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Voluntary social initiatives in fresh fruit and vegetable value chains

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Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization, and*[1] which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work[2], in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.[3]

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.[4]

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

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[1] See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

[2] See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

[3] See http://www.ilo.org/gea. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work, "Vision" document*, ILO, 2006.

[4] See http://www.ilo.org/employment.

Foreword

This paper seeks to identify key trends and characteristics of contemporary agri-food systems, focusing on global fresh fruit and vegetable (FFV) value chains and build a typology of the main employment and social issues involved in the production and processing of fresh fruit and vegetables, and show how these are linked to the overall structure and operation of FFV value chains.

There have been profound changes in the way the FFV export sector is structured and organized in recent decades. These include: 1) increased vertical co-ordination of agri-food chains; 2) the rise of powerful global buyers; 3) increased concentration at multiple stages in the chain, from input supply to retailing; and 4) the growth of public and private food standards. These changes have significant – but also complex, variable and contradictory–implications for the farmers, workers, their family members and local communities who are involved in producing agricultural and food products for export. This paper explores these implications, and aims to stimulate further discussion about the key employment and social issues workers and producers are facing in the sector.

This paper is part of a broader research programme of the ILO Programme on Multinational Enterprises and Social Policy to better understand key sectors such as FFV, and the potential for companies operating in those sectors to contribute to economic and social development. The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) of the International Labour Office (ILO) is a set of guidelines aimed at orienting the policies and practices of multinational enterprises (MNEs), as well as domestic enterprises, trade unions and Governments, with respect to the social and labour aspects of MNE operations. Its principles cover five key areas in which MNEs can maximize their contributions to host countries and address the difficulties to which their operations may give rise. Those key areas are: general policies; employment promotion, security and equality; conditions of work and life, including occupational safety and health and child labour; skills training; and industrial relations, including freedom of association and the right to collective bargaining.

The companion paper, *Voluntary Social Initiatives in Fresh Fruit and Vegetable Value Chains*, examines various CSR efforts of companies operating in FFV supply chains, and evaluates their impact and areas for improvement.

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Executive Summary

Globalization, trade liberalization and increased competition have resulted in changing demands on production systems including those in the agri-food sector. The integrated supply chains and networks that have emerged provide opportunities for the adoption and testing of new approaches to corporate social responsibility (CSR). The key voluntary initiatives designed to address employment and social issues in the production and processing of fresh fruit and vegetables (FFV) can be divided into three main categories: fair trade, ethical trade (Codes of Conduct) and collective agreements.

There has been increased interest and adoption of all three types of initiative in the FFV sector, particularly in the Africa-EU horticulture trade and the banana sector. So far, there is little in the way of thorough impact assessments of these schemes. Of the research which has been completed, there *is* evidence of positive benefit in terms of workers' employment conditions (Codes/collective agreements) or producers' trading terms (fair trade). For example:

- In Ghana and the Dominican Republic, fair trade bananas have created new jobs and secured more regular incomes for workers and producers.
- Codes of Conduct in horticulture farms in Kenya, South Africa and Zambia led to improved health and safety measures and some formalization of employment relations.
- In Florida a collective agreement between the restaurant company Taco Bell and the Coalition of Immokalee Workers (CIW) has led to a doubling of wages for tomato pickers' on supplier-owned farms.
- In the banana sector, a collective agreement with Chiquita has been a lever to support unionizing efforts and improve management-worker relations on plantations in Latin America.

At the same time, significant challenges remain. For instance, the Codes reviewed in this paper appeared less effective in addressing the problems faced by informal or female workers (compared with male, permanent staff), and have done relatively little to increase workers' knowledge and ability to claim rights and resources at work.

Further, all three initiatives – fair trade, ethical trade and collective agreements can be questioned for their overall capacity to reform the differential power structures between buyers and producers, which impact labour conditions for workers.

In terms of future directions, what is striking is the growing synergy between the three types of initiative. For instance, fair trade has recently expanded its remit to examine 'ethical trade' concerns with labour issues in large farms and factories. Similarly, ethical trade practitioners are increasingly aware that the impacts of Codes are undermined by the nature of trading relations between buyers and producers–an issue at the heart of fair trade.

Meanwhile, collective agreements highlight the critical need to increase the involvement of workers in all these types of initiatives if the desired goal of having a sustained improvement in workplace conditions and relations is to be achieved.

Abbreviations

ACP	African Caribbean and Pacific countries
AEAAZ	Agricultural Ethics Assurance Association of Zimbabwe
ATO	Alternative Trading Organization
COLEACP	Comité de Liason Europe-Afrique-Caraibe-Pacifique
COLSIBA	Latin American Coordination of Banana Workers Unions
CSR	Corporate Social Responsibility
ETI	Ethical Trading Initiative
EU	European Union
EUREP-GAP	Euro Retailer Working Group Good Agricultural Practice
FLO-International	Fair Trade Labelling Organization International
FPEAK	Fresh Produce Association of Kenya
HEBI	Horticulture Ethical Business Initiative
ILO	International Labour Organization
IUF	International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
ISEAL	International Social and Environmental Accountability and Labelling Alliance
KFC	Kenya Flower Council
MPS	Milieu Project Sierteelt (a Dutch Floriculture Environmental Project)
MNE	Multi-national Enterprise
NGO	Non-governmental organization
NRI	Natural Resources Institute
PSA	Participatory Social Auditing
SA8000	Social Accountability 8000 Standard
SAI	Social Accountability International
SASA	Social Accountability in Sustainable Agriculture
UK	United Kingdom
US	United States
ZEGA	Zambian Export Growers Association

1. Terminology

Fair Trade is a term used to describe a particular type of trading agreement between producers from developing countries and buyers in developed countries, which has the express purpose of improving small producers' access to international markets. Overseen by alternative trading organizations (ATOs) and NGOs, fair trade is governed through a system of standards, certification and product labels, which accredit farmers and signal to consumers that producers have received a 'fair' price[5].

Rooted in the CSR tradition, *ethical trade* is concerned with the employment conditions and human rights of workers in large, mainstream companies and their suppliers. The term is most typically used in reference to voluntary Codes of Conduct (Codes), developed by a business, NGO or a multi-stakeholder group,[6] which sets minimum employment standards for factories and farms producing for export. Code provisions are typically based on international standards[7] and implementation is audited by company staff or independent auditors. Unlike fair trade, traditionally Codes do not focus on the terms of trade or on small-holders; nor are they usually linked to specific product labels.

Like ethical trade, *collective agreements* are concerned with labour rights, standards and employment in the owned facilities and supply chains of large firms. A key difference is that collective agreements are the outcome of a direct negotiation between a company and a trade union/worker body, whereas Codes are often applied unilaterally, with little worker input. Collective agreements are jointly supervised by the two parties and there is no system of external monitoring, certification or product labelling. A core goal of collective agreements is to establish good employment relations and create a basis for future discussion between the parties.

It is important to note that the apparent divisions between the initiatives are being worn down. With respect to fair trade, the Fair Trade Labelling Organization (FLO) recently revised its guidelines making it possible for large plantations and factories to be certified on the basis of fair labour conditions for workers. In addition, fair trade is increasingly being taken up by large, mainstream companies such as supermarkets or food and drink manufacturers, which are developing their 'own brand' fair trade products. As a result, the standards which govern fair trade and the type of companies which participate increasingly overlap with that of ethical

[5] According to www.fairtrade.org.uk a "fair price" is a minimum price that covers the cost of sustainable production. Producers also receive an extra premium that is invested in social or economic development projects.

[6] In this context a stakeholder refers to any individual, community or organization that affects or is affected by company operations. Multi-stakeholder CSR involve groups such as companies, worker/union representatives, NGOs or governments (Mamic, 2004).

[7] That is, rights set out in core ILO Conventions, including provisions on forced labour (Conventions 29 and 105), non-discrimination (Nos. 100 and 111), freedom of association and collective bargaining (Nos. 87 and 98), child labour (Nos. 138 and 182), as well as ILO conventions on health and safety.

trade. An example of this coalescence is the UK Soil Association's 'ethical trade pilot scheme' and its accompanying product label. As well as indicating organic-compliant production methods, the scheme is intended to deliver fair treatment of workers, a fair return for farmers and a positive contribution to the local community (Tallontire and Vorley, 2005). The Kenya-UK flower trade is another instance of overlap of initiatives. As Smith and Barrientos (2005) point out, some Kenyan rose producers are subject both to Codes (when selling on a normal commercial basis to UK supermarkets) and to fair trade criteria (when selling fair trade roses to the supermarket Tesco).[8]

In relation to ethical trade there is a growing recognition that the scope of Codes' impacts on workers is influenced by the purchasing practices of buyers, for example as specifications for short delivery times and low prices lead to long working hours and low wages (Oxfam, 2004b). This implies a greater focus on fair trade issues of the trading terms between buyers and producers. This topic is very much at the discussion stage among CSR practitioners. As such, there is little at present in the way of concrete, practical initiatives to integrate the fair trade issues (secure contracts, higher prices) into the commercial side of supply chain management in large firms in the agri-food sector.[9]

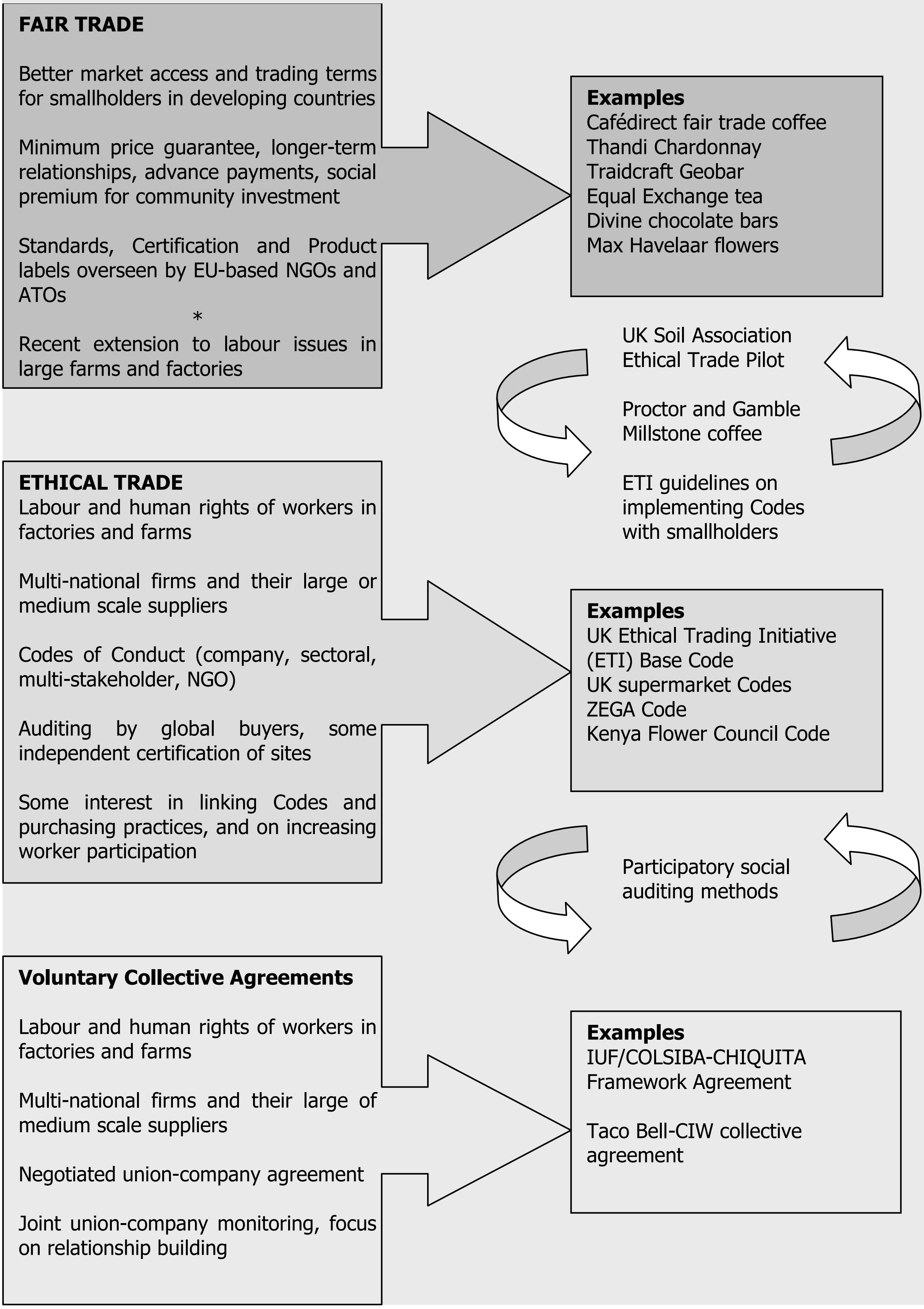
A further area of synergy is the desire to increase the involvement of workers, producers or other stakeholders in implementing ethical or fair trade standards. Innovative collective agreements struck by Chiquita and Taco Bell with agricultural unions represent one possible template of permanent spaces for worker participation and dialogue. Another example from ethical trade is the development of participatory, worker focused social auditing methods.

Figure one overleaf summarizes the key elements of fair trade, ethical trade and collective agreements, giving examples of each. The bracketed arrows highlight examples where the different types of initiative seem to converge. Having identified broad differences and synergies between fair trade, ethical trade and collective agreements, the remainder of this paper provides a more detailed review of each type of initiative.

[8] It is worth bearing in mind that the mainstreaming of fair trade (incorporation of labour issues, extension to large farms, development of retailer own brand fair trade products) has provoked concerns amongst some parts of the fair trade movement that this risks losing sight of the original purpose of fair trade – which is to empower disadvantaged, small producers and help them overcome the barriers they face in finding a market for the goods they grow or make.

[9] For instance, the UK's Ethical Trading Initiative, a multi-stakeholder group made up of companies, trade unions and NGOs, which aims to develop learning and best practices on Codes of Conduct, has recently established a purchasing practices working group.

Figure 1: Voluntary social initiatives in agriculture: Fair trade, ethical trade and collective agreements



2. Fair trade: Labour issues in fair trade bananas

2.1 Overview

Fair trade is 'a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade.' (Smith and Barrientos, 2005) [10] The core goal of fair trade has been to improve access to international markets and achieve better trading terms for excluded or disadvantaged small producers (peasant farmers, co-operatives) in developing countries. In recent years, its remit has been extended to include the employment conditions of organized workers in medium and large commercial farms and factories.[11]

There are two main types of fair trade organization. The first type is alternative trade organizations (ATO). First emerging in the 1950's and 1960's, ATOs promote, purchase and market fair trade branded products, selling through specialist outlets or to mainstream

Box 1:

Fair Trade standards in small and large firms and farms

The Fair Trade Labelling Organization (FLO) has developed two sets of generic producer standards: one for small-holders organized in co-operatives or other democratic, participative structures, the other for organized workers in medium/large sized commercial farms and factories. There is consistency between the two: both include *minimum* criteria on trading arrangements, labour conditions and environmental sustainability.

Trading arrangements include:

- a minimum price guarantee to cover the costs of sustainable production and living
- a social premium, to invest in producer development, community initiatives or workforce development
- advance partial payments to producers when requested
- contracts allowing for stable supply relationships (e.g. a year)

The major distinction between the two is that standards for hired workers on medium/large scale production sites have more extensive labour requirements. This includes, for example, standards on grievance procedures, training, collective agreements and the use of labour contracting. A key requirement is that firms establish a joint employer-worker committee to administer social premium funds for the benefit of workers, their families and communities.

Both sets of standards include progress requirements, which encourage producers to continuously improve working condition, product quality and environmental management. Finally, there are a number of product-specific standards which cover items like product quality and price.

Source: Tallontire and Vorley (2005); FLO at *www.fairtrade.net*.

[10] This definition was agreed by the four main networks of fair-trade related organizations: Fair Trade Labelling International (FLO); International Federation for Alternative Trade (IFAT); Network of European World Shops (NEWS!) and European Fair Trade Association (EFTA)

[11] See FLO updated guidelines issued in January 2006 available at www.fairtrade.net

Reof retailers. A well known example is the UK NGO Traidcraft (and its commercial trading arm, Traidcraft plc). The second type is fair trade labelling organizations, such as the Dutch organization Max Havelaar, which was set up in the late 1980s. Unlike ATOs, these are not directly involved in trade exchanges but rather set fair trade standards and issue certification to traders and producers. Both types of organization get involved in supporting producers, for instance, by providing advice and supporting business development (Humphrey, 2000; Tallontire, 2001; Tallontire and Vorley, 2004).

Fair trade labels indicate to the consumer that the product has been produced and traded according to certain trading, social and environmental standards. The main element of the fair trade mark is the payment of an agreed minimum price and an extra social premium, which is used for social development activities. The Fair Trade Labelling Organization (FLO) is an international umbrella body, set up in 1997, which sets fair trade standards and provides oversight to national fair trade labelling schemes (Smith and Barrientos, 2005). Box one sets out the key elements of fair trade standards.

There are two main categories of fair trade products: ‘foods and beverages’, such as coffee, fruit juices or honey, and ‘fashion, gifts and home’ products, such as textiles, greeting cards or jewellery. Sales patterns have changed over the 1990s, with much greater volumes of food now sold compared to handicrafts (Humphrey, 2000).

Overall, the volume and share of consumer goods traded and sold as ‘fair trade’ is small. For instance, in 1999, the fair trade market accounted for just 0.01 per cent of global trade (Tallontire, 2001). Notwithstanding this low base, fair trade has grown significantly, especially for certain product lines and importing countries in recent years. By product, the largest traded fair trade good is coffee. At a regional level, the majority of fair trade sales are in Europe, which in 2001 accounted for €260 million in annual retail sales (compared to €183 in North America and the Pacific Rim combined) (Tallontire and Vorley, 2005). Within Europe, key markets include Denmark, Germany, the Netherlands, Switzerland and the UK. The UK market, which sold £140 million of fair trade goods in 2005, is particularly dynamic.

An important trend in recent years is the move by major supermarket chains, particularly in Europe, to sell fair trade products. For instance, Smith and Barrientos (2005) note that, in the UK, all major supermarkets now stock at least one fair trade product. Annual *growth* in UK supermarket sales is striking: between 2002-2003 fair trade sales grew by 112 per cent for the Co-Operative Group, by 70 per cent for Tesco and 24 per cent for Waitrose. Also significant is the introduction by supermarkets of fair trade lines into their *own* branded products. For example, the Co-Operative Group sells own brand fair trade coffee, chocolate, bananas, mangoes and chocolate cake. This expansion into mainstream distribution channels has led to a growth in sourcing of fair trade products from large scale commercial farms and an increased focus on the conditions and welfare of workers.

Reviewing this trend of mainstreaming fair trade, Smith and Barrientos (2005) argue that the test of fair trade is how far it manages to transform trading relations between buyers and producers. They argue that some fair trade brands have competed successfully with commercial brands and created power in lower parts of the value chain, potentially improving bargaining position of producers. This is especially the case where producers have an ownership stake in the brand, like Café Direct and Day Chocolate Company. However, in their view, it is still unclear what the impact of *own brand* fair trade labels (J Sainsbury tea, Procter and Gamble

'Millstone' coffee brand, Nescafe 'Partners' Blend' coffee) will be on relations between buyers and producers. Commentators like Bill Vorley (2003) suggest there is a risk that retailers developing own-brand fair trade labels may maintain conventional trading relationships. He cites a newspaper report on UK supermarkets which suggested that rather than accepting an equal or lower margin on fair trade labelled products, supermarkets were instead expanding the retail margin. In the case of bananas, this meant that whilst £supermarkets were accruing 0.35-£0.65 of the £0.78-£0.90/kg fair trade premium, farmers received just £0.24.

2.2 Fair Trade Impacts in the FFV sector

Bananas represent by far the largest of all fresh fruit and vegetable fair trade product categories. Mainly produced on small and medium sized farms (e.g. in the Windward Islands), there are indications that larger scale plantations may start to enter the trade. For instance, in 2004, banana giant Dole announced it was collaborating with the FLO to certify fair trade bananas destined for European markets.[12]

Fair trade banana exports/imports started in 1996. Between 1997 and 2002, the total volume of FLO-certified banana imports increased from around 12 500 tonnes to about 36 600 tonnes. The bulk of this trade is to Western Europe, especially the UK and Switzerland. The impact of fair trade in Switzerland is particularly striking, with fair trade bananas making up 20 per cent of all banana sales (Shrek, 2005). This compares with a 3 per cent market share in the UK (Myers, 2004).

Pointing to the significant growth rates in countries like France, Austria, Finland, the UK and Italy, Arias et al (2003) describe the market prospects for fair trade bananas as 'favourable'. However, this positive outlook has to be put into context. In some markets, like the Netherlands and Germany, periods of rapid growth have been followed by levelling off of demand (Myers, 2004). Also, the production of bananas by existing fair trade producers currently exceeds market demand, so even if consumption does rise this may not provide opportunities for *new* producers to enter the market.

Outside of bananas, a number of other types of fresh fruit are sold as Fair Trade products. Although no comparative data by product category is available, the volumes traded for these products are currently much smaller than for bananas (see Table one for a product breakdown by producer country). Fair trade in the fresh vegetable sector is minimal, with just a few products sourced from Egypt (green and red peppers, green beans and new potatoes) (FLO website at www.fairtrade.net).

[12] http://www.usatoday.com/money/industries/food/2004-01-20-fruit2_x.htm

Table 1: Fair Trade in Fresh Fruit (by product and producer country)

Product	Country
Apples	**South Africa**
Avocados	**Mexico, Peru, South Africa**
Bananas	**Costa Rica, Dominican Republic, Ecuador, Ghana, Panama, Peru, Philippines, Windward Islands**
Coconut	**Windward Islands**
Grapes	**Egypt, South Africa, Namibia**
Lemons	**South Africa**
Limes	**Brazil, Dominican Republic**
Lychees	**South Africa**
Mangoes	**Brazil, Burkina Faso, Costa Rica, Ecuador, Ghana, Haiti, Ecuador, Mexico, South Africa, Senegal, Windward Islands**
Oranges	**Argentina, Egypt, Morocco, South Africa**
Pears	**South Africa**
Pineapples	**Benin, Cameroon, Costa Rica, Ghana, Togo**
Plums	**South Africa**

Source: FLO www.fairtrade.net

Until very recently there has been little in the way of any systematic assessment of the fair trade impacts on producers, workers, their families and communities, and how this compares to conventional market outlets (Humphrey, 2000; Tallontire, 2001). Of the few published studies which *have* been completed, the majority are focused on small-scale coffee production. Reviewing the available case work across a range of products, Tallontire (2001) explains there *is* evidence that fair trade has positive impacts on producers, for example in terms of income levels, income security and skills development (e.g. business, technical skills). However, these findings are tempered by on-going questions around the sustainability and distribution of benefits, especially where producers become very dependent on fair trade market outlets or where higher incomes are not distributed to other family or community members (see Tallontire, 2001).

There are just a handful of studies examining fair trade impacts in the banana sector.

Focusing on one medium-sized commercial banana farm in Ghana, Blowfield and Gallet (1998) found that fair trade had improved local livelihood opportunities through supporting 900 jobs and through the use of social funds to establish and support an outgrower scheme. However, doubts about the competitiveness and financial viability of the farm made its long-term contribution to poverty reduction less clear. The authors also noted that the fair trade price premium was being diverted to pay for a costly EU import license and highlighted the lack of information about the household impacts on workers' families (See Box 2).

This type of mixed set of outcomes is also highlighted by Shreck (2002; 2005) in her studies of smallholders from the 'Finca 6' producer co-operative in the Dominican Republic. The context is unusual in that the community was only established in 1993 and the majority of its relocated residents were not traditionally agriculturalists, only starting to produce bananas following an approach from an exporter. Shreck describes how the guaranteed minimum prices of fair trade helped provide a buffer against market fluctuations and how the social premium provided crucial financing of recovery efforts after Hurricane George in 1998, which had destroyed much of the banana production in the region. In addition, the long-term contract with the exporter (5 years) provided a security of market access that non-Fair Trade producers lacked.[13]

However, many of the Fair Trade certified producers interviewed by Shreck were sceptical about the financial benefits. Shreck attributes this to a long-term fall in banana prices and a lack of good communication by the exporter about the payment system (e.g. deductions to pay off individual loans or co-operative debts). Other challenges included poor product quality leading to high rejection rates; a relatively weak producer association; a lack of community involvement in decisions about the allocation of the social premium and a high degree of dependence by producers on the Fair Trade exporter (in terms of sales). Particularly striking was the very low levels of awareness or understanding of what fair trade comprised by Fair Trade certified producers. According to Shreck, this lack of understanding, combined with the weakness of the producer association, highlights the potential limitations of fair trade in transforming power relations in the agri-food system.

In summary, although representing only a very small part of the market, fair trade initiatives are being taken up in the FFV sector. The evidence available shows these can have a positive impact on the livelihoods of producers and workers. However, there are questions around the scale, sustainability and distribution of benefits. It is possible that, despite current growth rates, the fair trade market will hit a ceiling, with some markets exhibiting signs of saturation (through stagnating demand or over-supply).

From a labour perspective, a key point is that fair trade is starting to focus on worker issues in large farms. It will be important to monitor the operation and impact of new, worker – focused fair trade standards and to consider what ramifications this combined attention both to worker issues and trading terms have for labour Codes of Conduct – a subject to which this analysis now turns.

[13] Of the 115 producers interviewed in total, Shreck found that Fair Trade certified producers were 21 per cent more likely to have sold bananas to an exporter within the month previous to the interview than a non Fair Trade producer. Indeed, 52 per cent of non-Fair Trade producers had not exported in over a year, compared to a tiny minority of Fair Trade producers (Shreck, 2002; see figure 1).

Box 2

Fair trade banana production: Volta river estates, Ghana

Volta River Estates Ltd (VREL) is a Ghanaian registered commercial plantation company producing bananas under Max Havelaar fair trade 'Oké' label to Europe. VREL started exporting to the Netherlands in 1996 and was the first producer of fair trade bananas to the European market. In 1998, the company had around 280 hectares under export production and produced about 5,000 cartons per week; this compares with a 200,000 carton weekly output for a multi-national owned plantation in Cote d'Ivoire. VREL's early success is impressive: within a few months of exporting it captured 10 per cent of the Dutch banana market (Schrek, 2005).

Assessing the impacts of its social strategy, a 1998 review by Blowfield and Gallet found that VREL supports local livelihoods through:

- **direct employment** of 900 *permanent* staff, paid *regularly* at above average rates for the banana sector/region
- support of an innovative **outgrowers' scheme**, which supplies plantain to the domestic market (e.g. provision of technical assistance)
- provision of **worker benefits** like a health clinic, as well as subsidized basic commodities (rice) and interest free loans paid for from a joint employer-worker managed Solidarity Fund

Workers have a stake in the company through their ownership of 25 per cent of company shares. On a day-to-day basis, workers are represented by the Ghana Agriculture Workers union, operating under a closed shop arrangements. According to Blowfield and Gallet, the regular management-union meetings that took place contributed to a higher level of dialogue and transparency than is typical of Ghanaian companies.

Notwithstanding these positive gains, the review raised doubts about the *sustainability of impacts*. The farm was yet to make a profit and its longer-term competitiveness was threatened by the high cost of EU import licenses, a high labour per hectare ratio, wastage and quality problems. Another set of issues raised centred on the *distribution* of benefits and the *overall impact on poverty reduction*. For instance:

- Women may have benefited less as a result of their lower workforce participation (16 per cent of the farm workforce was female) and of the diversion of male labour away from household food production (thereby increasing the work intensity for women and other family members)
- The distribution of worker incomes at the household level was unknown
- The social premium earmarked for social development activities was largely absorbed by cost of EU import licenses.
- Workers were not benefiting from their share ownership since the company had not yet made a profit.

Source : Blowfield and Gallet, 1998.

3. Ethical trade: focus on codes of conduct in African horticulture

Ethical trade is about achieving good labour and environmental standards in production activities. To date, the main voluntary measure used to achieve this has been Codes which set out minimum labour and environmental standards for firms to apply in their supply chains and owned production facilities. Whilst Codes do cover production activities in the developed countries, most attention has been given to export production activities in developing countries. The 1990s saw a rapid growth in the development and implementation of Codes, especially in the garment sector. This emerged from a variety of reasons including concerns articulated by pressure groups and NGOs that globalization and trade liberalization were leading to a race to the bottom in labour conditions, with countries competing by cutting labour cost (Barrientos et al., 1999b). In the ensuing decade, a number of other sectors, including FFV, have followed in the garment sector's footsteps. However, there are vast differences between these sectors.

3.1 Comparison of Codes of Conduct in Food and Manufacturing

In general, Codes governing labour practices in agri-food supply chains are less widespread than in labour intensive manufacturing industries, like garments and footwear. Reviewing Codes in the sugar, cut flower, coffee and banana industries, Smith and Feldman (2004a) argue that these sectors are '5–10 years behind' that of garment manufacturing, in terms of the development of harmonized CSR standards and their implementation. The authors illustrate this lag by reference to the lower levels of Code application by global agribusinesses in these sectors, the narrower scope of issues covered in agricultural Codes and the more limited use of external auditing.

Smith and Feldman's assessment focuses on products grown in Latin America and exported to US markets. As such, it probably underestimates the penetration of Codes in global agri-food chains. Certainly for some food products, markets and firms – particularly African fresh fruit, vegetable and flowers supplied to European supermarkets – Codes are increasingly common (Tallontire and Greenhalgh, 2005). What *is* clear, however, is that the application of Codes to agricultural production and trade can involve issues and challenges distinct from manufacturing.

Table two below summarizes key areas of similarity and difference between the agri-food sector and manufacturing in terms of the challenges firms face in implementing Codes. As in the garment and footwear sectors, efforts to implement Codes in agri-food chains have encountered similar problems of limited worker involvement and ownership of the process, top down, snapshot auditing methods, lack of attention to sensitive or controversial issues like freedom of association, weaknesses in supplier or local government capacity, and the contradiction between buyers' demands for better working conditions, but also faster delivery and lower prices (column 1) (Jorgensen et al., 2003; Auret and Barrientos, 2004). Areas of difference between the two sectors (column 2) relate to the nature of food products, the structures of particular agri-food chains, and the characteristics of agricultural production and employment.

Table 2: Comparison of Key Challenges in Implementing Codes in Agri-Food and Manufacturing supply chains

Common challenges found across agri-food and manufacturing sectors	Specific challenges in the agri-food sector
Code proliferation, multiple and conflicting standards leading to inefficiency and confusion	Diversity of agri-food chains: variety of products, production characteristics and value chain structures
Top-down, snapshot auditing which does not empower workers or capture sensitive or challenging issues (harassment, freedom of association)	Low product visibility in manufactured food products
Limited inclusion or leadership from stakeholders in producer countries (workers, governments, firms, NGOs)	Low levels of brand recognition for *some* products by consumers (e.g. wheat, meat, cotton, oils)
Limited supplier capacity or knowledge of labour issues	Complex, multi-layered or fragmented supply networks (e.g. cocoa)
Limited worker capacity or knowledge to articulate and claim rights and needs at work; low levels of unionization.	High environmental impacts
Costs of compliance risks excluding smaller suppliers; lack of clarity over business benefits for suppliers	Flexible nature of employment: high rates of seasonal, casual, contract and migrant work in developed and developing countries
Lack of supportive domestic infrastructure (resources, legal institutions, labour inspectorate, auditing bodies)	Smallholder production: standards inappropriate to smallholder context or risk exclusion
Tension between Codes and buyer purchasing practices (price, quality, lead-time pressures)	

One important difference is that the agri – food sector is more diverse than apparel and footwear manufacturing. In the agri – food sector, there is huge variety in terms of the types of product, characteristics of production (location, method, seasonality) and the structures of value chains (nature of firms, extent of linkages, power relations). This heterogeneity means that different types of CSR standards have evolved for different food products, and at varying paces. Such diversity also makes the prospect of a harmonized Code across different food product sectors unlikely (Smith and Feldman, 2003b).

The levels of public interest in labour issues are also more variable in the agri-food sector. Where for footwear and apparel there has been significant NGO and consumer pressure on labour rights both in the United States and in Europe, activism around global labour standards in food products is more limited, at least for some products (e.g. meat, grains, oils, packaged food etc) and markets (the United States).[14] As a result, there is less pressure on some food retailers, brands and manufacturers to manage reputational risks through the adoption of Codes[15].

It is conceivable that a lower rate of public pressure is linked to the lesser visibility of some food products and brands. Whilst not applicable to an item like fresh bananas (clearly visible and marketed by well known global brands), it may apply to many manufactured or processed food items. For example, the multiple food ingredients used in breakfast cereals (sugar, wheat, cocoa) or ready made meals (meats, vegetables, oils, spices and sauces), reduce the visibility to the consumer of any one food ingredient. In addition, for some agri-food products the major agribusinesses involved do not have high levels of customer brand recognition.

Another feature of the agri-food sector is the immense complexity and fragmentation of some chains, which limit buyers' capacity to cascade Codes down the supply chain. For instance, buyers' leverage is much reduced where chains involve large numbers of small, dispersed producers (cocoa, tea) or where the product is made up of multiple ingredients sourced from a variety of locations (a ready made meal). Box three highlights the different characteristics in agri-food chains which affect how much leverage a buyer may have.

[14] Where there *have* been NGO campaigns, these have often resulted in the development by industry of voluntary Codes. For example, following allegations about child and forced labour in cocoa production in West Africa in 2000, the World Cocoa Foundation has developed an industry wide Code and certification system (Tallontire and Greenhalgh, 2005).

[15] For example, comparing the European and US markets, a representative of the banana firm, Chiquita, commented that whilst in Finland, Switzerland, the UK and Norway, retailers express a strong interest in the company's environmental and social performance (requesting audit results, undertaking joint projects), in the US, retailers do not consider the social dimensions in negotiations (Interview with George Jaksch, Chiquita Representative, 20-1-06).

Box 3

Value Chain Factors affecting buyer leverage to implement Codes of Conduct in agri-food sector

Drawing on a report by Business for Social Responsibility and Accountability (2004), '*Business and Economic Development, Agricultural Sector Report'*, Tallontire and Greenhalgh (2005) identify how chain characteristics affect buyers' capacity to apply labour Codes in their production sites and supply chains. Buyers tend to have more leverage:

- In short chains, where there are a limited number of actors and little separation between growers and processors from retailers or brands *(e.g. UK-Africa horticulture trade versus cocoa sector)*
- In chains where there is a high degree of vertical integration *(e.g. fresh bananas, fresh meat)*
- Where product origin and food traceability is important for food safety regimes *(less important in palm oil, wheat and soy compared to organic or fresh produce)*
- Where there are high level of market concentration amongst retailers, brands and manufacturers which purchase supplies;
- Where for business or legal reasons firms and farms must work closely together *(e.g. to achieve a quality standard, or ensure food traceability)*
- If there are long term trade relations and high degree of trust *(fair trade products)*
- If the commodity is identifiable in end product (e.g. coffee and fresh carrots compared to margarine or ready made meal).

Source: Tallontire and Greenhalgh, 2005.

A further area of difference between the agri-food and manufacturing sectors is in the types of ethical issues which are implicated in production and processing activities. In agriculture, three quite distinct issues which come to the fore are the environment, informal labour and smallholders.

Agricultural production involves significant environmental impacts. As a result, food manufacturers and retailers have put greater emphasis on managing environmental impacts than is the case in light manufacturing (Smith and Feldman, 2003a). This is particularly pertinent to the banana industry, where plantation agriculture and the intensive use of agro-chemicals have been associated with problems of de-forestation, land and water pollution and a loss of biological diversity. Although these will not be reviewed here, key environmental initiatives in the banana industry which are designed to address these include the development of organic standards and labelling,[16] the application of the ISO 14001 standard for

[16] Organic bananas comprise about 2.5 per cent of EU banana imports and one per cent of US banana imports. The largest suppliers are the Dominican Republic and Peru (Arias et al., 2003).

environmental management[17] and the Rainforest Alliance Certification scheme[18] (Arias et al., 2003).

A second issue is the nature of employment and employment relations in agriculture. Whilst employment flexibility is increasing in garment and footwear manufacturing (e.g. homework, casual work), the incidence is much greater in agriculture, where seasonal, casual, contract and migrant labourers make up the majority. This raises a whole set of issues, such as unemployment during the low season or immigrant work permits, not traditionally addressed by Codes.

Third, many agri-food chains involve large numbers of smallholders. This creates various difficulties. One problem is that Codes typically focus on workers' wages and conditions rather than the returns and trading relationships for growers. Moreover, the worker issues that are covered are typically modeled on large scale production and thus are not always appropriate to the context of small family farms. Also, with limited financial or human resources, and a frequent absence of supportive local institutions, smallholders often lack the capacity necessary to meet Code provisions and find their requirements prohibitively expensive (see Box four). A further issue is that the exporter or retailer may perceive the costs of supporting and monitoring Code implementation among large numbers of poorly resourced small-holders as too high. The risk of this is that – as with food standards in general – Codes may encourage greater consolidation in production and the exclusion of smallholders from global markets.

[17] The International Organization for Standardization (ISO) sets voluntary internationally harmonized industry standards. ISO 14001 supports the implementation of environmental management systems through requirements on companies to develop an environmental policy, an implementation and communications plan, to document and to monitor the policy, and provide staff training. Certification is carried out by governmental or private certification bodies. According to Arias et al., ISO 14001 is fast becoming a default certification for banana plantations (Arias et al., 2003).

[18] The Rainforest Alliance certification (formerly ECO-OK/Better Bananas Project) is run by a coalition of international conservation NGOs in the Americas, whose secretariat is based at the US-based NGO, Rainforest Alliance. Mainly adopted by banana firms Chiquita and Reybanpac, the standard's key criteria include: prohibitions on primary forest clearance; requirements on water and soil management, limits over agri-chemical usage; the use of integrated production and pest management techniques and development of conservation and buffer zones. See www.rainforest-alliance.org.

Box 4

Barriers to codes for FFV smallholders in Zimbabwe and Ghana

The UK's Natural Resources Institute (NRI) has reviewed prospects for ethical Code implementation amongst smallholders in Zimbabwe (vegetables) and Ghana (pineapples).

Their report highlights how **different labour arrangements** in small farms do not mesh easily with traditional Code prescriptions. For example, it is difficult to see how to calculate a 'living wage' for workers currently receiving a mixture of cash and in kind wage payments.

Another constraint for smallholders is their more limited resources. For instance, a **lack of capital** would make it very difficult to for smallholders in Ghana and Zimbabwe

to purchase new protective equipment for workers or invest in secure chemical stores.

Lower levels of education and problems of illiteracy meant some farmers would find it difficult to understand written instructions (e.g. on pesticide usage) or issue contracts to hired workers, who themselves may be illiterate.

A **lack of a supportive local infrastructure** in poor, remote rural communities is another problem. As the NRI report points out, it is very hard to meet health and safety provisions when medical provisions are absent, expensive or far away.

Source: NRI, 2002.

A range of initiatives are underway to identify how Codes could be made more applicable to a smallholder context. A key focus of these has been on the content of standards and the measures that retailers, exporters and governments could take to help support smallholders. Such initiatives include:

- the Natural Resources Institute's (NRI) 'Natural Resources and Ethical Trade Programme (NRET)', which looks at Code implementation among FFV smallholders in Ghana and Zimbabwe.[19]
- the Social Accountability in Sustainability Agriculture (SASA) project, which reviews auditing practices of various organic, fair trade and ethical trade standard setting bodies.[20]
- the Ethical Trading Initiative's (ETI) recently issued guidelines on applying Codes to smallholders.[21]

Having identified how the characteristics of agri-food chains shape Code implementation, and how these compare with the manufacturing sector, the next section reviews different types of voluntary Code in fresh fruit and vegetable production.

[19] http://www.nri.org/NRET/

[20] http://www.isealalliance.org/sasa/

[21] http://www.eti.org

3.2 Codes in FFV chains: African-UK horticulture and global banana sector

The two product chains where Codes of Conduct appear to have been most widely adopted are, first, African supplies of fresh fruits (citrus, deciduous) and vegetables (green beans, snow peas and mange-tout) to European, and especially UK, supermarkets. The second is the banana industry. This analysis describes what types of Codes are in existence and how these are implemented. It then looks at the available evidence on their impacts.

3.2.1 African-UK horticulture

Case studies of producers in South Africa (fruit), Zambia (fruits and vegetables) and Kenya (flowers) found they faced multiple Codes, originating from a wide variety of sources including supermarkets, importers, exporters, trade associations and various international institutions (Barrientos et al., 2003; Tallontire et al., 2004; Smith et al., 2004). Table three lists some of the main Codes found to operate there. It makes a distinction between Codes developed by companies, by industry associations ('sectoral') and by independent, multi-stakeholder groups, and according to whether these were designed in a developed or developing country. The coverage of each Code varies and some are more extensive than others. For example, while the ETI Base Code is entirely focused on employment, the EUREP-GAP Code contains only minimum social provisions. The main provisions of these and other Codes applied in the FFV sector are set out in Appendix 1.

Table 3. Codes in Europe-Africa horticulture* supply chains

Code Type	Example
Developed Country - Company	**UK supermarket Codes** **UK importer Codes**
Developing Country – Company	**South African exporter Codes**
Developed Country - Sectoral	**EUREP-GAP Protocol for Fresh Fruits and Vegetables** **MPS (Milieu Project Sierteelt)**
Developing Country - Sectoral	**Fresh Produce Exporters Association of Kenya Code (FPEAK)** **Zambia Export Growers Association Code (ZEGA)** **Kenya Flower Council Code (KFC)**
Independent, multi-stakeholder Codes (northern-based)	**Ethical Trading Initiative (ETI) Base Code** **International Code of Conduct for the Production of Cut Flowers** **Max Havelaar Switzerland Criteria for Fairtrade Cut Flowers**

Sources: Tallontire et al., 2004, Smith et al., 2004 The table above includes cut flower Codes in acknowledgement that two Zambian exporters were producing roses and vegetables, and as such were subject to two sets of Codes.

Codes developed by UK supermarkets and importers are among the most widely applied and adopted in African horticulture. Supermarket reputation appears to be a key driver here. By expanding their ranges of 'own-label' fresh fruit and vegetables, retailers are being held increasingly accountable to consumers for labour practices in their supply chains. Exposés on poor labour practices among their FFV suppliers has led to significant criticism by the media and NGOs of some UK supermarkets in recent years.[22]

The main mechanism for implementing Codes, in general, is through monitoring and auditing. These are usually classified as involving first, second and third party auditors.[23] For UK supermarket Codes, auditing is mainly second party (e.g. importer/supermarket buyer assessing suppliers). Tallontire and Greenhalgh (2005) emphasize that supermarkets are shifting toward a 'process' rather than 'policing' approach to compliance. If a supplier fails an audit, rather than terminate the contract, a corrective action plan is put in motion. In some circumstances, the supermarket/importer will provide advice on implementation. Suppliers are only "dropped" when they repeatedly fail to address a serious non-compliance issue. In terms of auditing costs, it is the supermarket who takes responsibility for auditing and instances of the producer being charged are unusual.

[22] Examples include UK media coverage of poor health and safety practices in South African fruit farms and Kenyan flower farms.

[23] Some companies assess themselves ('first party'), some assess their suppliers ('second party') and some contract an inspection company to do the auditing for them ('third party'); (Mamic, 2004).

Box 5

Multi-stakeholder initiatives in Africa: FFVs, Flowers and Wine

All formed in the last few years, the **Kenyan** Horticulture Ethical Business Initiative (HEBI), the Agricultural Ethics Assurance Association of **Zimbabwe** (AEAAZ) and the Wine Industry Ethical Trade Association (WIETA) in **South Africa** are multi-stakeholder groups which aim to improve labour conditions through developing national Codes of practice and monitoring systems, and building local capacity. Their formation is closely associated with the UK's Ethical Trading Initiative and its business members.

Key achievements:

- Development and/or promotion of national base Codes and guidelines
- Developing local monitoring capacity and participatory auditing techniques
- Conducting Code audits of business members
- Improved communication and understanding between diverse interests (NGOs, unions and companies)
- Educating members and workers about the Code

On-going challenges:

- Raising funds and achieving financial sustainability (e.g. HEBI remains largely reliant on donor funding from the UK aid agency, DfID)
- Ensuring participation of all stakeholders (e.g. unions have refused to participate in HEBI), and particularly of least powerful groups
- Resolving issues of conflict and distrust between stakeholders
- Ensuring the Code does actually substitute several Codes and gain buyer recognition, rather than just adding another one

Efforts have been made to establish multi-stakeholder Code bodies in **Ghana** and **Zambia** too; however, these have not managed to get off the ground. Observers attribute this in part to the lack of strong, pre-existing industry associations in these countries and to resource constraints. In Zambia, contributory factors also include a lack of NGO campaigns directed at the country, smaller volumes of exports going to the UK markets and local NGOs' focus on issues other than labour rights in the farms e.g. HIV/AIDS.

Sources: Jørgensen et al., 2003; Auret and Barrientos, 2004; Tallontire et al., 2004; Tallontire and Greenhalgh, 2005.

In general, the majority of Codes, both in agriculture and other sectors, originate from developed countries. However, as Table three shows, there have been several efforts by firms and stakeholders in the producer countries to develop locally-relevant Codes and auditing systems. An example of this is the ZEGA Code, a sectoral Code developed by horticulture producers and exporters in Zambia.

In terms of independent, multi-stakeholder Codes, the most widely applied in African horticulture is the UK's ETI Base Code.[24] Tallontire and Greenhalgh (2005)

[24] The Ethical Trading Initiative (ETI) is a UK-based membership organization comprising companies, trade unions and NGOs. Established in 1998, its core goal is to identify and promote good practice in the implementation of Codes of Conducts, focused on labour issues. It has its own base Code, negotiated by the stakeholders, which covers core ILO

talk of a general – albeit 'slow and hesitating' – trend toward multi – stakeholder initiatives in the FFV sector and in agri-food chains more widely. These are increasingly seen by CSR practitioners as important for improving Code accountability and legitimacy, increasing worker voice and providing a platform for learning about Code implementation, sharing views and resolving problems.

Interestingly, new models of locally-owned multi-stakeholder initiatives in producer countries are emerging. Potentially, these provide a basis for increasing local accountability and for reducing the problems associated with top-down, snapshot auditing. Examples in the fruit, vegetable and flower sectors include the Horticulture Business Initiative (HEBI) in Kenya, the Agricultural Ethics Assurance Association of Zimbabwe (AEAAZ) and South Africa's Wine Industry Ethical Trade Association (WIETA). Box 5 outlines some of the benefits and challenges associated with these new initiatives.

3.2.2 The global banana sector

In the global banana industry, Code initiatives are centered on the activities of the large multinational firms, which produce, source, distribute and brand bananas, rather than on the retailers which sell them. Traditionally focused on environmental management, a series of damaging NGO and union campaigns have pressured the banana MNEs to improve and account for the social impacts of production, particularly in Latin America (Arias et al., 2003).

A variety of Codes and certification schemes have been developed, with varying levels of adoption between different firms. Chiquita, Del Monte and Dole all have their own corporate Codes or guidelines. Some firms also draw upon or apply independent Codes developed by NGOs. For instance, Chiquita and Ecuadorean producer, Reybanpac, are both certified by the Rainforest Alliance scheme, whilst Del Monte's guidelines are informed by standards set up in the UK Banana Industry Code of Practice. Smith and Feldman (2003a) have reviewed the content of these five different Codes and highlighted the variability between them.[25]

conventions. It is not an audited standard; however, members are obliged to implement it and report annually.

[25] Smith and Feldman's survey (2003a) highlights the variation in content between the five Codes. Whilst in some areas like health and safety, provisions for <u>all types of Code</u> were found to be detailed and robust, in others, <u>Chiquita's</u> Code was more progressive. For instance, in relation to wages, whilst the NGO and other two corporate Codes referred broadly to a need to meet or exceed local minimum wages, Chiquita also specifies that wages should meet basic needs and a discretionary amount extra, that overtime should be paid and that wage deductions for disciplinary purposes are prohibited.

Unlike the African-EU horticulture trade, the banana firms have not collaborated together to develop a sectoral Code. However, Chiquita, Dole and Del Monte have participated in multi-stakeholder activities, for example, through ETI pilot projects (Bendell, 2001). In addition, both Chiquita and Dole are pursuing independent certification for their owned plantations through the independent standard, SA 8000[26] (Arias et al., 2003). This is a significant step since SA 8000 is widely used in manufacturing, yet has only recently started to be applied to the agricultural sector.[27] Box six provides more details of Chiquita's approach to social performance.

Box 6

Managing Social Performance in Chiquita

Chiquita is credited with having one of the most progressive approaches to social performance among global food companies. The social challenges it faces vary by country and context. Key ones include: health and safety violations, excessive working hours, reliance on temporary labour (in Guatemala) and barriers to freedom of association (in Costa Rica). Some key elements of its approach include:

- **Internal Code auditing** of owned farms and of its global logistics operations (shipping, port operations, maintenance facilities)
- **Public reporting** of its internal assessments results, both good and bad
- Pursuing **SA 8000 standard** in owned farms, with third party certification earned for its Costa Rican division in 2002
- **Framework Agreement** with International Union of Foodworkers (IUF) and Coordinating Committee of Banana Workers' Unions (COLSIBA)
- **Basic needs wage assessment**, leading to increased contributions to workers in Panama (e.g. support for house purchases, hiring spouses to increase household income)

Core Challenge: managing impacts of divestments in Panama

A key challenge for Chiquita is how to manage social problems caused by selling off owned-farms. The difficulties involved are highlighted by the history of the firm's recent sale of its Armuelles division in Panama. To try and ensure community benefits and minimize any negative impacts, Chiquita negotiated to sell the plantation to COOSEMUPAR, a worker-owned cooperative set up by the union representing (former) Chiquita employees. Chiquita also made a 10 year contract commitment to buy fruit from COOSEMUPAR (at market prices).

Despite stakeholder buy-in at the time of sale and the support of the Panamanian government, the farm is apparently now close to bankruptcy. Anecdotal reports link this to mismanagement by the co-operative leadership and to poor agricultural practices, resulting in the spread of plant disease. This is a big disappointment for the co-operative and Chiquita, and highlights the immense complexities in managing the social impacts of divestments

Sources: Chiquita Corporate Responsibility Report, 2002Personal communication with Chiquita representative

[26] See Appendix for explanation of SA 8000.

[27] Tallontire and Greenhalgh (2005) state that, in 2005, just 25 of the 655 facilities certified by SA8000 were in agriculture (tobacco, cigarettes, bananas, canned and fresh fruit).

The structure of the banana value chain assists with Code implementation, in the sense that it is highly integrated and that banana MNEs own a share of the plantations they source from. However, changes in the value chain structure and heightened competitive pressures are presenting new challenges. As already noted, the banana MNEs are increasingly seeking to sell off their owned farms in order to concentrate on higher value activities of marketing, branding and distribution. Not only does this reduce their control and lines of accountability, it may also lead to a deterioration of social conditions, either through job loss or because new owners are less committed, or less well-resourced. (See Box 6 on Chiquita's sale of its Armuelles banana division in Panama).

Another issue is the changing relationship between banana MNEs and food retailers. Some retailers, particularly in Europe, *do* emphasize and reward environmental and social criteria in their trading relations with banana firms. For example, Chiquita reports that the UK retailer, the Co-operative Group (Co-op) contracted the independent auditors Bureau Veritas Quality International (BVQI) to audit Chiquita's owned farms in Colombia. After making a series of improvements recommended by BVQI, Chiquita reports their sales to the Co-op increased (Chiquita, 2002). However, increased concentration and competition amongst European retailers is leading to intense price pressures and shorter-term relationships, which potentially reduces the scope that banana firms have to address social issues in their supply chains.

3.3 Assessing Code Impacts on Workers

It is difficult to generally assess the impact of Codes on workers and producers since few independent evaluations have been carried out. This is not just for the FFV sector, but for Codes in general. In attempting to address this gap, the Natural Resources Institute (NRI) is currently in the process of completing an in-depth assessment which is due to be reported on soon. The UK's Ethical Trading Initiative has recently published a report on the impact for workers across a number of different sectors of its Base Code. Details of this independent assessment are provided in Box 7.

3.3.1 Code Impacts on African Horticulture Workers

The analysis which follows reviews the evidence which *is* currently available on the impacts of Codes in African horticulture. As identified earlier, African horticulture exporters are subject to a number of Codes. A series of DfID funded studies in Zambia (vegetables and flowers), Kenya (flowers) and South Africa (fruit) examine the effects of these Codes on workers and producers (Barrientos, Dolan and Tallontire, 2003; Tallontire et al., 2004; Smith et al., 2004). Unless stated otherwise, the findings presented here refer to this body of research. Where appropriate, reference will be made to the ETI impact assessment case study on the South African fruit sector (hereinafter referred to as the "ETI African fruit study") (Barrientos and Smith, 2006).

Box 7

The ETI Impact Assessment Report 2006

The Institute of Development Studies at the University of Sussex was commissioned by the ETI to conduct an independent assessment of how its member companies were implementing the ETI Base Code. At the same time, the ETI was interested in understanding the impact of members' activities in the supply chain and how the impact of members' work could be improved.

In undertaking the study, the researchers conducted five case studies – three country studies (South Africa: Fruit, Vietnam: garments and footwear; India: garments) and two company studies (UK: Horticulture; Costa Rica: bananas).

Key achievements of the Code include:

- Improvements in **health and safety** through training, a reduction in **working hours**, an adherence to the payment of **minimum wages** as well as state insurance and pensions and a reduction in the numbers of **child labourers**
- Improved situation for **permanent and 'regular'** workers
- Improved **access and provision of benefits to women**, for example, post-natal benefits
- Positively and directly impacted **management awareness** and/or **compliance with national labour legislation**.

Core challenges remaining:

- Limited impact in relation to freedom of association, discrimination, regular employment and harsh treatment
- Migrant workers and contract workers were found to experience little improvement or, in some cases, reported having poorer conditions
- Unequal access to employment, promotion and training for women

A number of factors were found to be central to the positive improvements that were reported, including the high levels of commitment by companies, agents and suppliers, collaboration, communication, training and on-going assessment of performance coupled with comprehensive feedback and support to suppliers.

Furthermore, the structure of the supply chain was found to be critical in determining impact of the Code. Situations where there were direct and stable relationships between buyers and suppliers appear to influence and increase the likelihood of positive change. Where there were complex supply chains with downward pressures on prices and reduced lead times, few positive improvements were reported.

The key recommendation made by the independent researchers was that greater emphasis be placed on harmonization and collaboration of Codes with increased focus on extending the reach of Codes to all workers (particularly migrant and contract workers) by dealing with the more challenging aspects of employment such as freedom of association and discrimination.

Source:Barrientos and Smith, IDS, 2006.

There is evidence that Codes have had some positive benefits both for employers and workers. For instance, amongst *producers*, the research showed there was a high level of awareness of Codes and a number of employers felt these were a useful management tool. In terms of *workers'* employment conditions, the research identified a number of areas where Codes had led to improvements. These included:

- *Improved health and safety measures*, such as more widespread use of PPE, safer chemical storage, improved washing and toilet facilities, the provision of potable water, medical service and health education (e.g. HIV/AIDS);

- *Formalization of employment relations* through written contracts, the introduction of pro-rata benefits for seasonal and temporary workers, and the transfer of casual workers to fixed term or permanent contracts;

- *Provision of on-site benefits*, such as upgraded accommodation, the introduction of subsidized meals and provision of schooling facilities;

- *Addressing gender discrimination and gender issues* through childcare provision, enhanced opportunities for women to obtain junior management positions, the development of anti-harassment policies and the establishment of a worker elected gender committee, which provides training on women's rights and counselling for domestic violence.

Notwithstanding these positive benefits, the studies also identified several gaps and constraints. For instance, a number of producers expressed concerns about the cost of compliance and the lack of sensitivity to local context of Codes originating from buyers/stakeholders in Europe. There was also a feeling of resentment that buyers were demanding improvements, but without providing any support with financing or guarantee of contract security (Smith et al., 3 2004; Tallontire et al., 2004).

In terms of *worker impacts,* the studies found evidence that the hoped-for benefits of Codes were not always reaching workers. Most striking is the very low level of workers' knowledge about Codes, even though many of these Codes had been implemented for several years. Amongst those who did know of Codes' existence, most thought they related to technical production specifications and were not aware they involved workers' rights (table 4). These findings correlate with the ETI African fruit study which found that "workers were on the whole unaware of Codes (although they were more aware of technical Codes)" (Barrientos and Smith, 2006, p.14).

Table 4: Worker awareness of Codes and what Codes are

	% awareness of Codes	% awareness Codes relate to workers' rights
Kenyan flowers	22	**7**
South African fruit	13	**3**
Zambian vegetables & flowers	**31**	**4**

Source: Smith et al., 2004; Table 5.1 p. 7.

A lack of worker knowledge about Codes may help explain the on-going employment problems which were found on farms where Codes were in force. Summarizing the findings of discussions with workers in Kenya, South Africa and Zambia, on-going employment problems noted by Smith et al (2004) included: job insecurity; low wages; compulsory overtime; racial and gender discrimination; poor ergonomics and exposure to chemicals; verbal abuse and sexual harassment; insufficient communication between managers and workers and low levels of worker representation. According to the ETI African fruit study, the greatest area of positive change in general has occurred in health and safety as a result of Eurepgap. It should be noted that with the exception of health and safety, suppliers were in agreement that any changes in labour practices that had taken place in recent years should be attributed to the national legislation in South Africa which is more stringent that the ETI Base Code (Barrientos and Smith, 2006).

Observers offer several explanations for why Codes are not achieving the hoped-for improvements in FFV farms and packhouses. These are very similar to those identified in apparel and footwear manufacturing and centre on:

- practical concerns, around the content of Codes and non-participatory, non-worker focused way in which these are developed and audited;

- on resource constraints (institutional, financial, skills or knowledge-based) at the worker, union, firm or country level; and

- on the tension between ethical Codes on one hand, and buyers purchasing practices and the structure of global agri-food systems on the other.

For example, reviewing the content of Codes applied in African horticulture, Barrientos et al., (2003) highlight how, whilst many provide improvements for formal workers, the reproductive rights, childcare support and employment security needs of women and those on informal work arrangements are typically overlooked. The authors also emphasize limitations in the design and implementation of many supermarket/importer Codes: auditing was usually conducted by a technical (not social) staff member, with very little worker or stakeholder involvement.

The multiple resource constraints are highlighted by Tallontire et al (2004) in their assessment of Codes in Zambian vegetable and flower farms. These included, for example, limited union resources and recruitment capacity, a lack of management training or knowledge of human resource management skills, unclear or poorly communicated company policies, weak government capacity to enforce the law and a lack of government or industry resources for investment.

Another set of arguments focus on inherent contradictions between Codes and the overall structure and operation of agri-food chains. There are a number of elements to this critique, which are all closely linked. A first point is that buyers are demanding higher labour standards but are not bearing the cost themselves or passing it on to consumers in the form of higher prices. Second, that costly changes required by Codes could have unintended, negative effects on firm competitiveness and the jobs and livelihoods of workers. For instance, the research on African horticulture highlighted how, whilst most workers felt their wages were insufficient to meet basic needs, some employers claimed if they were forced to pay higher wages they would go out of business (Smith et al., 2004).[28] A third element focuses on the purchasing practices of global buyers, which are seen to undermine ethical sourcing commitments. For example, Oxfam's research on FFV production in Chile and South Africa describes how suppliers offset buyer pressure for lower prices and shorter lead times by shifting to informal work relations and increasing

[28] Similarly, earlier research by Barrientos, McClenaghan and Orton (1999) on table grape and deciduous fruit farms in South Africa noted that some producers felt the higher labour and housing costs (required by Codes) would lead to a reduction in on-farm employment, and increase use of off-farm temporary labour.

work intensity (Oxfam, 2004b). Finally, the ETI African fruit study argues that Code implementation is affected by the level of commitment of agents at different points of the value chain. The study points out that irrespective of the commitment by the supermarket (retailer), agents generally had little commitment to Codes and consequently there was limited, if any, communication or support passed down onto growers (Barrientos and Smith, 2006).

Some commentators have drawn attention to the overall structure of value chains (not just buyer purchasing practices). For instance, in their review of Codes in South Africa, Ewert and Du Toit (2002) argue that the focus of Codes on employer abuses within a particular farm overlooks the root causes of such problems, which emanate from the complex social, political and historical context of commercial farming in South Africa and the organization of global food systems (e.g. growing market concentration, de-regulation, casualisation of employment etc).

What are the solutions to these gaps and constraints? While some commentators, like Ewert and du Toit (2002), question the idea that Codes could ever be a platform for empowering workers and securing rights, others estimate that there is scope to make practical improvements. Such proposals are familiar also in garment/footwear manufacturing[29] and centre on ideas to:

- harmonize Code provisions (within a product sector)
- increase the focus on gender and informal worker issues
- increase worker involvement and local ownership of producers, workers and stakeholders more generally
- integrate ethical and commercial considerations in supply chain management
- tailor provisions to the needs of small-holders.

A detailed exploration of these ideas is beyond the scope of this paper (See Acona, 2004; Smith et al., 2004; NRET theme papers; SASA project for a more detailed discussion on methods to improve Code implementation). However, it is worth briefly highlighting one proposed solution, which is gaining increasing currency amongst CSR practitioners and has been tested in horticulture production: that is, 'participatory social auditing' (PSA). Designed to increase worker involvement and ownership of Code development and auditing, PSA approaches rest on a process approach, involving management, workers and local stakeholders in order to build relationships, to encourage joint planning and foster learning and improvement.[30]

[29] Mamic, I., 2004.

[30] For information on participatory social auditing, see Auret, D and Barrientos, S., 2004; Bendell, J., 2001 and Auret, D., 2002. 'Participatory Social Auditing of Labour Standards: a Handbook of Code of Practice Implementers.' Harare: Agricultural Ethics Assurance Association of Zimbabwe.

Research exercises testing out PSA methods in African horticulture and Costa Rican banana plantations found these could provide an environment in which workers were more comfortable to raise sensitive issues, such as discrimination, verbal abuse and sexual harassment. However, PSA methods are still in the early stages of development. As such, some of the more ambitious claims that participatory approaches can really empower workers – enabling them to claim rights and have a more equal relationship with managers – are yet to be tested (Bendell, 2001; Auret and Barrientos, 2004).

A number of recent innovations in the FFV sector offer scope for how Codes might develop in the future. The emergence of sectoral and multi-stakeholder initiatives in producer countries, new research and guidelines on implementing Codes with smallholders, and experiments with participatory social auditing techniques are particularly noteworthy. A key priority is to create the space, resources and mechanisms to increase workers' voice and involvement. The final section of this paper looks at this issue more closely, examining the role of voluntary collective agreements in enabling workers to express and claim their needs and rights at work.

4. Collective Agreements: Addressing Workers Rights in Tomato and Banana Production

Broadly speaking, 'collective agreements[31]' refer to agreements on employment issues negotiated between a company and a group of workers. The most common type of agreement is that struck between an employer and a recognized trade union/worker body, which represents workers who are directly employed by that employer. The subject matter typically focuses on company pay levels, employment benefits and conditions. National laws protect and set minimum parameters for key procedures surrounding negotiations, such as how much worker support is necessary for the employer to be required to recognize the union as a bargaining partner.

This section reviews the operation of two innovative types of collective agreement, which seek to improve the conditions of farm workers in FFV supply chains. These are:

1. An International Framework Agreement (IFA) between the IUF, COLSIBA and Chiquita Brands International, and
2. An Agreement between the Coalition of Immokalee Workers (CIW) and Taco Bell, a subsidiary of the restaurant company Yum! Brands

These two specific agreements differ from the basic model described above in three main ways. First, negotiations were undertaken on a voluntary basis. In neither of the two cases were the companies legally required to recognize the unions or enter into bargaining arrangements with them. Second, in the case of the IUF/COLSIBA-Chiquita agreement, negotiations were international in scope. Focused on the activities of a multi-national firm, this means the terms of the agreement cover workers and sites across several countries, rather than being confined to national boundaries. Third, in the case of the CIW-Taco Bell Agreement, the agreement was not between an employer and their direct employees, as is typical, but between a company and the employees of its suppliers.

The discussion here is entirely structured around the two case studies. This approach is driven by the fact that – partly as a consequence of their newness and rarity – there is little existing empirical research on these types of innovative collective agreement. The write-ups are based on a review of the available written material and key informant interviews.[32]

[31] ILO Recommendation 91 on Collective Agreements (1951) describes collective agreements as '*all agreements in writing regarding working conditions and terms of employment concluded between an employer, a group of employers or one or more employers' organizations …and one or more representative workers' organizations, or, in the absence of such organizations, the representatives of the workers duly elected and authorized by them in accordance with national laws and regulations…*'

[32] These consist of phone interviews with George Jaksch, Senior Director of Corporate Responsibility and Public Affairs for Chiquita Fresh Europe (20 January 2006) conducted by

4.1 CIW-Taco Bell Agreement: Addressing Low Wages amongst Tomato Pickers in Florida, (USA)

In March 2005, Taco Bell Corp., a division of the world's largest restaurant company, Yum! Brands, Inc., announced an agreement with the Coalition of Immokalee Workers (CIW), a community-based worker organization. Responding to a long-standing campaign by the CIW, Taco Bell committed to addressing the wages and working conditions for tomato pickers in the US state of Florida. The centrepiece of the agreement is Taco Bell's commitment to pay a penny per pound more for their tomatoes, with the payment passing straight to workers. This is the first time that a fast-food chain has committed to making a direct, ongoing payment to farmworkers in its supply chain. The discussion below reviews the background of the agreement, its main provisions and the known or potential implications for workers.

4.1.1 Background

The Florida tomato industry is a major supplier of 'mature green' tomatoes for consumers in the United States. Supplying from October to July each year, Florida is the only domestic source of field-grown winter supplies. In 1998, Florida tomatoes accounted for 42 per cent of total domestic tomato production and 40 per cent of the winter season US market (Calvin and Cook et al., 2001; Oxfam, 2004a).

The marketing channels for tomatoes have been changing in recent years. Once harvested, the maturing tomatoes are generally sent by shippers[33] to 'repackers', who sort and pack them. The produce is then sold on to retailers (supermarkets, traditional grocers), mass merchandisers (supercentres, club stores), buyers for food service firms or other intermediaries. A key trend is the increase in sales to the food service sector, and away from retailers. For instance a survey of 6 grower-shippers in Florida found that, between 1994 and 1999, the share of tomatoes sent direct to retailers fell from 23 to three per cent. Meanwhile, sales to food service buyers grew from four to 13 per cent and those to wholesalers/distributors – who often sell on to food service companies – grew from 57 to 67 per cent (Calvin and Cook et al., 2001).

Another trend is the emergence of food service purchasing cooperatives. Rather than buy through wholesalers, some restaurant chains are centralizing their procurement by establishing purchasing co-operatives, which deal directly with the growers or brokers. Since 1999, Yum! has sourced fresh produce through a partnership with the Unified Foodservice Purchasing Co-op (UFPC). All fresh

Sarah Best; and with Greg Asbed, a representative of the Coalition of Immokalee Workers (27 February 2006) undertaken by Ivanka Mamic. Both the IUF and Taco Bell were also contacted, in response to which the IUF was able to provide written materials setting out their experience.

[33] 'Shippers' refers to firms which market and distribute fresh produce, some of which are vertically integrated into growing and import activities. In 2000 there were around 65 tomato shippers in Florida.

tomatoes supplied to Taco Bell's owned and franchised restaurants are bought by the UFPC (Oxfam, 2004a).

Florida tomato growers have faced intense competitive pressures in recent years. This arises, first, from changing consumer preferences, with retail sales of mature green tomatoes giving way to other varieties, like vine-ripe, roma and cherry tomatoes.

A second source of competition comes from low cost foreign imports, particularly from Mexico. Since the introduction of NAFTA,[34] winter imports from Mexico have competed directly with the Florida growers. This has had a major impact on tomato growers in Florida's Immokalee region, who have faced declining volumes and prices. Between the 1991 and 1997 winter seasons – that is, pre and post NAFTA implementation – Immokalee growers' sales fell by 60 per cent, from US$265 to US$102 million (Oxfam, 2004a). [35]

A third source of pressure arises from growing concentration amongst buyers and input suppliers. Consolidation in the retail and food service segments, and the emergence of large food service purchasing co-operatives, has increased buyer power at the top of the chain.[36] This asymmetry of market power is reflected in the growing gap between retail and supplier prices: whereas in 1990 the grower-shippers received 41 per cent of the retail price of tomatoes, by 2000 they got just one quarter. (Oxfam, 2004a). At the same time, growers have faced increasing upstream pressures too, as input suppliers – like Monsanto (chemicals, seed) and John Deere (machinery) – have become concentrated and input costs have risen (Best, S., personal communication: CIW representative, 20 January 2006).

4.1.2 Impacts upon growers and workers

These pressures have had a significant impact on growers. For instance, data cited by Oxfam shows that, in 2002, the inflation-adjusted farm-price of fresh tomatoes was approximately 21 per cent lower than in 1980 (Oxfam, 2004a). Falling prices have led many Florida growers to exit the industry, turning over their land to other uses.[37]

[34] The North American Free Trade Agreement (NAFTA) initiated a progressive reduction of import tariffs on Mexican fresh produce.

[35] Florida growers' share of the US tomato market fell from 56 to 40 per cent between the 1991 and 1997 seasons; Mexican exporters' share rose from 28 to 42 per cent (Calvin and Cook et al., 2001).

[36] At the next level down, amongst the wholesalers/re-packers which purchase from shippers/growers, firms are more fragmented and include a number of small, family run-businesses. However, judging by a number of recent takeovers, *future* consolidation in these activities seems likely (Oxfam, 2004a).

[37] For instance, between 1992 and 1997, the number of tomato farms in Florida fell from 311 to 192 and, in South Florida, the *total* area of harvested tomato acreage declined by 22 per cent (between 1993/94 and 1998/1999) (Calvin and Cook et al., 2001).

As tomato prices have fallen, so have the real wages of workers who harvest them. In the late 1990s, an Immokalee tomato picker earned 40 cents for every 32 pound bucket (14kg) of tomatoes picked. To earn just US$50 a day, they would have to pick about 125 buckets (or two tonnes of tomatoes). The CIW argued that these rates fell far short of workers' needs; just to keep up with inflation since 1980, the rate would need to be at least 73.5 cents per bucket (in 1997) (cited in Oxfam, 2004a).[38]

Organizing farmworkers in the US is very challenging. Farm – workers do not have rights to unionize and bargain as other types of worker do (under the National Labor Relations Act). In addition, many are immigrant workers, who 'follow-the-crop' from harvest to harvest. Because of their mobility, language barriers, poverty and fear of deportation, organizing to claim rights and resources can be both personally risky and logistically difficult.

The Coalition of Immokalee Workers (CIW) is a community-based organization, established to address some of the aforementioned challenges. The CIW started organizing workers in 1993 and currently represents more than 3,000 farmworkers (see Box 8). Rrecognizing that negotiations with growers would likely be ineffectual (given growers' falling margins), the CIW has sought to bargain directly with the buyers and retailers who control the supply chain. In the late 1990's it initiated discussions with Taco Bell, a major purchaser of tomatoes in Immokalee. When dialogue broke down, the CIW started a boycott of Taco Bell outlets, which received considerable support among various student, religious, labour and community organizations in the United States. Subsequently, negotiations recommenced and in March 2005, dialogue between Yum!/Taco Bell and the CIW led to a novel agreement, in which the company committed to improve working conditions amongst its Florida tomato suppliers.

[38] Sources from CIW online www.ciw-online.org/8-stats.html

Box 8

Identifying the Players*

Yum! Brands, Inc. is a Fortune 500 corporation based in Kentucky, USA. It is the world's largest quick service restaurant company. Generating $9 billion in revenues in 2005, major brands under the Yum! Umbrella include KFC, Pizza Hut and A&W. The company has 34,000 restaurants in over 100 countries. Even in the U.S., its restaurant sales are second only to McDonalds. A rapidly expanding company, Yum! oversees the opening of three new restaurants globally, one of them in China, every day.

Taco Bell Corporation, a subsidiary of Yum!, is a Mexican style quick service restaurant chain with over 6,500 restaurants and 167,000 employees in the United States. Over 80 percent of the restaurants are owned and operated by independent franchises. In 2004, Taco Bell's restaurant sales were $1.7 billion while franchise restaurants generated sales of $4 billion.

That same year, Taco Bell purchased approximately 10 million pounds of

tomatoes from Florida, less than 1% of Florida's tomato production.

The CIW is a community-based organization of agricultural workers based in Immokalee, Southwest Florida. Beginning organizing in 1993, CIW aims to promote fair treatment and justice for farmworkers. The majority of its 3000 plus members work for large agricultural corporations in the tomato and citrus harvests. Most are Latino, Haitian and Mayan Indian immigrants, who travel along the Florida East Coast following harvests.

CIW has a fairly unique staff policy. To help ensure elected staff remain rooted in farmworker reality, CIW salaries are pegged to farmworker wages and staff members must spend significant time every year working in the fields.

* For information sources, see the footnoted references below.[39]

4.1.3 Content of the CIW-Taco Bell Agreement

The two main elements of the CIW-Taco Bell agreement are:[40]

- *An agreement on wage improvements.* Taco Bell (both corporate-owned and franchise stores) pays 1 per cent more per pound for all tomatoes that it buys from Florida growers, which is passed directly on to workers. In addition, the firm is committed to only source from Florida growers who agree to the pass through and are fully transparent in documenting and monitoring the payment.

- *A supplemental policy statement for Florida tomato growers,* which commits to a Code on working conditions for suppliers. This includes the CIW as part of the investigative body for monitoring worker complaints. Yum! also states an intention to do business with tomato growers that adhere to standards higher than existing federal and local labour laws.

[39] Sources include: Yum! Brands (http://www.yum.com), Taco Bell (http://www.tacobell.com/), the Economist (http://www.economist.com/business/displayStory.cfm?story_id=4316138) and "Fast food's yummy secret", August 25th, 2005; and CIW (http://www.ciw-onling.org/about.html) and interview with CIW representative, Greg Asbed.

[40] http://www.ciw-online.org/agreementanalysis.html

In terms of implementation, the CIW's Greg Asbed has described it as "a relatively smooth process". The pass-through mechanism agreed stipulates that funds generated by the penny per pound surcharge are distributed each week on a proportional basis, depending on each worker's production relative to total production for that week. The additional pay is paid to the workers in a separate cheque. The CIW receives weekly reports of Taco Bell's total purchases and the payout to each worker. The definition and operationalization of the Code are still being worked out. A key area of discussion is around how to create an effective mechanism for farmworker participation in its monitoring and enforcement.

4.1.4 Impact of the Agreement on Workers and Future Implications

In directly addressing poverty at the bottom of the supply chain, and introducing concrete mechanisms for transparency and worker participation – which are all 'firsts' for a multi-national food company – Taco Bell has played a significant leadership role.

The agreement has led to direct benefits for the 1,000 – 1,200 workers who participate in the weekly payout. As a result of the penny per pound pass through, workers at Taco Bells' suppliers receive nearly double the going rate when picking tomatoes for Taco Bell. This translates to a raise from 40 cents (in the late 1990s) to almost 75 cents per bucket. CIW member Greg Asbed estimates that this puts approximately "US$5,000 to US$6,000 more per year into a worker's pocket, bringing workers from below poverty level to at or above poverty level." Still in its early days, the payments so far amount to around $200,000.

Notwithstanding these significant gains for directly affected workers, the CIW believes that gaps and challenges remain. At present, the suppliers still pay the going picking piece rate for the majority of their harvest which goes to buyers other than Taco Bell. Unlike Taco Bell, these buyers have not made any provisions for higher worker payments. Also, it is unclear whether Taco Bell will apply such a system for farm-workers and suppliers of other types of fresh produce. For CIW, the central test of the agreement is whether it can lead to a wider-scale transformation of the food industry. As Greg Asbed explains, '*Its importance, though, beyond its own direct impact (which is limited by the percentage of the overall market represented by Taco Bell's demand), will ultimately be measured more in the precedent it sets for other major buyers and the forms it takes as it is adopted by the rest of the industry."*

There *is* evidence that the food and fresh produce industry are responding to Taco Bell's initiative. For instance, the fast food chain, McDonald's, and the industry body, the Florida Fresh Fruits and Vegetables Association, recently announced a new supply chain initiative that they states will 'equal or exceed one penny per pound' in terms of benefit to workers.[41] This proposal to cover all produce suppliers is clearly an important step and workers may find themselves gaining wage increases. However, at present, the actual implications for workers are not known. A concern raised by the CIW is that, unlike the Taco Bell commitment,

[41] http://www.mcdonalds.com/corp/values/socialrespons/mcdonald_s___its_tomato.html

this initiative does not include a regime for worker participation or a direct commitment on wages, and the benefits offered (in equivalence to a wage hike) may simply replicate existing legal requirements.

The CIW – Taco Bell agreement contains several innovative features: direct negotiation between buyers and the workers of supplier firms; a wage increase funded by the buyer; and high levels of transparency and accountability, including worker monitoring. On – going analysis is needed to see how the agreement operates in practice and what its wider implications for the fresh food/food service industries might be. The fact such an agreement was reached was probably aided by its strictly national scope: US-based workers, engaging with a US-owned company, which had a major share of the US food service market. Further consideration should be given to the possible implications of the CIW – Taco Bell accord in the context of *global* sourcing arrangements, where workers, firms and consumers are more fragmented. In the final section, the analysis looks at an agreement which *is* global in scope: the IUF/COLSIBA – Chiquita International Framework Agreement.

4.2 Promoting Worker Representation in the Banana Sector: IUF/COLSIBA-Chiquita International Framework Agreement

In June 2001, Chiquita signed an International Framework Agreement (IFA) with the IUF [42],a global federation of agricultural and food workers' unions, and COLSIBA, the Latin American Coordination of Banana Workers Unions. As well as committing the company to respect core labour standards, the agreement provides a platform for promoting worker organizing and improving management-worker relations in both Chiquita-owned plantations and those of their suppliers. This is not only the first IFA in the agricultural sector, it also the first IFA negotiated with a coordinating body of unions from developing countries (Riisgaard, 2004).

4.2.1 Background

The signing of the IUF/COLSIBA-Chiquita Framework Agreement in 2001 was the outcome of two broad factors. The first was a campaign of several years, involving COLSIBA and several US and European unions and NGOs, which sought to expose labour rights violations by banana MNEs – including Chiquita - and promote freedom of association. The second factor was Chiquita's own growing commitment to address its social and environmental impacts. Box nine identifies the key players involved.

The perspectives of both the unions and Chiquita have to be seen in the wider economic context. The banana sector is fiercely competitive. Problems of global oversupply and stagnating demand, together with increased market concentration amongst retailers, means that banana firms are under intense pressures to raise productivity, cut costs and lower prices.

[42] International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF)

As Riisgaard (2004) explains in her discussion of the unions' campaign, one of their key concerns was that cost cutting campaigns by the banana firms could lead to worsening labour conditions, further restrictions on worker organizing and weaker bargaining power for unionized workers. This could occur if MNEs shifted their sourcing toward lower cost, non-unionized supply sources, like Ecuador, or if they sold off production facilities to (usually domestic) firms, which are not committed to respecting labour rights. In this context, IFAs were seen by the unions as a possible mechanism to address the activities of multi-nationals on a global scale.

Box 9

Parties to the Agreement

Founded in 1899 as the United Fruit Company, the Cincinnati-based US firm **Chiquita Brands International** is a leading international marketer, producer and distributor of bananas and other fresh produce. In 2002, Chiquita accounted for 22.5 per cent of world banana exports, making it the largest global exporter that year.

Most of Chiquita's bananas come from Latin America (Costa Rica, Guatemala, Panama, Colombia, Ecuador, Honduras and Nicaragua). Nearly half of its Latin American banana exports are produced on owned plantations (46% in 2002), with the rest purchased from independent producers.

COLSIBA is the Latin American Coordination of Banana Workers Unions. First established in 1993, the organization represents 42 unions, covering 45,000 workers across seve

COLSIBA was formed in response to economic crisis in the industry, and with the purpose of exchanging experiences and develop a co-ordinated regional strategy so unions could better address the crisis and lobby the banana MNEs.

The **International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations** (IUF) is an international federation of trade unions, representing workers employed in agriculture and plantations; the preparation and manufacture of food and beverages; hotels, restaurants and catering services and all stages of n countries (Ecuador, Colombia, Costa Rica, Panama, Nicaragua, Honduras and Guatemala

Sources: www.iuf.com; Riisgaard, 2004; Arias et al., 2003.

Chiquita's signing of the IFA was part of the firm's wider strategy, starting in the early 1990s, to improve its management of social and environmental impacts. Labour relations represented a key problem area. Although the rates of unionization on Chiquita-owned plantations were higher than for other multi-national firms (around 60 percent),[43] relations between unions/workers and management could be highly conflictive, leading to significant strike activity at times. According to George Jaksch of Chiquita, challenges lay 'on both sides'; for example, where employer hostility was linked to a perception of unions being very politicized.

43 Unionization rates amongst Chiquita staff vary by country. In Panama, closed shop arrangements mean that 100 per cent of Chiquita's plantation workforce are unionized and in Honduras, around 70 per cent are union members. In Costa Rica, on the other hand, the influence of 'solidarismo' (see chapter 3) means workers are typically represented through a system of permanent committees, which negotiate with the company, and unionization is minimal (Chiquita interview, January 2006)

When approached by the IUF/COLSIBA about a possible agreement, Chiquita saw this as a potential opportunity to help the firm meet its social commitments, to improve its reputation with stakeholders, and – in the event of more constructive workplace relations – to raise labour productivity. It also fitted with a broader strategy to differentiate Chiquita products from its competitors on the basis of the firm's social responsibility, particularly for European markets (interview, Chiquita; Riisgaard, 2004).

4.2.2 Key Elements of the Agreement

IFAs are agreements on minimum labour standards negotiated between global union federations and multinational enterprises. The main focus is typically on creating a space for workers to organize and establishing worker representation at a corporate level, for the purpose of dialogue, relationship building and problem solving (ICFTU, 2004b; Riisgaard, 2004).[44] By 2004, around 30 IFAs were established in firms across a variety of sectors, such as energy, automotive, construction and tourism.

The key elements of IUF/COLSIBA-Chiquita agreement include commitments by Chiquita to:

- respect core ILO labour standards, with special emphasis being given to workers' rights to associate and organize and the rights of worker representatives (ILO Convention 135).

- share information with the trade unions about the company as a whole and its operations locally. In the event of any employment changes, Chiquita agrees to inform and consult workers, and give due consideration to any alternative solutions proposed by the unions/affected workers.

- require its suppliers, contract growers and joint venture partners to comply with the national laws and the labour standards set out in the IFA.

- establish a joint committee to oversee and review the agreement's implementation. The Review Committee is made up of 4 representatives from Chiquita and two each from the IUF and COLSIBA. It meets twice a year, with extraordinary meetings being convened if necessary (Longley, S., undated).

[44] IFAs are defined by the International Confederation of Free Trade Unions (ICFTU) as 'an agreement negotiated between a multinational company and a global union federation concerning the international activities of that company'. According to this, their main purpose is 'to establish a formal ongoing relationship between the multinational company and the global union federation which can solve problems and work in the interests of both parties.' (Riisgaard, 2004; p.2) As the ICFTU points out, the content of IFAs is usually limited to general statements of principle, highlighting a commitment to respect core labour rights and engage in dialogue. This is in contrast to (legally prescribed) collective bargaining agreements at the national level, which typically contain quite detailed provisions. IFAs co-exist with, rather than supersede, national collective agreements (ICFTU, 2004).

4.2.3 Impact on Workers

Both the unions and Chiquita point to a number of tangible positive benefits of the agreement. The main effect is an improvement in management-labour relations and dialogue, particularly in Chiquita-owned plantations (Riisgard, 2004). This has led to direct protections for workers. A recent example highlighted by IUF member Sue Longley is the union – company discussions over Chiquita's sale of its Colombian operations to national producer, BANACOL, in 2004. Concerns raised by the IUF and COLSIBA, together with the local union representing affected workers (SINTRAINAGRO), led Chiquita to secure a commitment from the buyer to continue to recognize SINTRAINAGRO on the farm and ensure that the existing collective bargaining agreement remained in full force for eight years after the sale (Longley, undated).

These positive findings are supported by field research conducted by Lone Riisgaard in 2002. [45] Her interviews with workers indicated 'an improvement of the general working conditions on Chiquita-owned plantations', and 'better management-worker relations.' (Riisgaard, 2004; p.14)

Better union-management dialogue appears to be bringing benefits to Chiquita too. For example, Chiquita representative George Jaksch suggests that improved dialogue has helped reduce days lost to strikes and enabled the firm to engage in constructive discussions with unions over proposed productivity-related changes,[46]which had previously met very stiff resistance (personal interview).

The agreement has also served as a platform from which to promote worker organization and unionizing efforts. For instance, Guillermo Rivera Zapata, president of Colombia's SINTRAINAGRO union, credits the Chiquita accord with helping his union recruit 4,000 more members and sign three new collective agreements (Longley, undated). Riisgaard (2004) reports that, in Honduras, local unions were able to use the agreement to get access to supplier plantations and organize workers there. Finally, although the main focus has been on worker organizing and representation, the Review Committee has initiated plans for pilot projects on specific workplace issues, including health and safety and gender.

4.2.4 Challenges

There are areas where the agreement has had less impact or faces challenges. Three issues which stand out are:

- in some countries there has been no increase in union membership and on-going rights violations continue to be reported;

[45] In Costa Rica, Guatemala, Honduras and Nicaragua.

[46] The 'caja integral' (integrated box system) which Chiquita is seeking to adopt is aimed to improve flow and efficiency by putting harvest and packing workers into combined work teams. Teams receive payment linked to the number of completed boxes (of bananas) produced.

- limited progress in relation to supplier plantations; and

- weaknesses in union capacity and challenges to constructive dialogue.

According to Riisgaard (2004), outside of Colombia and Honduras, the agreement is less well publicized or known. This may reduce its potential to be a basis for union organizing or improved workplace dialogue. For instance, interviews with workers in Guatemala, Costa Rica and Nicaragua a year after the agreement was signed revealed 'widespread ignorance or limited information about the agreement in the plantations especially amongst non-unionized workers and even amongst unionized workers in Guatemala.' (2002; p.14) Riisgaard highlighted limitations both on the part of the unions and Chiquita in communicating the agreement to workers, managers and suppliers.

Another key issue is that, with the exception of unionizing efforts in Honduras, the agreement has not been much used to address working conditions on supplier plantations. Indeed, according to Riisgaard, conditions on supplier plantations were 'unchanged or worsened' in the year following the IFA's signing (2004; p.14). A key problem is the lack of clarity over Chiquita's obligations in relation to suppliers, particularly in terms of how it deals with labour rights violations or what role it has in addressing worker organizing issues (Riisgaard, 2004; Longley, undated).

A final set of challenges relate to limitations in some unions' capacity. For instance, a difficulty identified by Riisgaard (2004) is the lack of experience in inter-union co-operation among COLSIBA members (sometimes driven by long-standing political divisions). This, combined with ongoing suspicion of Chiquita, has at times made it hard for local unions to coordinate positions, to confer negotiating authority upwards and engage in open dialogue (Riisgaard, 2004). Reflecting on Chiquita's experience, George Jaksch suggests that training and guidelines on labour-management dialogue could be a useful first step for *other* firms and unions seeking to establish an IFA, especially where there is little prior experience of the parties in engaging as professional partners (interview).

To sum up, the IUF/COLSIBA-Chiquita agreement does show some promise as a means to promote union organizing and improve management-labour relations, particularly among the company's direct workforce and during restructuring situations. As with the CIW-Taco Bell case, the significance of the agreement lies in its focus on worker voice and representation, which is often lacking from Code of Conduct initiatives.

However, further analysis and reflection on the purpose, operation and impacts of this type of agreement is critical. Although there are around 30 IFAs currently in place, there has been little in the way of rigorous impact assessment. Certainly the emerging evidence from the Chiquita case shows that, in some countries and firms, the agreement has not yet led to increased union membership or improved working conditions. This raises broader questions about the effectiveness of IFAs as they currently operate. A concern raised by the IUF head, Ron Oswald, in relation to IFAs generally – and which deserves further thought – is that IFAs may risk becoming just one of 'several CSR options', enabling companies to get public recognition for supporting the *principle* of worker organizing and representation, but without containing any concrete steps that enable workers to actually realize these rights in practice.[47]

[47] Plenary speech by Ron Oswald, IUF General Secretary, at the conference ‘Global Unions, Global Companies, Global Research, Global Campaigns’ in Cornell, New York. February 11 2006.

5. Summary and Possible Future Research Themes

One of the interesting features of global FFV chains is the diversity of voluntary initiatives undertaken to address the social issues involved in production. Whilst apparel manufacturing has focused mainly on Codes, in the FFV sector there are both ethical and fair trade schemes, as well as some new types of worker-firm collective agreements. As well as describing the content and impact of these various initiatives, a contribution of this paper has been to bring these different approaches together – whereas often they are dealt with separately - and highlight the various common challenges and overlaps between them.

Most of the research to date has been centred on Codes. The structure and nature of FFV product chains (short, integrated, retailer driven, clearly identifiable product, prevalence of own-brand ranges) gives FFV retailers and distributors significant leverage to cascade Code requirements down their supply chains. There is some evidence that Codes are delivering improvements for workers, especially in terms of health and safety and conditions for permanent staff. However, many gaps and constraints remain. Some of these are very similar to those identified in manufacturing (e.g. costs imposed on producers, lack of worker involvement), whilst others are more specific to agriculture. The latter includes issues like the prevalence of informal and migrant labour and the participation of smallholders.

Fair trade and collective agreements clearly have the potential to improve the lives of workers in the agri-food sector – and in some cases, like the Taco Bell agreement, there is evidence that this is happening in practice. As has been stressed in this paper, there are gaps in our knowledge and more research is needed, particularly on understanding the operation and impacts of all three types of initiative – fair trade, ethical trade and collective agreements. Any future research or voluntary initiative in this sector would benefit from first examining the possible areas of synergy and cross-learning between the three types of initiative described herein.

In rounding off this discussion, there are two common themes which emerge from this analysis that are worth highlighting:

1. **The need increase worker and producer involvement** (for example, in designing, owning and monitoring different voluntary schemes). This discussion has highlighted some innovative experiments to try and achieve this, which all require further reflection and analysis. This includes, for example, from fair trade, the establishment of joint worker-employer bodies to administer the fair trade social premium, and from ethical trade, participatory social auditing. In the Taco Bell-CIW agreement, the high degree of buyer transparency and accountability to the CIW, and emphasis on worker monitoring, is also noteworthy.

2. **The need to focus on how the structure and operation of chains, particularly buyers' purchasing practices, shape workers rights.** In identifying these links, the question which follows is - Can voluntary initiatives address those structural issues? In terms of the initiatives reviewed here, the two which seem most relevant to this question are, first, the Taco Bell-CIW agreement, which involved direct negotiations between buyers and the workers of their supplier firms. The second relates to recent

efforts to ‘mainstream’ fair trade, by extending fair trade labels to the brands of large, global buyers (e.g. supermarkets) and to the conditions of workers on large commercial farms. Given that both are in their early stages of development, these two types of initiative should be reviewed and monitored closely.

Appendix 1. Codes of conduct in fresh fruit and vegetable value chains: some examples

Code	Type	Application	Key Components
AEAAZ Code	Multi-stakeholder	Production, processing and packing of export agriculture products	The **Agricultural ethics association of Zimbabwe** (AEAAZ) was set up following an ETI pilot project in Zimbabwe. It is an independent body, comprising producers, trade unions and NGOs, that aims to promote the adoption of and compliance with the AEAAZ Agricultural Code of Practice. Its goal is to improve social, chemical and environmental standards on export farms, in order to maintain and improve access to export markets. AEAAZ provides social accreditation services for producers which implement the Code. By the end of 2001, 300 producers had registered to implement the code. Political problems since 2002 have restricted the organizations work since that time.
ETI Base Code	Multi-stakeholder	Applied in ETI member supply chains. Key agriculture sectors represented: coffee; tea; bananas; retailers own brands, incl. fresh fruits and vegetables.	The ETI is a UK-based membership organization comprising companies, trade unions and NGOs. Established in 1998, its core goal is to identify and promote good practice in the implementation of Codes of Conducts, focused on labour issues. It has its own base Code, negotiated by the stakeholders, which includes core ILO conventions. It is not an audited standard; however, members are obliged to implement and report annually. A core focus of the ETI is on developing good practice and learning through pilot projects focused on specific sectors or issues (e.g. smallholders
COLEACP Harmonized Framework 2000	Sectoral Code	African Horticulture	A harmonized Code of Practice for African export horticulture industries, which aims to incorporate the main issues covered by key European codes affecting the fresh produce industry. The Code was developed by the Comite de Liaison Europe-Afrique-Caraibe-Pacifique, an association of exporters, importers and other stakeholders of the EU-ACP horticulture trade and aimed at promoting exports from ACP (African, Caribbean and Pacific) countries. Producer sectoral Codes, like the ZEGA Code in Zambia use the COLEACP Harmonized Framework as a basis for their own provisions.
EUREP-GAP	Sectoral Code	Currently focused on horticulture	EUREP-GAP began in 1997 as an initiative of the Euro-Retailer Produce Working Group which aimed to harmonize supply chain standards worldwide for good agricultural practice (GAP). Its core focus is on food safety and traceability to address concerns on pesticide and food hygiene (e.g. reduction of chemical usage), but it includes some clauses on worker welfare. EUREP-GAP is increasingly a base line requirement for supermarkets in the UK and elsewhere in Europe.
HEBI	Multi-Stakeholder	Cut Flowers in Kenya	Established through ETI and donor (DFID) funding, the Horticulture Ethical Business Initiative of Kenya is a tri-partite body comprised of government observers, civil society organizations (Human Rights Commission, Kenya Women Workers Organization) and trade associations/employers. Unions were invited to take part, although declined to take their seats (which are still being held open to them). Donors and NGOs participate as observers. Key goals of HEBI are: i) to develop a national base Code of Conduct for addressing social issues ii) to develop a comprehensive framework for participatory multistakeholder auditing. iii) to train a pool of social auditors and establish an independent association of social auditors.

International Code of Conduct for the Production of Cut Flowers (ICC)	Multi-stakeholder Code	Cut Flowers	Developed by a consortium of International and European trade unions and NGOs, the ICC Code is based on ILO Conventions and international human rights standards. Workshops and guidebooks for trade unions in East Africa on how to use it. It is used primarily by the German-based 'Flower Label Programme'.
Kenya Flower Council	Southern Sectoral: Code	Major exporters of cut flowers in Kenya	The Kenya Flower Council (KFC) was formed by Kenyan producers in 1997 in response to media pressure on labour and environmental standards. The Council represents around 65% of Kenyan flower exporters. The Code developed by the Council has two levels: a silver standard, which is consistent with ILO standards and Kenyan law, and the gold standard which upholds higher environmental standards. Member farms are regularly audited by KFC auditors (every 6 months) and the auditing system is externally verified by Bureau Veritas to ensure credibility of system. Members must be given a grace period of 1 – 2 months to come into compliance. Once certified, producers can market their products with KFC 'environmentally friendly' logo. It has a partnership agreement with the MPS (see below), which was one of the earliest inspection-based certification programmes in the flower industry). Together, the KFC and MPS certify 85% of all Kenyan flowers.
Max Havelaar (fair trade cut flowers)	Multi-stakeholder	Cut Flowers	Used by Swiss supermarkets, the content on employment practice is similar to the ICC Code, but has additional criteria for pricing and trading relations. A key difference is the 'social premium' for worker determined projects/initiatives.
MPS	Sectoral	Cut Flowers	The Floriculture Environmental project (MPS) is a Dutch initiative which started as a technical standard focused on the environmental impacts of flower production, but now includes an optional social section. Standards are based on ILO Conventions. The MPS is not currently a requirement for Dutch flower auctions.
SA 8000	Multi-Stakeholder Code	General application. So far, limited take-up in agriculture Chiquita and Dole have SA8000 certified plantations	Developed in 1998 by the New York based NGO, Social Accountability International (SAI), in conjunction with representatives from trade unions, businesses and NGOs (who sit on the SAI board). Originally focused on manufacturing, standards were launched for the agriculture sector in 2000. Covers core ILO convention, UDHR and criteria on working hours, wages and a requirement for social management system. SAI accredits independent certification bodies to audit production facilities. Focused on owned farming and processing activities, a 'signatory member programme' has been established, whereby companies commit to supplier activities to SAI 8000 over time. The SAI-SA8000 label is not used on products.
WIETA	Multi-stakeholder	Wine Industry in South Africa	The Wine Industry Ethical Trade Association (WIETA) of South Africa is a multistakeholder body set up in 2003 following an ETI wine pilot in the Western Cape. With employer, trade union and NGO representatives, WIETA has developed a Code of Good Practice for employment standards in grape/wine production and bottling. As well as educating workers and producers on the code provisions, WIETA conducts social auditing of its Code and is developing ways to promote good practice and encourage its implementation. In February 2004, WIETA had 48 members.
Zambian Export Growers Association (ZEGA)	Sectoral	Horticulture (incl. floriculture)	ZEGA was formed in 1984 and all major Zambian growers of vegetables and roses for export are members. Its core activities are: lobbying, training, supplying market information and sourcing finance. The ZEGA Code of Conduct was developed in late 1990s. It has four sections - pesticide use, worker welfare, environment and food safety – and follows the COLEACP harmonized framework. ZEGA members are required to comply with the Code, but are not audited. The Code being promoted in a step-by-step approach, starting with pesticides and followed by worker welfare, environment and due diligence. Compliance is not demanded by any buyer, but it is recognized as good preparation for buyers' Codes.

Sources: Auret and Barrientos, 2002; Arias et al., 2003; Business for Social Responsibility and PricewaterhouseCoopers, 2004; Hurst et al., 2003; Smith et al., 2004; Smith and Feldman, 2004; Tallontire and Greenhalgh, 2005; Vorley, 2005.

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