

# THE BANANA INDUSTRY AND THE WAY FORWARD

*by*

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PRIME MINISTER OF ST. VINCENT AND THE GRENADINES

**FEATURE ADDRESS:**

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Office of the Prime  
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## **{FORMAL GREETINGS}**

First, let me welcome most warmly and sincerely, on behalf of the Government and People of St. Vincent and the Grenadines, all the distinguished delegates from overseas to this International Banana Conference, the first of its kind ever to be held in the Caribbean. I have been advised that in 1998, an International Banana Conference was convened in Brussels by non-governmental organisations which brought together delegates from governments, producers, traders, workers and other civil society interests. But this three-day Conference which is being opened today is the first international banana gathering hosted by a government and the first ever held in the Caribbean. All this demonstrates the commitment of the Government and People of St. Vincent and the Grenadines, and those of the other Windward Islands, to the future of our banana industry and our resolve to find solutions so as to secure that future. It is thus vital that we ensure that practical ideas emerge from our deliberations for urgent action.

Among the visitors to the land of the indomitable Joseph Chatoyer, Chief of the Garifuna people, our National Hero, whose fighting spirit still dwells in us, are delegates from European governments, Caribbean governments, regional and international institutions of a governmental kind, regional and international non-governmental

organisations, the University of the West Indies, farmers' and workers' groupings, supermarket operators, marketing agencies, producers' organisations, and esteemed individuals who work in one way or another in the banana industry.

A very special welcome is accorded to the Honourable Roosevelt Skerritt, Prime Minister of the Commonwealth of Dominica. To the Ministers of other regional governments we accord, too, our especial regard.

From St. Vincent and the Grenadines, there is, understandably, a large delegation from, among other entities, government, the parliamentary opposition, the Banana Growers' Association, the Windward Island Farmers' Association, the trade unions, the Chambers of Industry and Commerce, the local office of the Windward Islands, Banana Development Company (WIBDECO), individual farmers and workers, other individuals interested in the banana business, and the media houses.

It is my pleasant duty to acknowledge, formally, the presence of the Leader of the Opposition in St. Vincent and the Grenadines, the Honourable Arnhim Eustace, and the other members of his delegation.

The genesis of this gathering emerged out of a discussion which Renwick Rose, a brother and sister from the international NGO, EURO BAN, and I held at a hotel in London one evening in February 2004

when I headed a banana delegation to Europe which included Prime Ministers Skerrit of Dominica and Kenny Anthony of St. Lucia. The next day my colleague Prime Ministers enthusiastically endorsed the idea of this International Banana Conference. I thank them for their support throughout in the planning for this Conference.

Many, many governmental and non-governmental hands drove the preparation for this Conference. Special mention must be made of Renwick Rose, the Chief Executive Officer of WINFA, and Ms. Diedre Anthony, economist in the Ministry of Finance and Planning. Renwick Rose kindly accepted the task of being the Conference Coordinator and Ms. Anthony has been the hub of the Secretariat.

In preparation for this Conference locally in St. Vincent and the Grenadines, the Banana Growers Association held a consultation less than two weeks ago, and last week, on June 3<sup>d</sup>, a National Assembly of Banana Growers was convened to discuss this Conference and other matters relevant to the banana industry. The local media, both print and electronic, facilitated the process with the sensitization of the public to this most important event.

## **THE BANANA BUSINESS**

Ladies and gentlemen, bananas are the fourth most important staple crop in the world. Although most of it is grown for local consumption, especially in such heavily populated countries as India, several million people in 45 countries world-wide depend on banana production and trade for their livelihood. Its importance as a health food has dramatically increased in recent years particularly in Europe to the extent that the humble banana has become the centre of a major trade dispute with the United States and the European Union being the chief protagonists, the World Trade Organisation the referee, and the producers and banana workers of the Caribbean and Latin America the major casualties. The banana has become a formidable political fruit.

The Caribbean banana industry, assured of a market under preferential access to the British market in the pre-1993 years, enjoyed a significant boom in the 1980<sup>s</sup>. This was particularly true in the Windward Islands where banana exports became dominant in the economy and the industry itself had an overpowering influence on social and economic life. Not only did production in the Windwards soar to 274,000 tonnes in 1992, but bananas accounted then for between 10% and 20% of the Gross Domestic Product (GDP) of the three major banana-exporting countries – Dominica, St. Lucia and St. Vincent and the Grenadines – and 30-35% of their total labour force.

With the accession of Britain to the Single European Market in 1993 and the adoption of a common banana marketing regime (COMB), there came a dramatic shift in fortunes. First, in anticipation of an expanded liberalised market, the major multinationals involved in banana exports to Europe, Chiquita, Dole and Del Monte, embarked on a rapid expansion of production in Latin America, especially in Ecuador and Costa Rica. The two came to be the major exporters, together accounting for well over half of the international trade. To a lesser degree there was also expansion in Colombia, West Africa (Ivory Coast, Cameroon, Ghana) as well as in Belize and the Dominican Republic.

But things did not quite work out as many of the expansionists expected. The COMB continued to offer protection to African, Caribbean and Pacific (ACP) exporters, though at a reduced level, causing a glut on the market and savage battles for market share. The result was recourse to the filing of a trade dispute complaint before the WTO and retaliatory actions by the US and the EU against each other. It is now history that successive rulings by the WTO went against the EU, forcing it to modify the banana regime to the detriment of the ACP banana producers.

Even among the giants there were casualties: The mighty Chiquita was forced into bankruptcy and the market was thrown into a tailspin of instability. By the end of the 1990s, there was a global crisis of overproduction and major producers such as Costa Rica and

Columbia were driven to reducing production, losing out principally to an aggressive low-cost producer, Ecuador.

A further major development was an almost suicidal “price war” since 1999 which has shifted the geopolitics of banana production and trade and affected the livelihood of all the people involved directly in earning their living from the banana industry. In 1990, one of the top men from Del Monte in Europe declared that “for us, selling bananas is a license to print money”. By the year 2000, however, there was not a single banana producer or trader who could echo these words. A fundamental economic change had taken place in the banana chain, which runs from the tropical seed/sucker to the temperate fruit-bowl.

The banana industry is witnessing a “race to the bottom” in both prices and social and environmental conditions (i.e. a downward spiral in social, environmental terms and in prices). The three major private multinational companies (Dole, Chiquita and Del Monte), which still control two-thirds of the international trade, and two “new kids on the block”- the Irish Fyffes and Ecuadorian Grupo Noboa – which have emerged during the 1990s, are increasingly buying from cheap labour countries, such as Ecuador, Brazil (Pernambucco), West Africa (Ivory Coast and Cameroon) and Indonesia (Kalimantan). New banana plantations have also been opened up on the Guatemala’s Pacific Coast, only a stone’s throw from the west coast of North America.

## **THE PRODUCERS AND THE GIANTS**

Behind the companies, it is the more than 500,000 banana plantation workers and the 50,000 or so small and medium-scale producers spread from the Philippines through to the Caribbean Basin and South America and to West Africa and increasingly, South East Asia who have paid, and continue to pay, the lion's share of the price of the instability in the industry. Structural overproduction keeps producer prices low, at times below the costs of production.

The expansion of banana production in West Africa, Ecuador and Brazil is putting pressure on wages and working conditions. Tens of thousands of jobs have been lost in the last four years as companies shift from "higher cost" countries, leaving former workers with few or no alternative employment opportunities. Downward pressure on wages to compete with lowest wage sources means that most workers now earn below a living wage, especially in Ecuador, the Guatemalan Pacific Coast and Nicaragua. As wages fail to keep up with the cost of living, under-age workers have become increasingly common, forcing school-age children to seek work on plantations, whilst persecution of independent plantation workers' unions and repression of their attempts to organise and negotiate collective agreements are persisting. That is story outside the Caribbean.

Smaller-scale producers, on the other hand, continue to be squeezed out of production and/or their lands bought up by larger

producers. In the Caribbean as a whole, all this has provoked an unprecedented decline in banana exports and associated income, leading to increasing poverty and vulnerability among sections of the farming community and the labour force.

As banana exports began the downward spiral, so too did the fortune of thousands of banana farmers and workers in the Windward Islands. Exports last year (2003) were less than a quarter of the 1990 high of 277,441 tonnes; and earnings in 2002 were only 30% of those a decade earlier. The casualty list in terms of the number of farmers forced out of the industry is a long one. Of the 24,100 registered growers in 1993, less than 8,000 are left today. If you take, additionally, the impact of the price wars, undoubtedly banana farmers have been taking a real beating. The real price today, internationally, is less than two-thirds that of 1990 and in the last 18 months alone, banana prices in our UK market have fallen by more than 30 percent.

Poverty, that scourge from which banana had provided an escape route has been returning through the front door as the hinges of trade liberalisation have fallen off leaving our people exposed. A recent study conducted by Messrs. Dennis Pantin, Wayne Sandiford, Michael Henry and Claudius Freville, taking St. Lucia as an example, estimated that at best 27,064 jobs, and at worst 31,064 jobs, were lost from the banana fall-out between 1994 and 2000. The very core of the social fabric of rural society in these islands is at risk.

The new "Lords" of the banana chain are, in terms of economic power, the giant European and North American supermarkets. Their concentration of capital and fierce rivalry have placed the producers and their companies more and more at their mercy. The concentration of power at the top of the chain means that it is the retailer who is, in effect, increasingly setting the economic terms of trade with producers as well as the "quality", environmental and even social standards, compliance with which is a must for access to their stores. With the advent of the rapacious American Wal-mart on the British market, even the former British giants are feeling the pinch.

That is the grim reality of the external situation which we face. As if all this were not enough, there is the impending end to the tariff quota system from which we still enjoy limited benefits. From January 2006 (and if some officials in Brussels have their way, July 2005) there will be a change to a tariff only system, which, if the tariff is not high enough, perhaps close to 300 Euros per tonne, can spell disaster for us.

So, respond we must if we are to survive in the market and to rescue the livelihood of the tens of thousands of those directly or indirectly dependent on the banana dollar. That is why this Conference is an imperative. These countries dilly-dallied in the pre-1993 days and in spite of strenuous efforts since then by some governments, marketing and farmers organisations, we have not sufficiently coordinated our efforts in a cohesive and strategic thrust, in

conjunction with our friends internationally. We simply have no choice now but to move in a concerted way forward.

WE HAVE NO CHOICE but to let our people know the stark truth. WE HAVE NO CHOICE but to change radically our approach to the task at hand. Greater collaboration, unity of purpose, reducing costs and increasing productivity, raising the quality bar, protecting our environment and bringing greater returns to those who produce must be the primary focus of our efforts. Nothing, save the well-being of the producer, must be sacrosanct any more.

### **SPECIFIC ISSUES IN SVG AND WINDWARDS**

Both the changing market regime in Europe after July 1, 1993, and the evolving market condition in the supermarket trade have ravaged the Windward Islands' banana industry. The high cost of production, comparatively low yields, and uneven fruit quality have limited the capacity of the producers to respond adequately at every adverse twist and turn in both the market regime and the market condition. Yet, after all is said and done, the banana farmer in the Windward Islands has been the most adaptable producer ever of any commodity or service in these countries. The swiftness of the changes required of the farmers by the market place has caused them to be the most innovative and creative in the business of surviving the harsh winds which blow from the contemporary international political economy with its ideological focus on trade

liberalisation and a “don’t care” attitude for its awful consequences on real flesh-and-blood people who become its victims.

The fact is that the banana farmer and the banana worker are on the frontline of the battle between contending forces engaged in the process of modern globalisation and trade liberalisation. Kindred spirits have taken to the streets in Seattle, Genoa and Cancun. We in the Windward Islands, however, do not consider that an apocalypse should engulf us in a senseless death struggle. We believe that we can all partner locally, regionally, and internationally to avoid social cataclysms and to ensure economic viability. Thus, this most important Conference is one for honest dialogue, and soul-searching, and the adoption of a common plan of action for urgent implementation.

In each of the banana-producing Windward Islands there have been responses to the post-1993 deterioration in the banana industry. All governments have moved towards a commercialisation of the industry as distinct from a peculiar “welfarism” which was once persistent in it. St. Lucia addressed commercialisation through privatisation of the industry; St. Vincent and the Grenadines has sought in recent years to commercialise with greater state control. Governments have paid off the debts of the banana producers’ associations; inputs have been subsidized in some countries; farmers’ incomes have been made exempt from income tax; concessions of one kind or another have been granted to the farmers; WIBDECO was established as a marketing agent and part-

owner of the shipping service to ensure more benefits to the farmers from various links in the chain from production to distribution and marketing; production and marketing apparatuses internally have been altered, in some cases drastically; challenges in the market place such as EUREPGAP are being met; farmers and workers have increased productivity and quality; and some international assistance has been received by the industry.

Yet, the evolving market regime and market condition have proved quite problematic for small producers who preponderate in the Windward Islands.

Amidst it all, though, bananas from the Windward Islands have found a niche or place in the market which properly exploited can in part, put the industry in a state of viability. But we need lots of help to do so; and in a concerted manner. If we are unsuccessful, the consequences are likely to be horrific.

Locally, all must be fully engaged in this banana salvation enterprise: the farmer, worker, administrator, government, WIBDECO, farmers and workers' organisations, and the community as a whole. Regionally and internationally, we need all friendly hands on deck in a sustained, cooperative manner.

For my part, I do not speak of a "crisis" in our banana industry. To be sure, there are profound difficulties for which solutions must be and can be found. To me, a crisis arises only when the principals are

innocent of the extent of the condition and have no clear idea as to the way out of the extant difficulties. Such innocence does not exist; and a sure way forward can be appropriately fashioned from the bundle of ideas which have been advanced hitherto and which would be thrown up in this Conference. So, let the ideas contend for meaningful action. And let there be no "learned helplessness", that debilitating condition which paralyses creative thought and action.

To our European friends who are present I want you to hear our perspectives for a genuine partnership. Sometimes one can be so enwrapped in one's corner of the world that one sees not the essential things in another. For example, Europe is correctly demanding EUREPGAP standards for food safety, health and best environmental practices. All this is costing the already challenged producer a huge investment in money, time and manpower resources.

But, has Europe given consideration to the fact that since conquest and settlement in the Caribbean, banana cultivation has been the most environmentally damaging of all commercial crops. It has been far more so than sugar cane, tobacco, arrowroot, cotton, root crops or vegetables. Bananas, when known as "green gold" in the past, were cultivated above the 1,000-foot contour with little regard for soil erosion or water supply. Pesticides and weedicides have polluted our land and rivers. Chemical spraying has caused the extinction or near-extinction of species of butterflies "larbells",

grasshoppers, and birds. The blue diathene to protect the fruit from blemishes for the European market is a plastic wrapping. This non-biodegradable covering litters our countryside, rivers and seas. Since all of this environmental damage in the Caribbean was done to provide a "quality" fruit for the European market, should Europe not partner with us now to correct the environmental degradation? Should we bear this cost alone in this new era at the very moment that EUREPGAP standards are now being demanded? Perhaps this Conference may help us to answer this and other queries in the banana industry.

I reiterate that in our discussions let there be no sacred cows. Our objective is to secure the future of the banana industry for our farmers and workers.

I seek in conclusion the poetic assistance of one who is arguably our nation's most influential bard, Ellsworth "Shake" Keane, who celebrated our rural folk, the farmers and agricultural workers, and their sturdy values in this poem, "Country":

"It is in the raw country that we come upon ourselves.  
Here the hoe-man is no rejecter of heaven,  
And people wriggle their toes in mud  
And say:  
Something for all of us here,  
Come dig, time to plant up.

"These people have never seen  
Blood spilled over the charmed penny.  
"These people have never been  
Where smoke is a law  
And they persecute you with pen and ink."

Ladies and Gentlemen, friends all, it is my honour to declare this  
International Banana Conference duly open.

Thank you!