

THE CHALLENGE OF AGRICULTURAL EXTENSION IN IMPLEMENTING A NEW PRODUCTION AND MARKETING MODEL FOR BANANA: THE CASE OF FAIRTRADE BANANAS IN THE WINDWARD ISLANDS OF DOMINICA AND ST VINCENT

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ABSTRACT

The Windward Islands face unique challenges and opportunities caused by globalisation and trade liberalisation. Traditionally, Windward Island bananas were exported to the European Union (EU) under preferential terms. Changes to the EU banana regime after the implementation of the World Trade Organization (WTO) agreement of 1995, significantly eroded preferential market access and triggered a systematic decline in the banana industry. This resulted in reduced revenues for all stakeholders, increased unemployment and related social problems. Fairtrade provides an alternative to the EU market but requires strict adherence to agronomic and marketing principles. Agricultural extension services were challenged to convey the new requirements in a disrupted

environment, where farmers were demoralised and the industry was in a downward spiral. This tested the extension services and highlighted the challenges in achieving Fairtrade compliance status. This study investigated the strategies used by extension service providers to overcome these challenges. Major impediments were experienced in education and technology transfer for specific components of the generic Fairtrade standards checklist: i.e. organisational requirements for farmers' associations, occupational health and safety and environmental standards. Although farmers received a higher price and a social premium for bananas marketed under the Fairtrade model, the agronomic requirements limited their ability to generate additional revenues from their enterprises.

KEY WORDS: COMPLIANCE, DIVERSIFICATION, FAIRTRADE, STANDARDS

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INTRODUCTION AND OBJECTIVES

The agricultural sector of the Windward Islands has been dominated by banana production for more than four decades. However, international developments in the trade of banana (the banana war), particularly changes to the EU banana regime following the implementation of the WTO agreement of 1995, significantly eroded preferential market access and resulted in a cataclysmic demise of the banana industries in both countries. In a desperate effort to save the livelihood of farmers, farmer organisations embraced the Fairtrade concept, which provided a niche market for banana at premium prices. The emergence of Fairtrade in the early 2000s was viewed as a viable alternative marketing system for banana in the Windward Islands, i.e. one with preferential access to the EU market. Many proponents indicate that Fairtrade has provided the panacea to the dollar banana war.

The concept mandated farmers and farmer organisations to adhere to special standards of production and marketing in order to qualify their fruit as Fairtrade produced. The banana extension services in both countries were responsible for the technological transfer that promoted this new concept. At the onset, the role of agricultural extension was critical in encouraging farmers to adopt relevant practices instead of exiting the industry. This challenge tested the innovativeness of extension services

in transferring a new message in a less than ideal environment, one where farmers were demoralised and the entire banana industry in general was on a downward spiral.

In this regard, the general objective of the study is to establish the socio-economic impact of the change in regime on the one hand and alternatively, the experiences of agricultural extension workers and other stakeholders in implementing the Fairtrade protocol in the Windward Islands, more specifically, the Island of Dominica.

For the purpose of the study, the banana industries of the Windward Islands were examined in general. However, many specific references were made to the Island of Dominica whose case can be considered as typical for the other Windward Islands.

More specifically the study seeks to:

- determine the general economic impact of the introduction of the Fairtrade protocol on banana exports in the Windward Islands;
- establish the experiences and challenges of the agricultural extension services and other stakeholders in implementing the Fairtrade protocol in the Windward Islands;
- solicit the opinions of extension agents on the criticism of Fairtrade and their overall impressions of the model's contribution to the banana industry in the Windward Islands.

MATERIALS, METHODS AND DATA SOURCES

Both primary and secondary data were collected for the study. A structured questionnaire was used for collection of the primary data and archival research was used for the latter. Using the convenience sampling method, questionnaires were administered to agricultural extension agents of banana companies and other relevant stakeholders in the banana industry in Dominica.

In order to satisfy objective 2 above, a checklist of verifiable control points of the generic Fairtrade standard for small organisations administered by the Fairtrade Labelling Organization (FLO) was used as an evaluating tool to determine:

- previous conditions that existed at the farm or farmer organisation level
- the adjustments that were required to bring farmers to Fairtrade compliance status
- the level of difficulty encountered by extension in implementing these measures.

Overview of the banana industry in the Windward Islands

Bananas were introduced into the Windward Islands of Dominica, St Lucia, St Vincent and Grenada at the end of the nineteenth century. Exports of the Gros Michel variety from the islands began in the 1920s, led by Dominica and St Lucia. In 1954, John van Geest of Geest Industries (W.I.) Limited, purchased Antilles Products Limited and signed a ten-year contract for the regular shipment



of Windward Island bananas to Britain. The opportunity for increased trade provided the necessary impetus for the development of the banana industry, which drove the economies of the Windward Islands in the four decades that followed (Momsen, 2008).

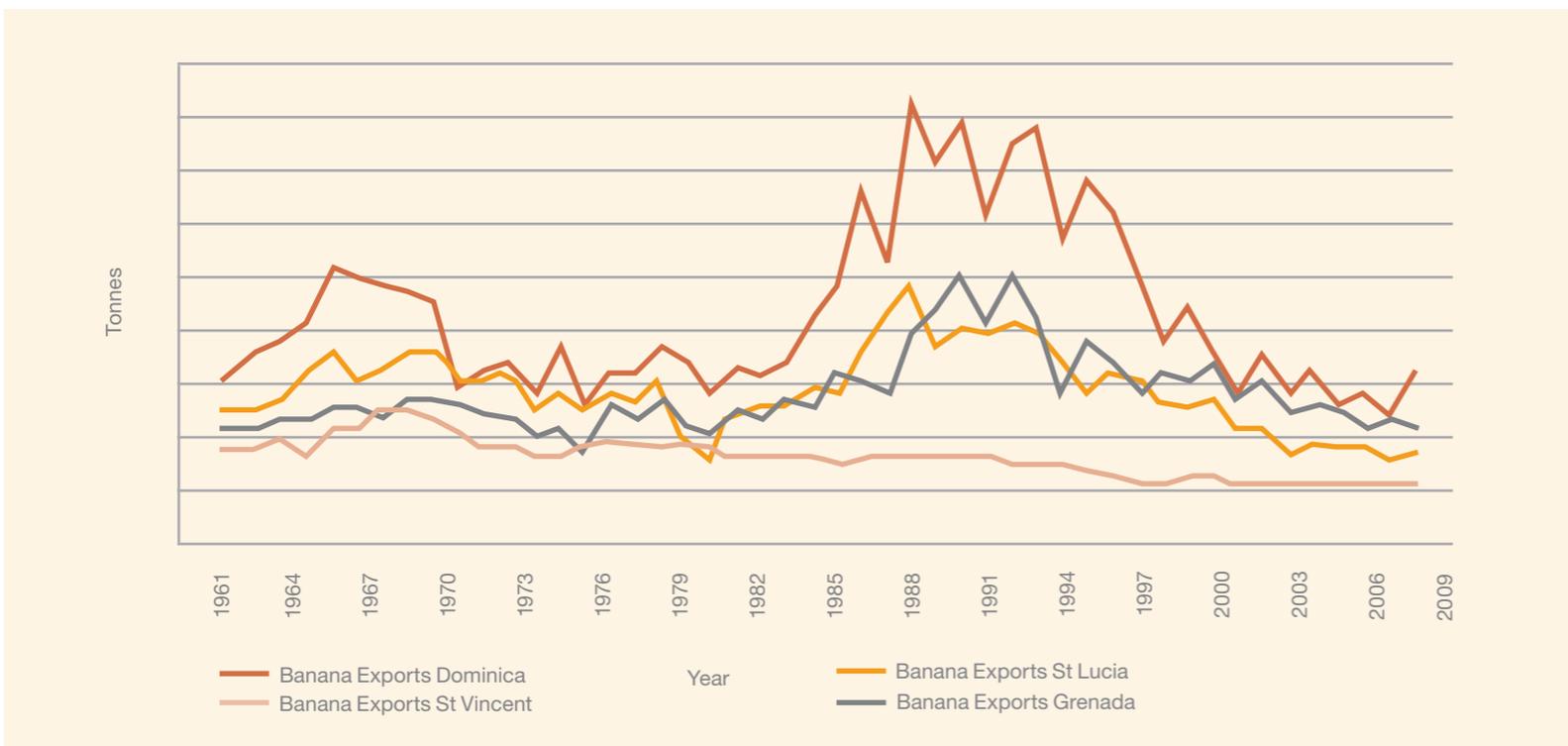
The production cycle of bananas and its adaptability to various agro ecological zones across the islands made it the crop of choice for large estate owners as well as smallholder farmers. It provided year-round employment and enabled

farmers to earn a weekly income. This pattern of income generation shaped the economic and social livelihoods of farm families and rural communities throughout the islands. By 1965 the Windward Islands provided 46% of the bananas consumed in the UK. In 1964, banana exports provided 85% of the value of St Lucia's exports, 79% in Dominica, 57% in St Vincent and 28% in Grenada.

The Windward Islands maintained a significant share in the UK banana market between 1960 and

1990. Although the industry faced many challenges – including (i) natural disasters, particularly hurricanes; (ii) a constantly evolving UK market; (iii) increasing production costs – these effects were cushioned by support from the UK through the provision of preferential market access that guaranteed prices above the world average for banana. However, the onset of the banana war at the WTO level spearheaded by the US and its ‘dollar banana’ producing companies in Latin America resulted in the dismantling of the preferential arrangements and led to the establishment of a new banana regime, which gradually provided equal access to Latin American bananas on the European market. This contributed to the decline of the banana industry of the Windward Islands, signalled by a rapid decline in production and an exodus of farmers from the industry in the 1990s and 2000s (Figure 1).

Banana exports from the Windward Islands declined from 238,000 tonnes in 1993, to 99,000 tonnes in 2002 and the number of growers fell from 24,000 to 7,000. The value of banana exports from the Windward Islands shrank from US\$147 million to US\$45 million over the same period (Wiltshire, 2004). At the start of the 1990s, the Windward Islands supplied about two-thirds of the UK's bananas. By 2000, this proportion had fallen to 19%, as imports of cheaper Latin American ‘dollar’ bananas whittled away at the Windward Islands’ market share.



(Data Source: FAOStat Database)

FIGURE 1: TREND IN EXPORT OF BANANAS FROM THE WINDWARD ISLANDS, 1961–2008



The case of Dominica

In 1992, the banana industry in Dominica accounted for about 69% of all exports and employed 60% of agricultural workers. Between 1992 and 2003, annual export volumes of bananas fell from 58,000 tonnes to 10,000 tonnes and revenues collapsed, from US\$32 million to US\$5.3 million. The number of banana farmers declined from 11,000 in the 1980s to just 700 in 2003 (Wiltshire, 2004). Some 12,000 people are thought to have emigrated in the 1990s and high unemployment rates are now facing rural communities. A similar demise was evident in St Lucia, St Vincent and Grenada.

RESULTS AND DISCUSSION

General economic impact of the introduction of the Fairtrade protocol

The WTO agreement was signed in January 1995, effectively legalising a new trading regime with rules that directly affected the trade in banana. The rules, effected in September 1997, meant that Windward Island producers would have to compete on a 'level playing field' with 'dollar bananas' produced by the giant multinationals based in Latin America. In 1998, the EU voted to abolish the ACP–EU guaranteed marketing arrangement and the Windward Islands lost its guaranteed access to the UK market. The new regime proposed that import licences be issued to ships arriving with bananas on a 'first come, first

served basis'. (Figure 1 illustrates developments in the banana trade using exports for the island of Dominica.)

The Fairtrade protocol was promoted by the Windward Island Farmers Association (WINFA) in the 1990s as an alternative to existing market conditions and shipments of Fairtrade banana which had been started in the early 2000s. Proponents of Fairtrade were quick to point out that it maintained a market for Windward Islands' banana in the UK. However, an analysis of export

trade data from the Windward Islands indicates that although markets in the UK were maintained, there was no reversal in the downward trend of banana production after the implementation of the Fairtrade protocol. The immediate result was a conversion of existing traditional production systems into Fairtrade compliant systems but there were no significant increases in the number of acres cultivated and reductions in production continued practically uninterrupted (Figures 3–5).

Mathematically, a common form of a linear

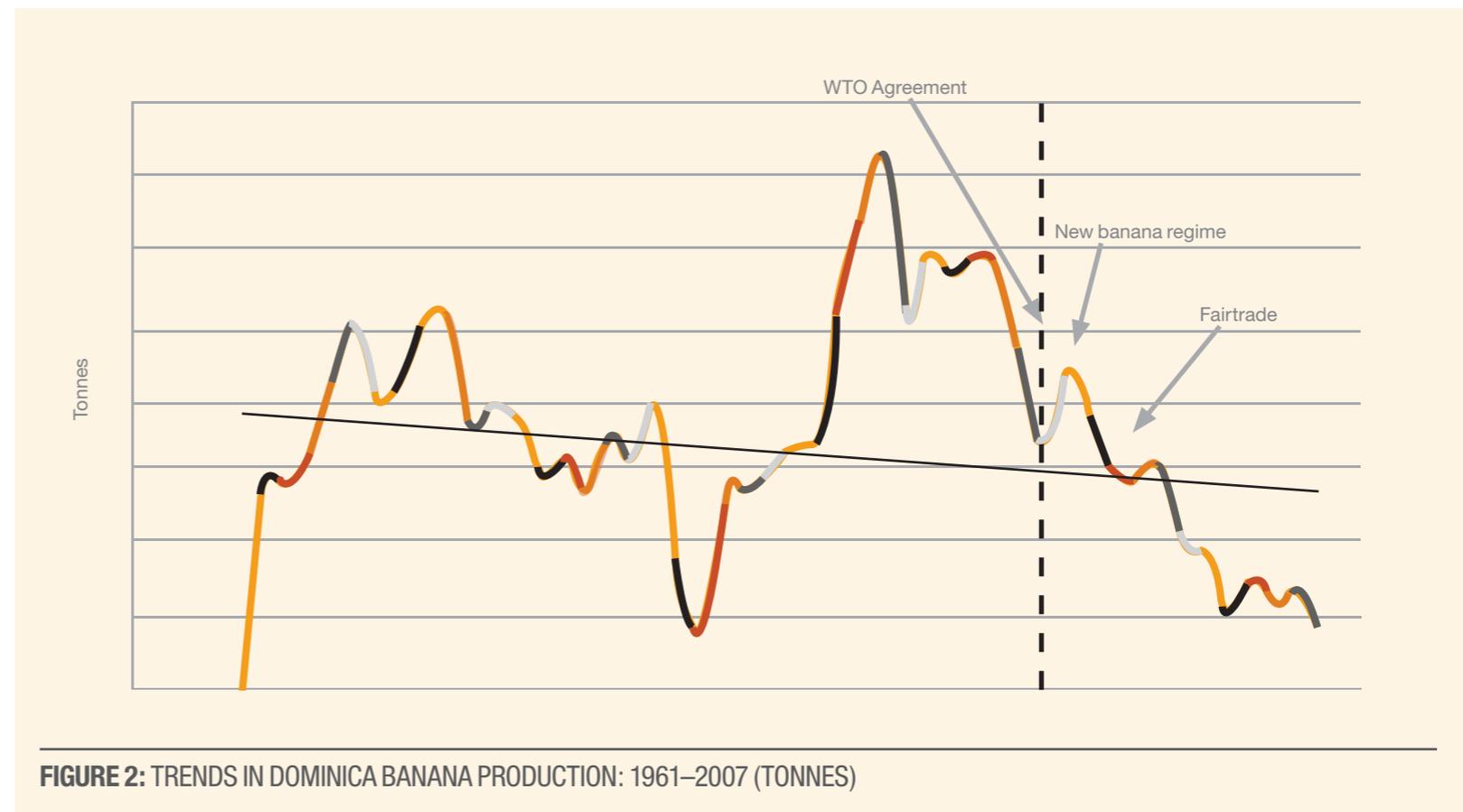


FIGURE 2: TRENDS IN DOMINICA BANANA PRODUCTION: 1961–2007 (TONNES)



equation in the two variables x and y is:

$$y = mx + b$$

where the constant m determines the slope or gradient of the line, and the constant term b determines the point at which the line crosses the y -axis, i.e., the y -intercept. The slope or gradient of a line describes its steepness; a higher slope value indicates a steeper incline or decline.

Figure 3 illustrates the trend in Dominica's banana production between 1990 and 2008. The decline is measured by the equation of the line:

$$y = -3057.7x + 61577.$$

During the 1990–1999 period, the rate of decline accelerated (Figure 4), where $y = -3712.4x + 65223$.

After implementation of the Fairtrade protocol in 2000/2001 and up to 2008, the trend in the rate of decline was estimated at: $y = -2086.2x + 26092$. The decline over the previous decade slowed from an average of 3,000 tonnes per year to 1,250 tonnes per year. The lower slope value indicates a reduced rate of decline.

It is clear from examination of trade data that the intervention of Fairtrade in the Windward Islands (and specifically Dominica) has slowed the rate of decline in banana production.

Experiences and challenges

The proponents of Fairtrade refer to the concept as an alternative approach to conventional trade

based on niche marketing and a partnership between producers and consumers. A key component of Fairtrade is the payment of premium prices and a social premium to producers who maintain ethical production standards and provide adequate protection to the environment, while pursuing their entrepreneurial activities.

Promoting sustainable livelihoods of rural households

The foundations of the Fairtrade protocol were established by banana companies throughout the Windward Islands who tried to implement sustainable methods of banana production by using GLOBALG.A.P. standards as industry



FIGURE 3: TREND IN DOMINICA'S BANANA EXPORTS: 1990–2008. (DATA SOURCE: FAOSTAT DATABASE)

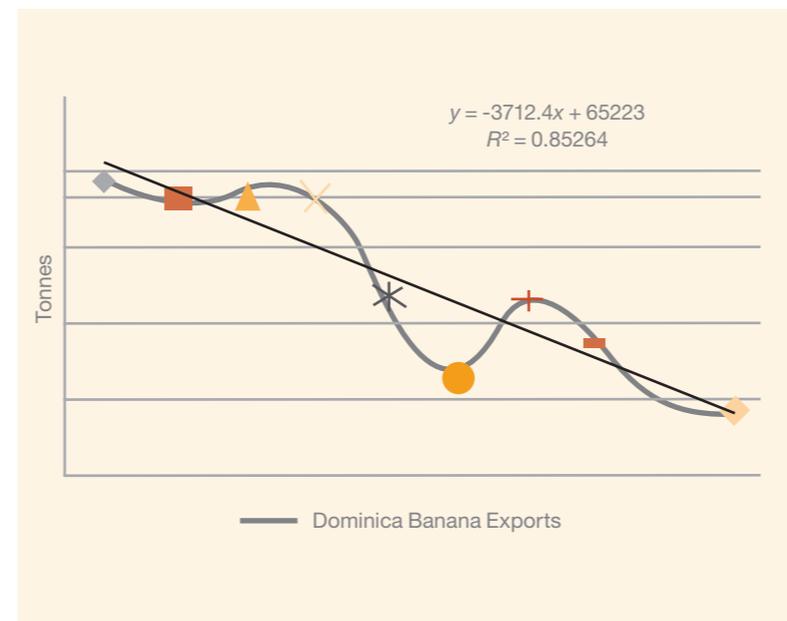


FIGURE 4: TREND IN DOMINICA'S BANANA EXPORTS: 1990–1999. (DATA SOURCE: FAOSTAT DATABASE)

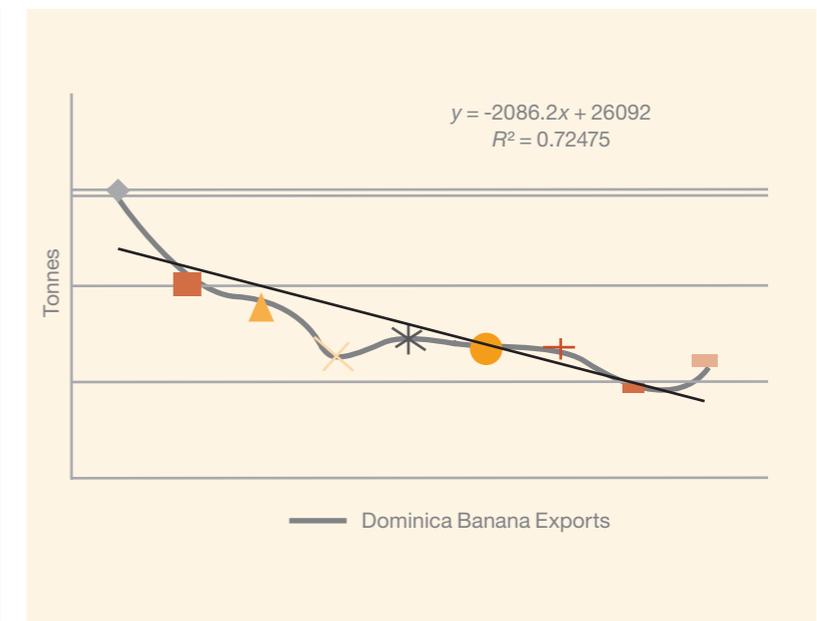


FIGURE 5: TREND IN DOMINICA'S BANANA EXPORTS (2000–2008). (DATA SOURCE: FAOSTAT DATABASE)



guidelines. The Fairtrade protocol was compatible with this initiative and its proponents boasted that the arrangement provided additional benefit to farmers and farmer organisations since they were offered a premium price and a social premium for compliance to environmentally sustainable methods of production. While the data showed that the period after implementation of Fairtrade has slowed the rate of decline in banana production in the Windward Islands, it is imperative that the impact of Fairtrade on the sustainability of rural livelihoods be investigated to ascertain its true impact on rural households, especially those engaged in banana production.

Implementing the protocol

The agricultural extension services of the Windward Islands banana companies and the Windward Islands Farmers Association (WINFA) pioneered the Fairtrade protocol in the late 1990s. The challenges for extension agents and WINFA were twofold: (i) the prevention of a total exodus of farmers from the banana industry and (ii) moving farmers from non-compliance to Fairtrade compliance status. In addition, the industry continued to face the following challenges: high production costs, primarily rising costs for labour and chemical inputs; the unavailability of large expanses of flat land for mechanisation as a means of lowering costs; degraded feeder road/other infrastructure; and lack of economies of scale.

The combination of all these challenges made competing against 'dollar bananas' from Latin America virtually impossible.

To achieve Fairtrade compliance, agricultural extension agents focused their efforts on the thematic areas identified in the generic Fairtrade standards checklist that included organisational social, occupational health and safety, environmental and trader requirements. Farmers and farmers' organisations were evaluated by the Fairtrade Labelling Organization (FLO) and their farms were certified if the requirements were satisfied.

Organisational requirements for farmers' associations

Formal farmer organisations were not in place and had to be implemented as part of the Fairtrade protocol. Establishing farmers' groups proved extremely difficult because of a traditional culture of independence among farmers. In addition, large farmers did not see the need to collaborate with small farmers and expressed concerns over the democratic process used to make decisions, since all farmers, both large and small, had an equal vote. Group formation accelerated only after the extension agents highlighted the price incentives on offer and the fact that Fairtrade was the most plausible option given the current market conditions. Once farmers' groups were established, the operational structures were less difficult to

implement. Overall the general rating for the establishment of farmers' groups was very difficult.

Social requirements

Agricultural extension personnel reported that there were no serious cases of farmers engaging in discriminatory practices against workers and there was no use of forced or bonded labour. Although child labour is practised, it is a cultural tradition. Children of farm families are expected to contribute to farm activities by fulfilling various tasks, but they are not required to complete a full day's work (as in other instances where child labour is used). Agricultural extension personnel reported that farmers were on average willing to adhere to all the other requirements under the social component of the checklist, making implementation of these requirements relatively easy.

Occupational health and safety

Agricultural extension personnel from various banana companies began the process of implementation of occupational health and safety standards by embracing GLOBALG.A.P. requirements for agricultural production. The process was not fully completed before the promotion of the Fairtrade concept and didn't hinder its implementation.

Extension agents reported moderate levels of difficulty in conveying appropriate practices to achieve full compliance to the required



occupational health and safety standards. One particularly challenging aspect was enforcing the mandatory use of protective clothing when handling agrochemicals. Farmers were reluctant to wear protective clothing because of entrenched traditional habits and the hot tropical climate.

Environmental requirements

Traditional production practices included the use of various agricultural agrochemicals prohibited by FLO. In addition, farmers relied heavily on the use of chemical fertilisers to boost productivity with little regard for its proper storage or its overuse and the ensuing environmental impacts.

Adherence to environmental requirements presented the most difficulty for agricultural extension agents in their attempts to get farmers to meet the Fairtrade standard. Although attempts were made earlier to address the issues through the implementation of GLOBALG.A.P., this did not require farmers to do away with certain agrochemicals in their farming operations – a major requirement under Fairtrade. In addition, farmers wrestled with the prospect of having to reduce productivity to achieve environmental protection. Farmers highlighted that their arable land resources were limited (most have an average size land holding of 2 acres) and so they needed to maximise their output.

Trader requirements

A well-established trading system facilitates proper documentation that allows traceability back to farms that export Fairtrade bananas. Record-keeping at the farm level was minimal and often non-existent. Agricultural extension agents experienced moderate levels of difficulty in promoting the use of traditional (pen and paper) forms of record-keeping and extreme levels of difficulty in the use of new technologies such as computer statistical programs. A lack of access to computers and reluctance by farmers to engage in their use were cited as the reasons for low levels of computer use.

Criticism of Fairtrade

Overall, most extension agents highlighted the fact that Fairtrade has allowed the banana industry to survive, which supports the results of the economic analysis. However, most agents also indicated that there were significant reductions in productivity, few new entrants into the industry and limited expansion of existing banana farming enterprises.

It was also agreed that the cost of implementing the Fairtrade protocol was high and that appropriate analysis is required to ascertain whether the premium prices received actually cover all costs and ensure that farmers receive a reasonable return on investment. In addition, agents are also of the opinion that farmers should be able to benefit directly from the social premiums received under Fairtrade.

CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS

Despite the prevailing conditions of the banana industry in the Windward Islands, agricultural extension agents were successful in assisting existing farmers in adopting the Fairtrade protocol by fulfilling the requirements under the thematic areas in the generic Fairtrade standards checklist. However, the following circumstances still exist:

- Generally exports of banana in the Windward Islands have not increased since the implementation of the Fairtrade protocol;
- There are still concerns over the economics of Fairtrade, the return on investment for farm families involved in Fairtrade banana production and the sustainability of the production marketing model;
- The banana industry in general is still on a downward trend with no tangible sign of a reversal.

These concerns raise the following questions:

- Did the Fairtrade Protocol arrive ‘a little too late’, making it impossible to reverse the declining trend in the industry?
- Has Fairtrade prolonged the inevitable death of the banana industry in the Windward Islands?
- Is it economically viable for small farmers to generate profits and maintain sustainable agricultural enterprises under a lower production yield per unit area (under the Fairtrade protocol)?
- Has the demise of the banana industry taken a



negative psychological toll on farmers? Is this being reflected in their reluctance to continue banana production, signalling their eventual exit from the industry?

- Taking into consideration that an open competitive market now exists for banana, are other factors such as the cost of inputs, infrastructure and policy regulations the major issues responsible for the current trend in banana production in the Windward Islands?
- Have farmers diversified away from banana or away from the agricultural sector because of emerging opportunities that are more lucrative?
- Does this case suggest that provision of extension services alone will not solve the challenge of responding to new market opportunities and improving livelihoods of smallholder farmers?

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