

Summary: German Banana value Chain Study

This report shows that the pricing policy of German supermarket chains is partly responsible for substantially undercutting the legal minimum price for bananas in Ecuador, which has dire consequences for small agricultural producers and plantation workers. In Columbia, where there is no legal minimum price for bananas, pricing pressure leads to the deterioration of social and labour law standards. The report is based on a study commissioned by Oxfam and carried out by the French research institution BASIC as well as on interviews with experts from Germany and from the banana-producing countries.

Compared with retail chains from other European countries, German supermarket chains are amongst the most powerful in terms of price cutting. A banana in Germany costs on average 30 percent less than in France or Italy. Discount retailers lead the way: whereas the multinational fruit companies such as Dole and Chiquita used to determine the price, the industry now takes its cue from the "Aldi price". The low wholesale price leaves little leeway for positive social development in the banana-producing countries. On the contrary, the pricing policy serves to reinforce the conditions which have traditionally prevailed in the banana industry, characterised by exploitation and human rights violations.

In addition to this, retail and import prices have fallen in recent years while production costs, living costs and transport costs have risen considerably in banana-producing countries. As a result, around three-quarters of banana plantation workers in Ecuador receive an income below the poverty line, and thousands of small agricultural producers have lost their livelihoods.

In Ecuador, around 220,000 families depend on banana production. 56 percent of producers are small farmers with less than ten hectares of land. These producers are hit particularly hard by the price war and rely on making a profit above and beyond breaking even in order to cover the basic cost of living. For this reason, the Ecuadorian government has introduced a legal minimum price for bananas, currently \$6.22 per 43 lb box.

However, several experts who were questioned for this report said that wholesale buyers do not comply with this regulation, instead invoicing the minimum price and transferring the money only once they have received a cheque for the difference between the negotiated price and the minimum price. According to the producers and sales representatives, the buyers from German supermarket chains play a significant role in this process. This was proven 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.

In response to questioning by Oxfam, the large supermarket chains claimed to bear no responsibility for the situation. Either they claimed that their suppliers adhered to the minimum price (Rewe, Aldi Nord, Aldi Süd), or they did not comment on the criticised practice directly (Edeka, Metro, Lidl). Large importers such as Dürbeck also denied playing a role in the avoidance of the legal minimum price in Ecuador. The findings of this report allow us to draw no other conclusion than that the vast majority of bananas shipped to Germany are purchased at less than the official minimum price.

What must be done in order to put a stop to this practice? German supermarkets must guarantee a living wage for banana producers and plantation workers in their supply chains all year round. In particular, they must ensure that the official minimum price is paid in Ecuador. The German government must restrict the supermarkets' market power, curb unfair buying practices and help strengthen the small agricultural producers and the labour rights of the workers in the supply chain. Consumers and citizens can also make a contribution by demanding that supermarkets ensure fair pricing and production conditions.