

'Unpeeling The Secrets Of The Banana Trade'



Topic: World trade in at least one **food commodity** or one manufacturing product.

1.0 An Introduction:

For Global Systems & Governance, you need to be able to understand patterns of global trade in either a food or commodity. One of the best case studies is the Banana industry, which features common themes and issues of our globalised world economy – unjust trade patterns, geopolitical conflicts, market monopolisation and Fairtrade vs. free trade to name but a few! Follow this useful fact file for more information about the world's most valuable fruit.



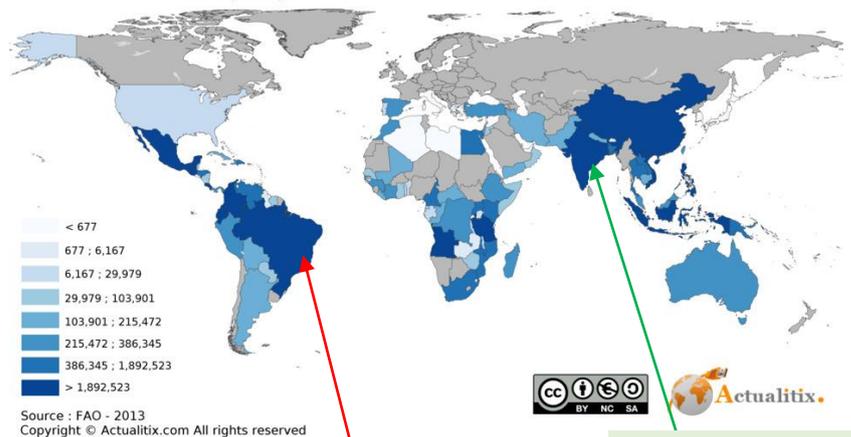
Don't forget! You can look at other potential case studies for this topic – either a food commodity or a manufactured product. You don't need more than one, although if it interests you there's no harm done to compare and contrast...

These Facts Are Bananas!

- The banana is the most popular fruit in the world – shoppers spend more than \$10Bn every year globally.
- Fairtrade bananas now account for 2% of the world's trade.
- In the UK, only 25% of Bananas are classified as Fairtrade.
- Bananas are the fourth most important crop in ensuring food security in the developing world.
- Just 15% of bananas and plantains are traded on the world's market – the rest are mainly supplied domestically.
- Production and trade of this is dominated by five companies – which control more than 80% of global trade.
- Between 2002 and 2018, supermarket price wars in the UK saw retail prices of Bananas slashed by up to 41%.
- Bananas are the third most valuable product sold in the UK, only behind petrol and lottery tickets.
- Between 2000 and 2008, Fairtrade certified producer grounds and communities received around \$28Mn in premiums just from the UK sales of Fairtrade Bananas.

2.0 Patterns Of Production and Consumption:

Banana - Production (Tons)

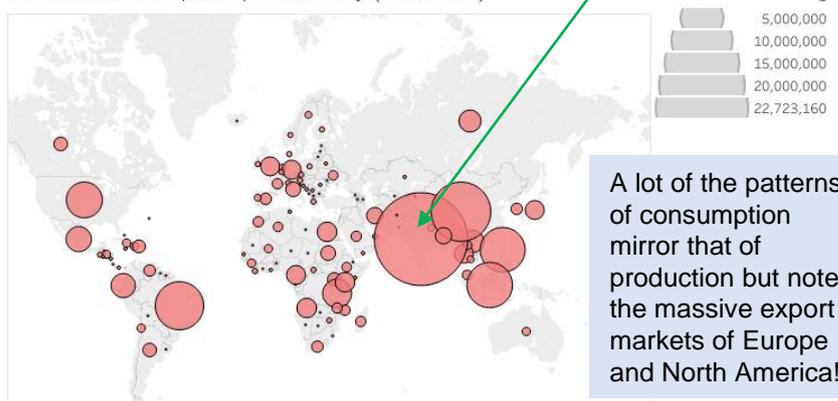


Note that most of the producers are located in lower income nations within the tropics – where conditions are 'ripe' for Bananas to grow, whereas processes of globalisation have allowed consumption to spread worldwide!

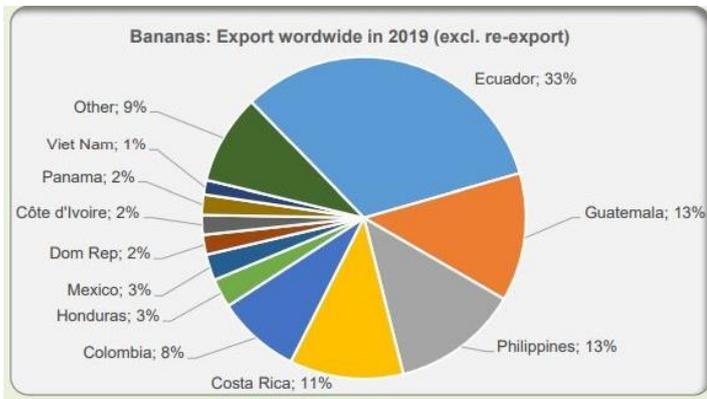
Countries in central and southern America have usually the highest relative production per capita - usually to large 'core' TNCs which own plantations there.

India produces and consumes the most bananas globally. However, because it has such high levels of both, most of the distribution takes place within India exclusively – as opposed to being exported.

Banana Consumption per Country (in tonnes)



A lot of the patterns of consumption mirror that of production but note the massive export markets of Europe and North America!



Until a few years ago, it was still possible to state that banana production and trade was very much dominated by four big TNCs: Chiquita, Del Monte, Dole and Fyffes. The combined market share of the top four companies was at its highest in the 1980s, when they controlled at least 70% of world trade. They sell their own production and market the production of others under contract, using their well-known brands.

Since then, the [opening up of the EU market](#) which led to the US-EU 'Banana Wars' (extra reading: see the link!) and rising prominence of Fairtrade has led more **market diversification**. By 2019, these four biggest companies control a little over 40%, although in North America they remain very dominant.



Key Term Recap! Market diversification refers to the process of increasing amounts of companies, often smaller, eating away at large dominant TNCs in an industry. This is often a good sign!

3.1 The Impacts Of The Banana Industry:



In Ecuador

In Ecuador, and LIC, Bananas are big money. Unlike other countries, because of the fruit's popularity and economic dependence, many banana producers neglect the health, safety and humanity of roughly 200,000 workers to meet the high market demand for an affordable product.

To increase profit margin, producers in Ecuador's banana industry use child labor, dangerous conditions, unfair wages and union suppression. Some of the sector's corporate giants, including Chiquita and Dole, are notorious for labor abuse and exploitation.

Ecuador's banana industry remains relatively unchallenged by the demands of workers' unions, with only 1% taking part in one. Half of the workers exceed 14-hour workdays and are paid an average of \$3.50 each day—less than the minimum wage. In fact, Ecuador has the lowest pay in the industry in South America – possibly a reason for its success in banana exports as per the graph at the top of the page.

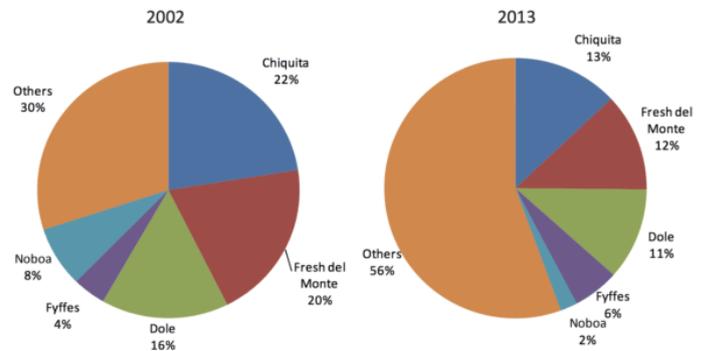
Despite infrastructural challenges and violent threats, the Agricultural Workers and Peasants' Trade Union Association has been able to mobilize. The group collects evidence on human rights violations and reports these violations to the UN as well as to the crop's supply chain.

3.0 Bananas In Terms Of Trade:

The Banana industry is a great case study in terms of trade flows and patterns! First and foremost, banana consumption is rising steadily along with production, mostly driven by a growing global population with the rise of emerging economies and growing spending power amongst their citizens.

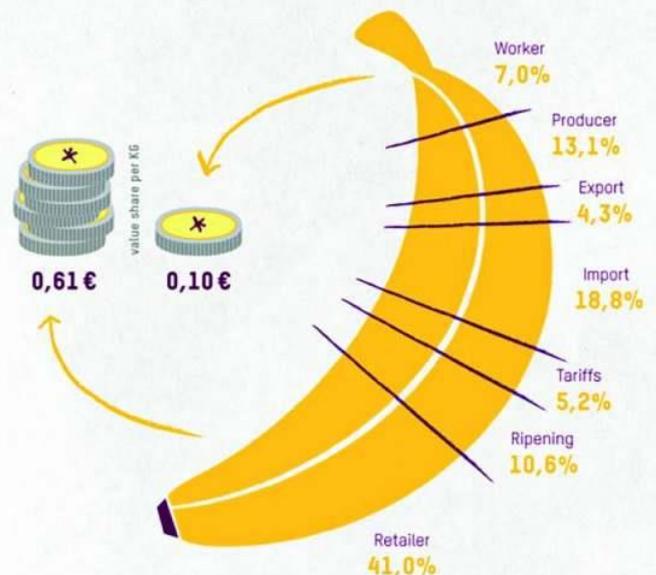
Using the graph on the left of distribution, compared to the patterns of production and consumption. Note that they are very different. These countries are still periphery nations, engaged in a 'race to the bottom' for lower costs, however they aren't necessarily the biggest producers, India and China. Instead, they are usually smaller countries in which the TNCs below invested large amounts in commercial plantations in. Little Ecuador handles nearly 1/3 of global trade, and it is estimated that the banana industry makes up around 10% of its exports.

Market shares of selected companies in global banana exports, by volume



Source: 2002 data: "The World Banana Economy", FAO, 2003. 2013 data: Own calculations based on companies' annual reports and presentations. For Noboa, AEBE data were used (<http://www.aebe.com.ec>)

AVERAGE BANANA VALUE BREAKDOWN for main countries supplying the EU in 2014



Source: BASIC, Banana value chains in Europe and the consequences of Unfair Trading Practices, 2015

The figure above showcases the traditional breakdown in the cost of a banana. It follows the core periphery model pretty well, whereby traditionally workers in LICs, despite doing the bulk of the growing of the bananas are paid less than 1/12 than its final cost.

4.0 What Is Fairtrade?:



From The Website!

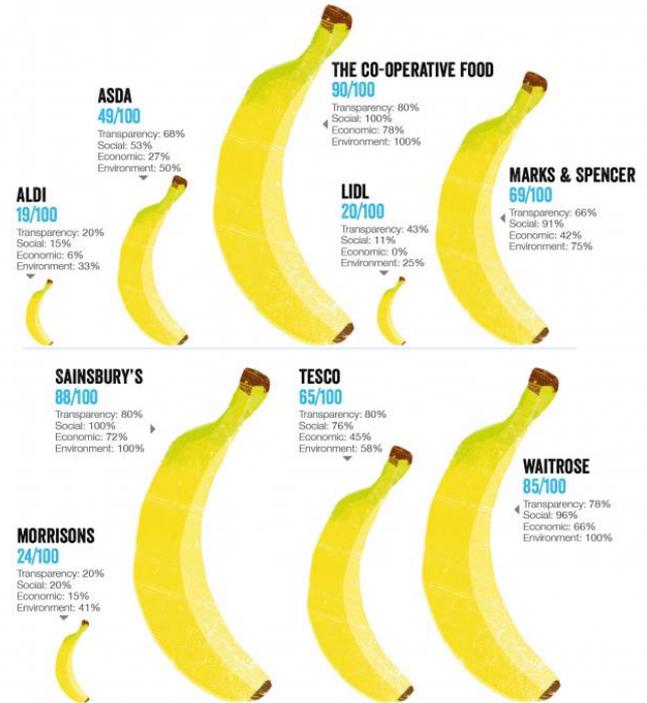
“The banana industry is labour-intensive and demanding. Climate change and plant diseases threaten yields, while large multinationals wield considerable influence in a sector that requires significant infrastructure to harvest and transport the quick-ripening fruits... Fairtrade aims to empower banana farmers and workers, and consumers who buy Fairtrade bananas play a key part – the higher the sales, the more the benefits for producers accrue.”

I'm sure you've seen fruit before with a Fairtrade logo placed on the label, likely a banana. Currently in the UK around 1/4 of all bananas sold are classified as Fairtrade. However in other larger markets, particularly rapidly growing consumerist societies such as China or India, their popularity is significantly lower.

Essentially, Fairtrade supports local farmers and producers by paying them a decent living wage 'Fairtrade Minimum Price', as well as a 'Fairtrade Premium' - a communal fund for workers and farmers to use – as they see fit – to improve their conditions. For the consumer, it offers a sustainable, ecologically sensitive alternative – although Fairtrade products are usually more expensive. In 2018, this amounted to over \$30 M (\$6 M in Ecuador.)

There have been select criticisms of Fairtrade, however. According to a 2015 MIT report, the producer benefits of Fairtrade may in the future become close to zero owing to the oversupply and mismanagement of plantations, allowing corruption to seep into the organisation. Furthermore, realistically on a global scale Fairtrade only covers 2% of bananas, so its real impact is hard to judge.

Furthermore, despite Fairtrade, prices of Bananas have been slashed 40% in the UK, particularly by discounters Lidl and Aldi, with lower prices and higher quantities at odds with the principles of Fairtrade. It is absolutely no coincidence that the supermarkets whose ecological footprint are best are the ones considered more 'prestige' or 'expensive' since they have the ability to charge consumers more.



Don't forget! Think about the impacts of these different competing strategies over time. Which is more popular now, which may be in the future and why?



A* Extra Learning

4.2 Is There A Better Way?:

Some economists have suggested a potential alternative to the free trade vs. Fairtrade debate, known as direct trade.

Direct trade aims to go further than Fairtrade in cutting out the middleman (producer part of the banana on page 2) between a retailer and workers on a local plantation, thus increasing the direct amount they earn proportionately.

Unlike Fairtrade it isn't a 'brand', and has standards negotiated by retailers and small plantations – with helping the farmers being a secondary benefit after improving the quality of the product.

4.1 Fairtrade vs. Free Trade:

They may sound similar, but Fairtrade and Free Trade are two very different concepts – as per below!

	Fairtrade	Free Trade
Aims:	To support marginalised workers earning very little pay in poor conditions. Seen as a counter to often 'exploitative' free trade.	To increase the economic growth of nations through friendly 'tariff-free' trade policies.
Major Actions:	Producers must meet Fairtrade quality standards, are paid a Fairtrade Minimum Price and receive a Fairtrade Premium, spent on improving their communities.	Countries work together (or as part of trading blocs such as the EU) to lower tariffs, quotas and additional costs to create an ideal market-run business environment following supply and demand trends.
Key Advocates:	Fairtrade International, WFTO (World Fair Trade Organisation), NGOs, some nations.	WTO (World Trade Organisation), World Bank, IMF (International Monetary Fund), many nations.

Links & References:



Extended Reading:

3.0/1 Bananas In Terms Of Trade:

<https://www.bananalink.org.uk/all-about-bananas/>

^(Amazingly Useful Website!!) Banana Link campaigns for fair and equitable production and trade in bananas and pineapples based on environmental, social and economic sustainability.

[The Guardian | Banana Wars \(1999\)](#)

^A great retro article from the Guardian with great links to global institutions of the 'Banana Wars' between the EU and US in the late 1990s over subsidies.

4.0 Fairtrade:

<https://www.fairtrade.net/impact/key-data-fairtrade-bananas>

^This link has useful key data and facts for your amazing 20/20 essays on Fairtrade bananas!!

[The Guardian | Is This The End Of Fairtrade?](#)

^ A great A* article relating Fairtrade to Direct Trade and how the latter may in the future supersede it.

<https://www.youtube.com/watch?v=v0YXIOxmUGw>

^Video from the Fairtrade foundation evidencing their recent efforts in improving workers' conditions on Banana plantations.

Have A Go At A Practice Exam Question:

20 MARKER (AO1 & 2) QUESTION #5

"Using your study of a food commodity or manufactured product, evaluate to what extent world trade exacerbates inequalities between higher and lower income nations"

Global Systems & Governance >> 3.2.1.1 >> Globalisation

>> 3.2.1.3 >> International Trade & Access To Markets



Many questions will have exemplar answers and mark schemes available, feel free to look at them for information.

Many thanks for reading and using this resource – good luck!

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