

The EU's Banana Market and Value Chains

Analysis of the commercial practices and their
consequences on the living conditions of banana farmers
and workers in Ecuador and Colombia

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AALBORG UNIVERSITY
DENMARK

Author: Gabriela Danes

Supervised by: Johannes Dragsbæk Schmidt

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1. Introduction

1.1. Problem Statement

Imagine living on less than US\$1.25 a day. This is a reality for 1.4¹ billion people in the world. Banana production is the developing world's fourth most important food crop as well as a key cash crop for nearly a billion of people in developing countries, representing a major source of income and employment of hundreds and thousands of people in Latin America, the Caribbean, and West Africa.^{2 3}

The banana we eat today never reproduce on their own, they must have human assistance. Banana growing, in general, involving labour intensive work, clearing of jungle growth, propping of the plants to counter bending from weight of the growing fruit, irrigation, covering them with polyethylene bags to maintain them at an optimum temperatures and protect them from wind and attacks of insects. Additionally, this tropical fruit involves intensive use of pesticides: bananas and pineapples are usually cultivated in pesticide-intensive monocultures.^{4 5}

The development of the world banana trade dates back to the end of 19th century. Bananas are the fifth largest agricultural commodity in the world trade after cereals, sugar, coffee and cocoa. World banana production for export is mainly concentrated in Latin America, Africa and the Caribbean. Ecuador is by far the world's biggest exporter of bananas. Its banana exports is almost three times more than the second largest exporter, Colombia. Other major producers and exporters countries are Guatemala, Costa Rica and the Philippines. Together, these are account for over 80% of global banana export.^{6 7 8 9}

The world's biggest importer of bananas is the European Union (EU), followed by the United States (U.S.) and Japan.¹⁰ The majority of banana imports into the EU market comes from Latin American countries. According to Food Agriculture Organization of the United Nation (FAO)

¹ Leikem, Kirsten (2012)

² FAO (2001).

³ FAO (2001).

⁴ Banana Link (2015a)

⁵ Koppen, Dan (2007).

⁶ Fresh Plaza (2016)

⁷ Banana Link (2016).

⁸ Banana Link (2016).

⁹ USDA Foreign Agricultural Services (2015)

¹⁰ European Commission (2013).

statistics, Ecuador and Columbia are the two main countries supplying the EU banana market, followed by the Dominican Republic, Costa Rica, Cameroon and Ivory Coast (part of the Africa-Caribbean-Pacific (ACP) group of countries).¹¹¹² Banana production and export is the backbone of these countries' economies' providing them with a major economic resource of income and employment. For example, banana production and export in Ecuador is imperative for the country's economy with a major source of income and employment for banana farmers and workers, generating about 2.5 million direct and indirect jobs, while in Colombia it is estimated that the banana sectors creates an estimated of 260,000 jobs.¹³¹⁴

For decades, international banana trade has been one of the "key examples of trade injustice and power concentration"¹⁵ in the hands of few monopolized multinational companies - Del Monte, Fyffes, Dole, and Chiquita, controlling all operations along the banana chain from - production, shipping, import, ripening, down to retailers, in order to keep hold of the offer and influence the downstream market,¹⁶ "affecting the livelihoods of thousands of banana farmers and workers in the developing countries."¹⁷

According to a study by Food Agriculture Organization of the United Nation (FAO) and a report by European Parliament on the banana value chains it was emphasized that the global market for conventional banana is highly monopolized¹⁸, both regarding corporate power and geographical demand,¹⁹²⁰ where "industrialized countries account for over 80% of worldwide banana imports, while the EU and the US together account for 60% of those imports."²¹ Furthermore, a report of the United Nation Conference on Trade and Development (UNCTAD) states that these big four multinational companies "are extremely powerful, both in their country of origin and in the exporting countries and these had a global market share of over 80% in 2006."²²

¹¹ FAO (2014a)

¹² FAO (2014a)

¹³ FAO (2012) 'Value chain study in Colombia'

¹⁴ Eurofresh Distribution (2016).

¹⁵ Banana Link (2015b).

¹⁶ Agyeman, Opoku (2014).

¹⁷ Banana Link (2015b)

¹⁸ A monopoly, is a market situation where one producer or a group of producers acting in concert controls supply of a good or service in a sector or industry, where at least it has a significant market share and can therefore affect the production prices in the market, and their high level of mutual dependence when considering their decision making (prices, quantities, quality, etc.) (From www.investopedia.com)

¹⁹ FAO (2008a)

²⁰ UNCTAD (2009)

²¹ European Parliament (2010)

²² UNCTAD (2009)

However, more recently, major studies, have found that the combined market share of these big four multinational companies have fostered a rapid decline, and this is notable seen in the EU banana import market.²³²⁴²⁵²⁶ The combined market share of these four multinational companies has dropped from 67% in 2006 to 39% in 2013.²⁷ A process which now sees Del Monte, Fyffes, Dole, and Chiquita controlling only 39% of banana trade in Europe.^{28 29}

Interestingly, today the situation is different, currently several studies emphasized that “the power relationships in the banana industry seem to have shifted from a “producer driven” value chain to a “buyer-driven” value chain in the sense that now the supermarkets are increasingly dominating the market, the price structure”³⁰ and “exercise the greatest control.”³¹ In this regard, according to a study by Banana Link (2015) stated, “more recently the growing market power of retailers (...) has led banana chains to be increasingly driven by supermarkets, notable in Europe.”³²

The “growing market power of retailer with integrated fruit companies are competing to be their ‘preferred suppliers.’”³³ A study by the Oxfam Germany states that “supermarkets has led to the governance structure of banana chains being turned on their heads so that they are increasingly being driven by retailers instead by these five multinational companies,”³⁴ for instance, retailers from the UK and Germany are beginning to source directly from the suppliers and sometimes from the production/plantation.³⁵³⁶³⁷ Although structured by a small number of actors namely the supermarkets chains and large fruit companies, the EU banana value chains are quite complex on the ground exercising strong market power along the banana supply chains.³⁸

²³ Bureau d’ Analyse Societale pour une Information Citoyenne (Social Analysis Office for Citizen Information (BASIC) (2016)

²⁴ Oxfam Germany - Sweet Fruit, Bitter True (2016)

²⁵ Banana Link (2015b)

²⁶ FAO (2014b).

²⁷ Euromonitor International (2014)

²⁸ FAO (2003).

²⁹ Euromonitor International (2014).

³⁰ European Parliament (2010). p13

³¹ Consumer International (2010) p5

³² Oxfam Germany - Sweet Fruit, Bitter True (2016).

³³ Banana Link (2015b) p16

³⁴ Oxfam Germany - Sweet Fruit, Bitter True (2016).

³⁵ Oxfam Germany - Last Stop Supermarket (2008).

³⁶ Oxfam Germany - Sweet Fruit, Bitter True (2016).

³⁷ Oxfam Germany & European Commission (2014).

³⁸ Oxfam Germany & European Commission (2014).

Several studies have shown how increasing market power and unfair³⁹ trade practices of European supermarkets chains generate negative impacts on environment and social affecting farmers and workers from dangerous pesticide and toxic agro-chemicals exposure to a serious pricing pressure and the basic lack of human rights, low pay, lack of job security,⁴⁰ discrimination against women, among others in the banana market.^{41 42 43 44 45 46}

Given this situation of the growing market power in the banana value chains with a few key actors' dominating (companies and more recently the retailers) along the banana supply chain in the banana market, notable in EU. This thesis attempts to examine and to delve into the reality behind the piles of yellow and colourful fruit on our supermarket shelves. This study attempts to shed some light on the banana value chains sold in the EU market, their evolution since 2005 from a systematic perspective. This research study will focus on conventional bananas.

The objectives of this research study is to investigate and to find out who are the main actors controlling and operating the banana value chains in the EU banana import market, and attempt to analyse their commercial practices, implication and consequences for labour conditions of banana farmers and workers in the two main countries supplying the EU banana market. This will be analysed through two case studies in Ecuador and Colombia, the two main countries supplying the EU banana market.

According to FAO statistics, Ecuador and Colombia are the two main countries supplying the EU banana market.⁴⁷ Ecuador exports more than 68% of its banana to EU whereas 72% of Colombia's banana export goes to the EU. In Ecuador, the banana industry employs a large amount of labour, according to government sources, FAO statistics; over 2.5 million people depend directly or indirectly on the banana sector for income and livelihood.^{48 49 50 51} One of the characteristics of the banana industry in Ecuador compared to other Latin American countries is that the banana

³⁹ Unfair Trading Practices (UTPs) have been defined by the European Commission (EC) as those "that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another." Banana Link (2015b p15)

⁴⁰ Consumer International (2010).

⁴¹ Banana Link (2015b) p7

⁴² Fair Trade Advocacy Office (2015).

⁴³ Oxfam Germany - Last Stop Supermarket (2008).

⁴⁴ International Centre for Trade and Sustainable Development, ICTSD, (2008).

⁴⁵ Ethical Consumer (2016).

⁴⁶ FAO (2008b).

⁴⁷ FAO (2014a).

⁴⁸ FAO (2017).

⁴⁹ EFEAGRO (2017).

⁵⁰ European Commission (2016).

⁵¹ Eurofresh Distribution (2016).

industry in Ecuador has a large number of small- and medium-scale growers. The Agriculture Ministry of Ecuador in “2010 showed that 90 % of the 7 334 banana producers are small and medium size farms of less than 50 hectares”⁵², while Colombia the banana industry is characterized in threefold, medium, small-scale growers, but also intensive monocultures.⁵³ The banana industry in these countries has a high importance to the national economy, and for peoples’ income and livelihoods. In addition, this sector also accounts for the largest number of the economically active poor people.⁵⁴

In the following chapter, the research questions to this study will be introduced and the methods applied to form the argument of this paper and to answer the research questions will be described.

1.2. Research Questions

To guide the research of this study I have posed the following research question.

- ✓ Who are the main actors controlling and operating the banana value chains in the EU banana import market?
- ✓ What are the effects of their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia?

However, to better develop a thorough exploration of the research questions, I have also set up some sub-questions.

- ✓ How do highly driven actors in the banana chain affect the banana producers and workers?
- ✓ What are the main economic and social issues in banana production and trade?
- ✓ Do these actors (retailers, firms) in the EU banana import market live up to their responsibilities ensuring basic labour rights and standards (ensuring fair trading relationship with their producers/suppliers, fair price, freedom of association (trade unions) and the right to collective bargaining, living wage for workers on plantations, good working conditions, no child labour, etc.) in these countries?
- ✓ What is the distribution of profit from the banana field to the supermarkets?

⁵² FAO (2014c).

⁵³ Inter-American Development Bank (2016).

⁵⁴ European Commission (2016).

2. Methodology

This chapter will describe in what way the main problem will be approached including the core concepts, theories, models and data that will be used in the analytical chapter.

The study attempts to shed some light on the EU banana import market and its value chains from a systematic perspective by looking at their commercial practices and consequences on the living conditions of banana farmers and workers.

As mentioned in the introduction the objective of this study is to investigate and to analyse the global value chains of bananas sold in the EU market, their evolution since 2005, and attempts to examine their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia, the two main courtiers supplying the EU banana market.

However, in order to do this and answer the research questions it is necessary to know the current situation and to analyse the banana value chains in the EU banana import market. First, this research study attempts to investigate and to find out who are the main (lead⁵⁵) actors controlling and operating the banana value chains in the EU banana import market, and subsequently this study will analyse what are the effects of their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia.

This study will be analysed through the case studies Ecuador and Colombia, the two main countries supplying the EU banana market. According to FAO statistics, Ecuador and Colombia are the two main countries supplying the EU banana market; therefore, these two countries were chosen for this study. Ecuador exports more than 68% of their conventional banana to the EU market while Colombia's banana export about 72%.^{56 57 58}

With regard to methodological and theoretical approaches used to answer the research questions, this thesis employs two theoretical approaches: the Global Value Chain (GVC) approach and the Labour Process Theory (LPT). These two approaches will be embedded into this study.

In the following, I will discuss why those theoretical approaches were chosen for this study.

⁵⁵ The concept of lead firms can be understood the firm that takes a directive role in coordinating and dominating the supply chain through its capacity for system co-ordination, represents the key to understanding how firms that take this coordinating role can shape relations and influence within given chain.(Riisgaard, Lone 2009) p10

⁵⁶ European Commission (2016).

⁵⁷ FAO (2014)

⁵⁸ Eurofresh Distribution (2016).

In development studies, the theoretical approach of Global Value Chain (GVC) has been used to analyze the international production chains. The Global Value Chains (GVC) approach compared with other theoretical approaches takes a radically new view on international trade to research the global economy, asks and attempts to answer various fundamental theoretical questions focusing and examining cross-national activities that embody a network of whole range of activities (from the process of production to the final market destination) and actors that are interconnected along the value chains. This approach allows us to understand the dynamics of different actors and the relationship between the actors and activities involved and the linkages binding them in a given production chain. It examines the interrelations between actors in the value chains.

It investigates the power relation in which trade is embedded within the chain, the characteristics of economic governance and share of value, price structure, value and costs breakdown along the chain, “with key actors setting rules of the game”⁵⁹ in the chain, while the traditional economic trade theories only focus on supply and demand where the buyers and sellers meet each other as independent agents.

This analytical approach GVC “emphasizes global structures by including issues of how and by whom production and exchange are governed,”⁶⁰ hence encompassing the full range of activities that are required to bring a product from its conception to the supermarkets.

Therefore, I will make use of this analytical framework for an understanding and examining the dynamics of different actors by exploring how and who govern production and distribution of bananas along the chain.

Which firms are involved in this process and how imported are they? What rewards accrue to whom? By whom and how production and distribution is governed in the chain, (e.g. regulations, barriers to entry for suppliers participation in the chain, economic governance, prices structure, consideration of shareholder value chain, capture of the market share of exports, linkages with distribution channels, etc.).⁶¹⁶²

In this thesis, I will make use of this analytical approach to examine and analyze the following:

- ✓ To investigate and analyze the institutional context of power relations between all actors involved in the banana value chains, to identify and find out who are the

⁵⁹ Banana Link (2015) p45

⁶⁰ Riisgaard, Lone. (2009). p10

⁶¹ Mitchel, J., Keane, J.; Coles, Ch., (2009)

⁶² Dougherty, L. Michael (2008).

main lead/powerful actors setting the rules of the game in the EU banana value chain and import market, their economic governance and share of the value (e.g. the value and costs breakdown and how profits are distributed in the chain, price structure in the chain. How profits are distributed along the banana value chain from supermarkets/firms down to the workers' wages? Simply put, who gets what from the banana field to the supermarkets? This largely depends on the value chain within which the actors operate and who controls it?⁶³, which is also the objective of this study to shed some light on the banana value chain in the EU banana import market.

- ✓ To examine and analyze the different stages of banana production chain from the production stage to the final market destination and find out if there are any direct value chain strand, where banana are imported directly from the plantation by the supermarkets in the EU banana market.

However, as far as labour and working condition is an indispensable ingredient in this study. This thesis will adopt a complementary approach to Global Value Chain, mainly the Labour Process Theory (LPT), which will be applied to investigate the powerful actors in the EU banana market and value chains looking at their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia.

The nature of workplace relations in international production chains is a core theme in the Labour Process Theory. The embedded nature of production, that particularly of labour in the production chain becomes vitally important for Labour Process Theory.⁶⁴⁶⁵⁶⁶

The analytical tool of LPT has the “capacity to link the workplace to a broader political economy which is particularly pertinent for research on supply chains that cross national borders and that includes work activities.”⁶⁷ The theoretical approach of LPT go beyond production chains and territorial focus, it provides valuable insights into the way in which powerful actors, both within and outside the workplace, influence labour process within the production chain, examining how work is configured and how the relationship between these are managed”⁶⁸ in the international production chains.

⁶³ European Parliament (2010) p12

⁶⁴ Newsome, K. (2010)

⁶⁵ Thompson P, and Smith C. (2009)

⁶⁶ Robinson, Pamela (2013)

⁶⁷ Taylor, P. (2010). p19

⁶⁸ Edwards (2010) p32

It investigates the managerial control strategies and practices in work organization of firms in the international production chains emphasizing the dynamics of control and resistance to shed light on the reality of labour resistance⁶⁹ and how the control strategies and practices affects labour and working process at the point of production.

A “key to understand the impact of multinational companies or as lead firms for labour in the international chains is the organization and structure of managerial practice.”⁷⁰ LPT touches upon power relations between labour and firms, with a specific focus on how it is transmitted and how it may affect the labour and working conditions at the point of production within the chain, which I found fruitful to this study. By exploring and analysing how the managerial control practice of multinational companies or as lead firms in the international production chains are exercised over their suppliers/producers it is possible to show how these can affect labour and working practices at the point of production

Furthermore, notwithstanding there are numerous factors, which can affect producers, labour and working conditions at the point of production in a given production chain. Local institutions (e.g. government, labour organizations, etc.) legislative frameworks, bargaining structures influence the way in which labour condition is constituted and how it is managed,⁷¹ those may also play a role and influence producers/labour within the production chain, which this study will also take into consideration and look at.

By adopting such an approach it makes possible examine and shed light on how the multinational companies or lead firms affects working and labour condition in the international production chain, when labour and social issues are also analysed inside the production chain⁷² which I found fruitful to be incorporated for the purpose of this study.

2.1. Data Collection and Analysis

Besides several theoretical approaches and concepts described above, this study is supported by secondary research data collection, collect and examines numerous statistical data in combination with an assessment of empirical analytical approach and scholarly literature, trying to get the best analysis possible. Further, to be able to conduct the research study, the source of information and data collection will be as following:

⁶⁹ Resistance involves “loos of direct control found in hierarchical relationships within the firm, requiring companies to find alternative mechanisms for asserting control over production processes and labour.” (Robinson, Pamela (2013) p94)

⁷⁰ Robinson, Pamela (2013)

⁷¹ Coe et al. (2008).

⁷² Anderson J (2009).

Data collection and sources of information for the EU banana value chain: EU level

Area of research: EU level/Germany	Data collection and source of information
Banana value chain: volumes and origins, consumer prices, wholesale prices, import prices	Eurostat, European Commission, UN Comtrade, Agricultural Research for Development, FAO, and literature review.
Food retail market trends and distribution channels (value chain of banana in EU)	European Commission, FAO, Banana Link, Euromonitor, and literature review.

Data collection and sources of information for the two main countries supplying the EU banana market: Ecuador and Colombia

Area of research: Ecuador and Colombia (two main countries supplying the EU banana market)	Data collection and source of information
Shipping & import costs, export costs, unit value of bananas in the country, workers' wages, costs of production	European Commission, European Commission for Latin America, UN Comtrade, Agricultural Research for Development, FAO, literature review, annual report of international banana trade, Banana Link, World Banan Forum
Social and impacts (labour rights, working conditions, income, health & security, etc.), especially on small farmers and workers	FAO, Banana Link, Oxfam Germany, International Labor Organization, Human Rights Watch, Consumer International and literature review

3. Theoretical Framework




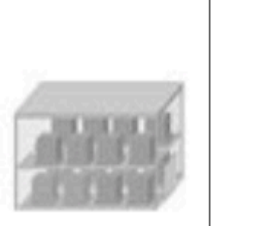

This section is meant to introduce and explain the theoretical approach to this research paper.

3.1. Banana production and distribution stages

In order to understand the evolution of the banana chain before it reaches the final consumer, it is important to first look at the different stages of this tropical fruit until reaches the final consumer.

Figure 1 illustrates the different stages of banana from the production to the supermarket stage. Those include as in the following: banana plantation for production; bananas are harvested while those are still green; then tropical fruit is sent to, packing sheds where those are divided, sorted, wrapped and boxed to be sent for the export. Bananas are transported via high-speed vessels and are retriggered at certain temperature. Once the bananas arrive at the destination country they are cleared and transported to ripening rooms, which are prepared to be sent to the centers of ripenings, wholesalers, then bananas are sent to supermarkets.^{73 74 75}

Figure 1: Banana production and distribution stages

				
Banana production takes approximately 9 months; bananas are harvested while still green.	Harvest bunches are transported to packing sheds where they are divided, inspected, sorted, washed and boxed for export.	Bananas are placed in refrigerated vessels or containers. They are shipped for 10 to 20 days to get to Europe.	When bananas arrive at destination, customs are cleared and they are trucked to ripening rooms.	Once ripened, yellow bananas are delivered to regional distribution centres of retailers & wholesalers, then sent to stores.

(Source: http://www.makefruitfair.org/wp-content/uploads/2015/11/banana_value_chain_research_FINAL_WEB.pdf)

⁷³ Sheldon, Ian & Satish Y. Deodhar, (1994).

⁷⁴ USDA Foreign Agricultural Services (2015)

⁷⁵ Hamburg University of Applied Sciences (2009).

3.2. Theoretical Approach of Global Value Chain (GVC)

In development studies, the theoretical approach of Global Value Chain (GVC) has been used to analyze the international production chains. The analytical approach of GVC developed by Gereffi Gary in the late 1990s, takes a radically new view on international trade, researching the global economy, as it asks and attempts to answer various theoretical questions within the international production chain and distribution of goods⁷⁶

The analytical framework of GVC examines the “cross-national activities of firms by exploring how the production distribution of value and consumption of products are globally interconnected along value chains that embody a network of activities and actors.”⁷⁷ GVC are thus understood to “consist of sets of organizational networks clustered around one commodity or product.”⁷⁸ Hence, GVC encompasses the whole range of activities that are required to bring a product or service from the process of production to final market destinations and beyond.⁷⁹⁸⁰ This model of analysis allows investigating different “research questions relating to the global economy and dominance of powerful companies in the international production and distributions of goods.”⁸¹ Thus, GVC “examines “[...] how economic actors are embedded within particular geographies”⁸²

What rewards accrue to whom? Which firms/organizations are involved in this process and how imported are they? By whom and how production and distribution is governed in the chain, (e.g. regulations, barriers to entry, prices structure, consideration of shareholder value within the chain, capture of the market share of exports, linkages with distribution channels, etc.).⁸³⁸⁴

GVC has the capacity to provide insight into different phases of production until it reaches the final market destinations; by whom production and distribution are governed production chain, what rewards accrue to whom; which companies/organizations are involved in this process and how imported are they? It investigates the interaction between the configuration of global chains (input-output, nodes (targeting the lead actor/actors) along the production chain, their economic determinants value and cost breakdown, price dynamics, income distribution from retailer share

⁷⁶ Gereffi, G. and Korzeniewicz, G. (1994)

⁷⁷ Riisgaard, Lone. (2009).

⁷⁸ Riisgaard, Lone (2009) p12

⁷⁹ Gibbon & Ponte 200. p 77

⁸⁰ Robinson, Pamela (2013) p98

⁸¹ Robinson, Pamela (2013) p97

⁸² Neilson & Pritchard (2009). p. 8

⁸³ Mitchel, J., Keane, J.; Coles, Ch., (2009)

⁸⁴ Dougherty, L. Michael (2008).

of value down to the workers wages in the chain (the value distribution along the chain).⁸⁵⁸⁶ This model of analysis allows us to deconstruct the set of inputs that culminated in a good. Simply put, who gains what from the banana field to the supermarkets?

In Gereffi's work the Global Value Chain analysis is modeled through four main dimensions, the input-output structure; geographical coverage, the governance structure, and local institutional context.⁸⁷ However, this last dimension has not yet developed in the theoretical framework.

The Geographical Coverage: This dimension is based on geographical analysis. This implies and follows the chain up to the point of the final consumption, whether this is in the country of origin for the product or not.⁸⁸

Input-output Structure of a Global Value Chain: This dimension refers to market share of value of all actors within a specific production chain (e.g. banana market share of all actors) and it looks at the distribution of the value along the chain which describes the whole input-output process that brings a product or service from the process of production to the consumer's hands. This input-output structure represents a set of value chain boxes connected to bring a product from production to final market destination, which are critical to mapping the value distribution (cost breakdown) along the chain and their economic determinants, (e.g. from banana production to workers' wages). In order to understand, how the whole chain works, it is important to identify the type of firms involved in the industry and their key characteristics, such as global or domestic; large, medium, or small, and the governance structure (authority, decision-making along the chain).⁸⁹ Identifying the firms that participate in the chain will help to understand its governance structure, which is of specific interest to this thesis. This dimension it will be discussed in more detail below.

Governance Structure in the chain: this dimension explains the "authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain."⁹⁰ In relation to chain governance a significant distinction is made in Gereffi work, that of "producer-driven chains and buyer-driven chains, as the two ideal-typical forms of overall governance."⁹¹

⁸⁵ Banana Link (2015)

⁸⁶ Robinson, Pamela (2013) p98

⁸⁷ Gereffi, G. and Korzeniewicz, G. (1994)

⁸⁸ Gereffi, G. and Korzeniewicz, G. (Ed) (1994)

⁸⁹ Gereffi G. & Karina Fernandez-Stark (2011)

⁹⁰ Gereffi, G. & Korzeniewicz, G. (Ed) (1994) p97

⁹¹ Gereffi, G. & Korzeniewicz, G. (Ed) (1994) p97

The analysis of producer-driven chains refers usually to the dominated multinational companies (sellers), while the buyer-driven chain refers to large retailers, dominating the chain.⁹² Hence, the analytical model focuses on vertically integrated between buyer-driven chains and producers-driven chains (sellers) and the degree of coordination and driveness between those two in the chain.

Accordingly, in this way, making use of this model of analysis and governance structure of GVC “it is possible to identify the lead⁹³ firm in any given chain and examine the levels of integration and co-ordination between firms”⁹⁴ within a given production chain. The relationships between “lead firms and firms within the chain are characterized by unequal power relationships.”⁹⁵

Gereffi et al. emphasized that there are four forms of governance such as the market (described as having market linkages along the production chain), modular (describes strategic and decision making through setting regulations that may involve quality, certification standards, thus making harder for outside actors entering the market), captive (describes the shareholders value among all actors participating in the chain, ‘captive of the value’) and hierarchical (this form of governance is characterized by vertical integration, where transactions take place within a single firm). These forms provide an analytical tool for understanding how the inter-relations between different actors are constructed along the chain. These forms of governance are characterized as having “low to high levels of coordination and power asymmetry,”⁹⁶ which refer to the relationships between firms at different nodes (from production down to retailers) in a given production chain.

These forms of coordination “are defined in terms of how power and control are exercised in a given value chain.”⁹⁷ As forms of coordination move from “market to hierarchy, the degree of power exercised by the dominant actor in the relationship increases.”⁹⁸ Gereffi et al. argue that the captive and hierarchical forms of governance are significantly important when analysing the inter-firms relations along the value chain, because these indicate “greater levels of coordination and power asymmetry in the value chain.”⁹⁹ Therefore, it makes possible to identify the lead actor in the chain, which has a different capacity to exercise power in the chain. Here, the concept of

⁹² Gereffi G. and Karina Fernandez-Stark (2011).

⁹³ The concept of lead firms can be understood the firm that takes a directive role in coordinating and dominating the supply chain through its capacity for system co-ordination, as well as relationships between firms at particular nodes within the chain in terms of their characterization to the four dimensions (discussed above). It represents the key to understanding how firms that take this coordinating role can shape relations and influence within given chain. (Riisgaard, Lone 2009) p10

⁹⁴ Robinson, Pamela (2013) p95

⁹⁵ Robinson, Pamela (2013) p104

⁹⁶ Gereffi et al. (2005).

⁹⁷ Robinson, Pamela (2013) p105

⁹⁸ Robinson, Pamela (2013) p95

⁹⁹ Gereffi et al. (2005). p78

lead firms driving of the value chain refers to the dominance of the value chain as a whole. However, in a given production chain, other dominating firms may also be present in the chain, for instance the emerging of the supermarkets in the banana value chain.¹⁰⁰¹⁰¹ Hence, studying and understanding the governance structure in a given production chain makes possible for analysing the inter-relations of all actors participate in the chain.

Gereffi et al. argue that these forms of governance develop “regardless of the local institutional and, therefore, power in international production and distribution chains is de-coupled from the impact of state regulation and trade regimes. Instead, power is linked with the system of co-ordination and control exercised by the ‘lead’ firm in the chain, the degree of driveness looser or tighter of the firm in the production/suppliers,”¹⁰² through their decision making within the chain.

Hence, “understanding the governance of a chain helps to understand the distribution of gains along the chain,”¹⁰³ and how the value distribution along the banana value chain depends to a large extent on the value chain within which the actors operate and who controls it,”¹⁰⁴ which, is of specific interest to this study.

The local institutional context: this dimension focuses on how global value chains are embedded with local policies framework related to economic, social and institutional framework. Regarding to the economic aspect including the availability of key inputs to the production processes such as access to assets, e.g. the availability of infrastructure. Concerning the social aspects it refers to the availability of labour and its skill level, gender –female participation in the market, access to education. Finally, the institutional framework focuses on tax, labour regulations, and innovation that can promote economic and industrial growth within the country.^{105 106}

3.3. Complementary Approach to Global Value Chain: Labour Process Theory (LPT)

The existing literature shows a very limited effort in analyzing the social consequences of global production systems and their implications for labour to production end of chain has been researched in developing countries to a lesser extent.¹⁰⁷¹⁰⁸

¹⁰⁰ Riisgaard L. and Hammer, N.(2010)

¹⁰¹ Banana Link (2015)

¹⁰² Gereffi et al. (2005).

¹⁰³ Humphrey, John & Hubert Schmitz (2001).

¹⁰⁴ Gereffi Gary & Karina Fernandez-Stark (2011). p11

¹⁰⁵ Gereffi Gary & Karina Fernandez-Stark (2011). p11

¹⁰⁶ Gereffi et al. (2005).

¹⁰⁷ Barrientos et al. (2010)

¹⁰⁸ Bair J. (2005)

In development studies, theoretical approaches¹⁰⁹ focusing on the international production chains offer a methodology that examines “different research questions relating to the global economy and the dominance of powerful companies in the international production and distribution of goods.”¹¹⁰

These approaches offers valuable insights into the power relations between different actors in the international production chain that are involved in capture of value from the total share of export within a production chain and distribution of value (income distribution) along the chain taking the labour as a productive asset and neglecting to put enough attention to the wider circuit and more explicit focus on labour. Several theorists and social scientist argue that, through the lens of inter-firm relationships in the international production and value chains the condition of labour in the international production and value chains has rarely been analyzed.¹¹¹¹²¹¹³

The implication of firms for labour and how these actors in the production chain impact labour at the point of production chain, and as Bair¹¹⁴, Coe et al.¹¹⁵, Thompson P. and Smith C.¹¹⁶ and Newsome K¹¹⁷ have noted the implications of firms and production processes in the international production chain for labour process in developing countries has been research to a lesser extend and labour is often absent in these conceptual frameworks. They argue that labour is more than a productive asset and “a passive victim of restructuring processes” in the global economy, thus introducing the role of labour with representative needs to be repositioned for research that extend beyond – the workplace”¹¹⁸ in examining how work is configured and how the relationship between capital and labour is managed.”¹¹⁹

However, in the last decade, the recognition in literature and the need to go beyond has grown,

¹⁰⁹ Theoretical approaches in the international production and supply chains such as the Global Commodity Chains, Global Value Chain, Global Production Network are mainly focusing on economic and competitiveness issues and the interrelationship between firms (firms, logistics companies) in a given production chain and “examining different research questions relating to the global economy and the dominance of powerful companies in the international production and distribution of goods.” (Robinson, Pamela, (2013) p97)

These approaches examines the inter-relations of all actors involved in the value chain, by whom and how production and distribution is governed, the way power is distributed along the value chains, the capture and distribution of value along the chain. However, these includes the role of the labour/workers as a productive asset (e.g. an input) in the value chain, neglecting to put enough attention and to examine how the interrelationship of the lead firms and firms (e.g. logistics firms, firms, retailers etc.) in the production chain influence the conditions of labour at the point of production. (Coe et al. (2008), Korzeniewicz (1994), Thompson P, and Smith C. (2009), Robinson, Pamela (2013), Riisgaard, Lone. (2009))

¹¹⁰ Robinson, Pamela (2013) p97

¹¹¹ Newsome, K. (2010)

¹¹² Thompson P, and Smith C. (2009)

¹¹³ Riisgaard, Lone. (2009)

¹¹⁴ Bair J. (2005)

¹¹⁵ Coe et al. (2008)

¹¹⁶ Thompson P, and Smith C. (2009)

¹¹⁷ Newsome, K. (2010)

¹¹⁸ Edwards (2010) p32

¹¹⁹ Edwards (2010) p32

putting a more focus on labour analysis inside the production chain. Theorists and social scientist¹²⁰¹²¹¹²²²¹²³¹²⁴ introduced an analytical approach focusing on labor analysis inside the production chain, the Labour Process Theory (LPT), exploring the inter-complexity of inter-firm relationship between distribution companies and supermarkets. According to Thompson and Newsome¹²⁵ who explored the dominance of firms and their linkages with logistics companies in order to determine “how the complexity of these linkages impacts the labour process”¹²⁶ and employment condition at the point of production chain.

The nature of workplace relations is a core theme in the Labour Process Theory. The embedded nature of labour in the global production chains becomes important for Labour Process Theory. LPT has the capacity to provide an analytical tool to understand how the inter-relations of firms in a given production chain impacts the labour process.¹²⁷¹²⁸

As Edwards suggested in his study, the analytical approach of LPT allows us to ask questions about the social conditions under which products are produced, how work is configured and how the relationship between firms and labour is managed. LPT approach has the capacity to link the “workplace to a broader political economy that is particularly pertinent for research on supply chains that cross national borders and include work activities.”¹²⁹

Moreover, according to Anderson who added a valuable contribution to Labour Process Theory suggested that by adopting LPT approach it makes possible to map the key factors along the length and breadth along the value chain in a particular production chain which allow to examine how managerial control systems of lead firms and their linkages with logistics companies affects the labour/workers process in a production chain.¹³⁰ A key to understand the impact of firms for labour in the international production chains is their organization and structure and managerial practices.

The LPT approach adds valuable insight to understanding the role of global production systems for labour in a given production chain (e.g. banana value chains), from top down to bottom up. From the top down, examining how the dominance of firms “govern” their supplier networks and

¹²⁰ Thompson P, Newsome K. (2004)

¹²¹ Thompson P, and Smith C. (2009)

¹²² Bair J. (2005)

¹²³ Coe et al. (2008)

¹²⁴ Rainnie et al. (2011)

¹²⁵ Newsome, K (2010)

¹²⁶ Newsome, K (2010) p195

¹²⁷ Edwards (2010) p32

¹²⁸ Thompson P, Newsome K. (2004)

¹²⁹ Taylor, P (2010) p.230

¹³⁰ Anderson, J. (2009)

from the bottom up, asking how the decisions managerial control strategies affects labour process and condition in a given production chains in specific regions or countries.¹³¹ This approach has the potential to enrich labour process analysis through an understanding of the lead firms' managerial control systems and practices for labour¹³² (this will be explored further below) in the production chain.

Notwithstanding there are numerous factors, which can affect labour and working conditions at the point of production in a given production chain. Local institutions (e.g. government, labour organizations, etc.) legislative frameworks and bargaining structures can influence the way in which labour condition is constituted and how it is managed.¹³³ As Anner calls the 'triangle of power' that is made up of the local institutions, local firms and the lead firm within the value chain.¹³⁴ Hence, this approach has the capacity to give insights into the way in which the lead firms within the chain, both within (local) and outside (international) workplace influence the production process and labour within the chain.

However, Coe et al. argue that not only do those local institutions and legislative frameworks influence the labour, but also is it crucial to understand the managerial control strategies and the role of the dominance of firm/firms and their linkages with logistics companies in the chain and how their managerial control is exercised over their suppliers that affect the labour and working condition at the point of the production chain.¹³⁵ Accordingly, as Newsome emphasised in his work, a key to understanding how these actors influence labour condition within the production chain is crucial to understand the managerial control practices and how this is managed,¹³⁶ and exercised over suppliers that affect the labour and working condition in a given chain.¹³⁷ In their work Coe et al. commented, understanding the power relations of the lead firm within the value chain can contribute to understand their role in the chain affecting the labour. They pointed out the role of the dominant firm in international production chain is exercising managerial control over their suppliers through mechanisms and forms of self-regulations.¹³⁸

These forms of managerial and control practices are exercised not necessarily through ownership, but also through setting regulation and standards. As Robison argues, "compliance with standards may be constrained by the capacity of producers/suppliers of different size and power resources

¹³¹ Gereffi G. and Karina Fernandez-Stark (2011). p.10

¹³² Thompson & Smith (2009).

¹³³ Coe et al. (2008).

¹³⁴ Anner (2011). p810

¹³⁵ Coe et al. (2008).

¹³⁶ Newsome, Kirsty (2010).

¹³⁷ Coe et al. (2008).

¹³⁸ Coen et al. (2010).

to resist and negotiate with the lead firm.”¹³⁹ The managerial practices concern how international firms/retailers affecting labour at the point of production control production norms. This involves a loss of direct control, on the one hand over production process systems in setting specific criteria concerning and in relation to the product such as price and logistics, quality standards, volume, delivery date, and labour, and on the other in relation to “managerial control processes including adherence to labour standards and mobilization.”¹⁴⁰¹⁴¹ The proliferation of the managerial practices or private standards needs to be seen in the social and economic contexts in which the value chains operate.”¹⁴² Robison commented, “certification and standards setting with respect to production process (quality, price settings) and to labour standards create constraints for local management, influencing job design, work processes and employment condition.”¹⁴³ One major concern “has been that it is not clear whether these standards deliver the intended positive effects for workers (and if they do, then for which worker), (...) particularly, trade unions, fear that these managerial practices are “not able to guarantee fundamental rights such as the right to organise and that they are being used to side step unions (...) and raised the concern that standards might constitute new non-tariff barriers for developing-country producers.”¹⁴⁴

Moreover, the subsequent tension between firms and adherence to labour standards – “mostly due to the pressure of producing the high quality, low priced and just-in-time production.”¹⁴⁵ As pointed out that “lead firms govern the chains they source products from by dictating how their supply base will meet the exacting standards of quality, just-in-time delivery and price pressure and settings,”¹⁴⁶ thus affecting the labour at the point of production.”¹⁴⁷

Furthermore, this way lead firms “exercise control over the labour process through the constraints they place on relations between management and labour.”¹⁴⁸ These systems governing inter-firm relationships “raise questions about enforcement and compliance for lead firms and, particularly in the case of labour standards, may generate external frames of reference in struggles for labour rights.”¹⁴⁹ In this regard, there are fewer opportunities for workers/producers to organize and find

¹³⁹ Robinson, Pamela (2013) p96

¹⁴⁰ Here the concept of mobilization is understood as the “structural power based on position in the production and distribution nodes within a given chain.” (Robinson, Pamela (2013) p98)

¹⁴¹ Newsome, Kirsty (2010).

¹⁴² Riisgaard, Lone. (2009). p2

¹⁴³ Robinson, Pamela (2013) p102

¹⁴⁴ Riisgaard, Lone. (2009). P4

¹⁴⁵ Robinson, Pamela (2013) p102

¹⁴⁶ Robinson P.K. (2010). p167

¹⁴⁷ Robinson, Pamela (2013) p102

¹⁴⁸ Robinson, Pamela (2013) p97

¹⁴⁹ Robinson, Pamela (2013) p99

responses to solutions to inter-firm managerial strategies in the chain and, instead relay on local institutions to bargain and organize.

However, as producers and suppliers in international production are highly dependent on large and dominant lead firms (e.g. large buyers multinational companies, supermarkets), and as Ponte and Gibbon emphasised this can be viewed producers/workers and suppliers often are characterized by intense regulation and standards by the lead firms in the chain. Further, as Barrientos argue the influence on labour condition in global production chains “is a direct result of the cost pressures imposed by lead firms on suppliers, represents a mechanism for passing risk onto workers.”¹⁵⁰

Moreover, Ponte and Gibbon show how these standards and control strategies by lead actors can influence and create constraints for labour and workers conditions at the point of production, with a high degree of instability, influencing labour conditions and working process, labour wages, labour regulations and rights and employment conditions, “these systems governing by the lead firms and, particularly in the case of labour standards, generating external frames of reference in struggles for labour rights.”¹⁵¹

This is especially relevant for developing countries production chain as those are inherently more risky in terms of labour conditions and socially reasonable trade because most of those countries less likely to have effective legislation and well-resourced systems to ensure basic labour rights.¹⁵² Further, there is little opportunity for workers to organize and demand collective agreements, because “have no leverage or power to initiate a process of collective bargaining across a number of plantations and are marginalized by the companies, restricting their ability to act for labour rights, and work unions.”¹⁵³ As Riisgaard shows in her study, how these lead actors in the production chain “can either choose to ‘ride’ the labour standards, exploiting them to gain influence and advance their own projects; or choose to position themselves against the labour standards thereby.”¹⁵⁴

However, in Frundt’s study, an interesting analysis on the banana industry was conducted and notes that, the multination companies and more recently large supermarkets are involved along the banana chain, “in production, packing, transport and ripening which gives them a high degree of control over the production end of the value chain in terms of setting quality and price demands with suppliers, as well as in pressuring host countries on issues of taxation, labour

¹⁵⁰ Barrientos S. (2008) p980-981

¹⁵¹ Robinson, Pamela (2013) p102

¹⁵² Ponte & Gibbon (2005)

¹⁵³ Riisgaard, Lone (2009). p25

¹⁵⁴ Riisgaard, Lone (2009). p24

wages, regulations and environmental legislation.”¹⁵⁵ The market ambition of international retailers to fulfil the needs of their consumers results in extreme levels of control being exerted in the chains from which they are sourcing the product.¹⁵⁶

Hence, understanding the managerial control strategies of lead firms along the banana value chain can contribute to provide important insight in determining their role and consequences for banana producers/workers, which in particular will be interesting to find out in the analytical chapter.

3.4. The Concept of Market Power

An understanding of the concept of market power is also important for the purpose of this study. The concept of market power befits such a central topic in microeconomics and has always been an important topic to economists working in the field of industrial organization.¹⁵⁷ According to Organization for Economic Co-operation and Development (OECD), the concept of market power refers to an individual firm or to a group of firms’ ability, which can manipulate the market price of an item in the marketplace by influencing the level of supply and demand or both. The firm(s) has the ability to raise or lower the prices and maintain price above the level that would prevail under competition is referred to as market or monopoly power.¹⁵⁸ “The exercise of market power leads to reduced output and loss of economic welfare.”¹⁵⁹ Firms that have market power are often described as price makers or price setters “because they have the ability to establish the marketplace price of an item without relinquishing market share.”¹⁶⁰ ¹⁶¹ Thus, the presumption is that “if a firm has a “high market share” it has “monopoly” power”¹⁶² dominating the market and¹⁶³ which “completely controls the market for a product or service, or at least a portion of the total market, and is able to adjust pricing at will.”¹⁶⁴ Thus, “the battle for market is therefore fought on the buyers' side, (...) market share can only be won by pushing out the competition.”¹⁶⁵

¹⁵⁵ Frundt (2007) p105

¹⁵⁶ Robinson, Pamela (2013) p102

¹⁵⁷ Investopedia (2017) ‘Market Power’ (Available at: <http://www.investopedia.com/terms/m/market-power.asp>)

¹⁵⁸ OECD (2017), Market Power’ (Available at: <https://stats.oecd.org/glossary/detail.asp?ID=3256>)

¹⁵⁹ OECD (2017), Market Power’ (Available at: <https://stats.oecd.org/glossary/detail.asp?ID=3256>)

¹⁶⁰ Investopedia (2017) ‘Market Power’ (Available at: <http://www.investopedia.com/terms/m/market-power.asp>)

¹⁶¹ A firms market share represents its portion of total sales in relation to the market operates in “Market share represents the percentage of an industry or market’s total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company’s sales over the period and dividing it by the total sales of the industry over the same period.” (From <http://www.investopedia.com/terms/m/marketshare.asp>)

¹⁶² Pleatsikas, C and David Teece (2001).

¹⁶³ Pleatsikas, C and David Teece (2001).

¹⁶⁴ White, J. Lawrence (2001).

¹⁶⁵ Oxfam Germany - Last Stop Supermarket (2008).

In a journal by Oxford University written by Christopher Thomas and William Shughard, argued that the market power arises “from the simply world of multiple seller of identical homogeneous product (...) production of agricultural commodities (e.g. coffee, bananas, corn, cereals) and mineral commodities.”¹⁶⁶ This is because and since all of the “firms sell the identical product and there are no issues of reliability or other quality differences, the individual sellers are not distinctive. Buyers care solely about finding the seller with the lowest price.”¹⁶⁷ With regard to non-homogeneous products, the seller is distinctive, in this context; firms care about more than just the price. They care about the attributes of the product and of the seller.¹⁶⁸

3.5. Research Design: Setting the applicability of the two theoretical approaches to this study

As mentioned in the methodological chapter, this study will employ two theoretical and analytical approaches: the theoretical approach of Global Value Chains and Labour Process Theory. Hence, this section is meant to explain the settings and applicability of the two theoretical approaches to this study and in what way these will be applied in the analytical chapter. This study contains two analytical chapters: chapter four and five.

Chapter 4: In chapter 4, the methodological approach of GVC will be applied.

The analytical tool of GVC will be applied to identify all actors participating in the EU banana value chains. This analytical approach GVC “emphasizes global structures by including issues of how and by whom production and exchange are governed,”¹⁶⁹ hence encompassing the full range of activities that are required to bring a product from its conception to final market destinations.

I will make use of this analytical tool to examine the dynamics and inter-relations between different actors and activities at particular nodes in the chain (from production, packing, export, import, wholesalers/ripening down to supermarkets). Identifying all the actors that are involved and participate in the chain will make it possible to determine their governance structure in terms of their characterization in relations to the four dimensions stated in section 3.2. Hence, will also make it possible to identify and target the lead actor/actors, the “key actors setting rules of the game”¹⁷⁰ that dominates the banana supply chain through its capacity for systems coordinating. As by whom and how this is governed (price structure, capture of the market share of bananas

¹⁶⁶ White, J. Lawrence (2001).

¹⁶⁷ White, J. Lawrence (2001).

¹⁶⁸ White, J. Lawrence (2001).

¹⁶⁹ Riisgaard, Lone. (2009). p10

¹⁷⁰ Banana Link (2015) p45

exports, regulations, linkages with distribution channels, etc.) from production down to the final stage of the chain the retailers, which is also a specific interest for this study.

After the lead actor is identified in the chain, further, this analytical framework will be applied to take a more in depth analysis with a particular focus on the lead/powerful actor, and to find out if there are any direct value chain strands, whether banana are imported directly from the plantation to the final market destination, the retailers by the supermarkets chains in the EU banana market. Additionally, this theoretical tool will be applied to look and mapping the value distribution and cost breakdown from banana production to workers' wages, in analyzing the distribution of profit from banana field to the supermarkets. Simply put, who gains what from the banana field to the supermarkets?

In addition to the theoretical approach, in this chapter I will also make use of trade statistics, data, journals, etc. to follow and identify the actors at each stage of the banana value chain.

Chapter 5: In chapter five, both theoretical approaches will be applied to get a more in-depth analysis on this particular dominant/lead actor, which was identified in chapter four.

Labour Process Theory: I will make use of this analytical tool to place labour through the lens of inter-firm relationships, but I will particular analysis, look at and examining the lead firm/firms in the EU banana market and value chains to find out how their managerial control practices and power are exercised over banana producers/suppliers within the chain thus affecting the living conditions of banana producers and workers at the point of banana production. I will make use of this theoretical framework to examine the relationship between firms and labour and how work is configured between these at the point of banana production chain.

Global Value Chain: The theoretical approach of GVC will be applied to examine and find out the distribution of the profit/value within the banana chain from workers wages up to supermarket value share in the chain. This analysis will also be supported by trade statistical data collection, journals, scholarly literature, etc.

4. Analysis of the EU's Banana Import Market and its Value Chains

This chapter will examine and analyze the EU banana value chains through the theoretical lens of Global Value Chain.

4.1. Global Overview of the Banana Market

The banana sector is a dynamic industry. Bananas are an important cash crop for the developing countries and a food staple for millions of people as well. Bananas are grown in more than 120 countries, however, just six of these countries - Brazil, Indonesia, Ecuador, Philippines, China and India are accounting for 63% of total production. The development of the world banana trade dates back to the end of 19th century. Banana is the fifth largest agricultural commodity in world trade after cereals, sugar, cocoa, and coffee. The world banana production for export is mainly concentrated in the Latin America, Southeast Asia, Africa and the Caribbean. India is the largest producer of fresh bananas accounting of 28% of the global production in 2013. Other largest production countries are Philippines (9.2%), China (8.8%), Brazil (7.4%) and Ecuador (7.1%).¹⁷¹

The major leading banana exporting countries in world are Ecuador, the Philippines, Guatemala, Costa Rica and Columbia. Together, these countries accounted for almost 85% of the global banana exports in 2015.¹⁷²¹⁷³ However, world's largest banana exporting country is Ecuador (4.7 million tonnes) followed by Philippines (2.3), Costa Rica (2.2), Colombia (1.6) and Guatemala (1.1).¹⁷⁴ Banana production has a fundamental importance for developing countries economy and employment encompassing export earnings and employment of hundreds of thousands of people for developing countries.¹⁷⁵¹⁷⁶ The European Union (EU) is the largest consumer and the world biggest importer of bananas in the world, followed by the United States and Japan.^{177 178}

¹⁷¹ The State of Sustainability Initiative Review (2014).

¹⁷² FAO (2014a)

¹⁷³ FAO (2014a)

¹⁷⁴ European Parliament (2010)

¹⁷⁵ Evans, Edward and Ronald M. Gordon (2011).

¹⁷⁶ Banana Link (2015b)

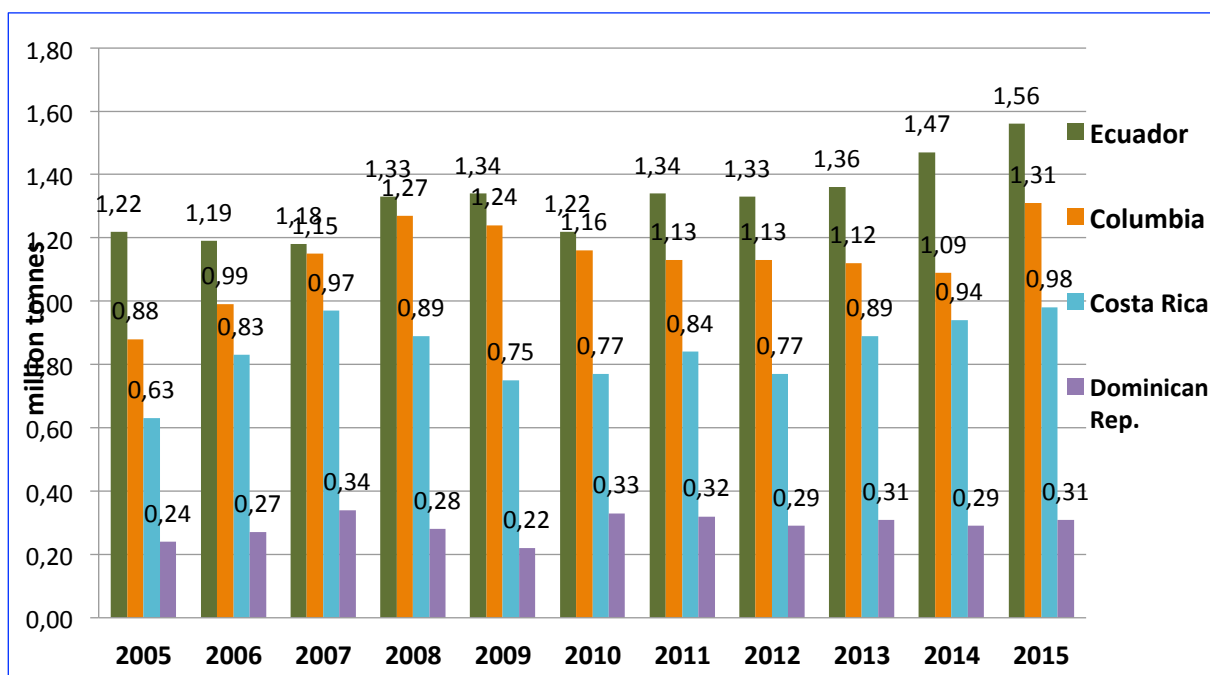
¹⁷⁷ European Commission (2013)

¹⁷⁸ FAO (2014b).

4.2. The EU Banana Market

The European Union (EU) is the largest consumer and the world biggest importer of bananas in the world, followed by the United States and Japan.¹⁷⁹ The EU has the most diversified pattern of the banana imports because of its colonial history, its preferential trade agreement with its former colonies from African and Caribbean (part of Africa-Caribbean-Pacific (ACP) countries, and countries with 'Association Agreements' new free trade agreements with Columbia and Peru.¹⁸⁰¹⁸¹ According to the FAO statistics, Ecuador and Columbia are the two main countries supplying the EU banana market. Ecuador exports more than 65% of its bananas to the EU while Colombia exports around 72% of this tropical fruit to the EU market, in 2014.¹⁸² Figure 2 below shows the EU's banana imports between 2005 and 2015. As can be noted in 2015, EU's banana imports from Ecuador was 1.56 in million tons while from Colombia 1.31 million tons respectively.¹⁸³¹⁸⁴ In addition, to a lesser extent the EU imports bananas from other Latin American countries, the Dominican Republic and Costa Rica.^{185 186}

Figure 2: European Union Banana Import Volumes (2005 - 2015)



Source: Own figures from: FAO (2012) <http://www.fao.org/docrep/019/i3627e/i3627e.pdf>, Statista: <https://www.statista.com>

¹⁷⁹ European Commission (2013)

¹⁸⁰ Eurofresh Distribution (2016a).

¹⁸¹ Banana Link (2015b)

¹⁸² European Commission (2017).

¹⁸³ FAO (2014a)

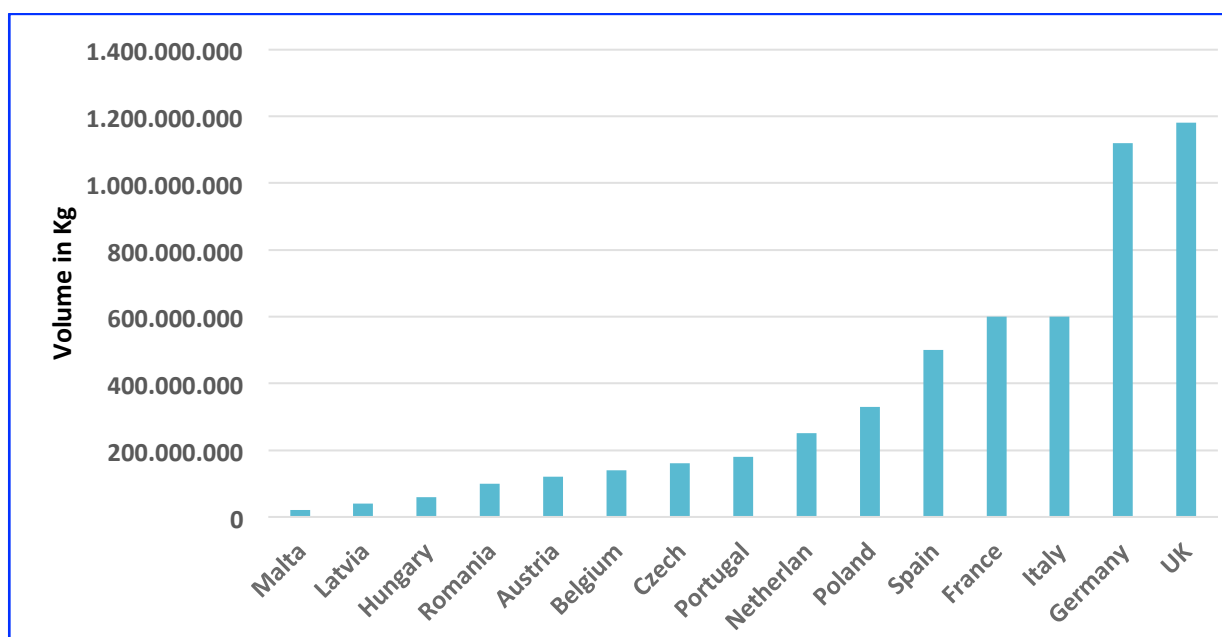
¹⁸⁴ Eurofresh Distribution (2016b).

¹⁸⁵ FAO (2014a)

¹⁸⁶ FAO (2014a)

Bananas in Europe are one of the main fresh fruit imported from outside Europe and are the most consumed fresh fruit after apples and oranges. The two main banana importers countries in the EU market are United Kingdom and Germany, followed by France, Italy and Spain (see Figure 3 below). The main entry points of banana imports in the EU market are through ports of Germany (Hamburg and Bremerhaven). Germany's ports hold a strong position for banana import in the EU¹⁸⁷¹⁸⁸(see Appendix A). Further, according to FAO statistics "Germany, re-export the bananas elsewhere in Europe and are included in FAO statistics as a major banana exporter."¹⁸⁹

Figure 3: The main Banana import markets in the EU (2015)



Source: Own figures based on data from Statista: <https://www.statista.com>

Interestingly, a study by Banana Link (2015) and other major studies find that the price of banana in Europe is much more lower than that of apples, (please see Figure 4 below), and this is despite the fact that the banana needs to be shipped up to thousand miles until gets to our supermarkets, while apple is a local fruit and grow within a few hours in most of EU countries.¹⁹⁰

As can be seen from the figure 4 below, the average price of banana in the EU is 25%, lower than that of apples. However, in comparison with other European countries, Germany and the UK have the lowest price for bananas. Major studies find that this is due to the fact that and as a result of the price image made by the large supermarket chains, and the relationship with pressure on

¹⁸⁷ Statista: <https://www.statista.com>

¹⁸⁸ CBI Trade Statistics (2014).

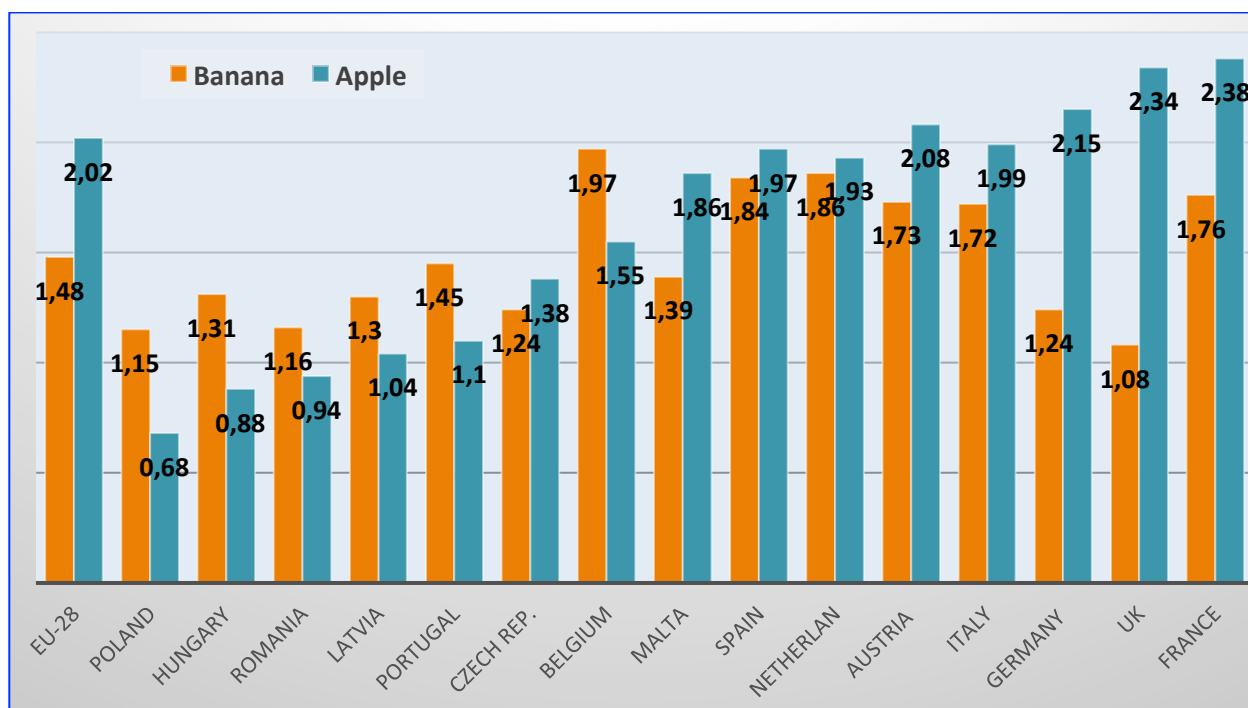
¹⁸⁹ FAO (2016).

¹⁹⁰ Banana Link (2015b)

prices in European markets.¹⁹¹¹⁹²The “competition between retailers is fierce on this good.”¹⁹³ Several commentators have argue that “fierce competition in the EU banana import market has lead to a ‘race to the bottom’ that is detrimental to farmers, workers, the environment and eventually the entire economy of the producing countries.”¹⁹⁴

The sector of Fresh Fruit and Vegetable (FFV) in the EU is one of the most important categories for the European supermarkets. Studies by the European Commission, Oxfam Germany find that prices for banana in German supermarket chains are on average 30% lower than other European countries, such as France and Italy. However, more interestingly is that the average prices of banana from Lidl, Aldi, Netto, Penny are even more “cheaper with 15% than in the rest of German supermarkets chains.”¹⁹⁵ In addition, studies find that German supermarket chains are beginning to organize more direct sourcing with banana exporters but also sometimes with producers (plantations) by using their own facilities.¹⁹⁶¹⁹⁷¹⁹⁸

Figure 4: Banana and Apples average consumer prices in EU in 2014 (in €/ Kg)



Source: Own figures from Banana Link (2015)

http://www.makefruitfair.org/wp-content/uploads/2015/11/banana_splits_media_briefing_FINAL_WEB.pdf

¹⁹¹ CBI Trade Statistics (2014).

¹⁹² Banana Link 2015b).

¹⁹³ European Central Bank (2006).

¹⁹⁴ FAO (2009) p2

¹⁹⁵ Oxfam Germany & European Commission (2014).

¹⁹⁶ Oxfam Germany - Last Stop Supermarket (2008).

¹⁹⁷ Oxfam Germany - Sweet Fruit, Bitter True (2016).

¹⁹⁸ Oxfam Germany & European Commission (2014).

4.3. Banana Value Chains

Figure 5 illustrates the traded stages of banana value chains. According to Food and Agriculture Organization of the United Nations (FAO),¹⁹⁹ most of traded bananas are usually traded through value chains. As shown in figure 5 the actors in the different segments are linked together within the chain in relationships that are coordinated in different ways (see Figure 5 for a simplified model of the banana value chain). Thus, “a value chain can include different parallel sequences of segments, called ‘strands’. These strands can also differ in “terms of suppliers, buyers, product types, their coordination, and/or end markets.”²⁰⁰

Simply put, banana value chain for import into the EU involves two distinctive strands: the direct strand and the auction strand or wholesale strand.

As mentioned before in the introduction that the banana value chain is undergoing structural shifts in the EU distribution channels. Currently supermarkets increasingly directly source from banana suppliers in developing countries while auctions have seen a decline within the EU banana import market. Auction strand or wholesale strand means that the banana importers sell their bananas to wholesalers, who in turn distribute the banana volumes further to supermarkets. The auctions in EU is basically functions as a distribution center and is the most significant way for bananas to reach the European wholesalers absorbing large quantities of bananas that are re-packed and sold to retailers in EU.²⁰¹

With regard to the direct strand of the value chain, “this is governed closely by the buyers, mainly by large supermarkets, who set specific criteria concerning product quality, price and logistics, but also production processes (...) tending to more direct sourcing from banana suppliers.”²⁰² In this regard, a study by Banana Link (2015) points out “more recently the growing market power of retailers (...) has led banana chains to be increasingly driven by supermarkets, notable in Europe.”²⁰³

In the following, the study attempts to shed some light on the EU’s banana value chains, and thus will take a more inclusive investigation and a more in depth analysis of the EU’s banana import market and value chains and its linkages, in order to find out who are the major actors controlling, operating and linkages along the banana value chain in EU banana import market.

¹⁹⁹ FAO (2008).

²⁰⁰ Riisgaard, Lone (2009) p12

²⁰¹ Riisgaard, Lone (2009) p12

²⁰² Riisgaard, Lone (2009).

²⁰³ Oxfam Germany - Sweet Fruit, Bitter True (2016).

The supply chain of this tropical fruit usually consists of see Figure 5:

Figure 5: Banana Value Chain

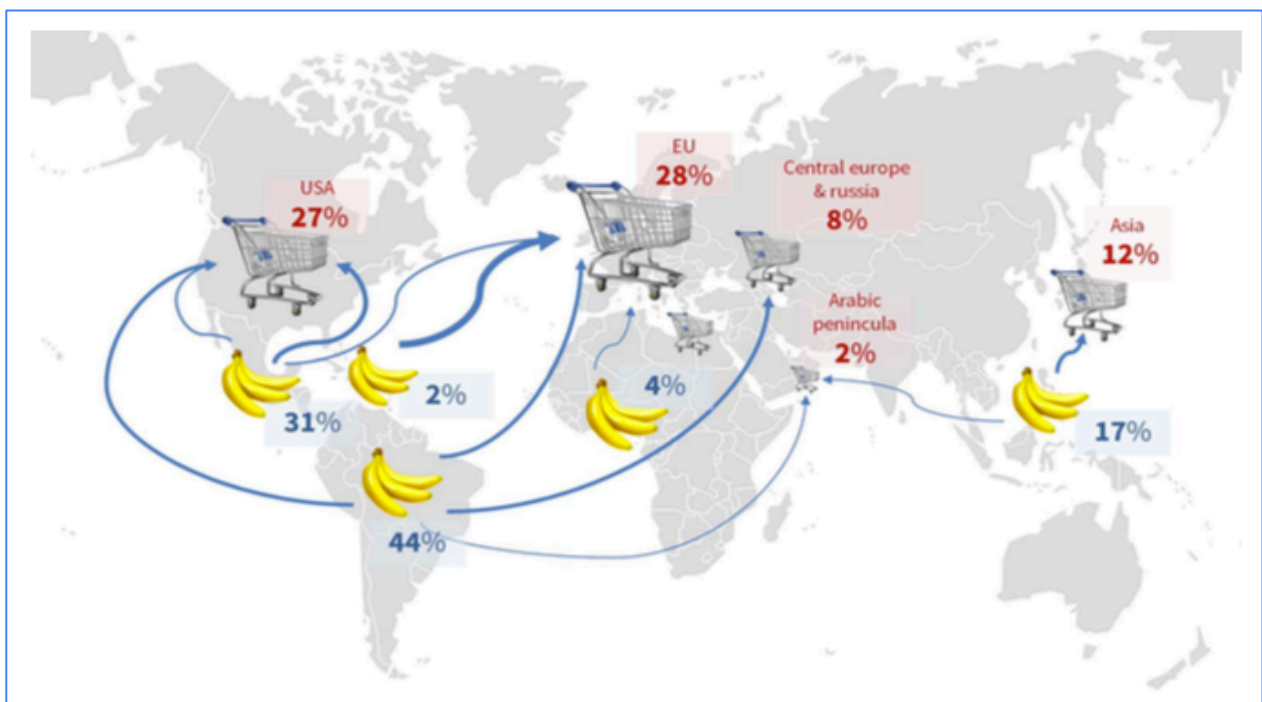


Source: FAO (2008): *The value chain for fresh fruits. The example chain of Banana Industry*, by Pascal Liu, Rom.

4.3.1. The EU's Banana Value Chains

The European Union (EU) is the world's biggest importer of bananas in the world, followed by the United States and Japan.²⁰⁴²⁰⁵ At the end of the chain, European Union is the biggest world importer of bananas and accounts for 28% of all imports as illustrated in Map 1 below.

Map 1: Share of banana world exports and imports



The development of the world banana trade dates back to the end of the 19th century. For decades, the banana industry has been one of the key examples of trade injustice and vertically integrated monopolized by few multinational companies - Del Monte, Fyffes, Dole, and Chiquita which control all operations along the chain - production, shipping, import and ripening and their

²⁰⁴ European Commission (2013).

²⁰⁵ FAO (2014b).

own distribution networks as in order to keep hold of the offer and influence the downstream market.²⁰⁶

An FAO report on the world banana economy and other major studies emphasized that, in 1980, only 4 multinational companies accounted for over 80% of worldwide banana imports. These big four transnational companies such as Dole (at that time Standard Fruit Company), Chiquita (the United Fruit Company), Del Monte, Fyffes “which exercised strong market power over all other actors in the chain.”²⁰⁷ These are “extremely powerful, both in their country of origin and in the exporting countries.”²⁰⁸ These multinational companies integrated vertically up the value chain; either owning or contracting with producers, hence these controlled the banana market in the world, from production down to supermarkets delivery.²⁰⁹²¹⁰²¹¹

Since 1980 until recently the resulting banana chain can be sketched as follows:



Source: from Banana Link (2015)

However, interestingly, today the situation is different, as a report by the European Parliament²¹² and other major studies stated that the banana market share of these few powerful multinational companies has fostered a major decline, notable in EU banana market.²¹³²¹⁴²¹⁵²¹⁶ The combined market share of the four multinational companies has dropped from 64% in 2006 to 39% in 2013;²¹⁷ this can also be seen in figure 6 below. Figure 6 illustrates the decline in the market share of these four banana importers multinational companies in the EU market. A process which now sees Del Monte, Fyffes, Dole, and Chiquita controlling only 39% of banana trade in Eu-

²⁰⁶ Banana Link (2015)

²⁰⁷ FAO (2003).

²⁰⁸ Oxfam Germany & European Commission (2015).

²⁰⁹ FAO (2003).

²¹⁰ International Centre for Trade and Sustainable Development (ICTSD), (2008).

²¹¹ Loeillet (CIRAD) (2012).

²¹² European Parliament (2010).

²¹³ BASIC (Bureau for Appraisal of Social Impacts for Citizen Information) (2016).

²¹⁴ Oxfam Germany - Sweet Fruit, Bitter True (2016).

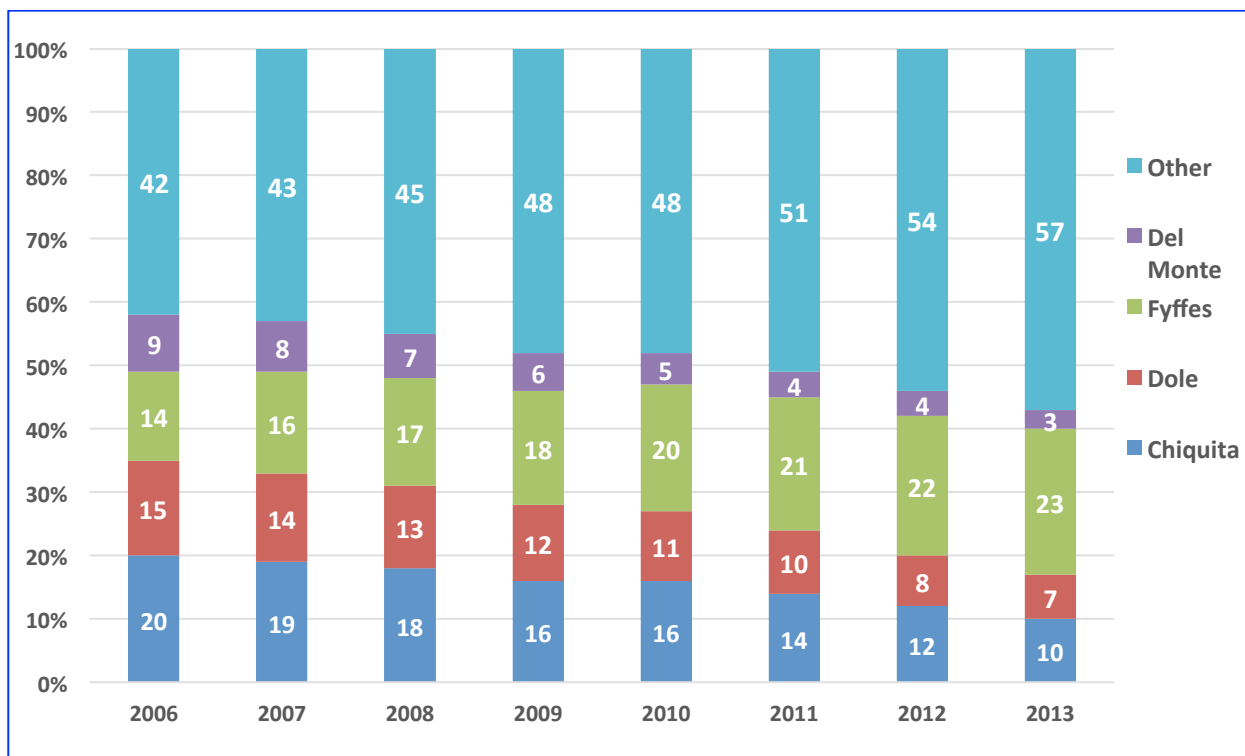
²¹⁵ Banana Link (2015).

²¹⁶ FAO (2014b).

²¹⁷ Euromonitor International (2014).

rope.²¹⁸²¹⁹ Interestingly, studies pointed out that “the rest of the market is now increasingly supplied by retailers that organize direct sourcing with banana exporters and producers/plantations,” notable in the EU banana import market.²²⁰

Figure 6: Market share of banana importers in the European Union



Source: Own figures from European Commission, (2014)²²¹, European Grocery Retailing, Planet Retail (2015)²²²

The sector of Fresh Fruit and Vegetable (FFV) is one of the most important categories for European supermarkets.²²³ A study by Planet Retail, European Grocery Retailing stated that, more recently, European supermarkets have become significantly important in the grocery and fresh fruit market.²²⁴

Several investigations have been launched by European Parliament and Competitive Enterprise Institute by EU member states ‘concerning bananas targeted the market power and possible distortions caused by these big companies,’^{225 226} pointing out that “the power relationships in the banana industry, however, seem to have shifted from a "producer-driven" value chain to a "buyer-

²¹⁸ FAO (2003).

²¹⁹ Euromonitor International (2014).

²²⁰ Oxfam Germany & European Commission (2015). p13

²²¹ European Commission (2014).

²²² European Grocery Retailing, Planet Retail, (2014)

²²³ European Grocery Retailing, Planet Retail, (2014)

²²⁴ European Grocery Retailing, Planet Retail, (2014)

²²⁵ European Parliament (2010)

²²⁶ Oxfam Germany & European Commission (2015)

driven" value chain in the sense that retailers are increasingly dominating the market and the price structure."²²⁷ Several commentators emphasized that retailers that organize direct sourcing with banana exporters and producers/ plantations now increasingly supply the rest of the market. The combined market share estimated to be over 55% (see Figure 6 above).²²⁸²²⁹ Hence, by drawing on this analysis and looking through the theoretical lens of the governance dimension of GVC analysis the 'capture of value' clearly indicates the greater level of power and control of the supermarkets in the EU banana value chains. In additions, their governance structure can also be explained by several factors.

However, going deeper into this investigation, remarkably, it was pointed out in a study by the European Parliament that during the last years several individual supermarkets chains introduced the creation of technical quality standards, namely the GlobalGAP (formerly Eurep GAP)²³⁰ which are "increasingly concentrated and increasingly concerned for purchasing fresh fruit (including bananas) safety and quality; sales are increasingly being controlled by fewer and fewer retailers, with a growing bargaining power."²³¹ In 1997, the GlobalGAP was launched it "is primarily designed to maintain consumer confidence in food quality and safety. Labour standards are not a central feature for example basic living conditions and sanitation is classed as a 'minor must'. Consequently 'standards can only be seen as first steps regarding corporate social responsibility of grocery retailers."²³² GlobalGap (Euro Retailers Produce Working Group-Good Agricultural Practices) was established by European retailers to set standards to protect consumers against food scares and to protect the interests of key actors who benefit from this market, such as large supermarket chains. However, GlobalGap has strong alliance with large supermarkets creating an oligopolistic position.²³³

Moreover, "these protocols operate on a business-to-business basis, namely supermarkets vis-à-vis suppliers. In this way supermarkets transfer the control costs that they formerly assumed towards the grower and the exporter upstream the supply chain. Compliance with private certification is an addition to the list of services which suppliers are asked to provide as a

²²⁷ European Parliament (2010).p13

²²⁸ European Grocery Retailing, Planet Retail, (2014)

²²⁹ FAO (2014b)

²³⁰ "Most of the European retailers require their producers in developing countries to be GlobalGAP or BRC certified. A single producer supplying a number of supermarkets may find that it has to comply with three, four or five different standards, ranging from GlobalGAP (which is more or less a standard requirement for exporting fruit to retailers in the EU market), through a range of private standards (such as SA8000, Rainforest Alliance, ETI Base Code) to even standards drawn up by individual supermarkets (such as Tesco Nurture, WWF/Edeka, Rewe, Aldi, etc.)."(European Parliament 2013).

²³¹ European Parliament (2013).

²³² Consumers International (2010) p53

²³³ Jahir, Lombana et al. (2010).

condition of sustained market access, in the EU.”²³⁴ Hence, again drawing on this analysis looking through the lens of Global Value Chain, the captive of the share value, decision making through the settings of regulations, which clearly indicates that these retailers have greater levels of coordination and control in the banana value chain.

Furthermore, with the EU reforms adopted in 2006 on the banana trade, where it moved to a tariff only system, with the meaning that the banana imports in the EU have been liberalized by removing the quantitative restrictions and progressive reduction of non-tariff barriers and duties of bananas in most countries from Latin America have enabled large supermarket chains to build more direct chains from consumers down to producers, hence to buy bananas independently from the multinational banana companies or suppliers. Moreover, nowadays, as the market for credit, inputs, and with the advent of the availability of refrigerated travel²³⁵ and modern shipping services and communication. More recently, for the European supermarkets, this has become a trend for food items such as bananas, tea, coffee among other products, as nowadays, the three largest container-shipping companies such Maersk, Mediterranean Shipping Company (MSC) Denmark, and Maritime Freight Company, Sweden are offering significant capacity for transport with a refrigerated standards at competitive prices.²³⁶ Accordingly, “European supermarkets are now able to stock thousands of products that originate in developing countries, and in some cases the products are sourced directly by the supermarket from developing countries producer (...) and then sell it to other European supermarkets”²³⁷ and enabling the large supermarket chains to buy banana independently from producers/suppliers –this trend is currently seen “in the German banana markets, and the UK are beginning to sourcing directly from producers initiated by several supermarkets.”²³⁸

Looking through the theoretical lens of Global Value Chain, in relations to the chain governance structure, traditionally, international banana value chain was producer-driven with the large multinational companies controlling and setting the rules of the game. However, more currently the power relationships in the banana sector seem to have shifted from producers driven (multinational companies) value chain to a buyer-driven (retailer) value chain where the multinational companies were challenged, and increasing concentration and consolidation in supermarket

²³⁴ European Parliament (2013)

²³⁵ Nowadays, the 3 largest container-shipping companies (Maersk/Denmark and MSC/Denmark and CMA CG/Sweden) offer significant capacity for transport in refrigerated standard sized containers at competitive prices. Consumer International (2010).

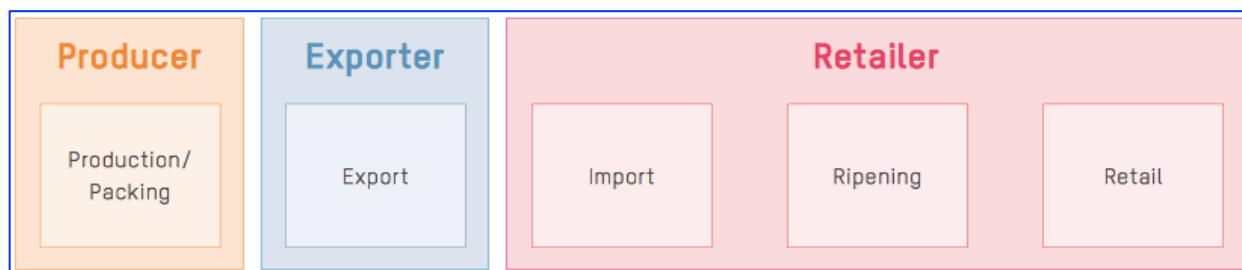
²³⁶ Consumer International (2010).

²³⁷ Consumer International (2010).

²³⁸ Banana Link (2015) p12

chains which have enabled the latter to dictate the way chains are operating, exerting a greater degree of influence and thus taking more control in the EU banana value chain.²³⁹

Thus, recently emerging retailer-driven banana chains in the EU market can be sketched as:



Source: from Banana Link (2015)

The growing market power of retailer with integrated fruit companies are competing to be their ‘preferred suppliers,’ which “supermarkets has led to the governance structure of banana chains being turned on their hands so that they are increasingly being driven by retailers instead by these five multinational companies,”²⁴⁰ several studies pointed that Germany’s and UK’s supermarkets chains are beginning to source directly and build more direct chains from consumers down to producers.²⁴¹²⁴²²⁴³

A report by the European Parliament states, that “in Germany, for example, the five big retailers (Lidl, Aldi, Edeka, Rewe, and Metro)²⁴⁴ have a market share of over 85%.”²⁴⁵ Furthermore, a report published by German Competition Authority (German Bundeskartellamt) and some other studies found that, when comparing with other supermarket chains across Europe, German supermarket chains are among the most powerful in terms of price-cutting and bargaining power.²⁴⁶

Figure 7 shows the EU’s ten biggest retailers,²⁴⁷ five of them are German (Schwarz, Aldi, Edeka, Metro, and Rewe), one from UK and the rest from France. As shown in the figure below, the Schwarz group known as Lidl is the largest retailer in the EU with a market share of 7%.²⁴⁸ In addition, several studies argue that, Schwarz Group is becoming the leading and one of the most aggressive supermarket chains in cutting prices and bargaining power with a presence in more

²³⁹ Robinson, Pamela (2013) p102

²⁴⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016).

²⁴¹ Oxfam Germany - Last Stop Supermarket (2008).

²⁴² Oxfam Germany - Sweet Fruit, Bitter True (2016).

²⁴³ Oxfam Germany & European Commission (2015)

²⁴⁴ European Parliament (2010). p13

²⁴⁵ Oxfam Germany & European Commission (2015).

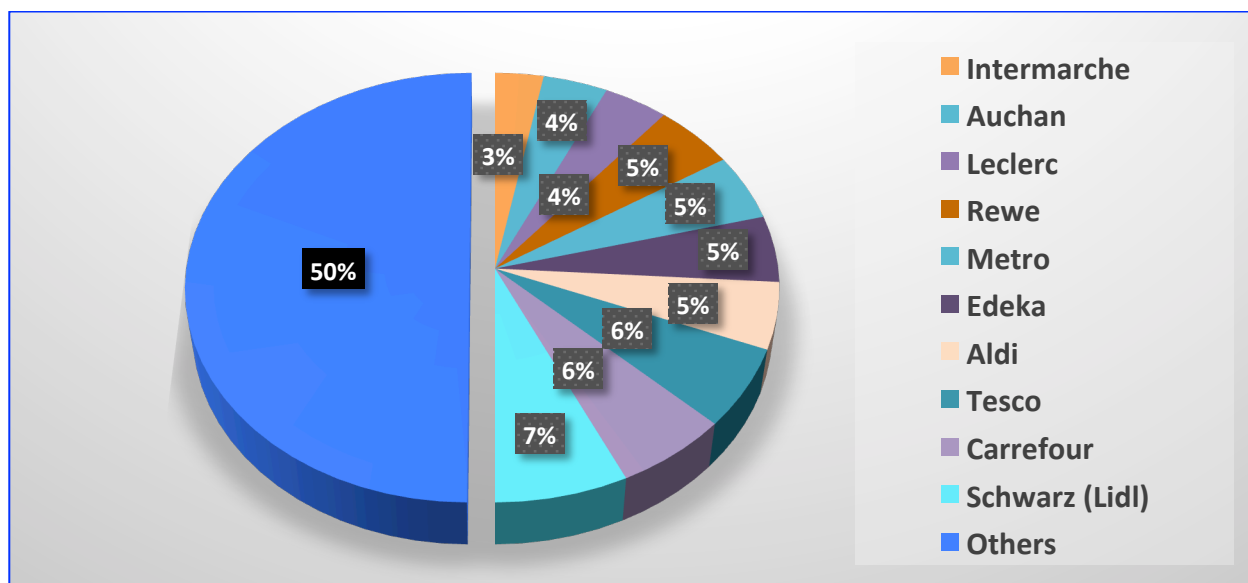
²⁴⁶ Oxfam Germany (2016).

²⁴⁷ European Grocery Retailing, Planet Retail, (2014).

²⁴⁸ European Grocery Retailing, Planet Retail, (2014).

than 26 European markets.²⁴⁹²⁵⁰ Moreover, in a recent study by Oxfam Germany and European Commission pointed out that Aldi is one of the largest European banana importers “its auctions mechanism played a central role from 2002 onwards in the setting of the banana import price in Germany, and more globally in the rest of Europe.”²⁵¹ Furthermore, a study by Consumers International, the top five supermarket chains control over the 55% of the market. This gives them immense market power.²⁵²

Figure 7: Market share of fresh fruit (including bananas) in the EU by value



Source: Own figures from European Grocery Retailing, Planet Retail, 2014

Given this situation in the EU banana market where the power relationship in the banana industry seems to have shifted from a “producer driven” value chain to a “buyer-driven” value chain in the sense that now the retailers are increasingly dominating the market and the price structure, and are beginning to build more direct chains from consumers down to banana producers.

However, in order to shed some light and get a more in depth analysis on the EU banana import market and its value chains, and since Germany is a major banana importer and re-exporter in the EU, and additionally some of their supermarket chains are the largest retailer in EU with a market share of 7% of fresh fruit in Europe.

Moreover, in an investigation by the European Commission it was demonstrated that Aldi is one of the largest purchasers of bananas in Europe. It plays a significant role from 2002 onwards “in

²⁴⁹ European Grocery Retailing, Planet Retail, (2014).

²⁵⁰ Bassel, Frank (2017).

²⁵¹ Oxfam Germany & European Commission (2015)

²⁵² Consumer International (2010) p18

setting of the banana import price in Germany, and more globally in the rest of Europe:²⁵³ in Central and Northern Europe (Denmark, Austria, Belgium, Finland, Germany, the Netherlands, and Sweden).²⁵⁴ Its market price had become “the obvious focal point for what the market clearing price will be in any given week.”²⁵⁵ Major studies have found that in recent years there has been a trend towards direct import, above all Aldi, Lidl “going direct on banana sourcing.”²⁵⁶ In the following a particular focus and a more inclusive investigation will be taken on the German banana value chain.

4.3.2. The German Banana Value Chain & German’s Market Power

Germany’s is by far the biggest European market and a major importer for fresh fruits, including bananas, with annual volumes reaching 5.5 million tons of fresh produce.²⁵⁷

After apples, bananas are one of the main fresh fruit imported from outside Europe. Moreover, “Germany re-export the bananas elsewhere in Europe and are included in FAO statistics as a major banana exporter.”²⁵⁸ Germany’s ports (Hamburg and Bremerhaven) hold a strong position as the main entry points of banana imports into the EU (see Appendix A).²⁵⁹²⁶⁰ Over the past decades, the two main countries supplying German’s banana market are Ecuador and Colombia these account for 23% of German fruit imports in 2013.²⁶¹²⁶²

Food retailers are the gatekeepers of trade in food. In recent years, large “‘retail groups’ ship enormous amount of this tropical fruit from South to the North and sell them at low prices in our supermarkets. “Bananas are standard products available in every supermarket – and at incredibly low prices.”²⁶³ A study, by Oxfam Germany, on ‘Supermarket’s buying power: the time has come to act’, stated, “The German market is already saturated, they influence the conditions under

²⁵³ European Commission (2008). Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008.

²⁵⁴ Oxfam Germany & European Commission (2015)

²⁵⁵ European Commission (2008). Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008.

²⁵⁶ European Commission (2008). Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008

²⁵⁷ European Grocery Retailing, Planet Retail, (2014).

²⁵⁸ FAO (2014b)

²⁵⁹ European Grocery Retailing, Planet Retail, (2014).

²⁶⁰ Oxfam Germany & European Commission (2015)

²⁶¹ European Grocery Retailing, Planet Retail, (2014).

²⁶² FAO (2014a)

²⁶³ Oxfam Germany - Sweet Fruit, Bitter True (2016).

which these fruits are produced. In the competition for market share and consumer loyalty, price plays a central role.”²⁶⁴

In 2014, German Competition Authority published a report demonstrating that “the large retail groups who make up 85% of the German market have a huge lead over their small and medium-sized competitors and can make use of their structural advantages”²⁶⁵ due to their “low pricing strategy.”²⁶⁶ The German big four supermarket chains, Lidl, Aldi, Edeka, and Rewe, have a market share of over 82%.²⁶⁷²⁶⁸²⁶⁹

Furthermore, in a recent study by European Grocery Retailing, Planet Retail, it is argued that the Schwarz Group (known as Lidl) is one of the most aggressively growing retailers, with a presence in more than 26 European markets.²⁷⁰ Figure 7 above also demonstrates that Lidl has the largest market share of 7% of fresh fruit and grocery in Europe, “the battle for market share is therefore fought on the buyers side, market share can only be won by pushing out the competition.”²⁷¹ Lidl also holds a leading position in Europe’ top ten groceries operators by total sales, accounting with almost of 70% of the total sales, followed by Aldi the other leading store in EU, (see Figure 8 below).²⁷² By drawing on this analysis, looking through the theoretical lens of global value chain it clearly illustrates the powerful position of the German supermarkets chains in the EU banana market and value chains. The Consumer International has also analyzed the current situation of the banana value chain in EU and argued that “if the share of value is captured to an excessive extent by retailers while other actors in the chain go under-paid, and if buying prices are forced down to unsustainable levels, by the retailers, there are risks to survival of suppliers/producers”²⁷³ are likely to be substantially impacted.²⁷⁴

²⁶⁴ Oxfam Germany - Sweet Fruit, Bitter True (2016).

²⁶⁵ Bundeskartellamt, Gliederung der Sektoruntersuchung Lebensmitteleinzelhandel, (Investigation of the food retailer setor) September 2014

²⁶⁶ Oxfam Germany & European Commission (2015)

²⁶⁷ Oxfam Germany & European Commission (2015)

²⁶⁸ European Parliament (2010)

²⁶⁹ Brassel ,Frank (2017)

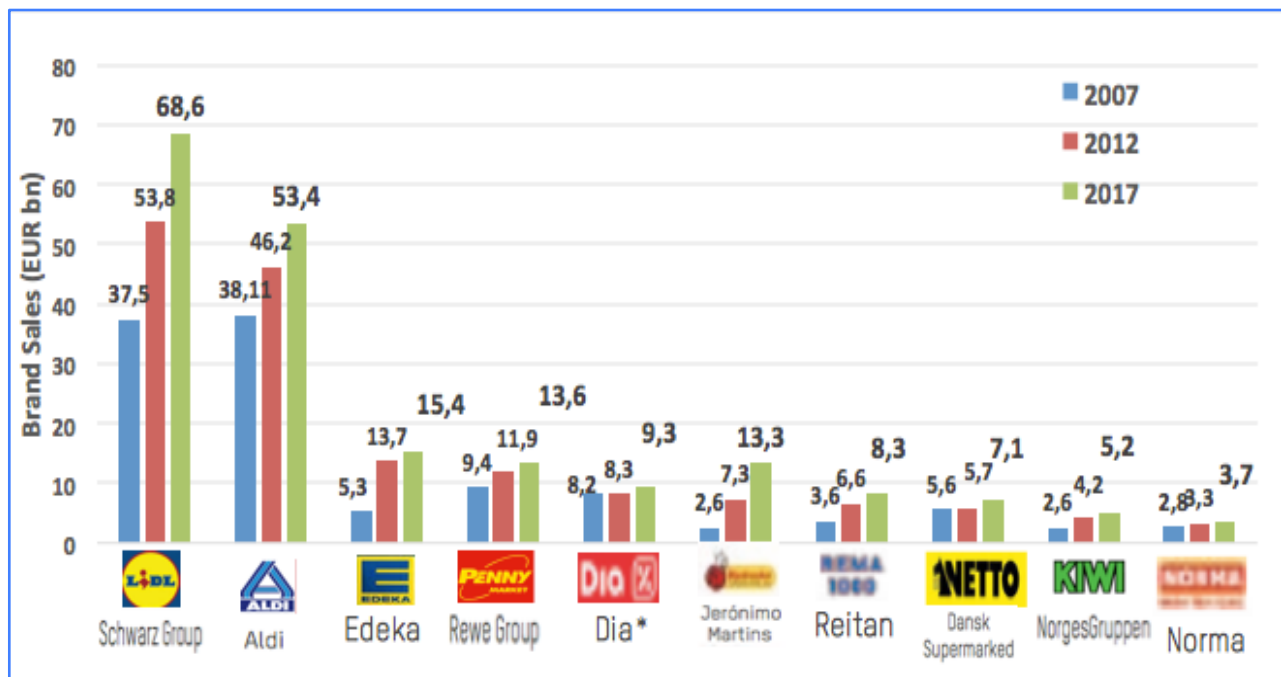
²⁷⁰ European Grocery Retailing, Planet Retailer (2014)

²⁷¹ Oxfam Germany - Last Stop Supermarket (2008).

²⁷² FAO (2014b)

²⁷³ Consumer International (2010) p6

²⁷⁴ Consumer International (2010) p6

Figure 8: Europe: Top 10 Groceries Stores Operators by Total Sales 2007-2017 (EUR bn)

Source: Own figures from European Grocery Retailing, Planet Retail, 2014

A report by the European Parliament on banana trade stated, “a market share of 8% of food retailers is sufficient to create "demand power" that significantly affects the competitiveness of suppliers and distorts the competition among suppliers and retailers.(...)In the end, in the global banana trade, it is the retailers who dictate terms and prices to their suppliers and who decide from which country and from which supplier bananas are coming to the shelves of the supermarkets.”²⁷⁵In this respect, producers/farmers are facing a serious pricing pressure ”since bananas are a "Known Value item. "If the leading retailer in a given country for example ALDI in Germany or Asda Walmart in the UK is decreasing its price for bananas, other retailers are obliged to follow,”²⁷⁶since no customer is interested in buying bananas at a higher price. Several studies find that the majority of bananas imported in Germany’s market are purchased at a much lower price than the official minimum price in banana producing countries, when comparing to other European markets.

When comparing with other supermarkets across Europe, German supermarkets are amongst the most powerful in terms of price-cutting²⁷⁷ and some are the leading and the largest supermarkets in Europe.²⁷⁸ The largest supermarkets chains as Aldi, Lidl and Edeka are able to determine

²⁷⁵ European Parliament (2010).

²⁷⁶ European Parliament (2010).

²⁷⁷ Brassel , Frank (2017).

²⁷⁸ European Grocery Retailing, Planet Retailer, (2014).

pricing and supply conditions concerning product's appearance and quality, in banana production countries.²⁷⁹²⁸⁰²⁸¹ Hence, in comparison with other "major European supermarkets, Germans are very price-sensitive and expect high quality products."²⁸² Germans supermarkets put a high emphasis on how the product is should look, more than its overall taste, and the country of origin of the fruit from Ecuador, Colombia is one of the most important factors influencing consumption. Additionally are extremely stringent and concerned about safety requirements.²⁸³ "GlobalGAP certification which has been developed and is managed by leading European retailers, is also a critical issue in the German fruit market: producers who are not GlobalGAP certified have no chance to enter the German market"²⁸⁴

In an investigation launched by the European Commission it was demonstrated that Aldi one of the largest purchasers of bananas in Europe, has played a significant role from 2002 onwards "in setting of the banana import price in Germany, and more globally in the rest of Europe: in Central and Northern Europe (Denmark, Austria, Belgium, Finland, Germany, the Netherlands, and Sweden)."²⁸⁵ In addition, a study of the Oxfam Germany and European Commission argues, "banana prices in German supermarket chains are on average 25% lower than in other European countries, such as France and Italy."²⁸⁶ Figure 4 above demonstrates this also. Additionally, the study also pointed out that banana price in supermarkets such as Lidl, Aldi, Netto, and Penny are even cheaper with 15% than in the rest of German's supermarkets chains.²⁸⁷

However, while the four multinational companies such as Dole, Chiquita, Fyffes and Del Monte used to be the ones significantly determining prices and conditions on fruit companies, "the power relationships in the banana industry, seem to have shifted from a "producer- driven" value chain to a "buyer-driven" value chain in the sense that,"²⁸⁸ "the banana market is now increasingly supplied by retailers that organize direct sourcing with banana exporters and sometimes with producers (plantations)."²⁸⁹

²⁷⁹ Oxfam Germany - Sweet Fruit, Bitter True (2016)

²⁸⁰ Brassel , Frank (2017)

²⁸¹ Oxfam Germany - Sweet Fruit, Bitter True (2016)

²⁸² USAID (2012).

²⁸³ Oxfam Germany & European Commission (2015) p8

²⁸⁴ Oxfam Germany & European Commission (2015) p10

²⁸⁵ European Commission Decision (2008). Op cit.

²⁸⁶ Oxfam Germany & European Commission (2015)

²⁸⁷ Oxfam Germany & European Commission (2015)

²⁸⁸ European Parliament (2010)

²⁸⁹ Banana Link (2015)

More specifically, the supermarket chains have now taken on this role above all Aldi (...) when it comes to such, in recent years there has been a trend towards direct import,”²⁹⁰ additionally, a report by the European Commission also pointed out that Lidl is “going direct on banana sourcing.”²⁹¹

Moreover, interestingly a study by Banana Link argues that some of the German supermarkets chains are being the largest distribution channels for banana imports in Germany together with a strategic alliance with Dole and Rainforest Alliance.²⁹² “Globally speaking, the German banana market is strongly influenced by big domestic and global retailers, so as in the rest of Europe and North America.”²⁹³ Accordingly, several studies have shown that this low wholesale price leaves little leeway for positive social development in banana production and exporting countries such as Ecuador and Colombia, the two main countries supplying German’s banana market.²⁹⁴²⁹⁵ This will be interesting to look at and to get a more analysis in the next chapter five.

However, in the following, Global Value Chain approach will be applied to have a more in depth analysis and a closer look will be given to the supply link between Germany and these two countries Ecuador and Colombia, to find out whether German supermarkets are having direct chains from banana farmers/producers. “A value chain can include different parallel sequences of segments, called ‘strands’. These strands can also differ in “terms of suppliers, buyers, product types, their coordination, and/or end markets.”²⁹⁶ The supply chain of this tropical fruit usually consists of:

Figure 9: Banana Value Chain



Source: FAO (2009): *Certification in the value chain for fresh fruits. The example chain of Banana Industry*, by Pascal Liu, Rom.

²⁹⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016)

²⁹¹ European Commission (2008). Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008.

²⁹² Banana Link (2015)

²⁹³ Banana Link (2015)

²⁹⁴ Brassel, Frank (2017)

²⁹⁵ Banana Link (2015)

²⁹⁶ Riisgaard, Lone (2009). p12

Banana imported from Ecuador to Germany

Figure 10, illustrates the main banana value chain settings of German retailers.

Figure 10: Supply link: Banana imported from Ecuador to Germany

Producer and Exporter	Trade Mark (label)	Retailer	Retail Chain
From Port of Guayaquil and PTO. Bolivar in Ecuador To Port of Hamburg and Bremerhaven		Importer and wholesalers/Ripening and Retailer	
Palmar Plantation Noboa, also one of the suppliers for Cobana-Fruchtring.	Cobana/Rewe	Cobana Fruchtring in Hamburg	Aldi, Rewe (Penny),
Plantation Certified WWF/Edeka Gisella Farm (150 people work at this farm) Naranjo Chico Farm (80) Lolita 1 Farm (102 people) Maria Jose Farm (241 people) Primo Bananao Farm (300 people)	DOLE + EDEKA/WWF	Edeka Fruchtkontor	Edeka
Matias Plantation /Tropical Fruit (about 65 people work at this plantation)	Tucan	Anton Durbeck, Logistica Berlin, and AFC²⁹⁷ (the main suppliers of Lidl) Lidl is in fact seen as "direct sourcing".²⁹⁸	Lidl
Reybanpac Rey Banano Del Pacifico C.A.	Favorita	Anton Durbeck, Cobana Fruchtring, Hamburg and AFC	Lidl
Obsa Oro Banana S.A.	Excelban	Cobana Fruchtring, Logistica Berlin	Aldi, Rewe,

Sources: Oxfam Deutschland (2016),²⁹⁹ Association of Banana Exporters of Ecuador (2016),³⁰⁰ Banana Statistics of Ecuador (2015),³⁰¹ Fresh Fruit Portal (2016) Resource Centre (2017)³⁰² Oxfam Germany (2016),³⁰³ Edeka Group (2017),³⁰⁴ EUROFRUIT (2017)³⁰⁵, Durbeck (2017)³⁰⁶

²⁹⁷ Afrikanische Frucht-Compagnie (AFG) GmbH and Anton Durbeck are the main suppliers of Lidl (Oxfam Germany - Sweet Fruit, Bitter True (2016))

²⁹⁸ European Commission (2008). Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008.

²⁹⁹ Oxfam Deutschland (2016).

³⁰⁰ Instituto de Promocion de Exportaciones e Inversiones (Institute of Promotion of Exports and Investments).(2016)

³⁰¹ BananaStat (2015).

³⁰² Fresh Fruit Portal (2016).

³⁰³ Oxfam Germany - Sweet Fruit, Bitter True (2016).

³⁰⁴ Edeka Group (2017a).

³⁰⁵ EUROFRUIT (2012).

Figure 10 above illustrates the main suppliers links of bananas imported from Ecuador to Germany.

Palmar Plantation: located in the region El Oro in the South of Ecuador a medium-large banana production company with 159 people work on this plantation. Studies argue that Palmar Plantation supplies more than a third of its bananas to Rewe Group, Aldi, and others through their main supplies Cobana Fruchtring based in Hamburg. The company consists of “48 German wholesalers (in a bid to create more independence from the large multinationals) who decided to unite their banana purchases under a common name: Cobana.”³⁰⁷ Additionally, Cobana represents the banana brand (trade label mark) of the company. Bananas are grown in Ecuador, Colombia and Central America and are directly imported by the German company, Cobana Fruchtring based in Hamburg,³⁰⁸ from “purchasing through packing and ripening right up to delivery to the retail trade.”³⁰⁹

Plantation Certified WWF/Edeka: Plantation certified by the World Wide Fund for Nature (WWF) “used for banana production for Edeka by the multinational fruit company Dole, as a part of a strategic partnership with Edeka, which began in 2014.”³¹⁰ Since then Edeka contracted small and large banana farms in Ecuador (see figure 10 above) and Columbia (see figure 11 below), in addition these are also supplying the product for their own mark ‘Edeka’. On the Edeka website it is stated that “The production conditions for the bananas marketed under the Edeka private label will gradually be improved both in terms of their environment and social impact.”³¹¹

Matias Plantage (Tropical Fruit Export S.A.), the farm is located in the Amazons region, South Ecuador, it is a small-size farm with 80 employees/workers. Several studies found that the Ecuadorian exporter Tropical Fruit Export supplies Matias’ bananas to Lidl, through Durbeck and Afrikanische Fruchtcompagnie GmbH. The Tropical Fruit Export banana company consists of 5 banana plantations in Ecuador, supplying the German market.^{312 313}

Reybanpac Rey Banano Del Pacifico C.A. Reybanpac is classified as a large size company in the banana industry in Ecuador. The company has more than 10.000 workers and it is the biggest

³⁰⁶ Anton Durbeck gmbh (2017).

³⁰⁷ Banana Link (2015)

³⁰⁸ Fresh Plaza (2017).

³⁰⁹ Cobana Fruchtring (2015).

³¹⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016).

³¹¹ Edeka Group (2017b).

³¹² Rainforest Alliance (2017).

³¹³ Oxfam Germany - Sweet Fruit, Bitter True (2016).

producer and exporter in Ecuador. The company supplies bananas to Lidl through their main supplier Anton Durbeck, Cobana Fruchtring and AFC the main supplier of Lidl.^{314 315}

Obsa Oro Banana S.A. is a small size farm in the EL Oro area with ca. 50 people working at this farm. The company supplies the German market Aldi, Rewe and others.

Banana imported from Colombia to Germany

Figure 11, illustrates the main banana value chain settings of German retailers.

Figure 11: Supply link: Banana imported from Colombia to Germany

Producer and Exporter	Trade Mark (label)	Retailer	Retail Chain
From Port of Turbo (the main banana shipping port of Colombia) ³¹⁶ Port of To Port of Hamburg and Bremerhaven		Importer and Ripening and Retailer	
Plantation Certified WWF/Edeka Las Divas Farm (32 people work at this farm) Llanos Farm (46 people) Vega Farm (47 people) Colonia Farm (54 people) Don Fuad 2 Farm (62 people) Eufemia Farm (72 people)	DOLE + EDEKA/WWF	Edeka Fruchtkontor	Edeka
Ci Coindex S.A. Finca El Antojo Others	PALMAR	Cobana Fruchtring in Hamburg	Aldi, Rewe (Penny),
Banana Export S.A.	Bana Rica /Rainforest Alliance	Univeg Handelsgesellschaft GMBH, Anton Durbeck, AFC (the main supplier of Lidl in Germany) Lidl is in fact seen as "direct source-	Lidl

³¹⁴ Bananalabel Catalog. Produce Seal Society (2017).

³¹⁵ Banana Link (2015).

³¹⁶ Quesada, H. Victor (2013).

		ing” also. ³¹⁷	
Plantation Certified Rainforest Alliance Rita Maria Farm (173 people work at this farm) Yerbazal (76 people) Rancho Amelia Farm (78 people) Cibeles Farm (32 people)	Dole /Rainforest Alliance	Cobana Fruchtring ,Univeg Handels-gesellschaft GMBH, AFC³¹⁸ (the main supplier of Lidl in Germany)	Aldi, Rewe (Pen-ny), Lidl

Sources: Oxfam Deutschland (2016), Banana Link (2016), BananaLabel Catalog (2017), Cobana Fruchtring (2015) Edeka Group (2017), Fresh Plaza (2017), EUROFRUIT (2017), Business & Human Rights Resource Centre (2017)³¹⁹

Figure 11 above illustrates the main supply link of bananas imported from Colombia to Germany.

Plantation Certified WWF/Edeka: Plantation certified by the World Wide Fund for Nature (WWF) “used for banana production for Edeka by the multinational fruit company Dole, as a part of a strategic partnership with Edeka, which began in 2014.”³²⁰ Since then Edeka contracted many banana farms in Ecuador³²¹ (see figure 10 above) and Colombia³²² (see figure 11 above), in addition the banana producers in these countries are supplying the product for their own mark ‘Edeka.’ On Edeka’s website it is stated that “The production conditions for the bananas marketed under the Edeka private label will gradually be improved both in terms of their environment and social impact.”³²³

Ci Coindex, Finca El Antojo Plantation, Banana Cisa: As mentioned above, Cobana represents the banana brand (trade label mark) of the company. The company consists of “48 German wholesalers (in a bid to create more independence from the large multinationals) decided to unite their banana purchases under a common name: Cobana.”³²⁴ Bananas are grown in Ecuador, Colombia and Central America and are directly imported by the German company, Cobana Fruchtring based in Hamburg,³²⁵ from “purchasing through packing and ripening right up to delivery to the retail trade.”³²⁶

³¹⁷ European Commission (2008). Decision relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 – Bananas, 2008.

³¹⁸ Afrikanische Frucht-Compagnie (AFG) GmbH

³¹⁹ Business & Human Rights Resource Centre (2017)

³²⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016)

³²¹ Oxfam Germany - Sweet Fruit, Bitter True (2016)

³²² Oxfam Germany - Last Stop Supermarket (2008).

³²³ Edeka Group (2017b).

³²⁴ Banana Link (2015).

³²⁵ Fresh Plaza (2017).

³²⁶ Cobana Fruchtring (2015).

Bana Export S.A./ Plantation Rainforest Alliance: “Rainforest Alliance is used in the light of recent moves by discount supermarkets like Aldi and Lidl to source tropical fruit from RA supply.”³²⁷ RA is used for banana production and contracted many banana producers in Ecuador and Columbia having a strategic alliance with Dole.³²⁸

The above analysis it clearly illustrates that the German supermarket chains started towards direct chains from banana farmers/producers in Ecuador and Colombia.

In the following chapter, a more in depth analysis will be given on German supermarket chains to investigate the effects of their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia. In this chapter both theories are applied.

³²⁷ Banana Link (2016).

³²⁸ Corporation for Rural Business Development (2014).

5. Empirical/Data Analysis: Case Studies Ecuador and Colombia

This chapter attempts to investigate German supermarket chains from a systematic perspective, looking at their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia. In this chapter I will examine the value distribution and cost breakdown from banana production to workers' wages, analyzing the distribution of profit from banana field to the supermarkets.

5.1. Case Study of Ecuador

Overview of the Ecuadorian Banana Production and Export

Ecuador is by far the world's biggest exporter of bananas. Its banana exports is almost three times more than the second major exporter, Colombia. According to FAO statistics, Ecuador exports more than 65% of its bananas to the EU.³²⁹

The main region of Ecuador, where the bananas are grown are: Guayas, El Oro and Los Rios. These three regions account for more than 90% of banana production.³³⁰

Almost 90% of the banana crops belong to small and medium size farms of between 10 and 50 hectares, which is also one of the characteristics of the Ecuadorian banana industry when compared to other Latin American banana producing countries. Ecuador's banana industry has the largest number of small and medium size producers of less than 50 hectares, as shown in the Table 1 below.³³¹³³² Banana production and export has a major importance for Ecuador's economy, is a considerable source of income and employment generating about 2.5 million direct and indirect jobs. In addition, this sector also accounts for the largest number of the economically active poor people in the country. This industry represents 60 % of the agricultural GDP in the country. This sector is sustained by its largest banana exports, which is the second largest export category after petroleum.^{333 334 335}

Table 1: Distribution of Banana Plantation by Farm Size

³²⁹ Instituto de Promocion de Exportaciones e Inversiones (Institute of Promotion of Exports and Investments)(2016)

³³⁰ Instituto de Promocion de Exportaciones e Inversiones op cit. (2016)

³³¹ Instituto de Promocion de Exportaciones e Inversiones op cit. (2016)

³³² USDA Foreign Agricultural Services (2015)

³³³ Instituto de Promocion de Exportaciones e Inversiones op cit. (2016)

³³⁴ Nations Encyclopaedia: Country Ecuador (<http://www.nationsencyclopedia.com/economies/Americas/Ecuador.html>)

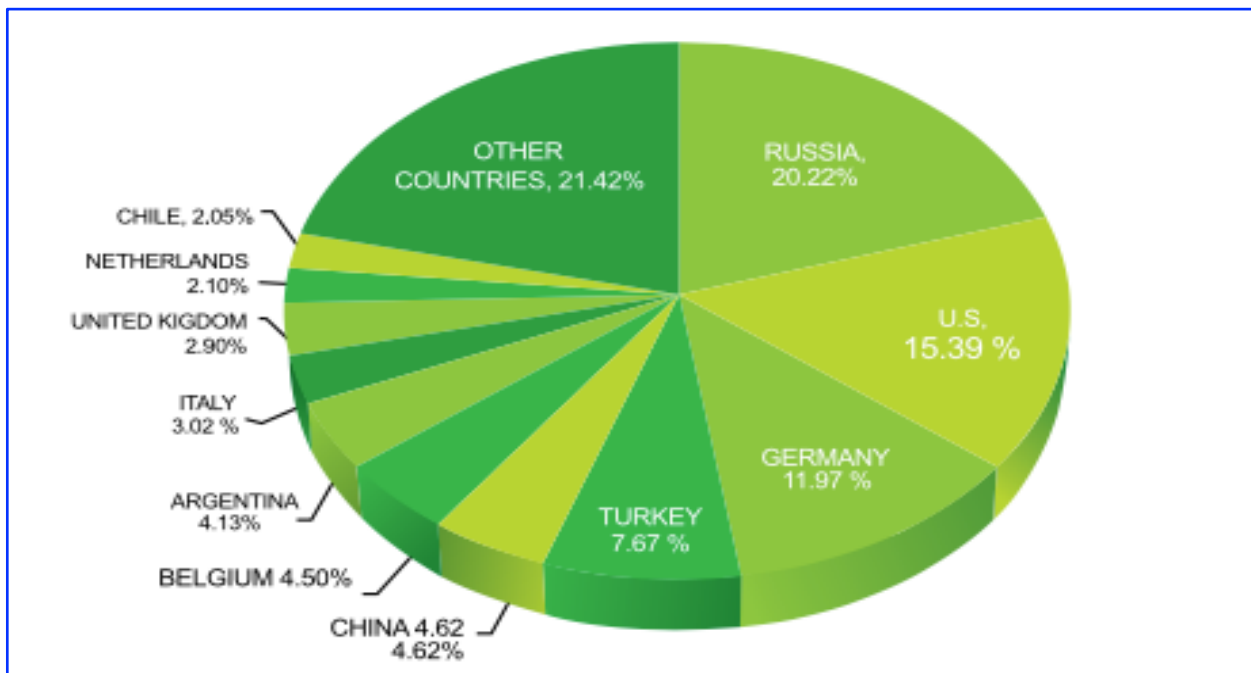
³³⁵ USDA Foreign Agricultural Services (2015)

Size Range	Number of Production	Ha
0 to 5 ha	2,387	7,826
5 to 10 ha	1,690	13,116
10 to 20 ha	1,292	20,634
20 to 50 ha	1,235	40,945
50 to 100 ha	494	35,961
Larger than 100 ha	247	52,996
Total	7,334	170,897

Source: USDA Foreign Agricultural Services (2015)³³⁶

With regard to Ecuadorian banana exports, Ecuador exports more than 60% of its banana to the EU market. Germany plays an important role in Ecuador's banana market, is the third biggest buyer of bananas from Ecuador, with about of 12% market share in 2015(see Figure 12 below)³³⁷

Figure 12: Main destinations of Ecuador banana export

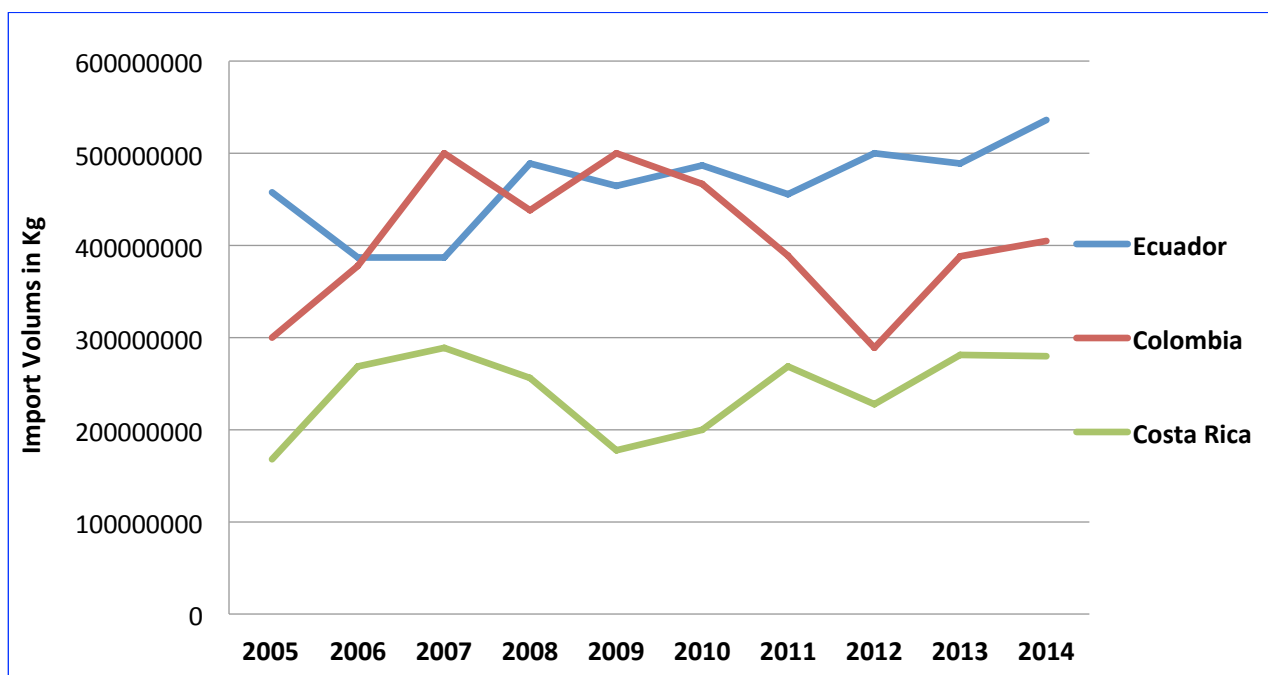


Sources: Instituto de Promocion de exportaciones e inversiones op cit. (2016)

Figure 13 below illustrates, Germany's three main origins of banana are from Ecuador, Colombia and to a lesser extent Germany also imports banana from Costa Rica.

³³⁶ USDA Foreign Agricultural Services (2015).

³³⁷ Oxfam Germany - Last Stop Supermarket (2008).

Figure 13: Banana import volumes in Germany (in Kg)

Source: Own figures based on data from Statista: <https://www.statista.com>

5.1.1. Economic Impact: Germany's banana price trends contribute to pressure on workers' wages and conditions in Ecuador

Banana production and export is crucial for Ecuador's economy, is a major source of income and employment about 2.5 million people (500,000 families) are engaged directly and indirectly to the banana industry.³³⁸

For this reasons, Ecuadorian banana export is characterized by the fact that the Ecuadorian government has set an official minimum support price for banana in order to guarantee a safety net for banana farmers and producers/suppliers in the country. According to FAO statistics the actually minimum price for banana set by the government is US \$6.55. per 43 lb box (18,14 kilo) and the price of US \$ 0.35 per kilo (see Figure 14 below US \$/Kg)³³⁹

Nevertheless, the reality is different; several case studies conducted interviews with the Ecuadorian banana producers, exporters and government and demonstrated that the price of banana that producers/farmers actually receive from the EU suppliers is significantly different from the official minimum price set by the government.³⁴⁰³⁴¹³⁴²³⁴³ In truth, the price that farmers actually can

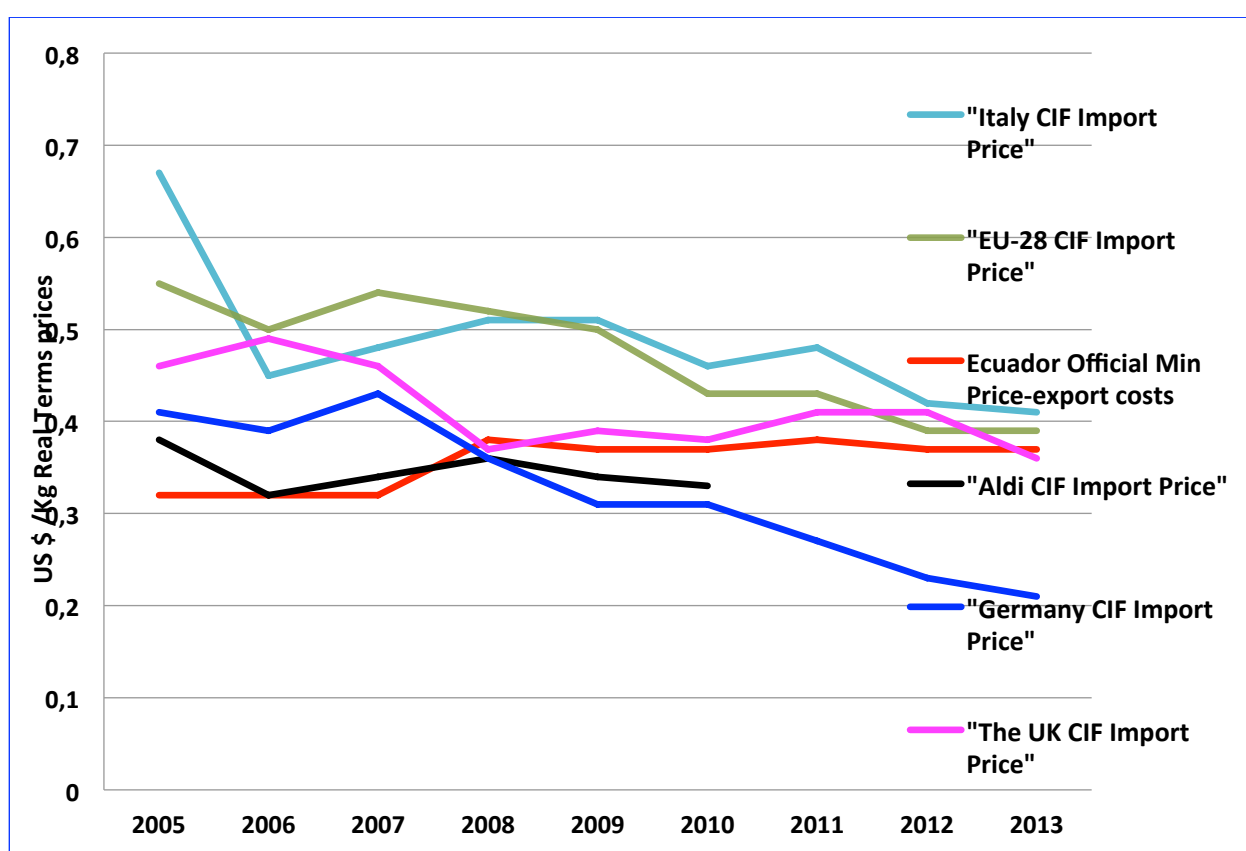
³³⁸ USDA Foreign Agricultural Services (2015)

³³⁹ FAO (2014c).

³⁴⁰ Oxfam Germany & European Commission (2014)

get from exporters is as little as US \$ 3.50 per box and between US\$ 0.12 and 0.16 per kilo (see Figure 14 below US\$/Kg).³⁴⁴³⁴⁵³⁴⁶ An investigation by Oxfam Germany on German banana value chain demonstrated that “farm gate price achieved in reality by producers and exporters is significantly different from the official support price by the government.”³⁴⁷ One of the main reason for this situation in these studies is that “the price and cost pressure exerted by supermarket chains is one of the reasons why the price paid for a box of Ecuadorian bananas falls vastly short of the legal minimum price of \$6.55 (\$3.50), the price of US \$ 0.35 per kilo.”³⁴⁸

Figure 14: Ecuadorian bananas exported price to the EU/Germany



Source: Own figure based on Oxfam Germany and European Commission (2015), Banana Link (2015) BASIC (2016)³⁴⁹

However, interestingly, in 2005 the European Commission launched an investigation concerning commercial practices between certain European banana suppliers by which they coordinated

³⁴¹ FAO (2014c).

³⁴² Oxfam Germany - Sweet Fruit, Bitter True (2016)

³⁴³ BASIC op cit. (2016)

³⁴⁴ FAO (2014c).

³⁴⁵ FAO (2014c).

³⁴⁶ Sally Smith (2010).

³⁴⁷ Oxfam Germany - Sweet Fruit, Bitter True (2016). p26

³⁴⁸ Oxfam Germany - Sweet Fruit, Bitter True (2016)

³⁴⁹ BASIC op cit. (2016)

weekly quotation prices against Aldi in Central and Northern Europe (Austria, Belgium, Denmark, Finland, Germany, Luxembourg, the Netherlands and Sweden). In 2008, the Commission's decision was published and it found that the "buying price of Aldi, one of the largest purchasers of bananas in Europe, was the obvious focal point for what the market clearing price will be in any given week."³⁵⁰ "The Aldi buying price is the price paid by Aldi to its banana suppliers."³⁵¹

Even more interesting is that Aldi being one of the largest European banana purchasers its auctions mechanism played a central role from 2002 onwards in the setting of the banana import price not only in Germany, but also in most major banana markets in Europe (Central and Northern Europe, Austria, Belgium, Denmark, Finland, Germany, Luxembourg, the Netherlands and Sweden).³⁵²

In addition, the EU Commission also observed "that the prices paid by German retailers and distributors for bananas (so called actual prices") has been increasingly linked to the Aldi price which began to be used as an indicator formula for banana pricing transaction (...), including for branded banana such as Dole and Del Monte bananas."³⁵³ Interesting to mention as can be observed from Figure 14 above, in 2011, Aldi ended this mechanism and stopped publishing its weekly price after realizing that many of its retail competitors in Europe (from the UK, but also from Germany such as Lidl, Edeka, Rewe) were using the Aldi price as a benchmark. However instead Aldi began to advance towards more direct sourcing from banana suppliers and farmers (see Figure 10) and begging to start contracting with producers/suppliers at extremely low price.³⁵⁴³⁵⁵ This was demonstrated by the calculations done by BASIC based on "official data, according to which the real producer price of Ecuadorian bananas for the German market has, on an annual average, lain below the legal minimum price since 2008."³⁵⁶

Several other studies and investigations have been made by Oxfam Germany, Banana Link, Bureau d'Analyse Societal pour une Information Citoyenne (Bureau for the Appraisal of Social Impact for Citizen Information BASIC), European Commission. They denote a significant contribution and observed that, price trend of banana imported into the EU, when comparing to EU's average import price and other major European destination of the Ecuadorian bananas such as the

³⁵⁰ European Commission Decision of 15 X 2008 relating to a proceeding under Article 81 of the EC Treaty Case COMP/39188 - Bananas

³⁵¹ European Commission Decision (2008) op cit.

³⁵² European Commission Decision (2008) op cit.

³⁵³ European Commission Decision (2008) op cit.

³⁵⁴ Banana Link (2016).

³⁵⁵ Oxfam Germany & European Commission (2014)

³⁵⁶ Oxfam Deutschland (2015).

UK and Italy. Interesting denotes a significant and different situation from Germany CIF³⁵⁷ import price and Aldi CIF import price (the money left for Ecuadorian banana suppliers). In addition, they have also demonstrated that the majority of bananas shipped to Germany are purchased at less than the official minimum price set by the Ecuadorian government.³⁵⁸³⁵⁹³⁶⁰³⁶¹ Figure 14 above demonstrates this.

Hence, furthermore, several investigations were conducted which demonstrated that almost 60%-70% of the Ecuadorian banana sold to Germany are sold under the minimum price, at extremely low prices, “German banana price trends potentially encourage further illegal practices in Ecuador through their pressure on prices and the existing mechanisms put in place to bypass the Ecuadorian legislation on banana support price, which is due to the illegal practices that enables them to mitigate and circumvent the official minimum prices system on Ecuador’s banana.”³⁶² By drawing on these results, and applying the GVC analysis it clearly shows the powerful position of the Germany’s supermarket chains in the chain. Moreover, the exporters were accused of other various unfair³⁶³ trade practices, such as of last minute cancelation of orders, thereby negatively affecting the banana farmers/producers especially the small banana growers who are most strongly affected by such practices. In addition, studies also find that there is also over charging of the cartons in which bananas are packed. Further, even though sometimes the official minimum price is what is shown on invoices, various studies reported that banana producers are often required to return a part of the payment to them in return for receiving a new order for the following week.³⁶⁴³⁶⁵³⁶⁶ Looking through the lens of the analytical framework of the Global Value Chain, their modular strategies and captive of the value, reflecting “their position of power in the value chain” in Ecuador’s banana market.”³⁶⁷

However, based on the GVC analysis and by making use of statistical data and information from recent studies, a more detailed analysis made it possible to analyze and breakdown the banana

³⁵⁷ CEF stands for Cost, Insurance and Freight, “CEF is a trade term requiring the seller to arrange for the carriage of goods by the sea to a port of destination, paid by the seller and provide the buyer with the documents necessary to obtain the goods from the carrier. (<http://www.investopedia.com>)

³⁵⁸ European Commission, (2014).

³⁵⁹ Banana Link (2015)

³⁶⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016)

³⁶¹ BASIC op cit. (2015)

³⁶² BASIC op cit. (2015)

³⁶³ Unfair Trading Practices (UTPs) have been defined by the European Commission (EC) as those “that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another.

“Banana Link (2015b)

³⁶⁴ Smith, Sally (2010)

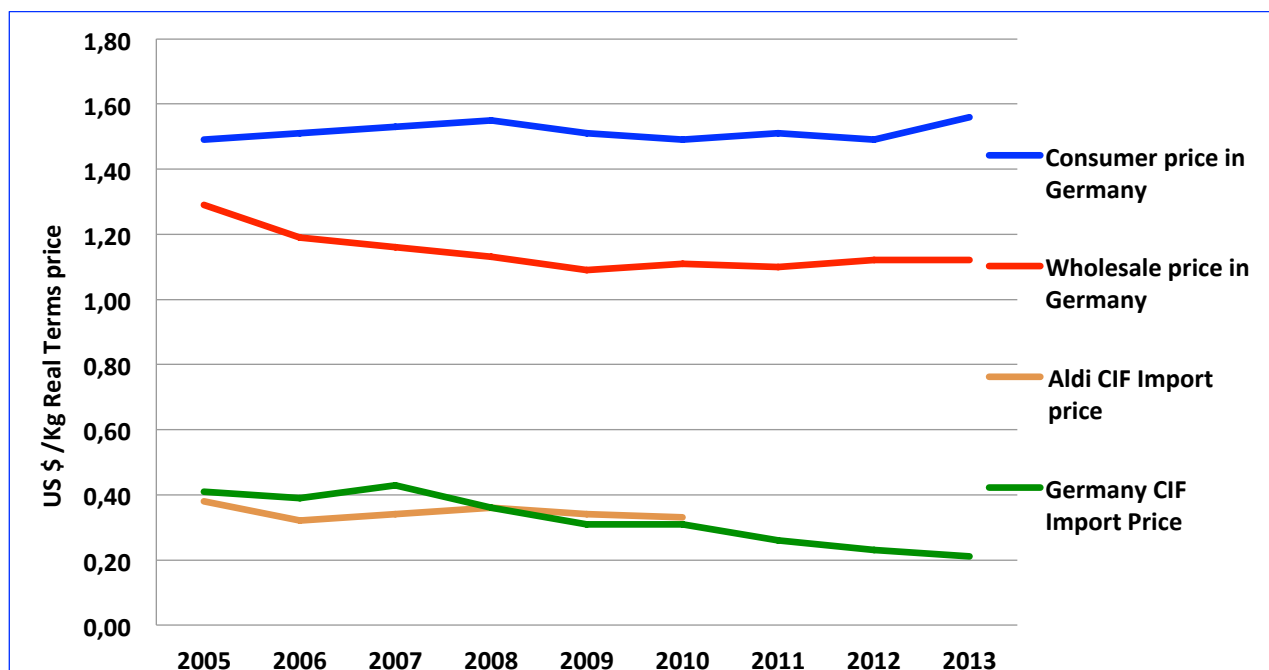
³⁶⁵ Oxfam Germany (2016)

³⁶⁶ Banana Link (2015)

³⁶⁷ Oxfam Germany & European Commission (2014) p25

value chain from consumer price to German CIF³⁶⁸ import price, the money left for Ecuadorian banana suppliers (please see Figure 15 below)

Figure 15: Breakdown the banana value chain in Germany from consumer to German import price



Source: Own figures based on data from UN Comtrade data, BASIC (2016), Oxfam Germany (2016), Oxfam Germany & European Commission (2015)

Figure 15 above illustrates the German CIF import price, which is the amount of money left for Ecuadorian banana producers/suppliers after all cost were paid. The German CIF import price is the entry price for bananas at the port of Hamburg/Bremerhaven, the price paid by Germany to the Ecuadorian banana producers/suppliers. Looking at the evolution of the German banana value chain, there is a stark contrast between real consumer prices, which remained slightly stable, (not major increases and decreases) whereas its import price of bananas show dramatic decrease over the same period (0,70 US\$/Kg in 2005 down to 0,20US\$/Kg).³⁶⁹

Accordingly, the result of this statistical data and studies (see Figure 14 and 15 above) show clearly that the import price trends of German and Aldi buyers exerts price pressure and they do not leave enough money for Ecuadorian banana farmers/suppliers to cover the official minimum price. The situation is different at EU level import price and with the other major European markets for Ecuadorian bananas, mainly the UK and Italy, and it seems that these actors within the

³⁶⁸ CEF stands for Cost, Insurance and Freight, "CEF is a trade term requiring the seller to arrange for the carriage of goods by the sea to a port of destination, paid by the seller and provide the buyer with the documents necessary to obtain the goods from the carrier. (<http://www.investopedia.com>)

³⁶⁹ Oxfam Germany - Sweet Fruit, Bitter True (2016)

banana value chain, apparently leave enough money for Ecuadorian banana suppliers to cover the official minimum price.

But in stark contrast, the German import price amounts to little more than a third of the consumer price, plus its import price featured a significant decrease since 2007, the results shows that German retailers seem to have gained substantial profits in the past decade. As can be observed from Figure 14 above, the Ecuadorian banana farmers/producers (when comparing to EU's CIF import price and other two major Ecuadorian banana importers, the UK, Italy), did not benefit from the Germany/Aldi banana import price putting immense price and cost pressure on Ecuadorian suppliers and its price is below the minimum price set by the Ecuadorian government, while its import price shows a dramatically decrease of more than 20% since 2007 as shown in Figure above. While on the contrary studies have shown that, the German retailers seem to have gained substantial profits over the past decades.³⁷⁰³⁷¹³⁷²

The above results and studies have shown that the German CIF import price accounts for about more than a third of the consumer price, and plus its import price featured a significant decrease since 2007, thus enabling the retailers to gain significant margins over the past decade. In addition, studies have shown that the German CIF import price for bananas “hasn’t keep up with the cost of production, shipping and living cost in banana producing countries.”³⁷³

One of the main question in a report by the European Parliament was put forward as whether this “low price and price pressure is impacting on banana producing countries and especially the workers in banana plantations.”³⁷⁴ It further pointed that “with such low prices, it becomes impossible to pay a legal minimum price for growers and reasonable salaries for workers”³⁷⁵ Further, other studies have shown that in Ecuador, where the law stipulates for a minimum price for suppliers to be paid to producers, it is, however, often bemoaned that this regulation is not complied with.”³⁷⁶ According to the Deputy Director of Oxfam Germany, “it was once that multinational fruit companies such as Dole and Chiquita would determine the price, but now the industry takes its cue from the so- called “Aldi price” and automatically this “low prices lead to low living

³⁷⁰ Banana Link (2015b)

³⁷¹ BASIC op cit. (2015)

³⁷² Oxfam Germany - Sweet Fruit, Bitter True (2016)

³⁷³ Oxfam Germany & European Commission (2014)

³⁷⁴ European Parliament (2010) p 15

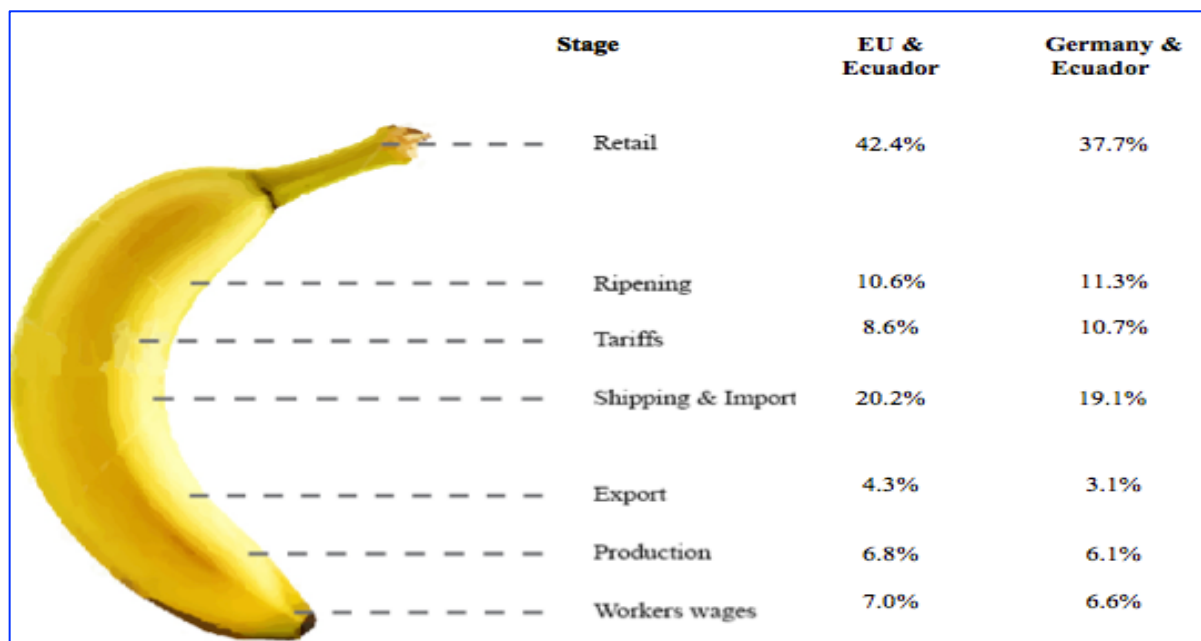
³⁷⁵ Oxfam Last Stop – Supermarket (2008)

³⁷⁶ Oxfam Germany - Sweet Fruit, Bitter True (2016)

standards.”³⁷⁷ In 2016, Oxfam Germany conducted several interviews with banana farmers and workers supplying Aldi, Lidl, Edeka, Rewe and others. The study demonstrated that over the past ten years, “the income is not sufficient for a large majority of the banana workers interviewed.”³⁷⁸

In the following, based on the analytical framework of GVC and by making use of several studies made possible to deconstruct and breakdown the value along the banana chain between Ecuador and Germany, from workers wages up to supermarket value share along the banana value chain. The result shows as follows (see Figure 16 below). As can be seen from figure below, the retailers account and have the most share of banana value managing to capture 37% while workers hardly capture 7% of the end value of the banana product. In this regard, the strong pressure on banana prices, in particular by “German buyers is most probably hampering the improvement of the situation for banana farmers and workers in Ecuador.”³⁷⁹ Drawing on this analysis and looking through the lens of Global Value Chain and Labour Process Theory, the level of power and governance structure within the banana value chain seem to influence the employment and labour condition on plantation, mostly due to pressure on price (under the minimum price), pressure of producing the high quality, and other various unfair trade practices.

Figure 16: Banana value chain breakdown between Ecuador and Germany



Source: Own figures from BASIC (2016), Oxfam Germany (2016), Oxfam Germany & European Commission (2015)

³⁷⁷ Oxfam Germany (2017a).

³⁷⁸ Oxfam Germany - Sweet Fruit, Bitter True (2016)

³⁷⁹ Oxfam Germany & European Commission (2014) p25

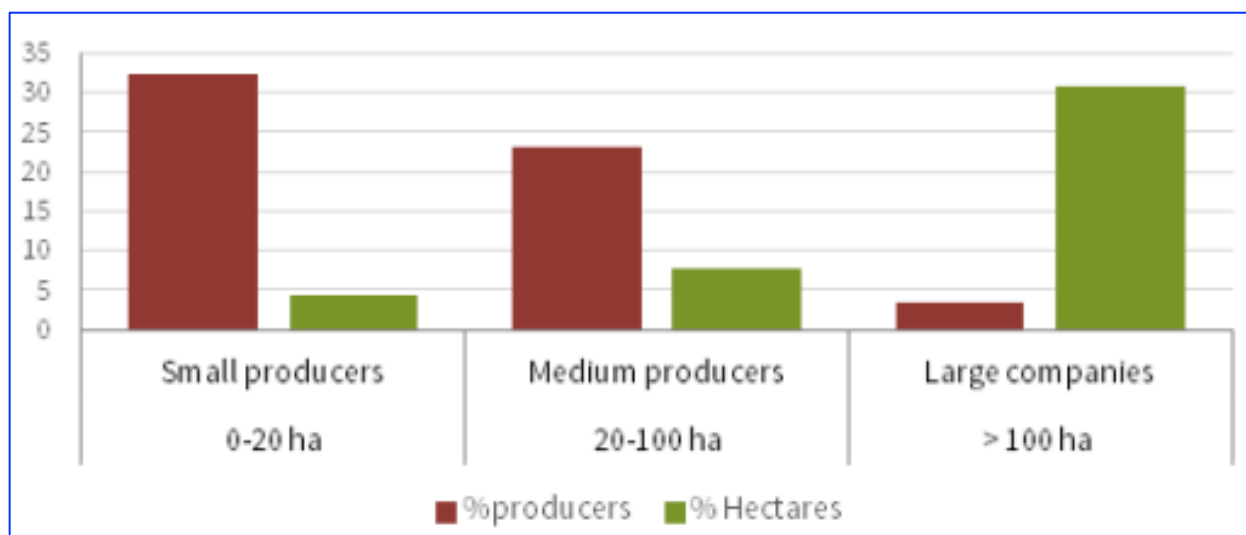
5.2. Case Study of Colombia

Overview of the Colombian Banana Production and Exports

Production of bananas for export in Colombia is the third most important agricultural export after coffee and cut flowers. Over 90% of conventional bananas produced are exported. The European Union is the largest market of banana imports from Colombia. In 2014, 62% of exports were sent to European Union, 25% to the US and 13% to other countries. However, Germany plays a major role in Colombia's bananas export market, after the US, Germany is the second biggest buyer of bananas from Colombia.³⁸⁰

The production of export bananas is concentrated in two different regions of Colombia: Urabá and Magdalena region in the North Colombia. However, the banana production structures are very different in these two regions: in Urabá, banana production is characterized by medium and large-scale commercial farms plantations, while in Magdalena the production is dominated by smaller producers.³⁸¹³⁸²³⁸³³⁸⁴ In Colombia, banana production provides a source of income and employment. It is estimated that the industry generates direct employment to 39 400 people and generates around 118 200 indirect jobs.³⁸⁵

Figure 17: Production structure of banana in Colombia



Source: BASIC (2016)³⁸⁶

³⁸⁰ FAO (2014b)

³⁸¹ BASIC op cit. (2015)

³⁸² Jahir, Lombana et al. (2010).

³⁸³ Corporation for Rural Business Development (2014).

³⁸⁴ Corporation for Rural Business Development (2014).

³⁸⁵ Oxfam Germany & European Commission (2015).

³⁸⁶ BASIC op cit. (2015).

The banana industry in Colombia has a very particular history. At the beginning of 21st century, the Uraba region in Colombia was notorious for violence fed by conflict between paramilitary, guerrilla groups, and trade unionists, plantation workers.³⁸⁷ As SINTRAINAGRO National Union of Agricultural and Livestock Industry Workers argue “this attitude is not common in the Latin American banana plantations, especially among workers. These banana people of Urabá are very brave! They do not ignore the existing problems and hurdles to meet the standards, especially those related to conditions of employment and to freedom of association and collective bargaining agreements.”³⁸⁸

This strong social movement identity was the building block related to the fulfilment of duties and with rights related to labour standard, particularly on compliance to meet standards concerning employment conditions, freedom to trade unions collective bargaining agreements between employee (banana farmers, workers) –employer. In the last decade significant changes have taken place, “whereby employers and trade unions have moved to peaceful dialogue as their means of engagement.”³⁸⁹ As the president of SINTRAINAGRO stated “We recognise that the industry is facing a serious crisis, but it is not for the workers to pay the price of a crisis that only the companies and the government can resolve. We don't have any profit-sharing arrangements, so should not be expected to bear the brunt when exchange rates and international markets affect the industry.”³⁹⁰ This situation of serious conflict in Urba region have led to mature industrial relation expressed in several Collective Bargaining Agreements that have translated into better working conditions and wages than in rest of Colombia and other countries. Today, SINTRAINAGRO represents almost 19 000 banana workers in the country.³⁹¹³⁹²

³⁸⁷ Corporation for Rural Business Development (2014).

³⁸⁸ Corporation for Rural Business Development (2014).

³⁸⁹ Corporation for Rural Business Development (2014).

³⁹⁰ BASIC op cit. (2015)

³⁹¹ BASIC op cit. (2015)

³⁹² Corporation for Rural Business Development (2014).

5.2.1. Economic Impact: Germany's banana price trends contribute to pressure on workers' wages and conditions in Colombia

In Colombia banana production and export is a major source of income, generating approximately 160.00 jobs for Colombian people.

As for the case of Ecuador, looking at Colombia exporting bananas to the EU, strong pressure on price in particular from Germany/Aldi supermarket chains³⁹³ can also be observed. Figure 18 illustrates Germany's CIF banana import price from Colombia. German CIF import price is the entry price for bananas at the port of Hamburg/Bremerhaven which is the price paid by Germany to the Colombian banana producers/suppliers. Thus, CIF is the amount of money left for Colombian banana producers/suppliers after all cost were paid.

Results obtained from several studies in investigating how their commercial practices impact banana farmers/producer and workers in Colombia, revealed clearly that Germany/Aldi buyers exert strong pressure on banana prices in Colombia (see Figure 18 below). According to this, consequences of this strong pressure on banana prices originating from retailers, in particular from German supermarket chains negatively impact banana producers and workers wages.³⁹⁴ This is because of the buying price of Aldi, which create pressure on banana producers. An analyses conducted by Consumer International (IC) on European supermarkets import trade practices from developing countries argued that the abuse of buyer power of large European supermarkets chains with their "low prices and increased risks are inevitably passed on to producers and workers who receive lower pay or have to work longer hours."³⁹⁵ In addition, "falling prices and commercial pressures constrained their ability to improve working conditions."³⁹⁶ Hence, further this pressure in import price is transferred to the banana farmers/producers supplying the German market, where the amount of money left for Colombian suppliers has been falling constantly (see figure 18), whereas the production costs and living standards have been significantly raised. Accordingly, studies have shown that the costs of banana production such as of pesticides, high costs of compliance with quality and all standards as in order for the producers be able to enter the EU/German market) have increased significantly in the last years. The banana suppliers/producers incur all these costs. On one hand is the cost of the production, which has a strongly increased over the past years, and on the other in most of the banana producing countries from Latin American the living costs have been raised. Studies have also demonstrated that these

³⁹³ BASIC op cit. (2016)

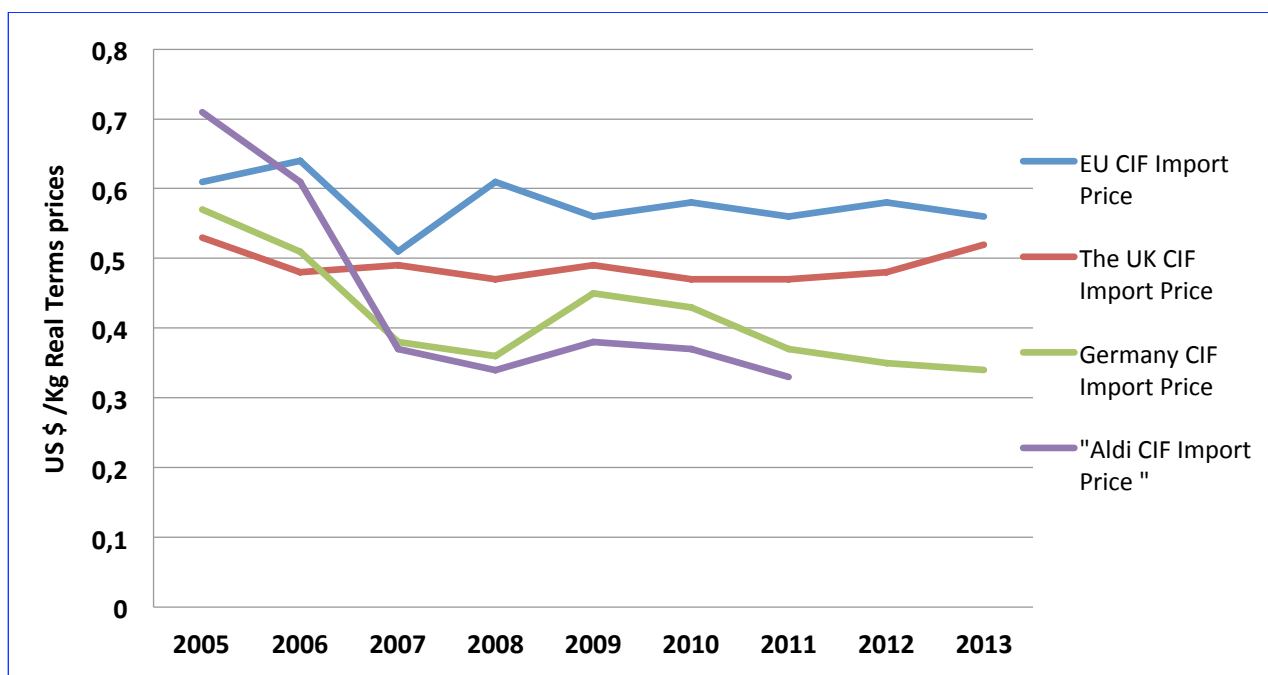
³⁹⁴ Oxfam Germany & European Commission (2015).

³⁹⁵ Consumers International (2010).

³⁹⁶ Consumers International (2010).

costs are not covered by the price paid by German supermarket chains. This is also relevant in relations with the German market because of their very strict and demanded standards in relations to quality standards and price.³⁹⁷³⁹⁸ As mentioned above, looking at the evolution of German banana value chain, there is a stark contrast between real consumer prices, which has remained slightly stable, (no major increases and decreases see Figure 15 above) whereas its import price of bananas show dramatic decrease over the same period (0,70 US\$/Kg in 2005 down to 0,20US\$/Kg).

Figure 18: German CIF Banana Import Price (in US \$/Kg)



Source: Own figures from: BASIC (2015), Banana Link (2015),

According to this, as several studies have argued an obvious impact for the banana producers, in particular for small banana producers, as these cannot afford to remain in banana industry due to the lack of resources to invest in their farms, as their productivity falls significantly due to strong pressure and low prices.³⁹⁹⁴⁰⁰ Consequently, Ecuador is “being the country most affected by unfair trade practices because of the large number of small producers in its banana sector followed by Colombia and Dominican Republic.”⁴⁰¹ This also “generates growing social tension for those who remain in banana sector as there are few alternative local job opportunities.”⁴⁰²

³⁹⁷ Oxfam Germany - Sweet Fruit, Bitter True (2016)

³⁹⁸ Oxfam Germany & European Commission (2015).

³⁹⁹ Banana Link (2015)

⁴⁰⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016)

⁴⁰¹ BASIC op cit. (2015) p31

⁴⁰² BASIC op cit. (2015) p30

Moreover, despite this strong pressure on price exercised by German supermarkets chains on banana farmers/producers, several studies reported that there are other factors of commercial pressure (unfair practices) from retailer as that of ‘one-side clause’, a last minute cancelation of banana order. This ‘one side clause’ means that retailers/buyers ‘can withdraw from contract at any point in time if his margin is insufficient’⁴⁰³ leaving the banana producers with unsold bananas. “This is a key tool used by retailers to transfer the risk on banana producers.”⁴⁰⁴

Now, drawing on these results and looking at the banana value chain through the lens of the analytical frameworks of GVC and LPT, the buying power of German supermarkets chains and their strategic actions in the EU banana value chains results in ultimate price pressure on “banana producers in the name of consumer interest”, which are inevitably impacting workers receiving low prices for banana and hence low wage. Hence, given the downward trend and growing pressure on price due to Germany’s banana market price, “there is a growing tension on Colombian workers to give up the better conditions they have obtained over the years in the name of fiercer competition between producers and producer countries to supply the retailers.”⁴⁰⁵ However, to analyze further this situation, based on the GVC analysis and by making use of statistical data and information from recent studies, a more detailed analysis made it possible to analyze and breakdown the banana value chain from consumer price to German CIF⁴⁰⁶ import price, the money left for Columbian banana suppliers (please see Figure 18 below).

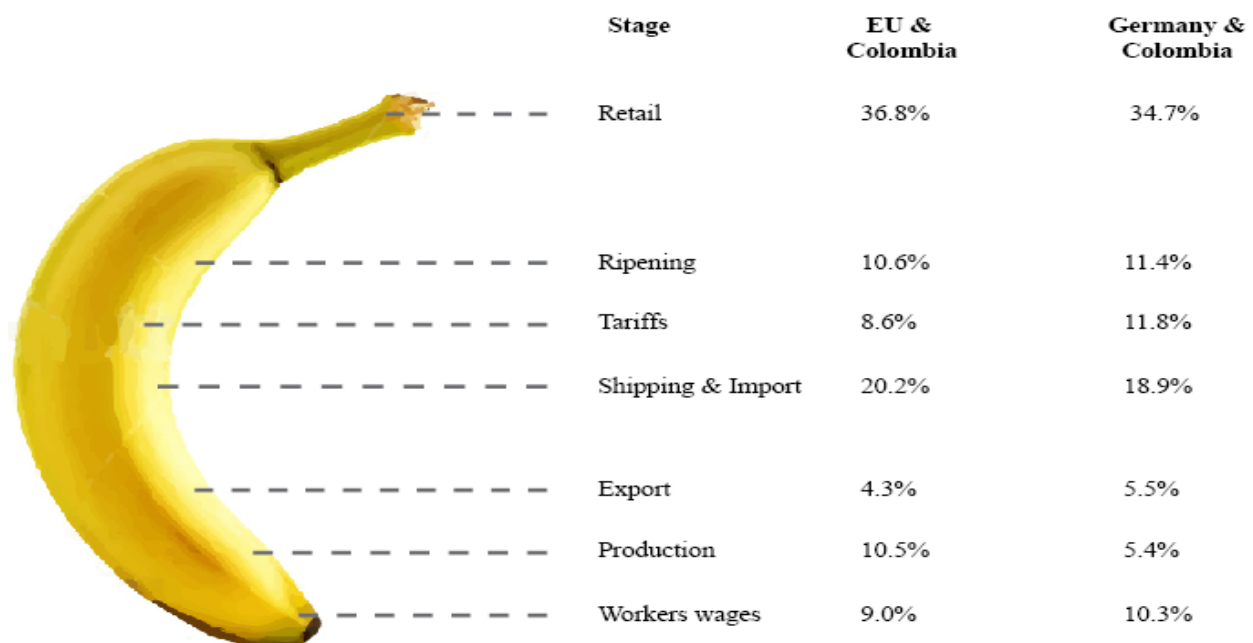
In the following, based on the analytical framework of GVC and by making use of several studies made possible to deconstruct and breakdown the value along the banana chain between Colombia and Germany from workers wages up to supermarket value share. The result shows as follows (see Figure 19 below). As for the case of Ecuador, the value breakdown along the banana value chain between Colombia and Germany, results show that the retailers are having the most share of banana value managing to capture 34,7% while workers receive 10% of the end value of the banana product.

⁴⁰³ Consumers International (2010) p4

⁴⁰⁴ BASIC op cit. (2015) p4

⁴⁰⁵ BASIC op cit. (2015) pg 49

⁴⁰⁶ CEF stands for Cost, Insurance and Freight, “CEF is a trade term requiring the seller to arrange for the carriage of goods by the sea to a port of destination, paid by the seller and provide the buyer with the documents necessary to obtain the goods from the carrier. (<http://www.investopedia.com>)

Figure 19: Banana value chain breakdown between Colombia and Germany

Source: Oxfam Germany & European Commission (2015)

However, the situation on workers in Colombia is somewhat better than the situation in Ecuador, thanks to the greater involvement of strong union movement which was established to negotiate with employers.⁴⁰⁷⁴⁰⁸ Several studies conducted interviews with banana actors from Colombia (small, middle and large banana growers, trade unions, banana exporters, etc.) supplying the EU/German banana market, arguing that in the context of strong pressure on prices originating from the supermarket chains in particular from German retailers, banana farmers/producers are bound to face difficulties, thus workers and banana farmers (particular the small banana farmers) retain the smallest share of value and are likely as the weakest links in the chain to suffer serious social impacts.^{409 410 411}

Now looking at the banana value chain between Colombia and Germany, through the theoretical lens of Global Value Chain and Labour Process Theory, the level of power and governance structure from German supermarket chains exerting strong pressure on banana prices, contributing to influence workers wages and labour condition in Colombia, due to pressure on price (under the minimum price), and some other unfair commercial practices.

⁴⁰⁷ BASIC op cit. (2015)

⁴⁰⁸ Banana Link (2015)

⁴⁰⁹ Oxfam Germany - Sweet Fruit, Bitter True (2016)

⁴¹⁰ Banana Link (2015)

⁴¹¹ Oxfam Germany & European Commission (2014).

5.3. Social impacts on banana farmers and workers in Ecuador and Colombia

This section will be analyzed through the theoretical lens of LPT.

Consumers International (CI) stated that “given the very different circumstances and unequal relations that can exist in international trade between firms in developed countries and producers and suppliers in developing countries it is important that those that have the greater power take responsibility for promoting and wherever possible, ensuring fair trading relations and good working conditions.”⁴¹²

In this section I will in particular focus on trading relationships between Ecuador, Colombia and German supermarket chains, in relation to their social responsibilities and conditions under which banana is produced and traded. I will explicitly focus on German’ supermarket chains their commercial practices and consequences on the working conditions of banana farmers and workers in Ecuador and Colombia.

In relation to labour conditions and workers’ rights, according to International Labour Organization (ILO) and International Organization for Standardization (ISO), “the first obligation of any international firm is to obey to the labour laws in the countries in which it is operating.”⁴¹³ This is to ensure the ILO core rights and that labour conditions are enforced and met with the minimum standards of ILO, which can be applied to any production chain, incorporates elements essential for a labour governance system, including: (1) no child labour, (2) no forced labour, (3) safe and healthy working environment, (4) freedom of association (trade unions) and the right to collective bargaining, (5) no discrimination, (6) working hours to comply with the applicable law (nation state where production is situated), (7) living wages at the legal and industry norm, (8) security of employment (right to clear and written terms of employment) and (9) integration of the standard into the organization’s management systems and practices.⁴¹⁴

Notwithstanding, currently, several studies have raised concerns about trading relationships between some European supermarkets supply chains and developing countries in relation to their

⁴¹² Consumers International (2010) p8

⁴¹³ Consumers International (2010)

⁴¹⁴ Consumers International (2010)

social responsibility relating to producers and workers conditions in which goods are produced and how are traded from producers all the way down the supply chains.⁴¹⁵

Since 2010, several investigations have been conducted targeting Germany's leading supermarket chains to analyze their commercial practices and implications for banana producers and labour conditions on banana farmers and workers in developing countries.⁴²⁰ They have conducted a series of interviews with producers, workers and exporters, which supply German market (Aldi, Lidl, Edeka etc.) in the banana and pineapples sector in Colombia, Costa Rica, and Ecuador. However, this section will only focus on Colombia and Ecuador.

Their investigations revealed shocking results pointing out that Germany's leading retailers abuse their market power.⁴²⁵ The buyers from German supermarket chains squeeze the price on banana producers,⁴²⁶ and "(too) many violations of human and labour rights in the production of bananas,"⁴²⁷ hence contributing to pressure workers' conditions and wages at the bottom of the supply chain to work for a pittance. Additionally, gender discrimination (including low levels of women's employment), large amount of dangerous pesticide exposure are still used on banana farmers on many Ecuadorian and Colombian banana operations affiliated with Palmar, Matias Plantage/Tropical Fruit Export S.A., WWF/Edeka and others (see figure 10 and 11 above) pointing the final blame on "German supermarkets such as Aldi, Lidl, Edeka and Rewe"⁴²⁸ arguing that the "battle for market shares in the banana sector can be felt all the way down the supply chain, from German fruit wholesalers who suffer from the supermarkets' unfair buying practices to the plantation workers in Ecuador and Colombia who suffer from wages too low to feed a family."⁴²⁹ Workers at the producer Matías, in Ecuador, which supplies Lidl stated "we are very worried because we have to work under the pesticide rain. We get skin rashes. But when you com-

⁴¹⁵ Myriam Vander Stichele, SOMO and Bob Young, (2009).

⁴¹⁶ Consumers International (2010)

⁴¹⁷ Human Rights Watch (2015).

⁴¹⁸ Oxfam Germany - Sweet Fruit, Bitter True (2016)

⁴¹⁹ European Commission, (2014).

⁴²⁰ BASIC op cit. (2015)

⁴²¹ Centre for Research on Multinational Corporations (2010).

⁴²² Oxfam Germany - Sweet Fruit, Bitter True (2016)

⁴²³ Oxfam Germany - Bitter Banana (2011)

⁴²⁴ Banana Link (2015)

⁴²⁵ Europe Economics defined abusive buyer power in this context as "when [buyers] squeeze suppliers' income and margins to such an extent that suppliers' have little bargaining power nor means of defense or redress. As a result of abusive buying practices suppliers' income is unpredictable and they have to bear excessive risks, meanwhile the supermarkets income increases and their risks are diminished" (Myriam Vander Stichele, SOMO and Bob Young, Europe Economics (2009) p16)

⁴²⁶ Oxfam Germany & European Commission (2015)

⁴²⁷ Oxfam Germany - Sweet Fruit, Bitter True (2016) p2

⁴²⁸ Oxfam Last Stop – Supermarket (2008)

⁴²⁹ Oxfam Deutschland (2011).

plain, you risk being fired.”⁴³⁰ Studies also demonstrate that the workers are poorly protected from heavy applications of dangerous pesticide and toxic agro-chemicals causing serious health problems.

Furthermore, impact studies on banana producers in Ecuador and Colombia pointed out that the pressure on banana prices exercised by the German buyers contribute to pressure worker's wages and conditions on banana farmers (especially small and medium farmers) and workers, these can barely afford to remain in the banana sector.⁴³¹⁴³²⁴³³ Studies also pointed out that the “impact banana farmers and workers is also because of the high cost of compliance with quality, sanitary, growing standards which are mainly incurred by producers,”⁴³⁴ these standards are highly demanded by supermarket chains in Europe/Germany.

Further, discrimination against women is not excluded, in a recent case study Oxfam Germany on German banana value chains found, majority of women working on the banana plantation supplying Edeka, they receive lower wages than the men, “the wage of all female workers to \$13.50 (€12) per day. Men make about one-third more.”⁴³⁵ However, on top of that 41% of individual female working at this plantation stated that, if they wanted to be hired they had to bring a pregnancy test.⁴³⁶

Moreover, an important aspect pointed out in their investigation was that many interviewers in the banana production were subjected to a fear of repressive measures afraid of negative reactions of buyers and with potential market loose if they wanted to form trade unions or if they would give any information to them. Additionally, the results are well highly concentrated in the banana supply chain, from retailers down to producers, which will most probably lack resilience and increase further social impacts in these countries.⁴³⁷

By drawing on the analysis of the banana value chains between Germany and Ecuador, Colombia through the lens of GVC and LPT, it clearly shows that the market power of German supermarkets' chains and their unfair buying practices impacts all the way down the chain to the banana producers and workers including pressure on prices below the legal minimum price, adherence to

⁴³⁰ Oxfam Deutschland (2016)

⁴³¹ BASIC op cit. (2015).

⁴³² Banana Link (2016).

⁴³³ Oxfam Germany & European Commission (2015)

⁴³⁴ BASIC op cit. (2015) p23

⁴³⁵ Oxfam Germany - Sweet Fruit, Bitter True (2016) p10

⁴³⁶ Oxfam Germany - Sweet Fruit, Bitter True (2016) p10

⁴³⁷ Oxfam Germany - Sweet Fruit, Bitter True (2016) p10

quality and costs standards in relation to product quality, discrimination, “wages do not suffice to make ends meet and sometimes below the statutory minimum wage, the working time is up to twelve hours, payments into the social security scheme are avoided, work is unstable.”⁴³⁸

⁴³⁸ Oxfam Germany - Sweet Fruit, Bitter True (2016) p31

6. Conclusion

Food retailers are the gatekeepers of trade in food. In recent years large supermarkets groups ship enormous amount of bananas from South to North and sell them at low prices in our supermarkets. In the competition for market share and consumer loyalty, price plays an important role. They are influencing the trading relationships and labour conditions, the conditions in which this tropical fruit is produced and traded. How they chose to wield their considerable power has a significant impact on the life of thousands of banana producers and workers, but also to those throughout the banana supply chains.

Throughout this research study I sought out to investigate and analyse EU's banana value chains and commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and Colombia, the two main countries supplying the EU banana market.

In order to achieve this, I started to examine and analyse *“Who are the main actors controlling and operating the banana value chains in the EU banana import market?”* By examining and analysing this question the results show that the multinational fruit companies such as Dole, Del Monte, Chiquita, and Fyffes used to be the ones significantly dominating the banana market and exercised strong market power over all other actors in the chain, and where they were vertically integrated though the chain from banana producers down to the supermarkets.

However, in recent years supermarkets have now taken on this role –above all the results shows that German supermarket chains such as Aldi, Schwarz Group (Lidl), Edeka and Rewe play a significant role in the EU banana import market and value chains. The market power held by the large chains is ubiquitous. The four largest German supermarket chains increasingly dominate the EU banana import market and leave next to no room for smaller competitors. Before, these supermarket chains were purchasing their bananas from importers or wholesalers and hence rarely they had any direct supply relations with banana producers. Particularly in recent years, the results show that Aldi one of the largest purchasers of the banana import in Europe plays a significant role in the EU banana import market and value chains. Since 2002 onwards, Aldi plays an important role in setting of the banana import price in Germany and more globally in the rest of Europe also. It is found that more currently they are having more direct chains from banana producers/suppliers.

The next question that this study looked at, *“What are the effects of their commercial practices and consequences on the living conditions of banana farmers and workers in Ecuador and*

Colombia?” produced a more complex set of conclusions that resulted from an analysis of the two case studies. The results of the above analysis on the two case studies on Ecuador and Colombia demonstrate that the price pressure on banana producers are significantly driven by the German supermarket chains (more than other European countries) most probably hampering the improvement of the situation for banana producers and workers conditions and rather increases workers work for a poverty wage and the difficulty for banana farmers and workers to sustain their livelihood. This can be explained by the fact that in both countries the living wage, production costs (quality, sanitary and environmental standards, pesticides costs, etc.), which, are mainly incurred by the banana producers/supplier are not covered by the price paid by German supermarket chains. This is also relevant in relations with the German market because of their very strict and demanding standards in relations to quality standards and pressure on price.

The study shows that German buyers encourage further illegal practices through their pressure on banana prices contributing to push down workers wages and conditions in those two countries. Although they are not the only actor responsible for this situation, the study demonstrates that the German buyers contribute to a greater extent on this situation. They existing “mechanisms put in place to bypass the legislation on banana support price potentially enable and encourage the low price trend on bananas in Germany.”⁴³⁹

In social terms and working conditions it is demonstrated that buyers from Germany banana market contributes to pressure on prices, (even more than other European markets, encouraging illegal practices through their pressure on prices), have also contributed to an environment where “union rights are neglected; wages do not suffice to make ends meet and are sometimes below the statutory minimum wage; the working time is up to twelve hours; payments into the social security scheme are avoided, work is unstable,”⁴⁴⁰ large amount of dangerous pesticide are still used without any protective measures.

The study also sought to investigate “*What is the distribution of profit from the banana field to the supermarkets?*” By analysing this question and when looking at the workers wages up to Germany supermarket value share (this is the case at EU level), I conclude that banana producers and farmers in Ecuador and Colombia retain the smallest share of the value (which is also proven in the figure 16 and 19 above) and are likely, as the weakest link in the chain, to suffer from these social impacts.

⁴³⁹ Oxfam Germany & European Commission (2015) p24

⁴⁴⁰ Oxfam Germany - Sweet Fruit, Bitter True (2016)

Based on the above analysis given this situation the German supermarkets chains within the chain “have an important responsibility to use their leading role in the chain to find systematic solutions to ensure the long-term sustainability of the sector.”⁴⁴¹ These should recognise the need to ensure social responsibility into their management systems practices that provide initiatives to improve the working conditions and trade relationships between banana producers and suppliers in which this tropical fruit is produced and traded. In addition to that, the Colombian and Ecuadorian government have to strongly intervene and take control of their concrete policy implementations adequate responsibility on banana minimum price, good working conditions, social responsibility and working towards fair trading relationship in the banana chain. This can also be achieved with the support of strong trade unions members, NGOs groups, Ethnical Trade Initiatives, “civil society options to exploit the brand sensitivity of end-buyers to promote workers’ rights”⁴⁴² and the involvement of all the actors that are participating in the chain.

⁴⁴¹ Consumers International (2010). p45

⁴⁴² Oxfam (2004).

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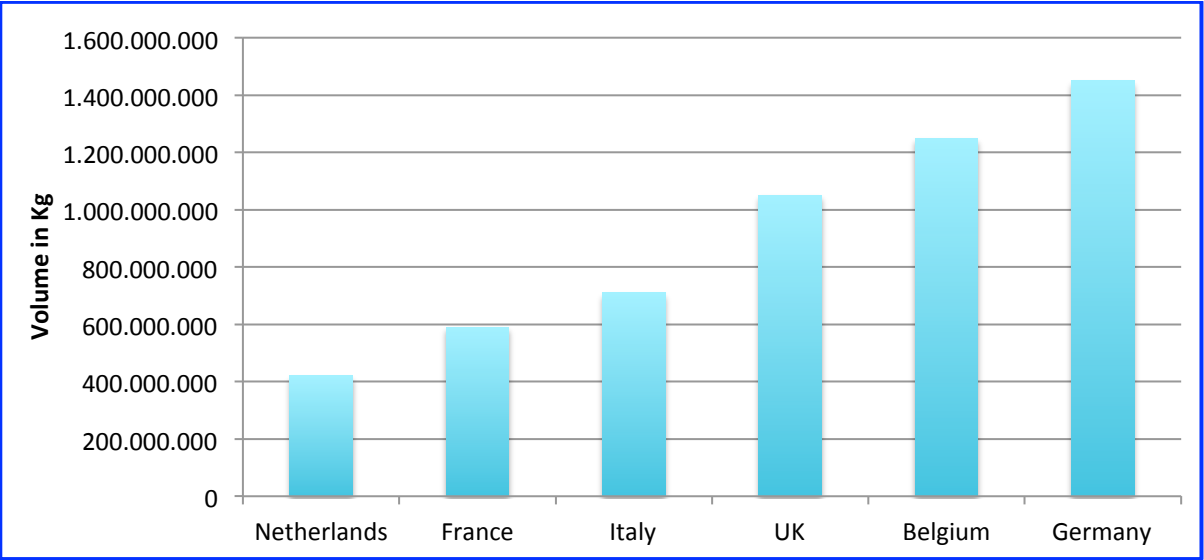
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8. Appendix

Appendix A: Banana import volumes in EU (2015)



Source: Own figures data from, Statista: <https://www.statista.com>