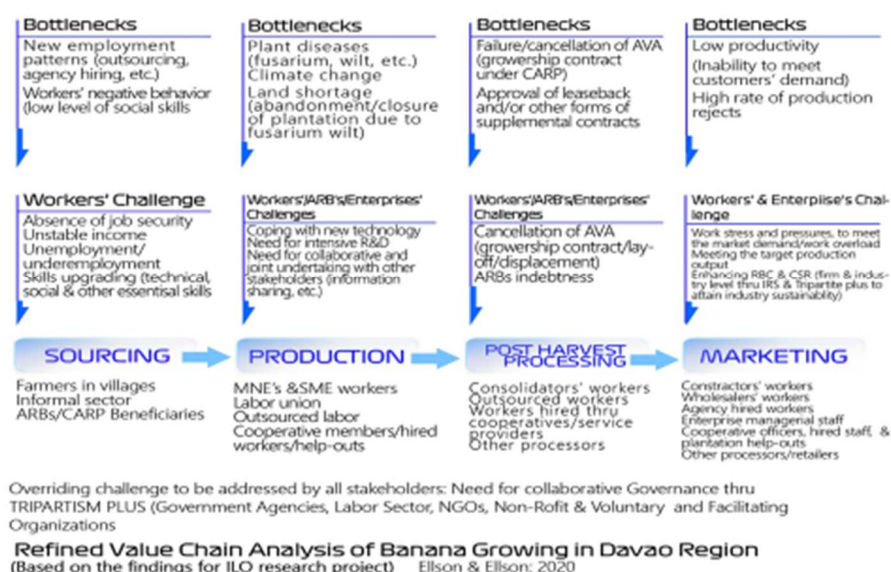
The conceptual framework is designed to meet the objectives and deliverables of the research undertaking. Focus is directed on highlighting the bottlenecks being confronted by the key players in every channel of the value chain while at the same time identify the point of convergence among the actors in order to resolve the current issues and problems related to productivity, profitability, viability and survival of the company.

The decrease in volume of production was brought about by complex and varied incidence (with climate change and fusarium wilt as the main causes). In addition to the change in the vegetation issues, the changing behavior of some companies (dealing with growers, negotiating with workers and unions, and responding with market demands) have affected the production system, thus the productivity is at stake. Another major cause is the spread of fusarium wilt. A banana disease that remained to be resolved. Researches and development are focused on the prevention and control of the disease since early studies revealed that there is no concrete remedy yet. It is worth noting that almost all companies worldwide are cooperating in looking for the best solution and to date, the focus is on sharing the best practices on how to contain or avoid the disease.

Figure 8: Refined Value Chains of the Banana Industry in Davao Region, serves as a guide for understanding the landscape of banana production. It was redesigned to identify the major players, the workers and their organizations, the MNEs and private enterprises to include the ARB's cooperatives, the facilitating civic and non-profit organizations with the government agencies as the lead facilitator and coordinator. The supporting functions as well as the laws, standards and rules governing the industry are also indicated to show the linkages and interconnections with the various channel in the value chain. It also enumerates the various bottlenecks and challenges faced by the three leading players, the worker, the ARBs and the enterprise as well. As a whole, the figure summarizes the production processes as well as the sub-systems necessary to operate and manage the banana industry. It has also highlighted the need for collaborative governance through tripartism as an overriding challenge to be addressed by all agents involved in the system.

A major bottleneck being encountered by the workers is the adaption of new employment patterns (outsourcing, agency hiring, and other forms of contractualization) which lead to absence of job security, unstable income, underemployment, These patterns are prevalent with some MNEs but not in the three case studies that were examined in this study. On the part of the company, a major issue is the presence of negative behavior and lack of social and other essential skills among regular/tenured workers. Productivity diminish upon regularization and this is the reason why MNEs prefer casuals and non-regular workers. However, this issue is not felt in the subject cases.

Figure 8: Refined Value Chain Analysis of Banana Growing in Davao Region  
(Based on the Findings of the study and observations of the author)



The prominent problems worldwide felt by all banana growers is the spread of fusarium wilt (also known as Panama disease), negative effects of climate change. Once the plantation is infected with fusarium wilt, abandonment or burning of the area is the only solution, thus creating a shortage of land and production. As an effect of the disease, additional cost is encountered for the conduct of research and development on how to treat the said disease. Researches is still being conducted, where pooling of resources, sharing of technology and information and other collaborative efforts were observed among all lead stakeholders worldwide. Big and small growers have initiated various approaches but until now no remedy has been found. High yield variety was developed by a group of scientist but still adapted for its low yield and high cost of planting.

The Agrarian Reform Law and its enabling policies are found to be full of flaws. Detailed guidelines remained to be taken into account despite of the fact that its implementation has ended in 2016. Though an extension called CARPER was executed, still there are major pitfalls remained to be unresolved. This is one of the many causes for the failure of AVA and other growership contracts. The failure of AVA catered to the adaption of leaseback contracts which signaled the failure of CARP/CARPER. Legal cases have emerged with some remained undecided

while some are waiting for the decision of the highest court of the country. The failure of AVA also resulted to the indebtedness of the ARBs due to failure to pay the land amortizations. Rental fees and salaries received by ARBs (as a casual worker) is not sufficient to cover such indebtedness.

There is a high demand for cavendish banana among the existing markets in Asia. As such, export growers are directed to generate higher outputs to be able to meet the demand amidst the obstacles brought about by fusarium wilt and climate change. Though the production per hectare is within the global standard, workers are being pushed to produce more which resulted to work stress and pressures, prolonged working time, and overloading.

In examining the obstacles and challenges, collaborative effort of both labor and management is highly needed. Since the RBC/CSR practiced by the case studies were found to be effective in addressing the bottlenecks, the challenge of honing and enhancing more RBC/CSR through Tripartism and Tripartite Plus is highly commendable.

As mentioned earlier, the concentration of banana growing is located in Davao Region. As such, it also generates the highest rate of volume of production. MNEs (e.g. Del Monte, Dole Stanfilco, and Unifruitti). At the same time, big local and private companies are also major part takers in the industry (Tadeco, Lapanday, Sumifru). It is worth noting that the Sumifru (formerly a member of an MNE (Sumitomo) has relinquished its ownership to a 100% locally owned company.

## **8. Selected Case Studies of Enterprises in the Cavendish Banana Growing and Processing**

### **8.1 Case 1: Exploring the Potentials of the Agrarian Reform Cooperatives in Social and Economic Upliftment: The FarmCoop Experience<sup>51</sup>**

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<sup>51</sup> Sources of information: FGD with officers and executive staff of FarmCoop, FGD with selected officers and staff of selected member cooperatives, Website, Newsletters and manuscripts of FarmCoop

The passage of the Comprehensive Agrarian Reform Law (CARL) gave birth to the formation of Agrarian Reform Cooperatives (ARCs) in the Philippines. The implementation of CARL is contained in the Comprehensive Agrarian Reform Program (CARP) which offered an opportunity for the plantation and office workers of multi-national enterprises in the agri-business sector to become landowners of the land they used to cultivate. As provided for in the vision of the law, the program aimed at resolving the social unrest of plantation farmers and workers in the countryside.

The Cooperative Code defines a cooperative as both a social and economic enterprise where the members have common goals and interests, equitable sharing of risks and benefits for everyone's economic and social upliftment. Thus, the Foundation for Agrarian Reforms in Mindanao, Inc., (FarmCoop) came into being. It is a federation organized by the former union members and officer- workers of the National Federation of Labor-Kilusang Mayo Uno (NFL-KMU). The change in structure paved the way for a major change, the transition in the identity of the former trade unionist from plantation worker to landowner, to an agrarian reform cooperative member (ARB), and eventually to an entrepreneur who will manage the operations of the farm and a cooperative business enterprise.

This change was not a smooth sailing process. Despite the existence of CARP, the ARBs had a hard time taking over the plantation land that was awarded to them. In addition to the very rigid and confusing legal processes in the transfer of ownership, the beneficiaries were in a dilemma on how to run a business enterprise. They were the masters on trade union administration but not on how to manage a business under the cooperative model. This condition challenged the leadership and officers of the agrarian reform cooperatives (ARCs) to search for new knowledge, competencies and innovative approaches to effectively manage their own social and business enterprise.

ARBs were given options on how to utilize their lands. As originally envisioned by CARL, it will involve distribution of "land to landless to be tilled and planted". Thus, the first option is for the ARBs is "full take-over by farmworkers where they have full control and ownership of the land including management from growing, processing

to marketing of the produce either individually or collectively”. The second option is to go into contract farming (contract growing) with the former land owner agreeing to give technical services and supply all the farm inputs. The third option is to forge a joint venture set-up where the former owner/company and the ARBs manage the plantation together. The last option is for the ARB to enter into a lease-back of the land to the former landowner or company who usually took control and utilization of the land, where the farmer will be paid a rental fee and will continue to work for the former employer. The first and second options is the only means to fulfill the promise of CARL while the rest defeat the existence of the law.

After undertaking experimentations and assessments, FARMCoop members and officers decided to take the first option which is the real essence of CARL. The system involved setting-up their own social business enterprise where members have options to do farming individually or collectively. Under this scheme, the cooperative would perform the procurement of farm inputs, research and development programs, and other technical services. Marketing and promotions would also be collectively done. However, obstacles and problems were encountered through the years. But the members did not surrender, instead, they decided to explore all possibilities and potentials until they were able to find a buyer company, Unifruitti, which agreed to re-negotiate and upgrade the buying price of bananas and improve other terms and conditions under the purchase and production contract. These changes led to an increase of the net surplus sharing of the members from Php 150,000 to Php 200,000/per year. The increase in net surplus sharing has also motivated the farmers to be more productive. This incident benefitted not only their own members but other ARCs and ARBs in the banana industry as well.

While searching for the appropriate technologies to come up with the best output, the leadership explored the possibility of organic farming. They decided to venture in organic upland grown bananas with the Agrarian Reform Beneficiaries Multi-Purpose Cooperative (PARBEMCO) in Sitio Pamara, Barangay Sibulan, Toril District, Davao City. The PAMARA community is composed of Bagobo-Tagabawa and Bisayan settlers who never surrendered amidst difficulties and trials. Other member cooperatives followed the footsteps of PARBEMCO since there is unlimited

demand for organic products in the Japan market. Nowadays, the upland-organically grown bananas is gaining recognition in the market.

In 2004, the cooperative established the Organic Producers and Exporters Corporation (OPEC), to act as its marketing arm specifically of organically grown bananas and vegetables along the range of Mt. Apo, Davao City. Realizing the need to produce more organic farm products, OPEC was tasked to get involved in growing more fruits and vegetables to be sold in both domestic and other Asian markets. To date, it has three certifications:

- Certificate No. 044819-1 – issued by Organic Philippine, Department of Agriculture, issued on 02 September 2019 to expire on 02 September 2020
- Certificate No. 166757PIII – issued by Annual JAS Audit Completion
- Certificate (JAZ ECOCERT) Organic Agricultural Product Overseas Producer), issued on 5 March 2019 for updating on 1 August 2019

As the federation membership increase in number, it never stopped searching for the best products and appropriate technologies. The cooperative set up the Eco-Park in Panabo, Davao del Norte where the production of organic fertilizer is being done. The nursery for organic banana seedlings is also hosted in the park. The establishment of Eco-Park is a move to be a self-sustaining business enterprise.

The organic growing of bananas also produces rejects, those that does not pass the criteria set by the buyers. Nowadays, the reject bananas are used to feed the piggery of the members, family consumption, and in composting. To fully utilize the value of organic bananas, the federation is in the process of venturing into the production of banana flour and banana feed mill.

FarmCoop is a member of the Tripartite Council in the banana industry and actively participates in conferences and conventions in the agri-business industry. Recruitment of new member cooperative is a continuing endeavor. It has executed a memorandum of agreement on Agro-Ecological Sustainable Development

Program of the Ancestral Domain of Barangay Sibulan – City Side with the following:

- Sibulan Ancestral Domain Organic Producers Cooperative (SADOPCO)
- The Indigenous Political Structure (IPS) of the Indigenous Cultural Communities of Bagobo-Tagabawa authorizing the Indigenous Peoples Organization (IPO)
- The Barangay Local Government Unit (BLGU)
- The National Commission on Indigenous Peoples (NCIP)

Through the Organic Producer and Exporter Corporation (OPEC) it has also signed a memorandum of understanding with Negros Island Sustainable Agriculture and Rural Development Foundation, Inc. (NISARD) and the Province of Negros Occidental, through the office Local Government Unit (LGU) to jointly promote, assist and develop organic growing of banana in the Province of Negros Occidental.

There is a continuing search for the responsible business practices in managing the affairs of their three projects under FarmCoop's Agro-Industrial Program: banana (in Surigao), pineapple (in Polomoloc, South Cotabato), and organic banana (in Sibulan ancestral domain). The spirit of organizing and encouraging the indigenous peoples along the range of Mt. Apo to grow organic farming will flourish. All of these successes and achievements started as a dream of realizing the potentials of CARL and in the long run, the dream of emancipating the farmers and tribal minorities from the bondage of poverty.

## **8.2 Case 2: Making a Difference in the Banana Industry: The Unique Programs of TADECO and Its Partner Organization, Don Antonio Floreindo Foundation<sup>52</sup>**

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<sup>52</sup> Source of information: Interview with key officers, FGD with representatives of unions and management officers, Website of the company and other company manuscripts, Interview of company banana growers and Video presentation of company.



Tadeco is the biggest company of the Anflo Group of Companies owned by the Floirendo family. It is a grower-supplier of bananas to big MNEs. There are 13,000 workers, 16% of which are women. All workers are tenured regular workers. It does not practice contractualization or agency hiring (zero “endo”). Employees’ turn-over rate is zero too for a long time.

Tadeco is under a joint venture agreement with the government Bureau of Correctional (BuCor). It has a long term lease agreement for the use of the untapped agricultural land of the Philippine government assigned to BuCor. In addition, it hires inmate workers. At present, there are 1,500 inmate workers who are paid the regional minimum wage of Php 391 per day for only five (5) hour’s work per day.

Tadeco is in agreement with four (4) Agrarian Reform Beneficiary Cooperatives (ARBCs) under a long-term lease contract. Under this arrangement, the agrarian reform beneficiaries (ARBs) are retained as regular workers, a scheme that is different compared with other banana companies. Compensation benefits are much higher than the mandated wage set for the region. ARBs are also awarded lease home lots and are also assisted in installing facilities, processing permits and others.

There are 32 housing compounds in Tadeco for the workers and staff. Tadeco is a self-sufficient community. It has schools for elementary to high school, day care, alternative learning system (ALS) for out of school youth and workers, and an agri-business school in Panabo City, all of which non-workers’ families can attend.

Tadeco has its own second level hospital with 40 beds, four (4) resident doctors, one (1) dentist and visiting specialists. Its services are not free but Philhealth accredited. Indigenous Peoples (IPs) are given free treatment if their “datu” certifies that they are tribe members. All employees are covered with health and medical insurance plus medicine allowance on top of the coverage of the Workers’ Compensation under the Social Security System.

The company has sports facilities which has a tie-up with schools. Trainers are employees/workers. The company has a budget for allowances and equipment and competitions.

Tadeco adopted three (3) rivers where these are cleared every quarter. Waters are checked regularly for pollutants and there is an information drive about floodings for the inhabitants in the nearby areas.

Tadeco has formed Don Antonio Floreindo Foundation, Inc. as the CSR arm. The foundation acts as the lead facilitator in the conduct of the corporate social responsibility programs. There are seven (7)-SAGIP Social Responsibility Programs:

- Sagip Kabuhayan (Help Save Livelihood)
- Sagip Kalusugan (Help for Wellness and Health)
- Sagip Kaalaman (Help Save Education)
- Sagip Kalikasan ( Help Save the Environment)
- Sagip Kultura (Help Save Culture)
- Sagip Kalamidad (Help Save Calamity-Stricken Victims)
- Sagip Katuwang Pamayanan (Help Save the Community)

The CSR on agro-research is the service laboratory which is open to small banana growers. They are charged a subsidized price for testing which is 25% lower than commercial rates. Information drive is also done in surrounding communities on the prevention of diseases especially on the control of fusarium wilt. It also train and share pro-active measures in the prevention of diseases.

Tadeco does not hire foreign managers or workers. Managers are subjected to short and customized courses both on technical and social skills. It has entered into a joint operation of a satellite campus with the University of the Philippines Los Banos to encourage its workers and community members pursue higher level of education on agri-business related courses. Building, land, and other facilities are shouldered by the company. Technical trainings are also done in collaboration with

Israel government under the Mashav program to provide its managers and technical staff with the latest technology in banana growing.

Tadeco is a certified GGAP. It was recognized as a Child Labor Free Zone by the Department of Labor and Employment over its years of operation. In addition, it was also awarded as the producer of “Best Quality in the World”.

Through the foundation, it provides livelihood to wives and women in the community such as making placemats, handbags, lamps, and other house and office décor. Of note is employment of the elderly women who can still do work. Their products, made from banana stalks and bamboo, are displayed in the Tadeco showroom, Abreeza Mall, and domestic and international trade fairs. The products are gaining fame and recognition throughout the world.

Over the years, Tadeco has set a record beyond the practices of other banana growing companies. It has created a venue for employment opportunities for the inmates, assisted the family of the inmates through livelihood programs, and provided an opportunity for the future generations of the inmates to pursue a brighter life. Community building for its workers with quality amenities are afforded. State of the art facilities needed from planting to packaging are in process. Above all, ensuring that they satisfy the expectation of its customers by producing not only the best quality banana but also by taking care of its entire workforce and the community where they operate through its unique responsible business practices.

### **8.3 Case 3: Forging Genuine Partnership with the Banana Growers: The Unifruiti Approach<sup>53</sup>**

A major player in the banana supply chain analysis is the buyer, a multi-national enterprise (MNE) whose major function is to deliver the Philippine bananas to the world market. The Mindanao banana harvests are handled by 6 big MNEs, mostly operating in Asian market. These growers used to operate their own managed farms situated in owned or rented lands before the implementation of the Comprehensive

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<sup>53</sup> Sources of information: Interview with owners and management staff headed by the Human Resource Manager, and selected workers of the enterprise, company website, and video presentation of company CSR program.

Agrarian Reform Law. There are companies which entered into venture agreements with the agrarian reform beneficiaries (ARBs) and manage the farming operations together. Some successfully convinced the ARBs to agree into lease-back arrangements where the farmers would be rehired as salaried worker in the plantation. Others offered another model, partnering with the growers through an Exclusive Option to Purchase Bananas Agreement (EOPBA) which guarantees the MNE a steady and regular supply of bananas at a negotiated buying price.

Unifrutti Group Philippines is a banana grower and exporter company which began investing in Mindanao in the early 1990s. It was the first MNE which negotiated and contracted its former growers into a new scheme of partnership. It initially partnered with Mampising Agrarian Reform Beneficiaries Multi-Purpose Cooperative (MARB), member cooperative of FARMCoop. MARB has 353 members who became in charge of 700 hectares of banana plantation in Mabini, Compostela Valley. Each member of the cooperative was given 1.5 hectare of land to cultivate, thus, making them growers.

Unifrutti and the cooperative signed an agreement, Exclusive Option to Purchase Bananas Agreement (EOPBA) which guarantees Unifrutti a steady and regular supply of bananas. MARB amortized the development cost not on a fixed rate as in banks, but on a per box basis. The farmers were charged only 6 percent (6%) interest which is the interest rate provided by CARP.

Unifrutti gave the cooperative 30 years to pay. Payment for purchases with the cooperative is twice a month. The cooperative pays Php 32 centavos for land development fee per box of bananas produced. The average produce per year is 3,200 to 4,000 boxes per year per hectare. Thus, each ARB can earn as much as a net income of Php 20,000 pesos every 15 days, an income which is much higher than the salary of the plantation workers. This improved the quality of the economic and social life of the ARBs. They were able to have concrete houses, acquire vehicles, send their children to private school and college and finish undergraduate courses.

Unifrutti also partnered with Bukidnon's Seven Tribes. Unifrutti and its affiliate Hinelaban Foundation signed the Sacred Customary Compact on peace and progress in 2012. The compact was on the joint development of working models for food self-sufficiency and sustainable livelihood combining indigenous and cash crops. The implementation started in 2016 and the first tranche of the trust fund, Php 2,166,000 was released. Each tribe had to plant one million taro plants in return.

Eventually, Unifrutti became the partner of majority of the FARMCoop members, entered into an Exclusive Option to Purchase Bananas Agreement (EOPBA) at a negotiated buying price, higher than the prevailing price in the region. As the practice became known to other growers, other MNEs observed the same practice. Their model has influenced the behavior of other players in the banana industry.

Unifrutti provides health care to its regular employees. It gives up Php160,000 health care benefits to workers and their family per year, for a maximum of 3 children under 21 years of age, Php3,000 medicine allowance per year, dental services, and maternity benefits on top of Social Security System up to 3 births.

Unifrutti is GGAP certified. It provides technical orientation to FARMCoop and its member cooperatives. Another training and development are on values program (Values Reconciliation Movement). There are also weekly values sessions during work hours offered to both regular and plantation workers. Some growers also attend those sessions. Cooperative representatives are trained to handle disputes. Representatives are rotated so that each one has the chance to handle the sessions.

There are almost 3,000 workers in the company managed plantations. There are 2 unions: 1 for shipping division which is a member/affiliate ALU-TUCP, and the other is an independent (un-federated) union. The company has no job contractualization or agency hired workers ("endo"). Seventy to eighty percent (70% to 80%) are regular employees while the rest are seasonal workers.

The company gives scholarships to children of employees, 100 slots for high school, with a stipend of US\$350 per year, 84 scholarship for college with a stipend of

US\$1,020 annually. The scholarships are based on minimum qualification on grades.

Unifrutti is cited to be one of the new entrants in the banana industry as a major player in the value chain compared with other MNEs. However, it has set a new model of dealing with the farmers/growers as well as its own regular workers. Aligned with its set vision and mission, it has forged a strong partnership using innovative approaches with the most important channel in the value chain – the growers, the farmers, and the community where they operate.

#### **8.4 Case 4. Soaring High in Producing Banana By - Products: The Banana Chips Factory Journey in the World of Business<sup>54</sup>**

The Banana Chips Factory is a 100% Filipino-owned company engaged in the manufacture and export of banana chips. Its corporate values embody its vision as a leading player in the business of food export, and as a significant contributor to the growth of Philippine exports and to livelihood improvement in the countryside.

Pacific carry the Banana Chips Factory products from the Philippines With a leadership that transcended various stages of growth and market developments, the enterprise is managed by competent professionals who guided its growth from inception. True to its commitment to hard work and systematic approach that spelled milestones of success in its operations, the enterprise continues to dedicate itself towards delivery of quality products to its international clientele. It is with great pride that famous global brands in the USA, Europe, Middle East and Asia.

#### **Quality Management**

The company is dedicated to producing only the best and finest banana chips to ensure that customers are satisfied and get the best value out of its products. This is why the company strives for continuous improvement and pursues strict implementation of Quality Management to ensure that products are not only excellent in taste but also safe for enjoyable consumption. Prime Fruits International is ISO 22000:2005, KOSHER, and HALAL certified and practices CODEX-HACCP based

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<sup>54</sup> Sources of information: Interview with the owners, selected management staff and workers

Food Safety Management System. With an innovative management that creates relevant, updated policies in support of technology and equipment upgrade and human resources' skills empowerment, it scaled up its customized service as it continues to be our clients' most reliable and dependable manufacturing partner in the Philippines.

### **Company Operations**

Located in the heart of vast banana plantations in the province of Davao, southern Philippines, the company's manufacturing operations flourish with the year-round abundance of raw material and available work force. Volume harvests of fresh mature green fruits of SABA (*Musa sapientum* var Saba) and CAVENDISH (*Musa sapientum* var Cavendish) are delivered regularly by accredited farm owners and suppliers. These are peeled and processed within 24 hours to yield the finished product-- banana chips--in various forms and formulations as required.

The raw material, in various stages of processing, undergoes strict monitoring for adherence to quality standards. Overall sanitation and hygiene are carried out under the principles of Good Manufacturing Practices (GMP). The enterprise is registered and strictly observe the policies of Hazard Analysis Critical Control Points (HACCP) to ensure product quality and safety. All processes are regularly monitored matched with proper documentation, updating of records and recording for real-time delivery and analysis of data and recoveries.

Equipment upgrade is a continuing program to achieve optimum operation efficiency. Review of plant operations is likewise a continuing process to determine cost-effective methods, facilities' improvement, and equipment that are necessary for better delivery of quality products and services.

The company's manufacturing facilities are strategically located within reasonable distance from the Davao City international port and other relevance service providers which facilitate procurement and movement of goods.

### **People and Human Resource Management**

The manufacturing team is composed of technical experts who work together towards achievement of the company's goals and targets in servicing its discerning clientele. They supervise daily operations according to GMP principles and in adherence to the HACCP program, and undergo regular training for relevant technical and market trends updates.

The company's human resource program ensures the constant supply of quality manufacturing workforce. Re-training and refresher programs are regularly conducted in the company to keep the workforce abreast with the company's desired standards in sanitation, productivity and quality of service. Moreover, the company's team-building programs for the manufacturing team and workforce are aimed to maximize individual competencies as well as inculcate good work values and habits that eventually become an integral part of the family and immediate community surrounding the plant.

The enterprise is managed by a pool of staff who are willing to learn and to be trained on the best practices of managing people. It has been the practice of the owners themselves to directly attend to any concern aired by the workers. Compensation package is set beyond the provision of the Labor Code. Incentives and other non-monetary benefits are awarded to the workers based on productivity and performance. For workers with zero tardiness and absenteeism, additional non-cash benefits are given. The additional awards keep the workers highly motivated, thus, higher productivity is achieved.

The factory equipment are not only designed to achieve higher efficiency but also to protect the workers from hazardous work and environment. Occupational health and safety is at the heart of the firm's priority program. Wellness program for all workers is also at the pipeline of the management.

### **Company Achievement and Performance**

The company started as a single-proprietorship. As the company operations flourish in a short period of time, the living standards of its workers and the community also improved. Aside from good compensation package, the workers are also exposed to attend spiritual activities on a voluntary basis.



The enterprise offers an alternative market for the banana growers. Before the enterprise existence, farmers have no choice but to sell the banana rejects to feed mill processors at very low buying price. All deliveries of rejected bananas (from the export market), whether from small and individual growers or big plantation companies are accepted. Priorities are given to farmers coming from the same area where the company is situated.

Serving the community where they operate is also a major concern. The owners established a start-up school for the children of the enterprise workers and the community. All operational expenses to operate the school is shouldered by the company. Skills training for setting up livelihood projects for women workers and housewives in the community is also offered in the same school.

The enterprise operates with a deep concern for its environment. The owners plans to convert the banana peels into organic fertilizer for distribution to the farmers/growers within the vicinity. Thus, creating a new approach of growing the needed raw materials, a new and healthy input – organically grown bananas. The owners have acquired a piece of land to be converted as the fertilizer plant. The company have spent a lot for conducting research and development to develop the technology of converting the waste materials into a new by product – organic fertilizer that will save the banana plantation from chemical fertilizers and pesticides.

As the journey goes on, soaring high in producing banana by-products, a new technology will be developed leading to production of healthy products and in the long run, contributing to the wellness of the community, its people, and the consumers as well.

As required by the TOR (Annex 2), the study will also include at least two cases in the non-banana industry for inclusion in this report. Two cases were selected from the electronics industry to highlight the salient RBCs and CSR that the company has adapted. The cases have identified the RBCs and CSR and ruled out that most of the practices are embedded into the operational system of the company. The workers are mobilized to participate with the endorsement and active support of the union leaders. The RBC and CSR are integrated with the enterprise audit and control system that enhances its accountability to deliver quality and safe products

to its clientele. It must be noted that data gathering is limited to the conduct of interview with key informants (representatives from both labor and management) and review of documents from the company's website only.

### **8.5 Case 5. Practicing Transparency, Community Building, and Enhancing Workers' Voluntarism as the Heart of Corporate Social Responsibility: The Ibiden Case<sup>55</sup>**

Ibiden Co., Ltd. Is a global company which believes in the mission of "contributing to the progression of society through innovative technology, with respect for both individuals and the global environment". It aims to grow stably by developing human resources, creating a place where more diverse people can play lively and active roles.

In pursuing its ultimate dream, the organization has set the following values: Trust through Integrity Gaining customer and societal trust through "Genchi Genbutsu"; "Wa" Teamwork and Synergy Integrating knowledge and wisdom from the employee involvement for greater power; Challenge with Passion Anticipating change, and acting boldly to create new value; and IBI-TECHNO Innovation Evolving by overcoming hurdles through creativity and ingenuity.

The firm has set its four pillars of strategy to guide its management and operations, namely:

- Strengthening competitiveness of existing businesses
- Expanding new businesses
- Development of human resources
- Driving ESG-central operation

Since the founding of the mother company in Japan in 1912 and establishment of the local company in the Philippines in 2000, it has practiced transparency and information disclosure (including the corporate governance report and financial reports of the company). With the main thrust of producing and supplying quality products within proximity all over the world, the company has also committed itself

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<sup>55</sup> Sources of information: FGD and interview with selected representatives of union and management representatives and company website.

to develop corporate social responsibility programs involving the management and its workforce.

Side by side with its business operations strategy, the company has formulated five pillars of its corporate social responsibility, namely:

- Protecting the global environment
- Fostering the next generation (promoting activities for the development of young people)
- Contributing to social welfare and local communities
- Disaster relief operations
- Social Contribution and Volunteer Activities by IBIDEN Group's employees

The company is guided with the basic idea, which states that, "We aim to contribute to local communities by taking advantage of our unique corporate characteristics, including our capacity to improve living environments and to offer opportunities for personal development. We take part in and support groups involved in activities of this nature. We also undertake our own community projects across the globe, tailoring them to local cultures and customs, and earning the trust of the international community".

The firm has committed itself to protect the environment by creating the "Ibiden's Forest" where the company plants trees, thins the forests and conduct improvement cutting in the district, together with the local public, employees and family members. All these activities are geared to continue to carry out sustainability activities aimed at maintaining harmony with nature.

Another worth noting program is the IBIDEN Tour – Learning from "Water". In cooperation with education support groups, it has conducted educational tours through which participants can learn about the mechanism of power generation and the power of natural energy through a study tour at our hydroelectric power plant, which has been operating since its founding. It is a program for fifth- and sixth-grade elementary school students (through a public application process) learned about the mechanism of electricity generated with the use of flowing water.

The company also contributes to the revitalization of local industries through the conduct of technology-based human resource development program such as conservation technical training utilizing the company's business experience earned over the past years of operations. In addition, the company also attended an environment-related course presented by a local high school and university as an instructor, to encourage the revitalization of human resource development from a number of aspects.

Under the Social Contribution and Volunteer Activities, a remarkable policy, is that, the domestic group companies provide special leave for volunteers (as special paid leave of up to 7 days a year) as a volunteering encouragement program. In addition, the Social Contribution Committee grants awards to employees according to the internal rules. In the year 2018, 13 employees engaged in volunteer activities for 26 days.

With the aim of inculcating social responsibility through voluntarism, the company and its domestic group companies encourage and host employees' small, casual volunteer activities, known as "Chovola Activities," as part of its effort to foster an atmosphere where employees can volunteer without making a very large commitment of time. It is done by collecting used stamps and unsent postcards from the employees, donating them to local charity organizations and nonprofit organizations. It also started collecting PET bottle caps from the employees, using the proceeds for IBIDEN Philippine's social contribution activities.

The foregoing CSR programs range from low to high impact undertakings. Some falls with the triple bottom line model, while some may seem dole-outs and with low implications. However, what matter most is the notion of encouraging voluntarism from every participant which is the foundation of a sustainable community building and workers' participation in social and economic upgrading

## **8.6 Case 2: Integrating Responsible Business Accountability into the Mainstream of Business Management: The Case of Vishay Philippines, Inc.<sup>56</sup>**

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<sup>56</sup> Sources of information: FGD with selected representatives of union and management staff.

VISHAY, Philippines, Inc. was established in 1997 with a German nationality.<sup>57</sup> Its mission statement is to “Provide our Customers with a single manufacturing source (one-stop shopping) for discrete semiconductors and passive components”. Vishay, is also coined as “The DNA of Technology”. It ensures all of its customers and clients that they supply the highest quality material that underwent “the state of the art” processes and produced with rigid evaluation and control mechanisms.

Vishay Inter-technology's primary goal is "to exceed the expectations of our customers." The entire organization, beginning with top management, has worked consistently to meet this goal. Its reputation for quality is based on a commitment to the newest and most effective design, manufacturing, testing, and management procedures – including, but not limited to, design for manufacturing, statistical process control, lean manufacturing, and continuous improvement methodologies.<sup>58</sup>

To complement quality systems for each product line, Vishay maintains extensive testing laboratories at its facilities. As a result, the company is well equipped to maintain qualifications to a wide range of specifications vital to the automotive, commercial, defense, medical, and aerospace markets, including:

- MIL (Military Specifications)
- ER (Established Reliability)
- CECC (CENELEC Electronic Components Committee)
- AS9100 (Aerospace Quality Management System)
- NASA (National Aeronautics and Space Administration Standards)
- ESA (European Space Agency)
- AEC-Q100/101/200 (Automotive Qualification Standard)
- ISO 9001 (Quality Management System)
- ISO/TS 16949 (Automotive Quality System)
- VDA 6.3 (German Automotive Industry Quality Standard)
- UL (Underwriters Laboratories)
- ISO 14001 (Environmental Management System)

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<sup>57</sup> Retrieved from [http://www.infomaninc.com/link/seipi/vishay\\_philippines.htm](http://www.infomaninc.com/link/seipi/vishay_philippines.htm), on 8/09/2019

<sup>58</sup> Taken from <http://www.vishay.com/quality/>, retrieved on 8/09/2019

- OHSAS 18001 (Occupational Health and Safety Management System)
- IRIS (International Railway Industry Standards)
- ISO 13485 (Medical Devices Quality Management System)
- ISO 50001 (Energy Management System)

The highest priority at Vishay is dealing with its employees, customers, suppliers, and subcontractors. It continues to maintain ethical business practices. Its commitment to ethical business practices guides all activities by all personnel, both internally and in interaction with all of its valued stakeholders. Vishay, as a company, encourages and relies upon the integrity of all parties, both inside and outside of the firm. It has amended and restated the Code of Business Conduct and Ethics on August 22, 2017 to make it more user friendly. While the amended and restated Code generally contains the same material provisions and addresses the same topics the prior Code, the amended and restated Code provides a general update and now specifically addresses the use of social media, data primary requirements and the proper use of the company's e-mail system.<sup>59</sup>

Vishay (Phils) Inc. manufactures and distributes semiconductors and related solid-state devices. The company markets modules, LED, photo diodes, voltage couplers, and other electronic devices to manufacturers throughout the Philippines and the Asia-Pacific region. The company is provided with sales leads and sales intelligence data by D & B Hoovers where the data undergoes extensive quality assurance testing over 2,000 discrete checks for validity and reliability (D&B Hoovers)<sup>60</sup>

Driving stockholder value is what Vishay focuses on. It accomplishes this through organic growth supplemented by targeted acquisitions, a regular cash dividend program, and opportunistic stock buybacks, while at the same time maintaining a prudent capital structure. Vishay continues to be a reliable generator of “free cash”

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<sup>59</sup> Refer to Vishay's Company Ethics; Code of Business Conduct, downloadable from <http://www.vishay.com/company/ethics/>

<sup>60</sup> Retrieved from [http://www.hoovers.com/company-information/cs/company-profile.vishay\\_\(phils\)\\_inc.ea2b61b5bb45bd71.html](http://www.hoovers.com/company-information/cs/company-profile.vishay_(phils)_inc.ea2b61b5bb45bd71.html) on 18/09/2019

(the amount of cash generated from operations in excess of capital expenditures and net of proceeds from the sale of assets). Vishay has consistently generated in excess of \$100 million in “free cash” in each of the past twelve years (Vishay Annual Report 2017). <sup>61</sup>

One of the responsible business accountability being practiced by Vishay is transparency and information disclosure of the results of its financial operations system. Information and operational performance are published to express its accountability to the government, its customers and the general public. From the latest financial highlights, it reported a net sales revenue increase of 2.68% in 2015. Its total assets recorded a growth of 7.57%. The net profit margin decreased by 0.94% in the same year. (EMIS)<sup>62</sup>

For year 2017, Vishay reported its annual financial report showing the rates sales performance, acquisitions, its share is diverse markets, power suppliers to include military and aerospace, computing telecommunications, medical consumer, etc. (Refer to the Company’s Annual Report, 2017)<sup>63</sup>

The company’s accountability to its human resources, health and safety, environment, and general society in general is contained in its adherence to Responsible Business Alliance (RBA) (Source: RBA Standards & Guiding Principles). <sup>64</sup> The RBA code of conduct sets out the standards required to ensure that:

- Working conditions in the electronics industry supply chain are safe
- Workers are treated with respect and dignity
- Manufacturing processes are environmentally responsible

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<sup>61</sup> Retrieved from [https://ir.vishay.com/sites/vishay.investorhq.businesswire.com/files/doc\\_library/file/180306\\_AR\\_fullspread.pdf](https://ir.vishay.com/sites/vishay.investorhq.businesswire.com/files/doc_library/file/180306_AR_fullspread.pdf) on 18/09/2019.

<sup>62</sup> Retrieved from [https://www.emis.com/php/company-profile/PH/Vishay\\_Phils\\_Inc\\_en\\_1675339.html](https://www.emis.com/php/company-profile/PH/Vishay_Phils_Inc_en_1675339.html) on 18/09/2019

<sup>63</sup> Vishay’s Annual Report, downloadable from <https://ir.vishay.com/document-library/governance-documents/annual-report-2017>

<sup>64</sup> Refer to RBA website, <https://www.sgs.ph/en/sustainability/social-sustainability/audit-certification-and-verification/social-responsibility-audits/rba-program>

The code of conduct provides clear and measurable benefits for factories in supply chains, including increased productivity and quality and reduced worker turnover, injuries and illnesses. It also enables companies to demonstrate their social responsibility towards society when bidding for international contracts or expanding locally to accommodate new business. The code of conduct has been widely adopted as the standard for social responsibility across the electronics and ICT industry

**RBA Code of Conduct Principles** The RBA Code of Conduct is made up of five sections with 43 key principles:

- Labor
  - Free chosen Employment
  - Young workers
  - Working hours
  - Wages and benefits
  - Humane treatment
  - Non-discrimination
  - Freedom of association
  - Health and Safety
  - Occupational safety
  - Emergency preparedness
  - Occupational injury and illness
  - Industrial hygiene
  - Physically demanding work
  - Machine safeguarding
  - Sanitation, food and housing
  - Health and safety communication
  - Environmental
  - Environmental permits and reporting
  - Pollution prevention and resource reduction
  - Hazardous substances
  - Solid waste
  - Air emissions
  - Materials restrictions
  - Water management
  - Energy consumption and greenhouse gas emissions
- Ethics
  - Business integrity
  - No improper advantage
  - Disclosure of information
  - Intellectual property
  - Fair business, advertising and competition
  - Protection of identity and non-retaliation
  - Responsible sourcing of minerals



- Privacy
- Management system
- Company commitment
- Management accountability and responsibility
- Legal and customer requirements
- Risk assessment and risk management
- Improvement objectives
- Training
- Communication
- Worker feedback, participation and grievance
- Audits and assessments
- Corrective action process
- Documentation and records
- Supplier responsibility

Furthermore, Vishay not only committed to RBA policies, but also publicly expressed its commitment to: (series of Vishay commitment issuances)<sup>65</sup>

- California Transparency to Supply Chains Act of 2010 (SB 657)
- The Modern Slavery Act 2015
- Continue to operate its Whistleblower and Ethics Hotline

All of these mechanisms are done as a way of implementing continuous audit and operational control system. True to its commitment to deliver the best product, services beyond the expectations of its customers, workers, environment and the entire society in general, Vishay will continue its promises as contained in its mission statement by integrating Responsible Business Accountability (RBA) in all angles of business management. The dimension of responsible business conduct is open for all organizations who wish to attain and preserve good corporate image and reputation, higher productivity and competitive advantage.

## **9. Summarizing RBCs/CSR from the Case Studies**

Documenting RBCs and CSRs can be done by looking closely into the mirror of the industry. It would entail interviewing key informants coming from the lead stakeholders, conducting focus group discussions (FGD) with key players, observing the behavior of lead partakers, and examining the existing RBC and CSR programs conducted by the selected enterprises. In choosing the cases, the ILO

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<sup>65</sup> Downloadable from <http://www.vishay.com/company/ethics/> under related documents

requirement was observed in this study, e.g., organizations must have no existing or pending labor cases, presence of unique features and existence of RBCs and CSRs that will push for social and economic upgrading.

The study on the banana industry in Davao Region revealed considerably major contribution in the existing body of knowledge in the management discipline. Results were generated through the use of secondary information, conduct of value chain analysis, drawing the rich picture of the industry to highlight the concerns confronted by the stakeholders, key informants interview and FGD with onsite visitation in company premises. These activities were done to ensure that data gathering passed through the rigidity of academic requirements.

In general, RBCs and CSR must have created an upward growth on company's operational system and influenced a trickle-down positive effect to the main stakeholders. In particular, any of the following criteria must be present: reduction or early resolution of conflicts and other concerns in the workplace;

- creation of sound relationships between and among the key stakeholders;
- generation of employment and enhancement of decent work;
- increase in the compensation benefits (both and non-wage) of its workers and beneficiary growers; and
- provision of a tool for measuring the attainment of company targets, goals and long term plans.
- provision of resolutions to resolve any identified bottlenecks and obstacles to pursue productivity and sustainability; and
- provision of opportunities enable the key players in addressing the challenges within the value chain.

Furthermore, documenting RBC or CSR must entail a long period of observation and measurement. Identifying the contribution to socio and economic upgrading will be noticeable if there is a triple bottom line positive change as far as the workers, growers and other players down the line. Some impact cannot be seen overnight but some implied benefits or results can be out rightly observed.

In the case of TADECO, some observable contribution of companies' RBC and CSR visible and observable at the on sight. Outstanding RBCs that help in the economic and social upgradation are: the development of an innovative approach to the agri-business venture (AVA) originally designed by DAR (pursuant to the

provisions of CARP/CARPER) to allow leaseback arrangement in the implementation of CARP. Based on the experiences of ARBs and ARCs in the banana growing, most of the contract did not flourish. Some ended with the termination of the contract leaving the ARB heavily indebted and cannot cope with the monthly amortization in paying the land amortization with Land Bank of the Philippines as well as the partner MNE who initially gave the inputs in the growership arrangement. This innovation can serve as a best practice that other ARBs and companies can adapt

Another upgrading is the creation of employment for the inmates. Promotion of quality work life balance for inmates is far from reality, but at least at the minimum, the company has generated income provision, skills acquisition and experience which can be useful when the inmates finished their sentence of imprisonment. A social gain could be the provision of new hope for the inmates that could inspire them to lead a bright future.

Other RBCs could be classified as traditional or an obligation of the employer to its workers and partner organizations, but all of them entail cost, effort and time and for that, the company must be recognized for after all, these programs are not mandated by law, CBAs and other social legislations but a company initiative. In the long run, these RBCs can contribute to the attainment of decent work for all their workers

The experience of FarmCoop goes beyond the stipulations of CARP/CARPER implementation. Almost all of the RBCs cited are innovative in nature and focused on the emancipation of the ARBs and ARCs as well as the tribal communities from the bondage of poverty. What is worth noting, is the struggle of the ARCs and ARBs to be freed from “onerous contracts” from the former MNE employer who dictated the pricing, terms of contract and other arrangement under the AVA growership arrangement. The members led a long protest against the former MNE employer until they succeeded in finding a responsible partner is the implementation of CARP. Seeking for other buyers is not allowed within the duration of the contract. However, FarmCoop was able to enter into contract with another MNE buyer giving the most reasonable price renewable as the market dictates.

The cooperative federation also succeeded in gaining economic upgrading. Though it is difficult to measure all the winnings, but these are some observable changes, from an average income below poverty level (from a minimum income of Php 5,000 to 10,000 per year to an average income of Php 200,000 to Php 300,000 per year). Implied economic indicators are: a) from nipa huts to cement constructed houses, b) from commuting or long distance walking to acquisition of motor cycles, from primary and elementary education to secondary and collegiate schooling of ARBs' children and dependents, from non-paid worker spouses and women to entrepreneurs and paid workers in the packing plants, from no session halls and training centers to the formation of an activity center and multi-purpose halls in the various plantations of ARC members. But above all, ARBs were able to pay the land amortization, thus sooner or later, the lands will be fully paid.

The pooling of resources through cooperativism and clustering of ARBs and ARCs have paved the way to resolve the issue of economies of scale in production. With only half hectare to one hectare piece of land, less can be produced. After integrating these small pieces of plantation area, the ARCs succeeded not only in attaining higher productivity but almost perfected the sharing of technology and sharing of experiences,

Cooperative is defined as both an economic and social enterprise. The RBCs and experience of FarmCoop can be cited as a good example of attaining the very vision and spirit of cooperativism. Though the accomplishment and level of satisfaction of its members are still low due to some constraints and limitations of CARP/CARPER, the members would attest that they have gone far enough to prove that they were not mistaken in availing of the agrarian reform program in exchange for their regular employment in the past. Thus, the RBCs and the creativity of the members fulfilled their dreams of being the landowner of the land they till, being the owner of their own business venture and being the consumer of the products they produce that are all deemed to prolong the life of the human beings.

Tables 2 and 3 shows the RBCs conducted by Unifruitti. The most exemplary program is the crafting of a new model of Buyer/Seller Contract, also called by

others as Purchase Contract or Production Contract. Such contracts have been the contention of almost all ARBs and ARCs involved as growers in the banana industry with pricing of produce as the main issue. The low buying price of former employers of the ARBs or the partner companies in the contract does not suffice the cost of production, thereby leaving the small growers/farmers heavily indebted (non-payment of land amortization of the and with Land Bank and non-payment of inputs from the partner company or other third party suppliers). As such the old contract was tagged to by “onerous” and “anti-small growers”. Unifruitti resolved this issue of entering into contract that can adjust the buying price and contract provisions must be agreed upon by both parties and not dictated solely by the MNE or copied from the old contract proforma of DAR. Unifruitti in agreement with the member ARCs of FarmCoop crafted a new model contract of Purchase and Production Agreement with a change in pricing (an agreed price between the seller and the buyer based on the existing demand and market price in the global market). Such undertaking paved the way for other ARCs and farmers’ federation to demand for higher negotiated price and lower number of years of contracts.

Other listings showed in Table 3 can be categorized as traditional in nature and are not a triple bottom line RBCs. However, in the Philippine setting where the rural areas are occupied by less/under privileged members of the society, the so-called tribal groups (*Iumad* in the local term) or the also called “poorest of the poor”, these simple gestures can help improve the living conditions of the beneficiaries. These includes the construction of school building, the provision of potable water for household use, the construction of passable road, the scholarship program for qualified members of the tribal minorities, skills and entrepreneurship training for the youth are all tagged to be dole-outs. However, the effects can be seen in the long term and be an initial step for the emancipation of the tribal groups from the bondage of being a outskirts in the elitist societal system.

Other RBCs awarded to workers and partner ARBs, like giving of additional compensational benefits can again be classified as an obligation of the company to its workers. However, this scheme has contributed to formation of job security and economic upgrading in terms of income generation. It must also be noted that it is beyond the mandate of the law, CBAs and other social legislation. All other items

are company initiated where the basis is the owners' commitment to grow with the workers as the company grows through them.

Tables 2 and 3 also summarizes the RBCs of the Banana Chips Factory.<sup>66</sup> The company has started as small enterprises, registered as a single proprietor and family managed with some relative hired as part of company operations. After few years of operations, an MNE contracted the company to produce banana chips for exportation to various parts of the world that would be labelled as an MNE product. This led to the idea of producing their own label to penetrate other parts of the world. To date, it has penetrated both the US and European market and continued to gain recognition.

The prospects of producing organic fertilizer and from banana peel and stalks is an ongoing process. The company has invested so much effort and funds to develop the technology. The processing of feed mills from the wastage of banana chips production is also in the pipeline of the company. Such move will also contribute to the production of meat and fish with organic inputs. Also, the company is in search for organically based packaging as an additional program to preserve the environment. Summing up the future plans of the company will surely save the environment for the owners believe in the mission of saving the planet, the people with less preference on the profit. Quoting the owners statement, "We do not want to be publicized for doing our CSR program. It would just like sharing our resources from one pocket, and putting it back to another pocket of ours."

A notable example of RBCs is the accomplishment of TIPC (Tripartite Plus) in the banana industry of Davao Region. (See Annex 4, The Voluntary Code of Practices on Decent Work in the Banana Industry). Big and small brothers in the industry jointly forwarded the forming of a code of conduct that could serve as a guide for all its members. Though the agreement was not approved by all growers, still majority participated from the conceptualization to approval. All provisions were culled out from the existing provisions of the Labor Code and Labor Standards. However, the

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<sup>66</sup> The banana chips factory owner requested not to reveal the real name of the company. They just agreed to write the case study for modelling and sharing their wisdom.

members cited that, the instrument's purpose is to focus on specific provisions for awareness building and for continuous enforcement. However, one limitation is the very nature of the code, that is, compliance is voluntary in nature.

Aside from the Voluntary Code of Good Practices on Decent Work for the Banana Industry players, the TIPC formation have pushed and rallied for the passage of some DOLE issuances to include Issuances on:

- Safety and Health Measures for Workers in the Banana industry (Resolution No. 02 , Series of 2018, Banana Industry Tripartite Industry Council, Davao Region)
- Expansion of the coverage of the Code to include Good Practices on Decent Work & Common Agenda to Non-members in the Banana TIPC
- The BITC Implementation Agenda of 2018

The Tripartite Plus Conference sponsored by ILO (in November 2019 held in Davao City) have reminded the members to be active once more as new set of leaders were elected. DOLE and partner agencies must find a venue where all players can meet together to discuss on how to strengthen the formation. The performance of the new set of leaders, however, remained to be seen.