



Oxfam
Deutschland

Last Stop – Supermarket: The Scoop on Tropical Fruit

Retailers' Buying Power: The conditions under which pineapples and bananas sold in Germany are produced

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A study commissioned by Oxfam Germany

"When it comes to pineapples, we have two important goals: the workers who grow the pineapples in Costa Rica must be able to live a decent life and families in Europe should rest assured knowing that the pineapples they eat were produced under humane working conditions and without damaging people or nature."

Omar Salazar Alvarado, Director of ASEPROLA, an organization based in Costa Rica advocating workers' rights in Central America

"It is cause for concern that Noboa and Palmar are the leading banana suppliers on the German market. Noboa's plantations are known for their infringement of labor laws, in particular union rights. Alvaro Noboa is the richest man in Ecuador, but his workers live in poverty. And the Palmar company is caught up in several land and water conflicts in the El Oro region."

Francisco Hidalgo Flor, Director of the independent agricultural research center SIPAE in Ecuador

Abstract

Bananas, and in recent years pineapples as well, are among Germany's favorite tropical fruits. Large retail companies ship enormous amounts of these crops from the sunny South to the North and sell them at low prices in our supermarkets. The real price is paid by the people who first come into contact with the fruit: the workers in Costa Rica and Ecuador who toil on plantations for little money, usually 12 hours and more a day, because they have no other choice. Many smallholder farmers have lost their access to land and water due to the spread of large plantations.

This study takes an in-depth look at both sides of this exchange: the way in which trade in food is managed in Germany as well as the conditions of production and the working conditions on the tropical fruit plantations in two countries, Costa Rica and Ecuador. At both ends of the supply chain, Oxfam Germany demonstrates the influence large companies have on the conditions of production and indicates where initial improvements can be made. Similarly to the campaign that measures whether clothes are "clean" by evaluating working conditions in the companies that produce them, this study aims to help change the bitter lot of plantation workers, so that tropical fruit may truly taste sweet.

On the buyer's side, the retail food industry is dominated by a few large companies. Today, Edeka, Rewe, Lidl, Aldi and Metro share 70 percent of the market; in the next five years this could rise to 80 percent. In particular, discount food retailers – with their growth-oriented marketing strategies – are taking over an ever larger share of the market. The optimization of the supply chain plays an important role in their growth strategies. The large food retailers are cooperating more and more closely with the multinational enterprises that have fruit grown in the South and deliver it to the North. Value-added partnerships between two to three suppliers or service providers in each product category are the way of the future. Buying fresh fruit and vegetables is becoming increasingly centralized and commodity flows deliberately consolidated. Contracts are made directly with producers or importers. It is also becoming more common to have food grown under contract. The food retailers' business partners are already involved in a cutthroat competition for the best parcels of land in the countries of production.

In their efforts to gain market share by reducing costs, food retailers put pressure on their suppliers. This pressure to lower prices and costs is passed on down the supply chain. The workers laboring under inhuman conditions on the plantations bear the brunt of these business practices. Oxfam Germany's research shows that the large food retailers share responsibility for the terrible working conditions of thousands of workers in Costa Rica and Ecuador. In Germany, every second pineapple comes from Costa Rica and every third banana comes from Ecuador.

Retailers' buying power: Pineapples from Costa Rica

Many large fruit companies violate workers' rights. For example, trade unionists have testified that a subsidiary of the banana company Chiquita, Compañía Bananera Atlantica in Costa Rica, does not allow them to do union work. A subsidiary of Del Monte, Pindeco, has been accused of a variety of violations against the agreement reached by Del Monte and the trade unions in 1997. Although bound this

agreement to recognize trade unions, Pindeco systematically obstructs union work. Pineapples from Del Monte, the second largest pineapple marketing company in Germany, can be found on the shelves of Lidl, Edeka and Netto.

The pineapple producer **Piña Frut (Grupo Acon)** also violates workers' rights. The company pushes its workers to leave the union, threatening them with blacklists, salary cuts, mass firings and plantations closings. Piña Frut supplies the Dole Company, the largest producer and marketer of fresh fruit and vegetables in the world and the number one marketer of pineapples in Germany. Dole supplies the supermarkets **Edeka, Rewe, Penny, Plus** and **Kaisers**. Pineapple from Grupo Acon can also be found at **Aldi** and **Lidl**.

On pineapple plantations, inhuman working conditions are the norm. Farm workers often toil twelve hours and more a day without adequate protective clothing. When large fields are harvested during times of peak activity, work is conducted with no break for two or three weeks at a time. Workers are constantly exposed to pesticides and suffer from allergies and other ailments.

Sixty percent of the 20,000 employees are hired for only two to three months. In this way, employers get around paying benefits, keep salaries low and prevent workers from organizing in unions. Many of these workers are migrants from Nicaragua and don't even earn the legal minimum wage. Most are paid by the piece or their contracts specify only the volume of work. Their salary is far below the officially recognized level of subsistence. Women in the packing plants, who mostly work washing, sorting and packing the pineapples, are paid by the crate.

Retailers' buying power: Bananas from Ecuador

Working conditions are also miserable on the banana plantations of Ecuador. Three quarters of the labor force is very young. The International Labor Organization estimates that 30,000 children work on Ecuador's banana plantations. Few of the workers earn the government minimum wage. The larger the company, the worse the salaries. Child laborers earn only two thirds of the salary of an adult plantation worker. Their wages are much lower than the officially recognized level of subsistence. Banana plantation workers, exposed to pesticides without protection, also suffer from symptoms of poisoning.

Noboa and **Cipal** are the two largest banana suppliers on the German market. Bonita sells Noboa's bananas to German importers such as **Edeka Fruchtkontor** and **Cobana-Fruchtring**. These bananas can be found in every German supermarket: **Aldi, Lidl, Kaufland, Edeka, Rewe, Metro, Norma, Kaisers**. Assisted by its many subsidiaries, Alvaro Noboa prevents workers from organizing in trade unions that would enable them to demand their rights. Other large suppliers also refuse to allow trade unions to do their work. In Ecuador, only two percent of banana plantation workers are organized in trade unions.

The banana company **Cipal** (Palmar Agrocomercio) is, alongside Noboa, one of the suppliers for Cobana-Fruchtring. The owner has expanded his area of cultivation in the El Oro region, in the process forcing many smallholder farmers out of business. They have lost their access to irrigation because the company needed the public irrigation canal to grow its bananas.

Supermarkets' buying power: The time has come to act!

Food retailers are the gatekeepers of trade in food; no one can get around them. They decide which suppliers provide consumers with exotic fruits. They also influence the conditions under which these fruits are produced. In the competition for market share and consumer loyalty, price plays a central role. The German market is already saturated. Market share can only be won by pushing out the competition.

The battle for market share is therefore fought on the buyers' side. The larger the market share the remaining food retailers have, the better they're able to use their buying power to put pressure on

suppliers. They do so using a wide range of unfair buying practices. Suppliers must pay retailers for shelf space, they must contribute to the cost of opening new stores and of advertising, and retailers sometimes even change contract conditions retroactively. The problem of buying power isn't new, but in the face of an increasing consolidation of food retailers it has gained new importance.

Industry insiders estimate that the takeover of Plus by Edeka would increase the latter's market share from 26 percent to 30 percent. In light of the concurrent rise in buying power, the Bundeskartellamt (the Federal Cartel Office) should conduct a close and comprehensive investigation of ongoing food retailer mergers. In Germany, little is known about the impact of the food retailers' buying power on small companies, suppliers, workers and consumers. This is why Oxfam Germany demands...

- ...that the Bundeskartellamt assess the impact the concentration of food retailers has on small companies, suppliers, workers and consumers, particularly the abuse of buying power which can result from this consolidation. The Bundeskartellamt should publish the results of their study.
- ...that the Federal Government propose appropriate measures, including government regulation, to protect consumers, workers and suppliers from any abuse of buying power or other detrimental effects identified in the course of this investigation.

Unfair buying practices not only put more pressure on suppliers to pass additional costs down the supply chain; they also fuel supplier consolidation. When the pressure to lower prices is passed on to suppliers, smaller producers in particular are muscled out of the market. Companies in producing countries translate the pressure to offer low retail prices into longer working hours and less pay for their workers. Followed down the supply chain, falling purchase prices lead to increasingly worse working and production conditions.

Clearly, the instruments which exist today – national labor laws and social legislation, UN and ILO conventions and the voluntary respect of human rights and compliance with minimum social standards by companies – are insufficient in a globalized world. This can be seen most clearly in the failure by companies to uphold human rights in global supply chains. This is why Oxfam Germany advocates binding rules for companies on an international level:

- Oxfam calls on the German Federal Government to push for binding rules for companies on an international level in order to ensure fair working and production conditions and the respect of human rights.
- Oxfam calls on the German Federal Government to ensure that German retailers and import companies fulfill all human rights obligations while conducting their international business operations ("extraterritorial obligation").

Policy-makers are not the only ones with the responsibility to protect human and labor rights. Retailers and importers must change the unfair buying practices described in this report so that their suppliers have the leeway they need to insist on humane working conditions. This is why Oxfam Germany demands...

- ...that food retailers and import companies change their buying policies to allow better working conditions in supplier companies; they must also contribute to costs incurred. Solutions for the entire sector must be sought.
- ...that suppliers respect their workers' right to humane working conditions.

Food retailers will not change their buying practices without public pressure. Consumers in Germany – using the power of the shopping cart – can play a decisive role in getting food retailers to change these practices. This is why Oxfam Germany recommends...

- ...that consumers insist food retailers use their procurement and buying practices to support better working conditions on fruit and vegetable plantations.

One initial measure is for consumers to buy organic and fair trade pineapples and bananas, which has a positive impact on the environment and the living conditions of people in the producing countries. However, step-by-step changes in the structures that foster poverty are also needed, so that people in the producing countries can live their lives in a healthy natural environment. Growth founded on environmentally unsound and inhumane working and production conditions is not sustainable and can contribute to the perpetuation of poverty for generations. We also need to scrutinize the belief that low salaries and poor working conditions are necessary in order to compete on the global market. Civil society organizations in the North and in the South can, through their campaigns, help to reveal the patterns of poverty and get political changes started.

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