

# The Association of Small Banana Producers 'El Guabo' As fair as trade can be

Ecuador



El Guabo

connected with

Fair Trade

**In 1997 a group of farmers in southern Ecuador set up the Association of Small Banana Producers 'El Guabo' to export directly to the Fair Trade markets in Europe and the United States. With a lot of hard work, a reliable importer and the help of SNV, the Association is now exporting to markets that offer producers stable prices for their bananas year round. For the 300 members and the 1000 or more workers who depend on them directly or indirectly, the Association has achieved substantial improvements in their incomes, job security and working conditions.**

### **Ecuador: world leader in bananas**

Ecuador is the world's major banana exporter. Banana exports provide the country's second largest source of income, after oil, and jobs for more than 380,000 workers. The total area planted with bananas is 150,000 hectares. Noboa, Ecuador's largest exporter, owns plantations covering 7138 hectares. Of the 5000 individual banana producers, however, 90% have holdings of less than 50 hectares.

Large exporters, such as Noboa, Dole and Chiquita, control the market, fix prices and, through their influence in Congress, impose their rules on the entire sector. Although the official price for a box of bananas (18 kg) is about US\$3, the large companies may pay as little as US\$1. Since this is not enough even to cover the costs of production, many small producers are being forced out of business and are selling their plantations.

For the banana plantation workers the situation is perhaps even more difficult. The vast majority are 'permanently temporary' – they do not have long-term contracts or social security, and those who choose to join a trade union are discriminated against.

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Banana plants are highly susceptible to pests and diseases, and require heavy applications of agrochemicals, many of which contain ingredients classified by the World Health Organization as extremely or highly toxic. These chemicals are damaging both to the environment and to human health. Banana plantation workers suffer from a wide range of ailments, ranging from headaches, reproductive health problems, to various forms of cancer. The incidence of respiratory problems and severe diarrhoea has increased steadily in recent years, and in 2002 accounted for more than 90% of reported illnesses.

### **El Guabo and Fair Trade**

Faced with such circumstances, 14 small producers in El Guabo, in El Oro province in the southwest of Ecuador resolved to take matters into their own hands. From Foundation Solidaridad, a Dutch NGO, they learned that they could export their bananas directly to the Fair Trade markets in Europe and the United States, without interference from the multinationals or having to depend on intermediaries. Thus encouraged, they decided to form the Association of Small Banana Producers 'El Guabo' (APPBG), which was formally registered with the Ministry of Agriculture in November 1997.

In 1998 SNV Ecuador became the official representative of Foundation Solidaridad in El Oro, and since then has worked with the APPBG as it has grown to become the largest association of small producers in the Fair Trade market. Today, the Association has more than 300 members, organised into 15 local chapters, in the provinces of El Oro, Guayas and Azuay. With an average of 5 hectares each, these small producers provide employment for more than 1000 workers, and export an average of 27,000 boxes (486,000 kg) of bananas per week.

Fair Trade importers pay a guaranteed price for El Guabo bananas regardless of short-term market price fluctuations, which means that the members receive steady incomes year round. The Association has helped improve the working conditions for the plantation workers – most of them are now affiliated with a social security scheme, and are exposed to far fewer toxic chemicals. More than 100 members have switched to organic production methods, which means that they use no chemicals at all, thus benefiting their workers' health and the local environment.

## **Fair Trade**



The Fair Trade movement began in the 1980s in the Netherlands, following a request from Mexican coffee farmers for better raw coffee prices instead of development aid. The first pack of this coffee was sold in 1988 under the

trademark Max Havelaar, which stands for fair trade, giving people a fair chance and a better future. Five more products – bananas, tea, chocolate, honey and orange juice – are now sold under the Max Havelaar trademark.

The initiative has now spread to 16 countries, and is coordinated by Fairtrade Labelling Organizations International (FLO). FLO sets standards and offers certification guaranteeing that products sold anywhere in the world with a Fairtrade label conform to its standards and contribute to the development of disadvantaged producers.

In the case of bananas, importers pay a 'premium' of US\$1.75 per box to the producer organisations, which is to be invested in social and environmental programmes. These organisations, in turn, are required to report to FLO explaining how the premium has been invested.

### **Quality assurance**

Having gained access to the Fair Trade market, the Association faces the ongoing challenge of ensuring that it supplies consistently high-quality produce year round. Bananas are delicate fruit, are vulnerable to pests and diseases, and are easily damaged in transit from the plantation to the supermarket shelf. This is a particular problem for members whose plantations are located in remote areas.

The producers inevitably pay for quality problems generated further along the chain, due either to damage in transit or ripening problems during shipping. In 2004, for example, one substandard shipment resulted in the loss of several hundred thousand dollars and a loss of market share for the Association, and lower returns for many producers in the short term.

For the APPBG, quality assurance involves three major challenges:

- informing (and convincing) small producers of the high standards of quality demanded by European retailers and consumers;

- designing and implementing a quality control and monitoring system to ensure the quality of bananas grown by 300 independent producers. This difficult task requires many different skills at all levels of the organisation – a chain is only as strong as its weakest link; and
- making certification bodies, supermarkets and consumers more aware that their increasing demands for high quality and low prices are squeezing many small producers out of the market.

### **SNV support**

Based on its European contacts and local knowledge, SNV Ecuador was able to offer advice on the setup of the business to take advantage of Fair Trade markets. Between 1998 and 2002, two SNV advisers supported the APPBG, one as business manager, and the other responsible for investing the Fair Trade premium in social and environmental programmes.

In mid-2003 SNV changed its strategy to focus on capacity building, and now plays an advisory role, allowing the Association to take charge of its own process of development. The emphasis shifted towards the management of change – to turn the Association into a professional business run by the producers themselves. Today, SNV advises the board of directors on its relationship with the professional team responsible for running the business, and provides training for trainers on technical aspects of quality assurance.

The Association's most important partners are Agrofair, a Dutch fruit importer, and Agrofair Assistance and Development (AFAD), a programme set up by Solidaridad and financed by two Dutch NGOs, ICCO and the Doen Foundation. Agrofair, which is most directly affected by quality problems, is developing an integrated quality management system to be applied by the producers. AFAD provides financial and technical assistance to the producers, as well as advice on quality management, European market requirements and the implementation of the EurepGAP certification scheme to the staff of the Association. Because of its good relationship with Agrofair, the APPBG has not needed external funding. Agrofair always has been flexible, offering prompt payment and even loans in anticipation of future sales.



### **Achievements**

SNV brought together a group of local professionals with extensive experience in the banana sector, managed by an SNV adviser and leading producers. Together they have created an association that is capable of organising its own production, logistics, finances and export contracts. The fact that many of the same individuals are still leading the Association has undoubtedly contributed to the stability and the growing success of the business.

The Association is guided by a board of directors whose members have proven capable of resolving management problems, and of balancing the often conflicting interests of producers, the Association itself, and buyers. The first half of 2005 will be crucial, in that it will be possible to see whether the investments in capacity development by AFAD and SNV have led to real improvements in quality. Together with Agrofair and an additional importer, the APPBG is now working to gain access to the Fair Trade market in the USA.

The Association's members and employees are now in a better position to diagnose and address problems not only within the organisation, but in the sector more broadly. The APPBG has launched campaigns to promote its work and to inform plantation workers throughout the region about the nature of the business they are in. It is also increasing its efforts to influence the institutional and regulatory environment of the sector at the international level. For example, some board members are involved in certification bodies, including FLO International, while others are participating in regional forums to formulate proposals for changes in the European banana import regime. Increasingly, other producer associations in Ecuador are contacting APPBG to learn about, and from, its experiences in organisational development.

'We were not businessmen, so SNV organised the company and taught us how to manage it. Through this, we also learned how to manage our plantations. Our productivity has improved and we receive a better price for our bananas. Nowadays, the conditions in which we live and work are much better.'

*Wilson Navarrete, secretary of the APPBG*

## Making a difference

By eliminating intermediaries and reducing the dependence on multinationals, the Association offers its members year-round direct access to markets, at a fixed price for their bananas (currently US\$4 per box), giving them greater economic stability. Even for the most efficient farmers production costs are around US\$2.80, so that when the market price recently dropped to US\$1 per box, many producers were forced to sell their plantations, while the APPBG members remained unaffected. The Association now offers a credit scheme for its members, who in turn are able to offer their workers a social security scheme, a healthier working environment, and a monthly food basket.

The APPBG is not only making a difference in the lives of its own producers and workers, but is also becoming a recognised advocate of change in the region. It is engaged in various campaigns to encourage plantation workers to demand better pay and working conditions, and is urging all small producers to use fewer and less toxic agrochemicals for the benefit of their own health and the environment.

The members are far more self-confident, and are proud of the fact that they have built up their own successful export business in such a short time. In just six years the Association's membership has grown from 14 to 300, and many more small producers are on the waiting list to join. In order to grow, however, the Association needs to convince the markets that it can meet the challenge of supplying top-quality bananas year round.

SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. Our advisors contribute to this by strengthening the capacity of local organisations.

## Author

Lianne Zoetewei  
SNV Ecuador

## Resources

SNV Ecuador:

[www.snv.org.pe/SNV\\_Ecuador/snv\\_ecuador.html](http://www.snv.org.pe/SNV_Ecuador/snv_ecuador.html)

Agrofair Assistance and Development Foundation (AFAD):

[www.agrofair.com](http://www.agrofair.com)

Doen Foundation: [www.doen.nl](http://www.doen.nl)

EurepGAP is an initiative of the Euro-Retailer Produce Working Group (EUREP), in partnership with agricultural producers and their retail customers, to develop widely accepted standards and procedures for the global certification of Good Agricultural Practices (GAP). [www.eurep.org](http://www.eurep.org)

Fairtrade Labelling Organizations International (FLO):  
[www.fairtrade.net](http://www.fairtrade.net)

Foundation Solidaridad: [www.solidaridad.nl](http://www.solidaridad.nl)

Max Havelaar: [www.maxhavelaar.nl](http://www.maxhavelaar.nl)

Ana G. Puente P. 'Impactos en la salud de los habitantes de El Guabo por el uso de agroquímicos utilizados en la producción bananera', December 2003.

FAO (2003) Organic and fair trade bananas and environmental and social certification in the banana sector, FAO Intergovernmental Group on Bananas and on Tropical Fruits, Third Session, December 2003.

<ftp://ftp.fao.org/unfao/bodies/ccp/ba-tf/04/j0219e.pdf>

SNV Reference Guide on Trade in Agricultural Products:  
[www.snvworld.org/cds/rgTAP/](http://www.snvworld.org/cds/rgTAP/)

For further information please contact:

## SNV

T +31 (0)70 344 01 11

F +31 (0)70 385 55 31

[info@snvworld.org](mailto:info@snvworld.org)

[www.snvworld.org](http://www.snvworld.org)

Lianne Zoetewei

[lianne.zoetewei@asoguabo.com.ec](mailto:lianne.zoetewei@asoguabo.com.ec)