ETHICAL TRADE AND SUSTAINABLE RURAL LIVELIHOODS – CASE STUDIES

Volta River Estates Fairtrade Bananas case study

Mick Blowfield

Stephanie Gallet

DRAFT

Natural Resources Institute
The University of Greenwich

Natural Resources & Ethical Trade

CONTEXT

THE COMPANY

Volta River Estates Ltd. is a Ghanaian registered commercial plantation company which has been producing bananas for the European fair trade market under the Oké label since 1996. It currently has 280 ha. under production employing 900 full-time workers and staff, and in 1997 exported 3700 tonnes.

VREL is the only exporter of bananas from Ghana, and in terms of the multinational-dominated global market is a small operation. (VREL exports up to 5000 cartons per week. By comparison, the multinational-owned plantations in neighbouring Côte d'Ivoire export 200,000 cartons per week.) However, VREL is one of the leading agricultural companies in the country, and is in the top forty Ghanaian companies for both turnover and number of employees. It is also one of only two initiatives serving the fair trade market in Ghana; the other being the Kuapa Kokoo smallholder cocoa initiative based in Kumasi.

GOVERNMENT POLICY

VREL's focus on banana exports reflects the government's policy of agricultural diversification and promoting non-traditional exports which has led to a rise in cassava, yam and pineapple as well Asian vegetable exports. Exports do not attract duty, and exporting companies pay only eight percent tax, although like all companies in Ghana they will soon be subject to VAT. Exporting companies have preferential depreciation rates and can also import capital items tax free. Because of the relatively low level of development of secondary industries, VREL imports most inputs from irrigation equipment to cartons.

DONOR SUPPORT

There are a variety of government and donor-funded projects to support export agriculture. These include African Development Bank and World Bank funding of agricultural loans (mostly disbursed through the Agricultural Development Bank [GADB]), the USAID-funded Trade Investment Programme (TIP), and the Ghana Export Promotion Council (GEPC) under the Ministry of Trade and Industry. Part of TIP is Amex which since 1993 has promoted Ghanaian non-traditional exports, and has supported the government nucleus farm-outgrower policy that encourages links between commercial farms work and outgrowers to produce for the export market. This approach has also been adopted by some NGOs. For instance, TechnoServe has supported some nucleus farmer-outgrower initiatives, although much of its work involves linking farmers' groups directly to the market.

NATIONAL CONSTRAINTS

Access to credit is a common constraint to agriculture including the export sector. Only 20% of GADB loans are made to the agricultural sector, and for other banks the figure is even less. Loans are typically for one year or less, and interest rates nearly 50%. Development bank loans are also difficult to access because of strict guarantee requirements, and the interest rates are often higher than could be obtained from European commercial banks using a collateral scheme such as that operated by SGS.

The high interest rates by Ghanaian banks in recent years is a result of the depreciation of the cedi and a high inflation rate. Until 1997, depreciation outstripped inflation meaning that export companies could profit from their access to foreign exchange because local costs were falling in real terms. Over the past year or so, inflation has been higher than depreciation, and both much lower than interest rates. As a result, companies cannot afford to borrow and no longer profit from falling local costs.

EXTERNAL CONSTRAINTS

Ghana's main agricultural export market is Europe, and for bananas this means trade is affected by the EU Banana Protocol. This quota system was developed in the 1990s to safeguard the banana industries of some EU members' former colonies[1]. As Ghana was not a traditional banana exporter, it did not receive a quota but was allowed to bid for the 5,000 tonnes unallocated under the quota for non-traditional exporters from ACP States. This means that Ghana does not have to pay EU duty on its banana exports. However, it must purchase licenses from European importers and this adds significantly to VREL's costs (see below).

ENVIRONMENTAL AND AGRICULTURAL CONTEXT

VREL's estate is in the Eastern Region on the alluvial deposits of the Volta River at Akuamufie, Senchi and Dormeliam/Asutsuare. The area's agriculture is characterised by smallholder rain-fed mixed production for subsistence and local markets. Farms are typically less than one hectare, with a maize-cassava intercropping regime and some vegetable production, mainly okra. Various government schemes have been attracted by the irrigation potential of the river, the latest of these being the Kpong Irrigation Project which initially offered irrigated land to commercial farms but more recently has been

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[1] The complexities of the EU banana system are described in NRI (1997) *Potential for Fair Trade and Organic Bananas from the Caribbean*.

encouraging smallholder rice production and other smallholder farming.

SOCIAL FACTORS

The majority of land is under control of stools (tribal chiefs), although significant areas have been alienated by the State and there is also individualised tenure. Accessing land is often problematic because of conflicting claims, often the result of dual tenure systems. There are significant numbers of people resettled because of the Volta Dam and other government projects, and there is considerable ethnic mix particularly of Akan, Ewe and Dangbe peoples.

As elsewhere in southern Ghana, there is marked gender division of labour with women often active in trade and subsistence agriculture. The proportion of female-headed households is likely to be high which can place women at a disadvantage in agriculture where family labour predominates. Age is also an important factor as young people have difficulty acquiring land, and have less access to family labour.

LIVELIHOOD COMPONENTS

NATURAL CAPITAL

The VREL estate is divided between four sites obtained leasehold from different owners (see Table 1). The company is also associated with the Volta River Outgrowers' Scheme which is currently developing a 118 ha. site for plantain.

Table 1: VREL sites

Site	Area (hectares)	Notes
A	60	Stool land, obtained on 50 year lease renewable every 7 years
B	80	Stool land, obtained on 50 year lease renewable every 7 years
C	96	Mix of land from leased from Volta River Estates (20 ha.), and land leased with permission of local chiefs; 5 year renewable lease
D	94	Private land, obtained on 25 year lease

The different sites each have the advantage of alluvial soils and access to the river for irrigation, allowing year-round production.

VREL workers may have their own land independent of the estate. Some workers are from communities that lost land because of the Volta Dam or who were using stool land sold to the company. The new outgrowers' scheme was originally intended to be on land from the Kpong Irrigation Project and smallholders displaced by that project were given priority. The location has subsequently been shifted to a disused sugar plantation and as part of the agreement to access the land, the outgrowers' scheme must give any smallholders that were using that land the option of joining the new scheme.

ECONOMIC CAPITAL

Although there is some manufacturing industry in the area, unemployment or at least non-engagement in the cash economy is estimated to be 40%, and bimodal rainfall means that there are considerable periods when on-farm employment is limited. There are textile mills in the area, and part of the estate is near to an important highway which generates trading opportunities and access to Accra in addition to local trading activities that are typically dominated by women. There are the normal array of salaried job opportunities found in small towns for the minority of people who have secondary education. In addition, the Volta River Authority and other government projects provide some opportunities for local people, although again these are limited by educational requirements.

Plantation work does not require financial investment by ordinary workers, but does require time capital. This can mitigate against women, particularly those who are married or heads of household.

On the VREL-assisted Volta River Outgrowers' Scheme (VROS), there are both time and financial capital requirements. Outgrowers will have to wait at least one year before the plantains come into production. During that time they can obtain loans through VROS or use their own resources (e.g. by continuing to farm their own holdings).

HUMAN CAPITAL

By national standards, formal education facilities are good for a predominantly rural area as there is a university agricultural station and various private colleges (normally religious). Free primary education is available to all, although the quality is variable and the opportunity cost of keeping children in school increases as the child gets older. There is a local hospital, although again the quality of care is questionable. Without regular, year round income or produce to market, the average smallholder faces difficulties in paying medical bills or education costs.

The agricultural extension services are weak in servicing the needs of smallholders, although some communities may be served by NGOs.

Ordinary plantation work does not require formal education, and as bananas are a relatively new crop to the area VREL expects to train its own field and packing station workers. Even at farm management level, there are opportunities for people with little formal education provided that they have practical experience, although management is mostly made up of educated male Ghanaian and expatriate staff.

Aspects of plantation work are considered gender specific with men regarding field work (harvesting, clearing, replanting) as an extension of their traditional farming responsibilities, and women regarding cleaning and packing as an extension of their traditional activities.

SOCIAL CAPITAL

There are numerous forms of social capital including tribe, extended family, informal savings and loans groups (*susu*) and community funds (e.g. for funerals). Smallholders are unlikely to be members of formal organisations such as co-operatives although a growing number of development organisations are now encouraging group formation as a means of accessing credit, markets and technical advice.

Participation in both VREL and VROS has been strongly influenced by the tribal system. On the first two sites established by VREL, preference was given to members of the Akan as the land was made available by Akan chiefs. On the new VROS site, preference is being given to those who were using the land after it was abandoned by the sugar estate.

Formal institutions have also influenced participation. Under Ghanaian law, plantation workers must belong to the General Agricultural Workers' Union. On the third site established by VREL, the government which had made the land available asked that preference be given to Ewe people who had been moved to the area after construction of the Volta Dam. At the same time local Akan chiefs that still laid claim to the land, asked that preference be given to their own people. On the VROS site, the government asked that preference be given to smallholders displaced by the Kpong Irrigation Project, while the 31st December Women's Movement and a local school both negotiated a set number of places for their own affiliates. In both cases, nominees of different organisations had to meet the general criteria set for all applicants.

INSTITUTIONS AND ORGANISATIONS

VOLTA RIVER ESTATES LTD.

VREL was formed in 1988 and was the first commercial banana producer in Ghana. One of its founding directors was Yeboah Afari, Minister of Agriculture under the Nkrumah government and still a minority shareholder. Two of his sons are company staff. VREL's operation collapsed in 1990 as a result of black sigatoka, and was restarted in 1993 with a new managing director and funding from the Ghana Agriculture Development Bank and later the Dutch Development Bank/FMO.

It began to export again in 1994 under its own Ghanapack label and only then discovered that it had to pay a licence fee to access the EU market. This together with a long-running dispute over land and labour on its initial two sites meant that the company was verging on bankruptcy. However, in 1996 it established contact with the Dutch NGO Solidaridad which had played an important part in establishing the Max Havelaar Foundation for promoting the fair trade of developing country products.

Links to air trade

At that time Max Havelaar Foundation was starting the Oké label for fair trade bananas in the Netherlands, but Solidaridad was unable to get import licences for bananas from Latin America because licence holders feared this would open the door to dollar bananas. At the same time, VREL was looking for an efficient way to lobby the EU, something that Solidaridad and Max Havelaar Foundation were already doing for fair trade. As a result VREL was able to supply non-Latin American bananas and Solidaridad was able to help with lobbying.

VREL was accepted as a registered fair trade supplier. In 1993 the company had 23 workers, 140 ha. of partly uncultivated land and a host of labour and local problems. By the end of 1997, after a year of selling to the fair trade market, it had 280 ha. under production, had largely resolved its labour problems and was employing 900 people. In the words of one VREL manager, “Fair trade saved VREL.”

Current situation

Production for the fair trade market has been accompanied by changes in ownership and management, and now 25% of shares are owned by the workforce held in trust by Solidaridad. Expansion has been funded by new shareholder capital, soft loans said to be in the region of $1 million from Dutch development organisations including Solidaridad, and assistance from TIP and Japanese aid. The company is currently negotiating a further 1.2 billion cedi loan from the World Bank.

However, VREL readily acknowledges that it has yet to make a profit, and a recent Max Havelaar Foundation report questioned the company’s viability, although noting that it should turn an operating profit in 1998. It has a high worker per hectare ratio (3:1 compared to 1:1 on many plantations) although this is partly because of avoiding chemical weed control, a requirement to meet Max Havelaar Foundation criteria. It has a high level of wastage (15% of the crop) and due to quality problems 20% of its product is sold on the low value local market. The EU banana quota remains a constraint with licence fees to EU importers accounting for over 50% of the CIF price, and proposed changes in the EU quota system are unlikely to alleviate this problem. Given the difficulties faced by the company, and not withstanding projections of profitability in the near future, it is probably not coincidental that the largest shareholder is a long-term Ghanaian resident with other business interests in the country.

AGROFAIR

VREL sells its export bananas to Agrofair, a fair trade label licensee that is currently the only licensee in the Netherlands. Agrofair is jointly owned by VREL and other fair trade producers, Solidaridad and a ripening company. It imports fair trade bananas from Ghana, the Dominican Republic, Costa Rica, Columbia and other Latin American fair trade producers. Its main market is the Netherlands but it has sold VREL bananas to Switzerland and is setting up sales in Belgium. Although Switzerland represents a non-quota affected markets, VREL has had difficulty establishing itself there because of quality problems.

There is a one month delay between harvesting and payment. Agrofair is able to prefinance all orders with loans from HIVOS-Triodos, a Dutch development bank offering low interest loans for fair trade and other development projects. VREL also needs to prefinance the cost of EU import licences which can amount to over US$ 1 million per year. Licences must be pre-paid every quarter, but it is unclear whether or not this is financed by HIVOS-Triodos.

VOLTA RIVER OUTGROWERS' SCHEME

This scheme is not supplying the fair trade market, but is an interesting example of how VREL has become involved in development activities. VROS is an independently registered division of VREL that has been set up to establish a smallholder scheme to produce plantain for the domestic market which is currently importing this staple food. Although VREL does not discount the possibility that the outgrowers may one day produce export bananas or plantain, it refutes the idea that this is a typical smallholder nucleus estate, and the scheme is not typical of outgrowers' schemes where normally in return for access to inputs the smallholders must sell through the nucleus farmer. VREL's support is limited to technical assistance, and VROS itself will be responsible for setting up a co-operative for managing marketing and credit. The scheme is supported by the government which seeks to encourage agricultural diversification.

Solidaridad and CMC (another Dutch funding organisation) have co-funded a five year advisor's post to oversee the operation, and the scheme itself was originally mooted by Max Havelaar Foundation to encourage VREL to become involved in development away from the plantation. VROS, which is in the early stages of development, hopes to receive technical assistance on co-operatives from SNV (a Dutch NGO heavily involved in setting up the Kuapa Kokoo fair trade cocoa initiative) and will channel low interest loans (up to 1.6 billion cedi) from the World Bank to its outgrowers possibly through GADB.

It should be noted that in the Ghanaian context, VROS is an innovative scheme that if successful will provide a model for other nucleus-outgrower schemes.

STRATEGIES

PRODUCTION

VREL was registered as a fair trade banana producer in November 1996 which required that it meet the social and environmental criteria of the International Fair Trade Banana Producers' Register. These criteria are intended to provide a core package of social and environmental standards that will promote sustainable banana production. These standards include:

Social standards

- rights to freedom of association and collective bargaining;
- anti-discrimination and equal remuneration;
- non-use of forced labour and child labour;
- defined minimum social and labour conditions of workers; and
- health and safety.

Environmental standards

- protection of natural areas (biodiversity);
- coherent policy and practice of prevention of erosion and water pollution;
- controlled and reduced use of pesticides and coadjuvants;
- controlled and reduced use of chemical fertilisers;
- control of waste and optimisation of recycling; and
- environmental education.

These standards are elaborated for each producer through consultation between Max Havelaar Foundation, management and workers. The operation is then monitored by the Max Havelaar Foundation which conducts an annual in-country assessment as well as monitoring operations through correspondence throughout the year[2]. The Foundation encourages continual improvement in labour and environmental performance, and also encourages plantations to implement a social development programme and worker shareholder schemes.

[2] As with this study, it seems Max Havelaar Foundation inspectors have to depend on translators and English speaking employees. However, in our experience, with the exception of a minority of site managers, management is very open and allows unhindered, unobserved access to the workforce.

Environmental strategy

In addition to monitoring by Max Havelaar Foundation, VREL is subject to environmental impact monitoring by the Water and Sewerage Corporation, but details of this are not available. However, it is VREL's policy to reduce chemical use. Weeding is done by hand which accounts in part for the high number of field workers per hectare (something that even Max Havelaar Foundation has criticised from an economic perspective). Insecticide-impregnated plastic bags are not used to cover unharvested bunches. Chicken manure and potash is used for fertiliser, and VREL has introduced fine spraying to reduce water consumption. Organic certification is not at present an option because in order to prevent black sigatoka, aerial spraying is required every three weeks. (VREL is at the early stages of conducting an experiment on an early warning system for predicting black sigatoka outbreak which would help it meet organic requirements. However, as with other banana plantations, nematodes may be a long-term threat to organic production.) The fungicide Thiobendazol is used on crowns prior to packing, but otherwise all cleaning is done with water using a circular (recycling) system.

Social strategy

Unions

VREL workers are represented by the Ghana Agricultural Workers' Union under a closed shop arrangement where two percent of workers' monthly wages are deducted for union fees. There are eight union representatives per site which have fortnightly meetings and from whom are elected an apex committee for discussions with senior management. The union and management agreed a collective bargaining agreement in early 1998 which includes a six year plan for pay increases and a grievance procedure. Each site also has a women's representative, although women make up less than 20% of the workforce and are not represented in management.

Working conditions

The majority of work is carried out by 900 full-time employees, although casual labour may be used at peak harvest season after the main rainy season (August-September). Full-time workers are paid a basic monthly wage of 89,100 cedi with one twenty-seventh deducted for each day's absence other than national or annual holidays (three weeks per year). Over-time is paid at ILO approved rates for work after 16.30 (e.g. shipping days), weekends and national holidays. Although the monthly wage is calculated on an eight hour working day, many workers are allocated daily tasks and can leave the site once their task is completed (although not before mid-day, and practice varies from site to site). For some tasks workers receive additional payments, but except for management, site managers and plot managers (called head men, although one is a woman), all workers are on the same basic wage. Workers also receive interest free loans and subsidised rice grown on VREL land as part of a Solidarity Fund set up by the company on each site and managed by the workforce. VREL provided capital for the loan funds and pays the wages of workers on the Fund farms.

Management

Management comprises a managing director, a director of operations, a finance marketing manager, a special project manager, four farm managers, a personnel manager and an export manager. VROS has an expatriate technical advisor funded with Dutch development funds, as well as a VREL technician. It is hoped that SNV will provide technical assistance on group formation.

Production and export

Sites are divided into plots under a plot manager. The plot manager is under the farm manager who is paid a basic salary plus a production incentive. Each site has its own packing station, and two sites have cableways to facilitate harvesting. Harvesting, packing and shipping takes place on Tuesday, Wednesday and Thursday each week throughout the year, with cartons loaded onto refrigerated 40 foot containers that are shipped from Tema. The journey to Europe takes up to three weeks as the only available shipping calls at various West African ports before reaching Rotterdam which causes quality problems. The volume of bananas does not justify the use of reefer vessels which would reduce costs and voyage time. But VREL is looking to invest in pre-cooling and CAS to improve quality.

MARKETING

Fair trade system

Once a producer is registered with the International Fair trade Banana Producers' Register (of which Max Havelaar Foundation is a member), it can sell to an importer that has a licence to use a fair trade label. In the case of VREL, it sells to Agrofair which markets fair trade bananas under the Oké label. However, labels vary from country to country and VREL, which attaches labels at its packing stations, has had problems getting the right label on the right produce for specific national fair trade markets.

Under the fair trade system, the International Fair Trade Banana Producers Register sets a country FOB price based on what it costs producers to operate profitably while meeting pre-set social criteria for the workforce. For Ghana, the fair trade price Agrofair must pay VREL is US$ 8.5 per carton (approximately 18.14 kg or 40 lbs.) which is US$ 1.25 higher than the fair trade price for Latin American producers. Estimated and projected volume and value of VREL production are given in Table 1.<<

Fair trade market

The retail price of bananas on the fair trade market is typically higher than the mainstream market, sometimes as much as 50%. This is partly due to the minimum price producers are guaranteed, and partly because consumers pay a ‘social premium’ of about three cents per kilogramme (US$ 1.75 per carton). The social premium is earmarked for social development activities for employees, but in the case of VREL has largely been absorbed by the cost of EU import licences, although part may be used for a bus for the Solidarity Fund and worker bicycles.

A further advantage of the fair trade market is that it deals in relatively small volumes, and therefore represents an alternative to the low volume, variable price wholesale markets, and high volume, stable price multiple retailers. This does not mean that market forces do not apply to the fair trade market. VREL has experienced difficulties selling all of its exported produce to the fair trade market because its costs are higher than Latin American fair trade producers, and despite impressive growth in the fair trade market, particularly in the Netherlands and Switzerland, there appears to be over-supply at certain times of the year. Consequently, Agrofair has sold VREL produce on the mainstream market and in Eastern Europe where wholesale prices are at times insufficient to cover production costs.

VREL also experiences shipping-related quality problems that have cost it sales to the Swiss fair trade market. As a result, about 20% of produce is sold on the domestic market where Cavendish variety bananas fetch only 30% of their export price.

OUTGROWERS’ SCHEME

Solidaridad has encouraged VREL to become involved in development projects away from its plantations. Consequently it is facilitating technology transfer for VROS and has helped acquire 118 ha. of land for the scheme. VROS, which is funded by Dutch development agencies and soft loans, has identified farmers (one household per hectare) to engage in plantain cultivation. The choice of crop was based on:

- market demand (Ghana imports plantain);
- quick establishment period (plantain can be harvested after one year);
- opportunity for year-round income generation;
- the opportunity to introduce farmers to new technologies through a crop with which they were already familiar; and

- not wanting to expose smallholders early on to the rigours of the export market.

VROS aims to set up fine spray irrigation to achieve year-round cultivation, and estimates that allowing for start up costs, inputs and a monthly compensation for the period prior to the plantain coming into production income per household will exceed 900,000 cedi in year 2, and four million cedi in year 3. Inputs and monthly compensation will be provided as credits and cash loans respectively which participants must repay over a three year period. The interest rate is likely to be well below the commercial rate of 48% as VROS will make use of World Bank funds.

VROS has conducted a lengthy selection process for participants that has involved VREL, the Ministry of Food and Agriculture, local chiefs, and the Ghana Irrigation Development Authority. Criteria used to select participants included:

- applications limited to one per family;
- must live in a 5-8 kilometre radius of the scheme;
- must have no other regular source of income;
- must have four adults aged 18-50 years in the household to ensure sufficient family labour;
- must not be over 50 years old;
- total number of male and female participants should be equal;
- preference given to people displaced by the Kpong Irrigation Project or those with usufructuary rights to the land used by VROS; and
- applications must be from individuals not institutions.

The first twenty participants will begin planting in June 1998, and an additional 20 will be introduced every 8-10 weeks thereafter. It is intended that each group will elect representatives that will then establish a co-operative to market the plantain and channel assistance to participants. VROS has had discussions with SNV with a view to this Dutch NGO's involvement in establishing the co-operative. The co-operative is crucial if the scheme is to operate on a cost-recovery basis as intended, but no strategy has yet been finalised.

OUTCOMES

Livelihood Creation

Opportunities for participants

VREL has created approximately 900 permanent jobs in an area where income earning opportunities are seasonal and limited. The vast majority of these jobs have not required special skills, and priority has been given to people in the vicinity of the plantation sites. It is indicative of the attractiveness of the opportunities for certain people that even those with relatively large land holdings (over one hectare) have joined the workforce. The number of workers per hectare is high and even Max Havelaar Foundation has suggested a restructuring of the workforce to increase productivity.

VROS intends to create new livelihood opportunities for 118 families (up to 472 people), and again has prioritised local people and those without other regular sources of income. Its site is in a particularly poor part of the District.

Impact on non-participants

These jobs have not been created without losses to other people. The first two sites were established on stool land used for smallholder inter-cropping, but although people from the stools were given precedence, today most of the workforce comes from other communities. This has not been because of company policy, but the two sites have a history of unrest and this is not unrelated to the indigenous population’s perception that the company has not benefited them. Furthermore, the company’s financial and production problems have meant that there were several years in the 1990s when few jobs were available (for instance, in 1993 only 25 workers were employed), whereas if the land had still been under smallholder cultivation this could have given livelihoods to approximately 140 families.

Opportunities for different categories of participant

Women

However, taking the four VREL sites and one VROS site as a whole, significant areas of which were not previously under production, there has probably been a net increase in livelihood opportunities. Women have been less likely to benefit directly from these opportunities as only 16% of VREL workers are women, and despite trying to achieve an equal gender balance, 60% of registered VROS participants are men. On the plantations, this gender imbalance is blamed on the nature of the work, but other factors such as the need to balance different social and economic functions may also exclude women. The imbalance is less for VROS where a deliberate attempt was made to involve women, but the criteria may still have favoured men. For instance, the criteria sought those directly involved in farming, and did not take account of marketing where women are more likely to be active. Equally, the criteria required that a participant's family have four adult members, but experience elsewhere in Ghana suggests that female-headed households are less likely to have access to family labour.

Max Havelaar Foundation records the number of male and female workers, and has encouraged opportunities for women in site management and union activities. However, it does not monitor the impact participation in the workforce has away from the plantations. For instance, many workers still have their own farms but on harvesting days have to work all day at the plantation. This may increase the work on own-farms by other family members and alter their livelihood opportunities, particularly when over-time is compulsory (e.g. on harvesting days and for the irrigation and cableway departments). Also, for those without family land, the limited amount of time available for own-account farming means that it is uneconomic to rent farm land.

Age groups

People under the age of 15 (the legal minimum age) are not allowed to work on VREL or VROS sites. The age profile of workers is not monitored, although VROS criteria excluded people over 50 years. Most women workers at VREL appear to be in the 20-30 year range while most men are 20-35. In both cases this is the age when smallholders are most likely to sell their labour, and it may be that plantation work is seen as only a short-term opportunity. However, workers met said that despite some dissatisfaction with working terms and conditions, employment by VREL was preferable to dependence on smallholder farming or casual labour.

POVERTY REDUCTION

VREL's impact on poverty reduction depends on:

1. the amount of income from plantation work;
2. the opportunities gained or lost by other household members; and
3. the distribution of income within the household.

VREL wages are higher than the national minimum wage but lower than textile factories and not significantly different from day rates of casual labour in the area. However, VREL workers are permanent staff and not subject to seasonal fluctuation in labour demand. Without over-time, the average annual wage is just under 1.1 million cedi. Although they must pay union fees, workers are part of a noncontributory pension fund to which VREL pays the equivalent of 12% of a worker's monthly salary, and there are significant opportunities for over-time. Although workers consider the wages to be low compared to their needs and compared to local textile mills, they are reasonably high for the region and for the banana industry in general.

The Solidarity Funds on each site provide workers with reduced price basic commodities and interest free loans. On some sites, the Fund has also created occasional employment for young people to assist with their school fees.

As discussed earlier, the overall position regarding gains or losses in opportunities to other household members is unknown. Gains are greatest where workers are able to continue own-account farming, and this is more likely where workers do not have to rent land and therefore do not consider time spent away from the farm as an opportunity cost.

Questions remain about the distribution of benefits. Experience elsewhere in Ghana shows that money earned by men does not always benefit the family as a whole, and there are limited opportunities for women on the plantations. Max Havelaar Foundation monitors the amount of worker remuneration but not its use.

CAPABILITIES

Human capital

In line with national law, the company gives six weeks paid maternity leave and women are allowed back on to the sites with young children. Workers also receive an initial 21 days' annual leave, increasing incrementally after the first three years.

Regular wages means that health and education costs of family members are more likely to be met, and although the level of wages makes secondary schooling too expensive workers are more able to meet the costs of primary education for longer.

VREL provides a health clinic staffed by a trained nurse for each of its sites, and refers more serious cases to the Volta River Authority hospital. Workers must pay for hospital treatment and are then reimbursed by the company. This is to prevent misuse. The health service is only for the use of workers at present because if it were extended to family members there is concern that it would be over-burdened. A Max Havelaar Foundation report judged the clinics to be poor, but better than other facilities in the area. VREL is considering building its own hospital.

Workers are provided with boots and protective clothing. Some sites are better equipped than others in terms of drinking water, shelter and general working conditions. Transport to and from the sites is a common problem, particularly on more remote sites or when workers have to carry out loading until late at night. Investment in modern technology for harvesting, irrigation and packing has reduced the more physical tasks, although the investment programme means that again some sites are more advanced than others.

VREL provides informal training and is now putting in place a more organised training programme. It has recently appointed a personnel officer to take care of this as well as disputes and conflicts.

Although key positions in the company are still held by expatriate managers, there are a growing number of Ghanaians in positions of responsibility and the company has managed to attract and retain educated personnel despite its financial difficulties and its fairly remote location.

Social capital

Formal institutions

Union representation is an important element of fair trade plantation initiatives, and all plantation workers must join GAWU under Ghanaian law. Each site has union representatives elected from the workforce, although some have been active in unions previously. The sites are then represented on a central committee which is the main body for negotiating with management. The union provides training to its representatives.

As a national union, GAWU is independent of VREL management, although the two have worked together (e.g. on the workers' protest against EU banana quotas in Accra). A collective bargaining agreement has been in place since the beginning of 1998, and there are formal procedures for worker organisation and negotiations with management. Recently, women's representatives have been added to the site union committees.

Some may question the emphasis the fair trade movement places on unionisation, but one needs to compare the conditions of VREL workers with those on non-unionised multinational-owned estates such as in Côte d'Ivoire. The fair trade consumer interest in bananas largely stems from the working conditions on such estates. Even prior to fair trade accreditation, VREL had a fully unionised workforce, and participation in the union has increased the responsibility and experience of many workers.

Through the union and through weekly management-site worker meetings, the workforce and management have reached a reasonable level of dialogue and there is a degree of transparency that is not typical of companies in Ghana.

VROS will establish a co-operative to market outgrowers' plantains and provide access to credit/inputs. The co-operative will be made up of sub-units of about 20 farms. It is undecided how the co-operative will be managed, but given women's heavy involvement in trade, it will be interesting to see whether women are able to become involved in the marketing activities of the co-operative. An initial survey by SNV found that some women participants were already traders and expected to be involved in this aspect of the co-operative.

Informal institutions

Informal institutions have had a significant impact. Membership of a particular community and tribe are important for obtaining work on VREL sites or participating in VROS. This is because employment opportunities have been part of the agreement to lease land. Some VROS participants have also gained access through their membership of formal organisations such as the political 31st December Movement.

Tribal affiliation has also affected the management of the estate. In neighbouring Côte d'Ivoire, most plantation workers are migrants with site workers and plot managers coming from different ethnic groups. This partly accounts for the often harsh management system, whereas in Ghana a plot manager often manages those of his own tribe and his behaviour is subject to wider social controls.

This does not mean that sometimes severe management of the workforce is unknown at VREL, and the several years of conflict on Sites A and B were partly a result of this. However, the company today is an example of how a commercial plantation can be established and operate with the co-operation of indigenous social institutions and also trade unions.

International capital

A further aspect of social capital has been the close identification of VREL with the fair trade movement. Workers are aware of fair trade, Solidaridad and Max Havelaar Foundation, and VREL is producing local language pamphlets explaining this further. Although difficult to measure, a sense of identity with the fair trade movement (or at least with the international community) is seen as positive by the workforce.

VULNERABILITY AND RESILIENCE

The long-term contribution of VREL and VROS to the resilience of rural livelihoods depends on a) the viability of the company; and b) the use of benefits accruing from the company. This study was not charged with assessing the viability of fair trade operations, but VREL freely admits that despite improvements in its operations and the advantages of accessing the fair trade market, its long-term future remains in the balance. The single biggest factor is the cost of licence fees to access the EU market which take up to half of the wholesale price. Both VREL and Ghana are small players in the international banana industry, and the long-term future depends on international policy decisions and the global market. Nonetheless, there have been numerous failed attempts to establish large agricultural schemes in the area and VREL has at least been able to operate for ten years.

As discussed earlier, VREL workers are well placed in livelihood and income terms compared to comparable people in the area, but because most benefits are cash benefits, the resilience of the communities as a whole depends on how benefits are distributed. There is good reason to question the ultimate benefits VREL has on particular social groups outside of the workforce such as women.

Natural Resource Base

VREL has adopted a system of cultivation that minimises negative impacts on the environment, while increasing the productivity of the land through irrigation and crop choice. The normal caveats about banana plantation sustainability apply (e.g. diseases and nematode attack).

Wider environmental impact is monitored externally and has not been deemed negative. It is possible that if VREL and VROS are successful, they will come to serve as models for increasing the productivity of the natural resource base for others in Ghana.

CONCLUSIONS

Unlike fair trade coffee, fair trade bananas are largely sourced from plantations, the exception being the proposed Fairtrade Foundation scheme in the Windward Islands. Therefore, in discussing the relationship between sustainable rural livelihoods and fair trade bananas, one is asking a) what contribution plantations can make to sustainable rural livelihoods, and b) what additional contribution fair trade can make.

PLANTATIONS AND SUSTAINABLE RURAL LIVELIHOODS

The VREL example suggests that plantations can increase livelihood opportunities for certain groups of people without negatively affecting the natural resource base. The contribution to poverty reduction is less clear because while workers' incomes are at least as high as most other wage earning opportunities, the ultimate impact depends on how cash is distributed and used, and the extent to which full-time employment affects the opportunities of others within the family unit. Furthermore, despite consciously employing those who have lost land because of the plantations, it is possible that some families have had their access to cultivable land reduced without receiving alternative opportunities.

Production for export has complemented government policy, and has been supported by various tax and other concessions. Both the estate and VROS have also been supported to an extent by the government because they are seen as an example that others in agriculture should follow.

FAIR TRADE AND SUSTAINABLE RURAL LIVELIHOODS

Involvement in fair trade has probably increased VREL management's awareness of social and environmental issues. However, it needs to be noted that many of these issues were already being addressed prior to registration as a fair trade producer, and dialogue with fair trade organisations such as Max Havelaar Foundation and Solidaridad (including regular monitoring) has probably fine-tuned rather than instigated many of the practices employed on the estate. This is particularly noticeable in terms of social capital where not only has the workforce benefited from union representation and the Solidarity Fund, but also difficult relations with indigenous institutions have now become largely good examples of private sector-local community relations, even if problems remain on some sites.

These benefits will increase if the Social Premium is used for social development activities, and is no longer used to pay import licence fees. Similarly, Solidaridad holds 25% of the company's shares in trust for the workforce and intends to increase this to 50%. However, at present workers receive no real benefit from the shareholding because the company has yet to make a profit.

VREL and VROS have made positive contributions to the development of human capital, although direct benefits have gone more to men than women. Although women workers and outgrowers are treated the same as men, women as a whole are less likely to be participants because of the nature of the on-farm activities. Fair trade criteria do not cover this issue as they only address the condition of participants and not those who are excluded from participating.

The biggest benefit of fair trade is that it has increased VREL's income and access to funds. The guaranteed minimum price producers receive from the fair trade market means that VREL has been able to sell at a higher unit price than on the conventional market, and thus has been able to offset the cost of EU licence fees, high production expenses and relatively high wastage. VREL also benefits because it is a shareholder in Agrofair, which is currently the only importer of fair trade bananas. Without access to the fair trade market, VREL would not be able to compete on the European market.

More difficult to put a value on, but of real importance, is the fact that VREL as part of the fair trade movement is able to access development funding, both grants and soft loans. At a time when commercial interest rates in Ghana are nearing 50%, VREL has received loans from Dutch churches and funding agencies of as low as two percent. Agrofair is also able to access soft loans from Dutch development agencies. As external finance is equal to 150% of VREL's annual turnover, access to loans particularly at reduced rates is essential to the company's survival and are likely to remain so unless the EU quota system is revised or non-EU fair trade markets developed.

This is not to imply that VREL's participation in fair trade is cynical opportunism. As a result of meeting fair trade requirements, the company has had to make significant changes, and allow Max Havelaar Foundation and Solidaridad to influence its operations. Through Agrofair and VROS it has also created strong formal linkages with Solidaridad.

FAIR TRADE'S APPROACH TO SUSTAINABILITY

On the one hand these developments can be seen as VREL's commitment to fair trade. At the same time, beyond the VREL example there are legitimate questions to be asked about what constitutes fair trade and how it is implemented. The current criteria used world-wide focus on the impact for those directly involved in an initiative, and ignore both those that might have been affected by the establishment of that initiative (e.g. land-owners) or those are indirectly affected (e.g. other family members). To give an extreme example, it is technically possible for a plantation to be a registered fair trade producer even though its establishment involved forced eviction of farmers. In the case of VREL, there are several possible impacts identified in this report that are not covered by Max Havelaar Foundation's monitoring.

There is also a significant degree of vertical integration and overlap within the fair trade banana sector. For instance, Max Havelaar Foundation is a member of the International Fair Trade Banana Producers' Register that certifies and monitors fair trade producers. At the same time, Max Havelaar Foundation grants licences to fair trade buyers such as Agrofair. The Foundation is closely connected to Solidaridad which is a shareholder of Agrofair and holds 25% of VREL's shares in trust for its workforce. VREL is also a shareholder of Agrofair. This situation must raise questions about independence and objectivity in deciding what is or is not fair trade.

These are issues that the fair trade movement will have to resolve if it is to maintain consumer credibility and to show its developmental impact. In the case of VREL, more subtle monitoring approaches would possibly be to the company's advantage in expanding its activities, although changes in the fair trade structure, particularly the relationship with Agrofair, may be problematic.

Already there are indications that through development networks and especially the little understood networks that link entrepreneurs in

Ghana[3], other agricultural operations will adopt improved VREL's social and/or environmental practices even if they do not join the fair trade movement. If this knock on effect takes place, then the contribution of fair trade to sustainable rural livelihoods will need to be assessed beyond the community level. In its present form, VREL is an example of a commercial venture that has taken advantage of the opportunities of the fair trade market to improve its own financial position while at the same time improving the economic and social position of its workforce and its impact on the environment.

3 For instance, the largest shareholder in VREL is also a shareholder in the recently privatised Ghana Oil Palm Industries and other companies as well as managing his own agricultural company.

Table 1: Estimated VREL production and turnover 1997-1999

Production (tonnes)	**1997**		**1998**		**1999**	
Export	3,700	67%	6,085	70%	6,345	75%
Local market	1,110	20%	1,825	21%	1,775	21%
Waste & deductions	722	13%	780	9%	340	4%
	5,532		**8,690**		**8,460**	
Production per ha.	31		31		30	
Turnover (,000 cedi)	**1997**		**1998**		**1999**	
Export	3,589,000		5,903,110		6,155,340	
Price/tonne	970		970		970	
Local market	314,130		517,080		502,910	
Price/tonne	283		283		283	
	3,903,130		**6,420,190**		**6,658,250**	