

SUSTAINABLE DEVELOPMENT

# protecting biodiversity

Chiquita, which produces a quarter of Latin American bananas, has spent eight years working to ensure all its banana farms in Latin America meet labour and environmental standards that are independently verified by an international non-governmental organization

In the often-troubled Latin American banana industry, where labour unions have been seeking change for more than a decade, one company has made a bold – and so far lone – move to become a model of best practice on workplace conditions and environmental management.

Last autumn, after eight years of hard work, the fresh food group Chiquita met an independently verified social and environmental standard for the 127 banana farms it owns in Latin America. The standard is run by the Rainforest Alliance, an international non-profit organization responsible for certifying farms under its Better Banana Project (BBP).

Chiquita is the only global banana company to have undertaken and met the BBP's standards, which are the centrepiece of a rapidly expanding corporate social responsibility programme. Chiquita outlined many of its initiatives in its first Corporate Responsibility Report published in September 2001.

The publication of this report sets a high standard for the whole industry. The same can be said for the groundbreaking recent agreement with unions in Latin America that commits Chiquita to respect the core labour conventions of the International Labour Organization and establishes mechanisms for regular consultation, and for oversight of compliance.

The Rainforest Alliance began the BBP in 1991, around the same time that Chiquita, which produces roughly 25 per cent of the world's

bananas, began looking for just such an authoritative environmental standard to improve life for its employees and safeguard the environment.

Jeff Zalla, corporate responsibility officer at Chiquita, says senior management at the company had reached the conclusion – through 'education and increased awareness' rather than any reputational catastrophe – that things needed to change. 'We wanted to improve our social and environmental performance in an authentic way and BBP was the most rigorous standard,' he says.

'We felt we had a particular responsibility as an agricultural producer in developing countries to do something – and as a brand to lead our industry.' As

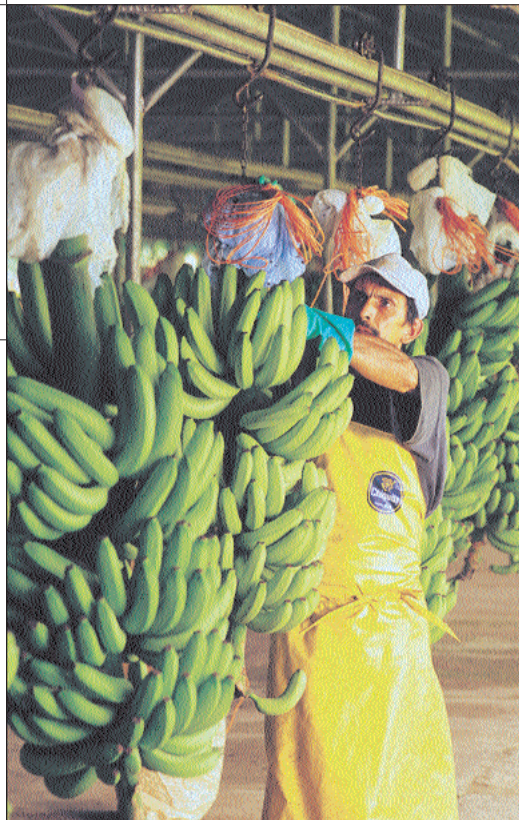
a result, Chiquita and the Rainforest Alliance began talks, that, in 1992, led the company to test out the idea of trying to meet the BBP standards.

The standards, which are detailed in a 19-page document, cover a wide range of topics, from workers' rights to the storage of packaging material on plantations. When two pilot farms in Costa Rica achieved certification, senior management decided to extend the work. The first batch of Chiquita farms was certified in 1994, and the long haul to 100 per cent certification began.

Since then Chiquita has, among other things, made efforts to reduce pesticide use, reforested more than 1000 hectares with native trees and put 525ha of land under protection. On workers' welfare, certification has helped Chiquita employees attain a much higher standard of living than other agricultural workers in the countries where the company operates.

Employees in Costa Rica, for instance, now earn more than one-and-a-half times the standard minimum wage. They also have improved training, housing, health benefits, education, and transport.

**Chiquita is the only global banana company to have undertaken and met the standards**



■ 90 per cent of the bananas that Chiquita supplies to Europe are grown on farms that have been certified by the Better Banana Project

CHIQUITA

All company workers have the right to associate freely, and Chiquita has almost as many union workers as all other banana companies in Latin America combined.

The Chiquita farms are certified only after frequent visits by trained independent inspectors, who are brought in from a network of conservation organizations affiliated to the Rainforest Alliance. They verify that the changes needed to meet the standards are being made, and that farms have introduced measures to improve the quality of life of workers, reduce agrochemical use and increase water quality and wildlife habitat.

All farms owned by the company in Colombia, Costa Rica, Guatemala, Honduras and Panama, cultivating more than 28,400ha, have now been certified. A further 30 per cent of independent farms selling bananas to the company have also been certified, and the company is keen to encourage the remaining 70 per cent of independent producers to follow suit. Together, according to the Rainforest Alliance, total production from Chiquita's certified owned and independent producer farms, amounts to almost 15 per cent of banana exports from Latin America.

**MONITORING THE SUPPLY CHAIN IN THE TROPICS**

Complying with the BBP has cost the group more than \$20million in capital expenditure, along with millions of dollars in annual operating costs, but Tensie Whelan, executive director of the Rainforest Alliance, says the company's 'extraordinary efforts' to reach compliance are 'leading the way for the rest of the industry'. George Jaksch, Chiquita's quality director in Europe also judges the money has been well-spent.

'What we have done in our tropical division is hugely important for our European business,' Jaksch says. 'Many of our retail customers would not be doing business with us unless we had a really thorough and deeply rooted programme like this.'

Zalla says the BBP 'has helped align the whole organization behind a clear performance standard.' He adds: 'We see a lot more discipline throughout the company as a result of what we have done under the BBP. It's hard to put a cost figure on the improvements, but they are very real in terms of workplace conduct and productivity. There have also been real cost savings through measures such as reducing the use of pesticides.'

Even without those benefits, Zalla says Chiquita would have done what it did because 'we are committed to doing the right thing'. He adds: 'In a country such as Colombia there are huge social problems in the areas where we produce bananas. It makes a real difference that the company has a programme of this kind. It creates a workplace where people can feel valued and work safely.'

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**the company**

Chiquita is an international marketer of fresh fruits, vegetables and processed foods that employs 26,000 people around the world. It has:

- signed an agreement on labour standards with unions in Latin America, committing it to respect the core International Labour Organization conventions
- an international steering committee on CSR to develop new ideas on how the company can become more socially responsible
- a commitment in its code of conduct to work towards compliance with the SA8000 ethical trading standard
- a training programme for staff on corporate responsibility that will run through 2001/2002
- published its first CSR report in September 2001.

**the background** In 1800, the world's tropical forests covered 2.84billion ha. They now cover 1.4bn ha.

■ farms have to meet social as well as environmental standards consistently to satisfy the Better Banana Project standards

**ibc comment CHIQUITA**

■ This case shows that globalization works both ways, and that enlightened self-interest can pay off even in remote locations. There are many examples of bad practice somewhere in the supply chain having a negative effect elsewhere, usually originating in the developing world and showing up in the developed one. Here we see an example of good practice going in the opposite direction. Chiquita's example shows what CSR policies and practices can achieve even in challenging economic and social circumstances.

**Among the lessons that other companies can learn are:**

- CSR is not a short-term commitment. A long-term vision is essential, as is determination on the part of both the company and the individual employee to see the programme through
- A key reward is brand enhancement
- There are operational benefits. They include higher productivity, customer retention and improved staff discipline and morale.

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