

Does trade make hunger hunger?

The examples of rice and bananas



Schools Act Globally

**Teacher Trainer
Training**

Graz, 2 – 3 July 2007

Marita Wiggerthale

www.fairer-agrarhandel.de

Rice: Facts and Figures

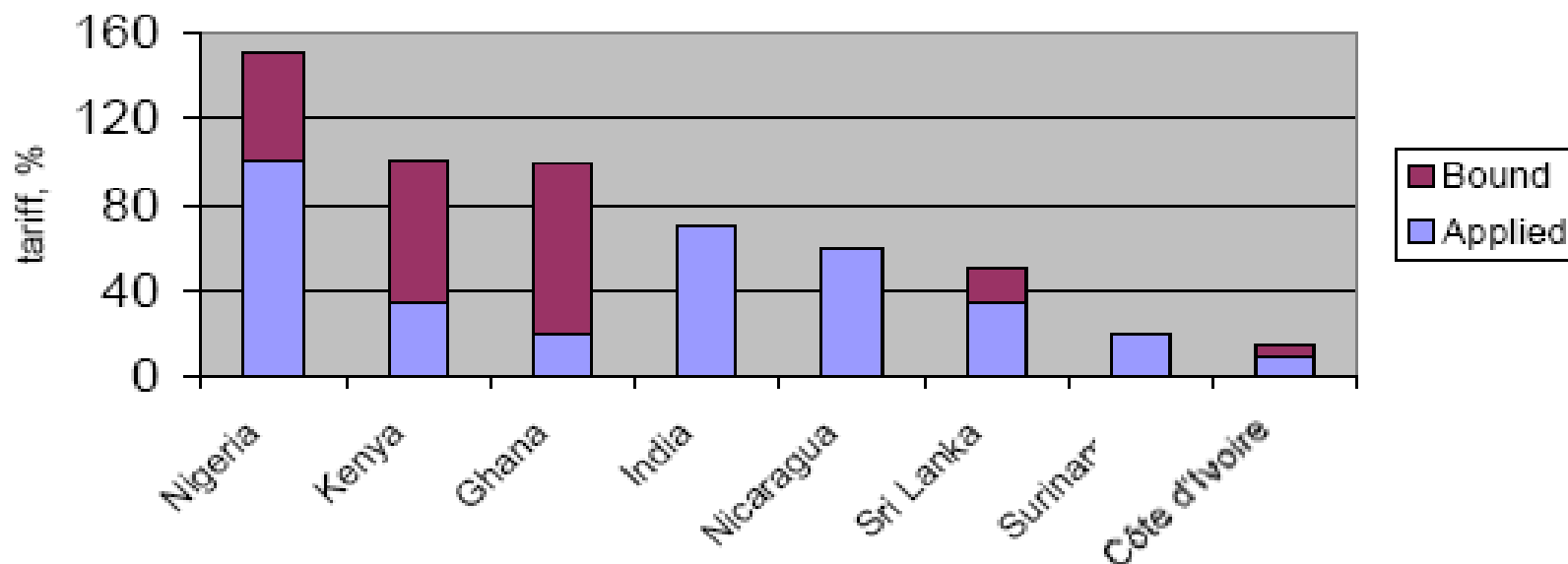
- ✓ Rice is produced in **113 countries**
- ✓ 90% of world rice production is produced by **small farmers (< 2 ha)**
- ✓ **2 bn people live** from the cultivation and transformation of rice
- ✓ **50% of the 840 mio. hungry** people live in areas, which are dependent on rice production
- ✓ **84% of world rice exports** (2000-2003) come from Thailand (29%), India (15%), Vietnam (14%), USA (12%), China and Pakistan (each 7%)
- ✓ Rice production in the US is supported with **1.3 bn US\$** covering 72% of the production costs. Dumping!!
- ✓ 48% of **rice imports** in Asia, 31% in Africa: Indonesien, Nigeria, Philippines, Bangladesh and Ivory Coast are among the Top 10 rice importers

Forced liberalisation: IMF/Worldbank

- ✓ **Haiti** reduced its rice tariffs in 1995 from 35% down to 3% because of the pressure coming from IMF/Worldbank. **Consequence** → Imports increased by more than 150% in the period 1994-2003, 3 out of 4 rice meals in Haiti are nowadays imported, rice farmers are ruined, rice cultivation areas do show the highest prevalence of undernourishment and poverty
- ✓ **Ghana:** imports increased in 1998-2003 by 70%, share of locally produced rice has fallen from 43% down to 29%; importers: USA (33%), Thailand (30%), Vietnam (17%), China (12%), Japan (8%)
- ✓ **Consequence:** 2000-2002: 66% of rice farmers ran at a loss
- ✓ **Reason?** Pressure executed by IMF and Worldbank (1980er and beginning of 90ies); decreasing world market prices for rice 2000-2003; FAO: per capita rice consumption increased by 35%, but rice production stagnated and markets very badly organised to meet demand; probably imports via the Ivory Coast...?
- ✓ **Decision by the parliament** in 2003 to increase the rice tariffs from 20% up to 25% was hindered by IMF

Policy space for tariff increases in the WTO?

Some developing countries could still raise their current applied tariffs (blue) up to the maximum allowed levels (lilac)



Source: Oxfam (2005): Kicking down the door

If WTO negotiations were concluded?



- ✓ **If the EU/G-20 proposal (October 2006) was adopted** in the WTO negotiations (25-40% tariff reduction for DCs):
 - ➔ Rice: 17 developing countries had to reduce their applied tariffs (Kenya, India, Panama, China, Nicaragua, Honduras, Turkey, Fiji, Costa Rica, Grenada, Suriname, Mongolia, United Arab Emirates, Zimbabwe, Jordan, Republic of Korea, Philippines)
- ✓ **If the US proposal (October 2006) was adopted** in the WTO negotiations (around 35-60% tariff reduction for DCs):
 - ➔ Rice: 25 developing countries had to reduce their applied tariffs (EU/G20 plus Nigeria, Peru, Sri Lanka, El Salvador, Mexico, Congo, Egypt, Ivory Coast)

Number of developing countries forced to reduce their applied tariffs

Oxfam calculation of the impact on applied tariffs of some products in around 60 countries on the basis of US and EU/G-20 formula

| | Poultry | Sugar | Sorghum | Oilseeds | Vegetable oils | Wheat | Rice | Maize | Total |
|-----------------|---------|-------|---------|----------|----------------|-------|------|-------|-------|
| US formula | 28 | 24 | 20 | 18 | 20 | 12 | 25 | 20 | 167 |
| EU/G-20 formula | 23 | 20 | 17 | 16 | 13 | 11 | 17 | 16 | 133 |

Source: Oxfam (2005): Kicking down the door

Example:

- ✓ US formula: 28 DCs had to cut their current tariffs on poultry
- ✓ EU/G20 formula: 23 countries if the EU/G-20 formula is applied
- ✓ FAO (Minimum tariff rates of 40-60% for staple foods): 32 DCs were affected by rising imports

Proposals for tariff reduction

Proposals for a tariff reduction formula for developed countries

| EU (Oct. 28) | | USA (Oct. 10) | | G-20 (Oct. 12) | |
|--------------|--------------|---------------|-----------|----------------|-----------|
| Band | Reduction | Band | Reduction | Band | Reduction |
| 0-30% | 35% (20-45%) | 0-20% | 55-65% | 0-20% | 45% |
| 30-60% | 45% | 20-40% | 65-75% | 20-50% | 55% |
| 60-90% | 50% | 40-60% | 75-85% | 50-75% | 65% |
| > 90% | 60% | > 60% | 90% | > 75% | 75% |

Proposals for a tariff reduction formula for developing countries

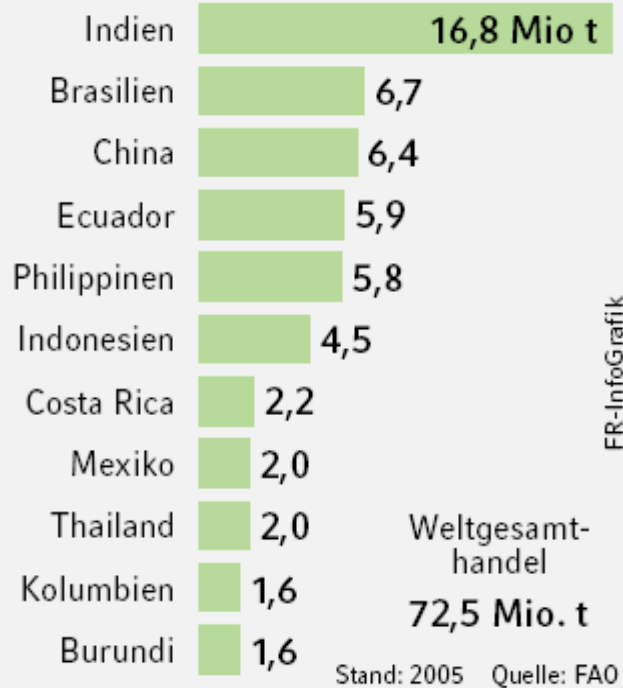
| EU (Oct. 28) | | USA (Oct. 10) | | G-20 (Oct. 12) | | ACP (Oct. 21) | |
|--------------|--------------|---------------|-----------|----------------|-----------|---------------|-----------|
| Band | Reduction | Band | Reduction | Band | Reduction | Band | Reduction |
| 0-30% | 25% (10-40%) | 0-20% | a-b | 0-30% | 25% | 0-50% | 15% |
| 30-80% | 30% | 20-40% | b-c | 30-80% | 30% | 50-100% | 20% |
| 80-130% | 35% | 40-60% | c-d | 80-130% | 35% | 100-150% | 25% |
| > 130% | 40% | > 60% | d-e | > 130% | 40% | > 150% | 30% |

If WTO negotiations were concluded?

- ✓ **Consequence:** increase of imports, decrease of producer prices and income, (remark: producer prices vary sometimes quite a lot, e.g. they are in Ghana 140% higher than in Thailand)
- ✓ **No import surges, if** there were
 - 1) effective safeguard measures (special products = exemption from tariff reduction for staple food, special safeguard mechanism = right to raise tariffs in case of imports surges and price falls) and
 - 2) the respective DCs notified and used them for rice
- ➔ **the first condition is not at all likely! (USA!!! EU!?)**
- ✓ Demands by the G33: special products (self-selection according to criteria, special safeguard mechanism for all agricultural products)

Bananas: facts and figures

Die größten Bananenproduzenten

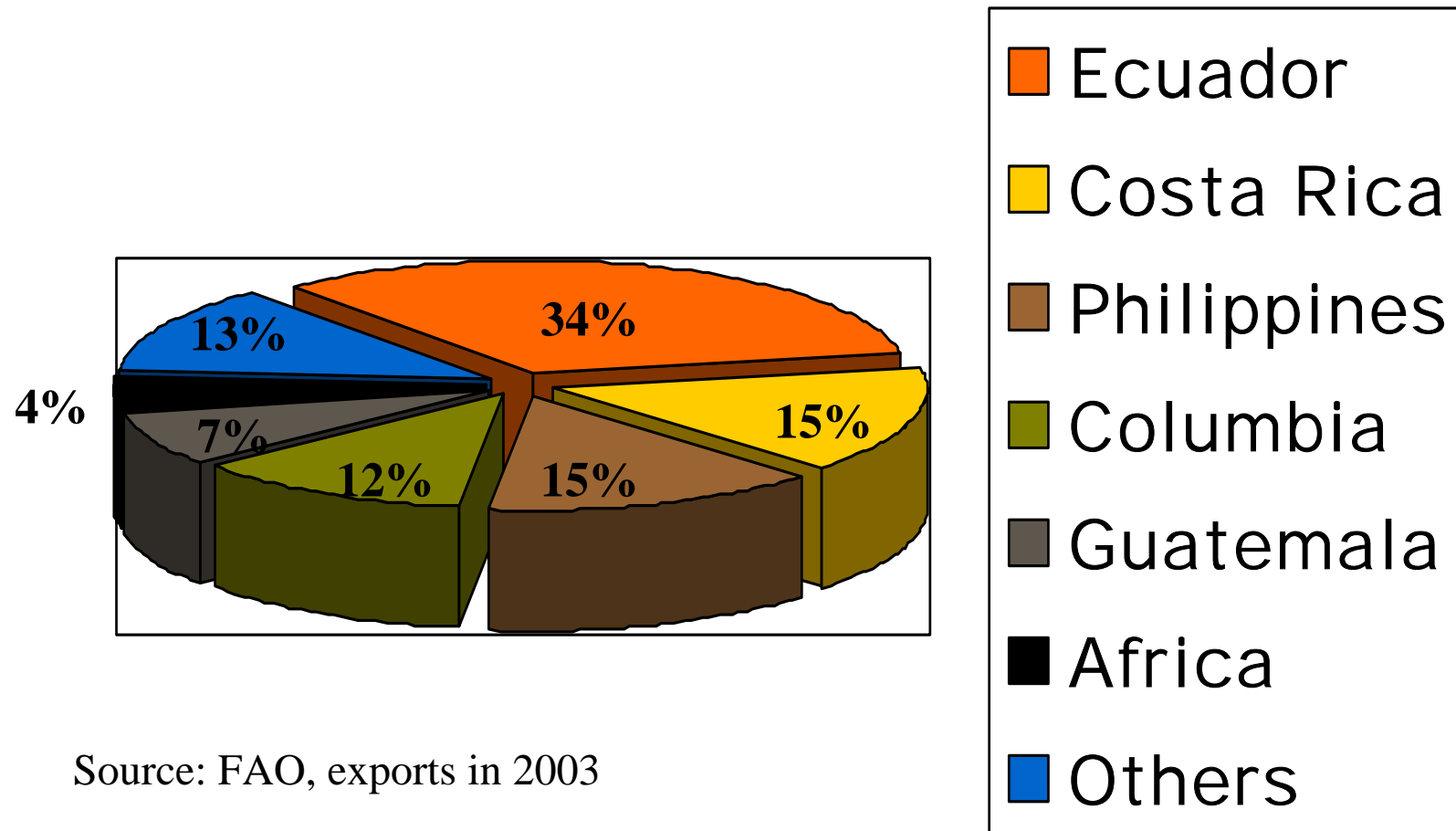


FR-InfoGrafik



All Fotos: banafair

Trade with bananas: exporters



Source: FAO, exports in 2003

Banana import system in the EU I



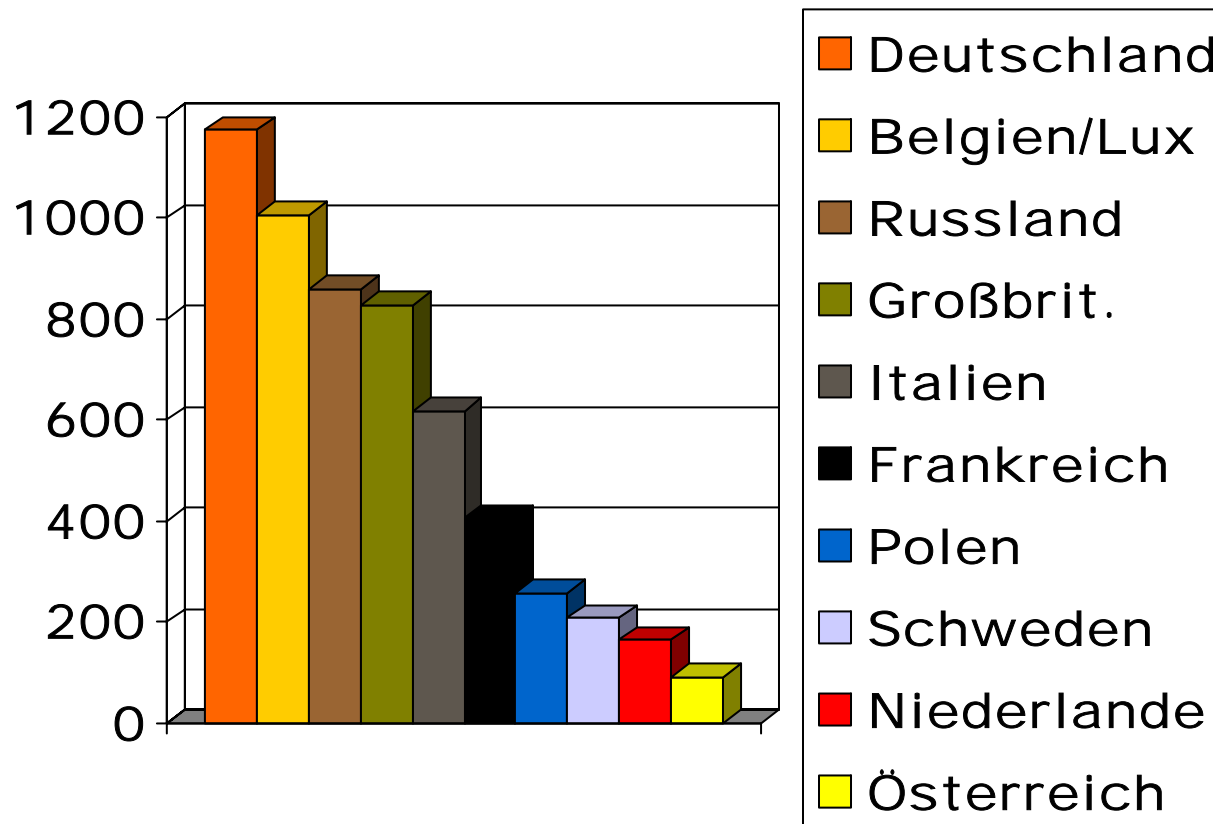
- ✓ **Formation in 1993** (Common market organisation for Bananas, CMOB)
- ✓ Regulation through **tariff-rate quota-system** (administered by import licenses), ACP bananas can be imported duty free
- ✓ **No imports of bananas outside of the quotas** (very high level of out-of-quota tariff) → cap on the imports of „dollar bananas“ (Latin America)
- ✓ CMOB **challenged in WTO** first in 1997 and again after reformed CMOB in 1999
- ✓ **deal with United States and Ecuador in 2001** = change to a tariff-only-system no later than 1 January 2006 → single tariff (176 Euro per metric ton tariff on banana imports)

Banana import system in the EU II



- ✓ **ACP preference to import duty free** into the EU expires 31 December 2007
- ✓ 18 June 2007: appointment of panelists to rule on **Ecuador's EU Banana Compliance Claim**
 - ✓ ACP are allowed to export 775,000 tons of bananas to the EU market duty-free (EU's continued favorable treatment for ACP producers violates WTO rules prohibiting discriminatory treatment between the organization's members)
 - ✓ EU has so far failed to put the new tariff in its WTO schedule of binding commitments, meaning that the 176 euro/ton tariff violates its current bound tariff of 75 euros/ton.

Trade with bananas in Europe: imports



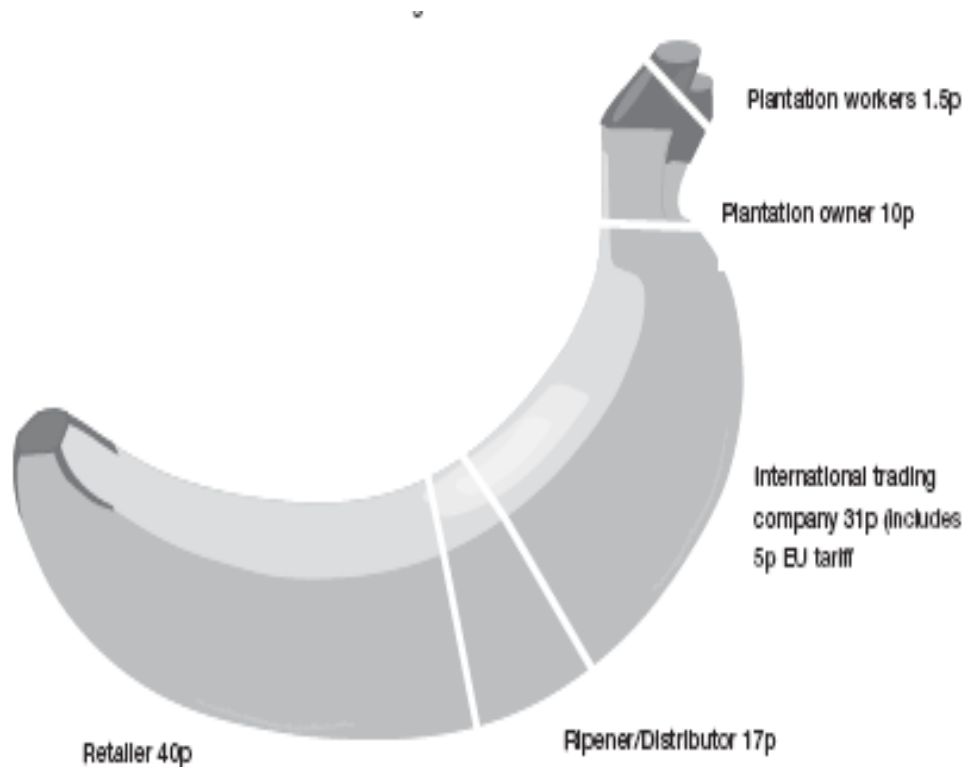
Quelle: ZMP (in 1000t, 2004)

Top 5 Banana-Multis



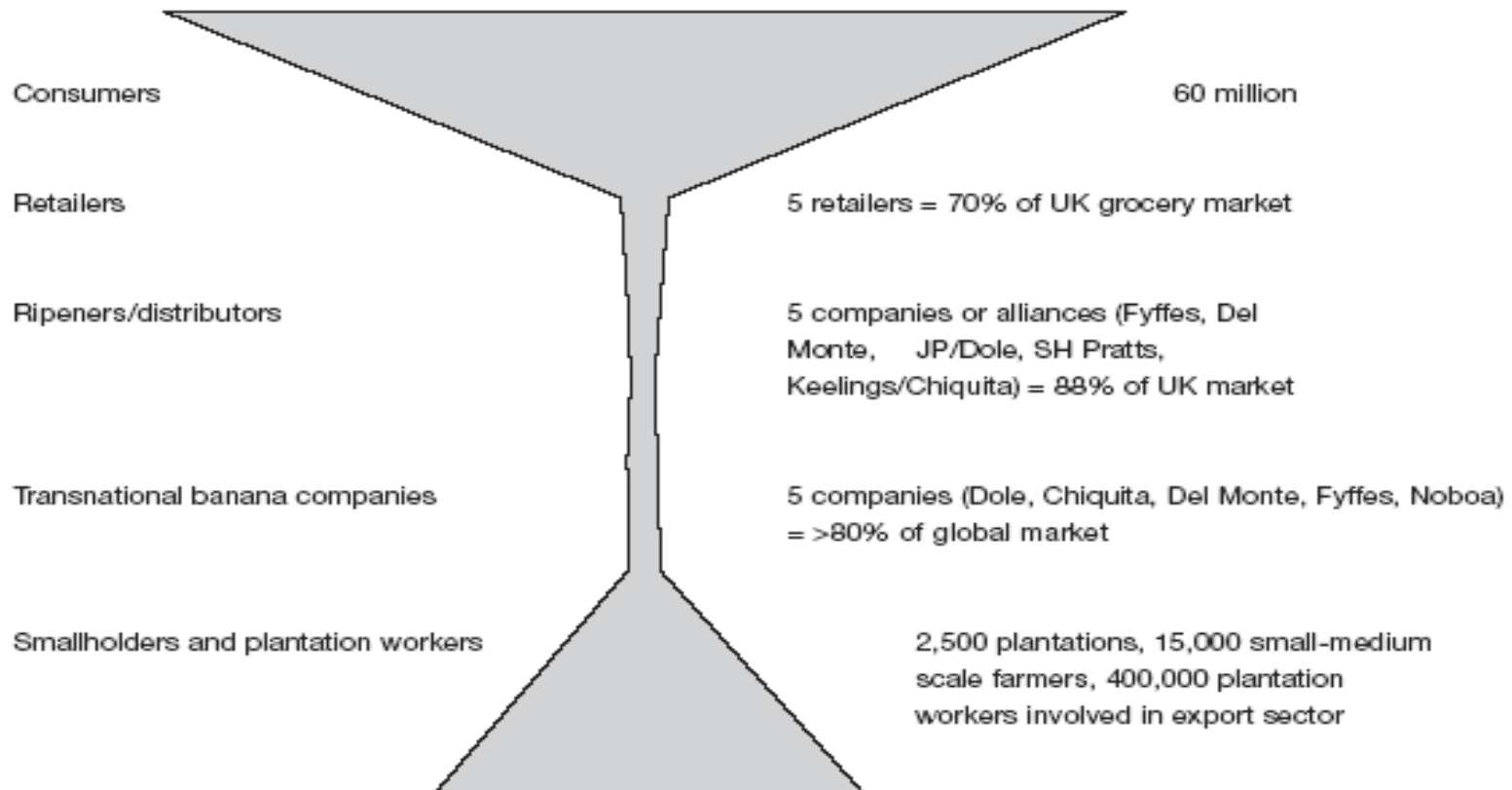
- ✓ **Top 5** = Dole (US), Chiquita (US), Del Monte Fresh Produce (US), Fyffes (IRL), Noboa (Ecuador)
- ✓ Estimated **share of world exports of Top 5** = 78%, the Top 3 alone control 60% of the world market (2003)
- ✓ **Export-Monopsony in some DCs:** The Top banana companies control 100% of exports coming from Guatemala, Honduras, Panama and Belize (80% of exports coming from Costa Rica)
- ✓ **Increase of banana exports** in the period 1990-2003. Why? Surplus supply and price pressure exercised by supermarkets

Who earns the money: supermarkets, Banana-Multis...



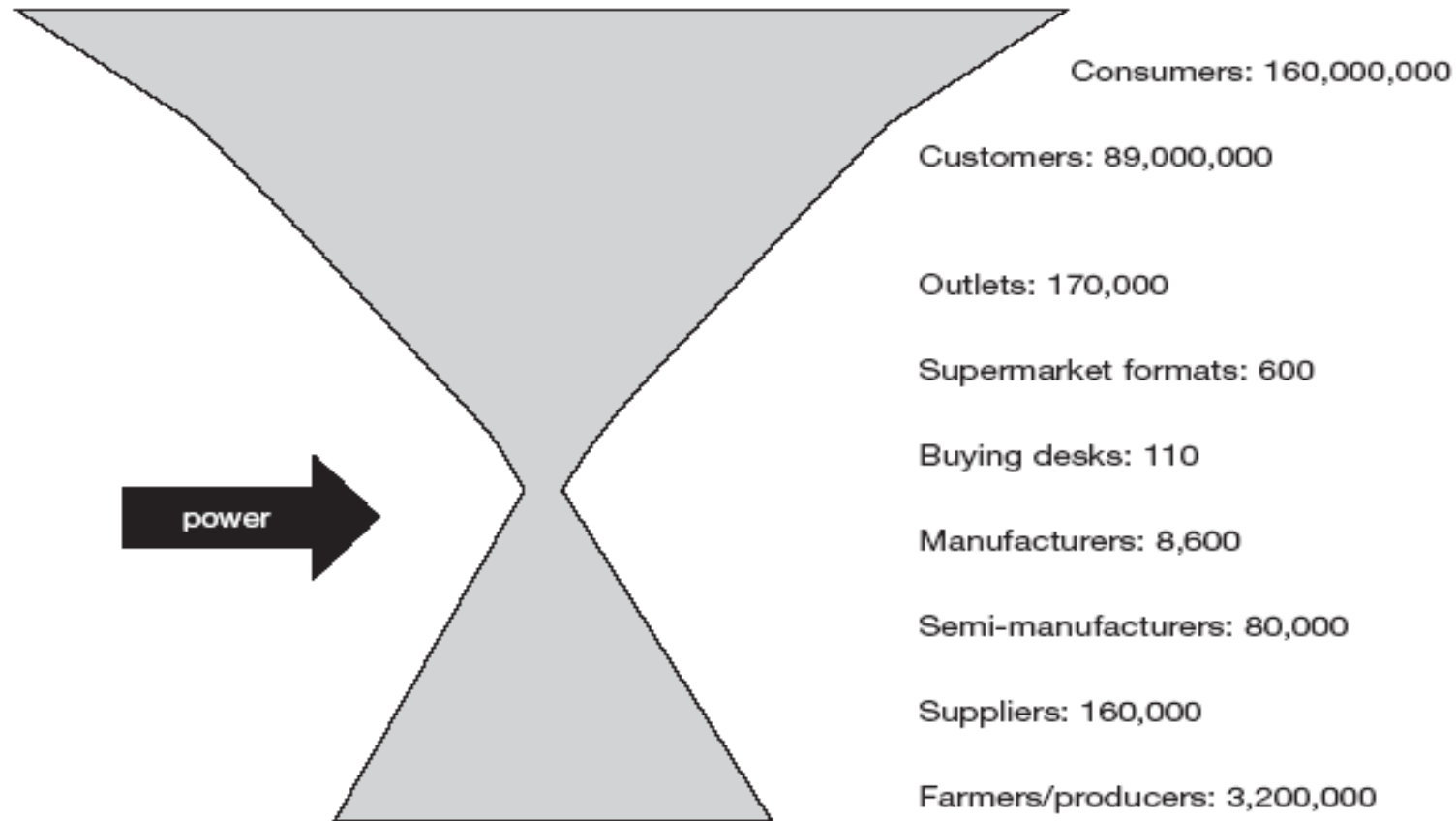
Credit: Robin Carter 2003

Bottle neck in the supply chain in the UK: the case of bananas



Quelle: Food Inc., UK Food Group
2003

Bottle neck in the supply chain in Europe (total food)



Quelle: Food Inc., UK Food Group
(2003)

Top 10 grocers in Western Europe

Leading Grocers in Western Europe, 2005

| Rank | Company | 2005 | | | |
|------|-----------------|------------------------------|------------------|--------------------------------------|------------------|
| | | Retail Banner Sales (EUR mn) | Market Share (%) | Grocery Retail Banner Sales (EUR mn) | Market Share (%) |
| 1 | Carrefour | 73,330 | 6.8 | 54,636 | 7.0 |
| 2 | Metro Group | 52,255 | 4.8 | 22,800 | 2.9 |
| 3 | Tesco | 50,138 | 4.7 | 37,304 | 4.8 |
| 4 | Rewe | 41,675 | 3.9 | 31,469 | 4.0 |
| 5 | Edeka | 40,186 | 3.7 | 34,358 | 4.4 |
| 6 | Schwarz Group | 36,642 | 3.4 | 30,393 | 3.9 |
| 7 | Auchan | 35,161 | 3.3 | 21,577 | 2.8 |
| 8 | Aldi | 32,266 | 3.0 | 26,634 | 3.4 |
| 9 | Leclerc | 31,325 | 2.9 | 19,713 | 2.5 |
| 10 | Casino | 29,270 | 2.7 | 21,890 | 2.8 |
| | Subtotal | 422,248 | 39.2 | 300,774 | 38.4 |
| | Others | 655,623 | 60.8 | 482,036 | 61.6 |
| | Total MGD Sales | 1,077,871 | 100.0 | 782,810 | 100.0 |

Source: Planet Retail Ltd – www.planetretail.net

Buyer power of supermarkets

- ✓ Retail consolidation has resulted in **strong domination of retail chains** in Europe
- ✓ **Top 5 in Germany**: 70% in 2005 (76% in 2010); **Top 5 in UK**: 56,3% (2004), **Top 5 in France**: 68,4% (2004)
- ✓ **Retailers use their buyer power to:**
 - ✓ cut prices,
 - ✓ push costs and risks onto suppliers,
 - ✓ set the terms of trade and quality standards,
 - ✓ set the environmental and social standards with which suppliers must comply

Effects on small producers and workers

- ✓ **Small Farmers** are driven out of business, f.e. Windward Islands.
- ✓ **Deterioration in wages.**
- ✓ Job insecurity and „flexible“ informal working patterns.
- ✓ Employing workers on a **short term basis** to avoid paying permanent employees benefits.
- ✓ **Sub-contracting.**
- ✓ **Longer working hours** and increased productivity for the same wage.
- ✓ **Employing fewer women** to save maternity benefits.
- ✓ **Undermining trade unions.**
- ✓ **Using migrant workers.**



Price war of supermarkets: Who pays the price?

Conventional bananas in Great Britain are much cheaper than fair traded bananas:

- ✓ The „**bananas price war**“ in UK led to a price reduction of 30% since 2002
- ✓ Consequence for banana workers: the **daily wages have fallen** from 12-15\$/per day in 2000 down to 7-8\$/per day in 2003 (poverty level)
- ✓ All banana exporting countries in Latin America **reproduce the low labour and environmental standards** implemented in Ecuador
- ✓ **Dole in Ecuador**: „Dole pays wages, that allow it's workers to good living standard and respects the right to organise and to collective bargaining“
VS Reality in plantations in Ecuador:
 - ✓ „Maria Elisa“: 120 workers trying to set up a trade union were sacked;
 - ✓ „El Zapote“: 136 workers who signed their membership contract were not allowed to enter the plantation;
 - ✓ „Josefa“: 16 not desired workers were shut out

Developing sustainable retail supply chains

- ✓ **Raising public awareness** of the poverty and lack of rights of plantation workers and small farmers.
- ✓ Improving respect of their **internationally-recognised human rights**.
- ✓ **Empowering target groups to take action** and pro-actively promote and defend the rights of workers, small farmers.
- ✓ **Corporate dialogue and advocacy for regulations**.
- ✓ Strengthening **national and international alliances**.
- ✓ **Establishing a permanent Multistakeholder Forum**
- ✓ Consumers: **buy fair traded bananas** (FLO-premium = 1 US\$ per box that is used for social and environmental measures)

