

The Corporate Social Responsibility Story of Chiquita

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Executive Summary

This study is an in-depth assessment of Chiquita's CSR policy over the past years. It was driven by the desire to improve the general understanding of Chiquita's CSR, and it is targeted at practitioners, university educators and scholars alike. The study is based on an 'open book analysis', in which Chiquita opened their doors to a team of dedicated and independent experts who carried out an assessment of the company's CSR policy. The governance of this assessment was based on a tripartite arrangement in which Fondation Guilé acted as an impartial intermediary and facilitator, both to ensure the independence of the research, and to provide client support to Chiquita. This assessment differs from existing CSR analyses in that it was undertaken via direct interaction with Chiquita and with critical stakeholders. The findings have been woven into an expressive story that strives to convey the most accurate and comprehensive account of Chiquita's CSR. As a consequence, the evidence differs on the one hand from that presented by the company which often operates under the general suspicion of greenwashing; and on the other hand from the evidence cited by critics who often base their judgment exclusively on publicly available sources and who often have their own political agenda.

Conclusions

1. Chiquita's controversial history plays an important role in its present CSR engagement and it poses a threat to Chiquita's overall CSR credibility. Chiquita has not yet developed a convincing strategy to demonstrate that the company has learned from the past. Similarly, its involvement in Colombia continues to haunt Chiquita until today. Its controversial past also implies that Chiquita's relationships with governments are a particularly delicate matter.

2. Chiquita faces the challenge of engaging in CSR as a low-margin business and the severe economic pressure under which the company operates is one of the key limitations for its CSR. However, despite its financial difficulties, Chiquita abides by its CSR. The fact that their CSR is benchmarked against Fairtrade standards poses an additional challenge to Chiquita's CSR. Yet although Fairtrade representatives frame this competition as a battle for fairness, it is often also a battle over market share given that Fairtrade is Chiquita's direct competitor in many markets.

3. Chiquita also faces the challenge of securing the well-being of its workers while also promoting their empowerment. The goal is to enable workers to lead a self-responsible life where dependence on Chiquita is limited to the financial income gained from employment. Chiquita takes its responsibility towards its employees seriously and pays comparatively fair wages. The company has also succeeded in establishing an overall constructive relationship with trade unions. Nevertheless, Chiquita finds itself under pressure regarding the provision of social benefits, where its financial limitations collide with the expectations of workers and traditional paternalistic practices.

4. Industrial banana producers and traders like Chiquita are under pressure to deliver the proof that industrial banana cultivation is compatible with sustainability requirements. Thanks to its early collaboration with the Rainforest



Alliance, Chiquita has been a pioneer when it comes to environmental responsibility in industrial agriculture but the challenge lies in reconciling the economic pressure to maximise yield with the pressure to protect people and the environment.

5. Chiquita has a comprehensive set of measures in place to make its activities available for examination by external stakeholders. These measures range from bi- and multilateral cooperation with NGOs, to the adoption of standards, labels and certifications. While Chiquita's different measures together add up to a convincing commitment, their collaboration with the Rainforest Alliance absorbs an undue amount of attention and as a consequence, Chiquita's reputation in terms of CSR has become inextricably linked with that of the Rainforest Alliance.

6. Chiquita has recognised leadership as a necessary but not sufficient factor for promoting CSR: while leadership was one of the original key drivers to set CSR in motion at Chiquita, it was also leadership (or rather a lack thereof) that was partially responsible for the sudden loss of momentum in the company's CSR policy after its initial rapid takeoff.

7. In order to strengthen CSR's immunity to changes in leadership, Chiquita has ensured that CSR is an essential part of the foundation of the overall organisation. Moreover, Chiquita has set up standard operating procedures for managing CSR via well-established management systems. Nevertheless, Chiquita has not been able to transform its local engagement on plantations and along its supply chain into a visible and credible CSR narrative which tells a coherent and exciting story to the company's numerous stakeholders.

8. Given that interest in CSR has increased sharply among consumers in recent years, this presents a huge opportunity for Chiquita's CSR. Yet, Chiquita's CSR-based marketing has been the subject of various counter-campaigns, which focus on allegations of greenwashing, and the company's experiences so far using their CSR as a marketing tool for consumers, suggest that they have not yet found a way to really sell their CSR to consumers.

9. Retailers are central in enabling Chiquita to follow through with its CSR policy. Yet, they play an ambivalent role with regards to sustainable banana value chains. On the one hand, they exert pressure on producers and squeeze the prices of bananas thereby making it difficult for Chiquita to finance its CSR. On the other hand, some retailers are increasingly acting as drivers of CSR. For Chiquita the challenge lies in maintaining its strategic partnerships with retailers while at the same time raising awareness in consumers about its CSR efforts and the relationship between banana prices and CSR.

10. One can claim with sufficient evidence that no company in the banana industry and probably very few companies in other industries have shown a comparably deep and long-term CSR engagement as Chiquita. The company has continued to innovate and refine its CSR activities over the years and it was a pioneer in numerous aspects of CSR within and beyond its industry. Nevertheless, the link between CSR and financial performance remains unclear and in some aspects, our analysis even shows a clear failure of the attempt to reap advantages from CSR – such as the relationship with consumers and maybe even retailers. Moreover, the pay-off for shareholders seems at best to be rather limited.

11. Many of the problems Chiquita is facing are inherently wicked and they are often subject to ideological disputes, such as the debate about industrial vs. organic banana farming. Several of the issues we analysed are moreover characterised by disputes over facts. Such disputes are particularly salient when it comes to labour issues such as wages, working hours and social benefits, but they can also be found in relation to environmental issues where there is contradicting evidence on a number of industrial agricultural practices such as aerial spraying or the use of pesticides. While it is important to clarify and correct factual errors in the public discourse by providing counterevidence, it is very difficult for Chiquita to win such disputes once and for all.

12. Overall, our assessment shows how difficult it is to please all stakeholders and to find solutions for all those problems that seem simple from the outside but which in reality are very difficult to solve. Chiquita's CSR efforts are rather impressive, but they are often threatened by financial limitations as well as changes in leadership. Chiquita have tried to protect their CSR commitment by anchoring their engagement in the daily routines of employees and by making CSR a strong element of their corporate culture, but in light of their new ownership, the real 'endurance test' is yet to come. It remains to be seen whether Cutrale will continue with the nitty-gritty efforts that have served to make Chiquita's CSR effective, and whether they will manage to convert effectiveness into credibility, and credibility into tangible rewards.



Introduction

In the last 10 to 15 years societal expectations towards companies have drastically changed. The second half of the 20th century was, at least in the Western market economies, a comparatively stable period in which corporate activities were embedded in more or less well-regulated nation states. A clear division of labour existed between private and public decisions, between companies and governments. While the latter were responsible for establishing and enforcing the rules of the game, companies had to follow those rules and were otherwise free to maximise profits. However, the acceleration of globalisation has not only eroded Cold War world divisions, it has also challenged the division of labour between companies and governments.

Today, corporations organise their activities along global supply chains. They follow a transnational logic. Very often, their operations take place in geopolitical contexts that lack the effective regulation of their Western home countries. In many contexts, governments are either unwilling or unable to regulate corporate activities or are themselves repressive. As a consequence, global production networks produce more and more social and environmental side effects, for which there is no effective legislation.

These damaging side effects – from pollution to slavery – provoke a great deal of criticism from the media and attacks from Non Governmental Organisations, who often challenge corporations’ ‘license to operate’. As a result, trust in the legitimacy of the multinational business model itself has fallen to a level unseen in the history of modern Capitalism. In order to counter this trend, corporations must step up their responsibility by managing those side effects in places where governmental regulation is missing. In short, they are expected to alleviate the harm to which they contribute in their global operations.

The question is, how corporations perform against the background of those changing conditions of legitimacy. Moreover, it is important to ask how we can evaluate their activities and how we can make sense of the often contradicting evaluations of the companies themselves and their critical external stakeholders. In order to measure a company’s activities against external expectations, it is important to include both external and internal perspectives. Moreover, in order to solve contradictory claims about CSR performance, the assessment of these perspectives must go beyond simplistic questionnaires and box-ticking exercises.

In this study this has been achieved by what we call “an open book analysis”, whose methodology we will describe below, and which we conducted in close collaboration with Chiquita and under the guidance of Fondation Guilé.

We were very pleased when Chiquita agreed to undergo such an analysis, and was willing to make even critical findings public. Chiquita is one of the pioneers of CSR. The company had already started to collaborate with NGOs (the Rainforest Alliance) in 1992 and since then they have been moving forward with the two dimensions of CSR – social and environmental issues that occur in their core business operations. We ask, among other things, whether they have made the right decisions, whether they have an effective strategy for credible engagement, and whether there is a dark side to their CSR story. At the beginning of 2014 we started to analyse the company and the findings of our analysis

are outlined in this report. We hope that the report not only offers exciting lessons for Chiquita itself, and in particular for its new owners, the Brazilian orange juice producer Cutrale, but that it also outlines some key questions and answers related to CSR that are relevant for multinational corporations in general.

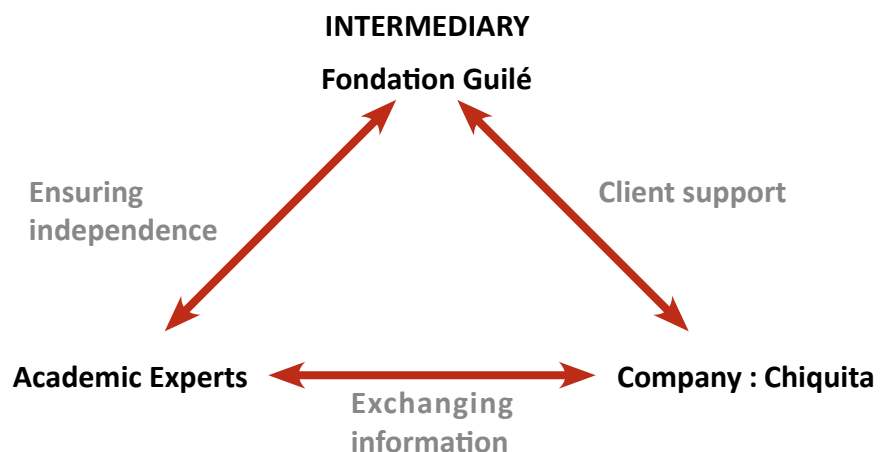
Methodology and goal of the study

This is a qualitative piece of applied research, which was driven by the desire to improve the general understanding of Chiquita's CSR, and which is targeted at practitioners, university educators and scholars alike. We collected data from a variety of internal and external sources that helped us navigate through the complexities of Chiquita's CSR. Consequently, the results do not come in the form of numerical data, but have instead been woven into an *expressive story* that strives to convey the most accurate and comprehensive account of Chiquita's CSR which our data and research constraints permitted. It does so using similar language to that employed by managers every day. Our study is not a performance audit but a *contextualised* analysis from the perspective of external, internationally recognised CSR experts.

This study is *comprehensive* in that it covers a wide range of issues and stakeholders and in that it involves data from a variety of different sources. It is also based on a *customized approach*, which takes into account the distinctive challenges of Chiquita's CSR policy.

At the same time, the study strives to be *replicable*: While there is no one-size-fits-all approach in CSR since every company faces distinct challenges, the structure of the study (as detailed below) is based on a framework that provides a basic methodology for studies on the CSR, or selected aspects of the CSR, of other multinational companies.

The *governance* of this assessment followed a tripartite arrangement involving the researchers, Chiquita, and Fondation Guilé. Each of the parties involved was assigned a distinctive role: the researchers were in charge of the academic expertise; Chiquita granted them access to all the data they needed; and Fondation Guilé acted as an impartial intermediary and facilitator, on the one hand ensuring the independence of the research, and on the other hand providing client support to Chiquita.



The starting point for this study was the researchers' *genuine, unprejudiced interest* in the company and its CSR policy, Fondation Guilé's *strong commitment to the promotion of CSR*, and the *willingness of Chiquita* to open themselves up to an assessment of their CSR policy through the eyes of dedicated and independent experts with profound experience in navigating the gap between business needs and social expectations.

This assessment differs from existing CSR analyses in that it was done simultaneously in close collaboration with Chiquita and with critical stakeholders. The key strength of this approach lies in its capacity to build a bridge between Chiquita's perception and the public perception of its CSR. The study offers evidence that differs on the one hand from the evidence presented by the company which often operates under the general suspicion of greenwashing; and on the other hand from the evidence cited by critics who often base their judgment exclusively on publicly available sources and who often have their own political agenda. The *impartiality and comprehensiveness* of the evidence produced by this study can thus be expected to have greater credibility.

By agreeing to 'open the books' for the researchers, by giving them access to their operational sites, and by answering their questions in interviews, Chiquita contributed to a comprehensive state-of-the-art analysis of their CSR practices whose depth by far exceeds the currently available array of issue-specific snapshots of CSR practices. In particular, the study provides Chiquita with the means to clarify public misunderstandings about their role and it helps them learn from past mistakes.

GENERIC DESCRIPTION OF THE RESEARCH PROCESS

Our research process is divided into different steps taken over several months that together make for a detailed assessment:

1. CSR involves a broad spectrum of questions and challenges for any company. Our guiding idea in this open book analysis is that the CSR activities of corporations must revolve around the social and environmental challenges they are facing along their global supply chains. Thus, our first step is to analyse the business and the industry and identify the core CSR-related issues in interaction with the company and Fondation Guilé.
2. We set up a tentative structure for the report and we carry out intensive desk research, taking into account different publicly available sources, ranging from blog entries to newspaper articles to academic publications. Including scholarly writings at least partially allows us to validate the accuracy of some of the claims published on informal websites such as blogs.
3. We arrange interviews with key stakeholders, in particular with NGOs and activists. These interviews offer us insights regarding the gaps between the company's self-perception and the public's perception, and allow us to identify the questions that need to be addressed in more detail 'on the ground', i.e. in the countries where the company operates.

4. We visit operational sites and corroborate the insights gathered so far with further interviews with employees, trade unions, local management representatives, and suppliers. The interviews are carried out with a distinctive focus on the local context. The goal is to gain insight into the company's CSR practices across different local contexts and operations and to include company representatives as well as external voices (i.e. trade unions, suppliers and environmental NGOs).
5. We craft the report in a collaborative manner involving regular meetings with the client and Fondation Guilé in order to verify progress and ensure the quality of the study and the company's approval.

Structure of the study

The study is divided into five parts: premises, stakeholders, managing CSR, financial aspects, and cross-cutting conclusions on issues and stakeholders.

1. Premises

Premises relate to facts that shape the context of a company's CSR but also the expectations from their stakeholders. Addressing these premises upfront serves to:

- enhance the readers' understanding of the parameters which define the scope of a company's CSR;
- convey knowledge about facts which a company cannot change on its own (such as the market structure, or the climatic conditions in their operating countries) but also about past events, which cannot be undone, but whose effects can be felt until today with a direct relevance for CSR.

In Chiquita's case, three kinds of premises are particularly relevant:

Historical premises: The fact that Chiquita and its predecessor companies have been operating for almost 150 years in itself already means that Chiquita's CSR today must be viewed against its historical background. The need to take into account Chiquita's history is made even more important by the fact that Chiquita's history was highly controversial in a number of aspects which today would be considered as being part of a company's CSR.

Economic premises: A number of aspects have a direct impact on Chiquita's CSR, such as the characteristics of the product, the market structure, the type of and influence of the players involved in the value chain, and also the fact that Chiquita operates in the biggest market for Fairtrade certified products, and the fact that they operate on very low profit margins.

Political premises: Chiquita has traditionally operated in countries with challenging political circumstances. In particular the payments Chiquita made to paramilitaries in Colombia during the civil war continue to influence their CSR until today.

2. Stakeholders

We have identified four key stakeholders for Chiquita that need to be addressed

head on: governments, Chiquita's suppliers, their employees and the environment. The role of civil society as represented by NGOs and other activists is addressed in the part on the external aspects of managing CSR; the roles of consumers, retailers and shareholders are discussed in the part on the financial aspects of CSR. In this part we address Chiquita's key responsibilities towards its stakeholders as well as the credibility, effectiveness and where possible the strategic value of their CSR efforts.

Governments: how do Chiquita define their responsibilities towards governments? What is their approach to taxpaying and lobbying? And what is the relationship between Public Affairs and CSR?

Suppliers: how do Chiquita define their responsibilities towards their suppliers? How much control do they exert over their supply chain? And what are the critical issues in managing their relations to suppliers from a CSR point of view?

Employees: how do Chiquita define their responsibilities towards their employees? How do they interact with trade unions? What is their overall contribution to worker wellbeing and empowerment?

Environment: what is Chiquita's environmental strategy? How do they address environmental challenges related to monocropping and the responsible use of pesticides? And what is the value of using organic banana farming as a benchmark?

3. Managing CSR

In this part, we assess how Chiquita manages its CSR externally and internally. The *external dimension* focuses on the means with which Chiquita subjects its activities to the judgment of external stakeholders, such as bi- and multilateral cooperation with NGOs, the adoption of standards, labels and certifications as well as their CSR reports. The guiding questions consider the way in which Chiquita secures its license to operate and to what extent the tools that it uses are credible and effective.

The *internal dimension* focuses on the management of CSR within the company, in particular in terms of leadership, culture, and the structural anchors of CSR. We ask what role leadership plays in securing Chiquita's CSR, how CSR impacts on employee motivation and vice versa, and how Chiquita integrates CSR into the overall foundations of the company.

4. Financial Value: Reaping rewards

Last but not least we assess how Chiquita frames its CSR in their relationships with consumers, retailers and stakeholders and how these stakeholders contribute to CSR pay-off. We ask how Chiquita leverage their CSR efforts in their communications with consumers, and how Chiquita deal with the ambiguous role of retailers who simultaneously enhance and impede their CSR. We also consider whether Chiquita's CSR creates value for shareholders and the ways in which shareholders influence Chiquita's CSR.

5. Conclusions across issues and stakeholders

In our conclusions we highlight the complexity of designing, managing and

leveraging CSR based on our insights from the previous parts. In particular we point out the main tensions that characterise Chiquita's CSR, the wickedness of certain challenges, and the problem of translating effectiveness into credibility.

Scope and limitations

While Chiquita is primarily known for *bananas*, approximately one third of their revenue comes from salads and healthy snacks, and other produce (primarily pineapples). For reasons of scope, this study focuses exclusively on bananas.

Moreover, we only focused on those parts of the value chain, where CSR-related challenges are most salient, namely on *producing, trading and selling bananas*. We did not specifically address CSR challenges related to transport and distribution. Moreover, even though we address Chiquita's CSR in their relationships with their suppliers and even though we include interviews with suppliers, most of our on-site visits took place on Chiquita's *own plantations*.

In terms of interviews, due to the location of the researchers, we mainly included external stakeholders from *Europe*.

This is a contextualized, qualitative study, that is, it is *not an audit* in which we conducted a formal review of Chiquita's CSR endeavours, nor does it provide the groundwork for statistical generalisation. The reason for this is that Chiquita already has a number of internal and external audits available. Moreover, our study was driven by the desire to *understand* rather than recount or enumerate Chiquita's CSR efforts. Our interest lay in the "how" and "why" rather than the "what" or "how much" questions. For this matter, we engaged in in-depth research and in particular in interviews, which allowed findings to emerge inductively, and we used the data to tell what we consider to be a compelling story.

Just as we began our study, Chiquita hit the headlines with its intended merger with their competitor Fyffes, which was eventually thwarted by the Brazilian orange juice producer Cutrale, who together with the investment firm Safra Group, launched a takeover battle, which they won at the end of October 2014. As a result of this change in ownership, most of Chiquita's top management, including CEO Ed Lonergan and Executive Vice President of Government & International Affairs and Corporate Responsibility Officer Manuel Rodriguez, have left the company. At the same time, the takeover means that Chiquita went private at the beginning of 2015. The impacts of these new circumstances on Chiquita's CSR are not yet clear. It is hoped that the new owners acknowledge not just the social and environmental importance of Chiquita's CSR efforts but also their strategic relevance. Yet, even if Chiquita's CSR policy might change under the new owners, the findings of this study are still relevant. Indeed, by providing an in-depth picture of Chiquita's CSR policy up to the year 2014, this study has the potential to serve as a point of reference against which all of Chiquita's future CSR activities can be benchmarked.



I. Premises of Chiquita's CSR



I.1. Historical premises: Dealing with a controversial past

Abstract

This chapter addresses the question of what Chiquita's history means for its CSR engagement today. We find that Chiquita's controversial history plays an important role for its present CSR engagement. In particular its entanglement with violent governments and its oppression of organised labour continue to be quoted in publications, which threatens Chiquita's overall CSR credibility. Chiquita's approach to its past oscillates between self-critical engagement and attempts to point out 'inspiring' aspects. Yet, the latter interpretation is either ignored or downright rejected, at least by the critical public in consumer markets. We find that Chiquita has not yet developed a convincing strategy to demonstrate that they have learned from the past.

INTRODUCTION

Corporations are held responsible for the social and environmental harm that occurs along their value chain. This claim is now taken for granted and companies engage in CSR in order to deal with this harm, either by alleviating it or by changing their operations so that the harm disappears. The debate on CSR, however, largely focuses on *present* harm, that is, on harm that is happening now or that has happened in the companies' most recent past. In recent years, a debate has emerged on whether or not companies are also responsible for the harm they committed in their more distant past. Prime examples for this debate are legal and moral campaigns against companies that have been involved in slavery, in the Holocaust or in the Apartheid regime and that as a consequence have been forced to deal with their difficult past, for example by hiring historians to write down their history and by engaging in politics of memory (e.g. by compensating victims and their descendants). Thus, the question guiding the assessment of a company's history as part of a CSR analysis is: How can corporations be held responsible for their past? And what role does a company's history play in its present CSR engagement?

Few companies have a past so inglorious that it can be found reflected in novels (e.g. Gabriel Garcia Marquez' *One Hundred Years of Solitude*), poems (e.g. Pablo Neruda's 'United Fruit Company'), and non-fiction books alike (e.g. Chapman's book *Jungle Capitalists*)¹. Even fewer companies have coined a term that has become a permanent feature of language use with their business activities: the term 'banana republic' originally described the desolate conditions in Honduras around the turn of the 20th century, where Chiquita's predecessor, the United Fruit Company exerted massive economic and political control, and

where people suffered from a non-democratic and corrupt government and from rampant social inequality.²

In this study we do not recount Chiquita's history, which has been documented extensively elsewhere.³ Instead we address the question of what Chiquita's past until around 1990 means for its CSR today (we will address Chiquita's role in Colombia in Chapter I.3: Political Premises). The fact that to this day so many articles, reports, essays etc. on Chiquita include references to its distant past, means that there is no way for Chiquita to escape its past and that we consequently cannot ignore the past when analysing Chiquita's CSR today.

When considering the relation between Chiquita's history and its current CSR, two extreme positions are in principle conceivable: some might be tempted to argue that a company with such a dark past can never atone for its wrongdoings. Although this position is rarely expressed explicitly, it is often inferred in publications which deny the credibility of Chiquita's CSR by referencing the company's past.

At the other extreme some might claim that there is no responsibility beyond the law, that is, the past should be settled in the courtroom, otherwise it should simply be forgotten.

Both stances are not conducive for a constructive approach towards dealing with the impact of Chiquita's history on its CSR. Those who use the past as a pretext to entirely question Chiquita's licence to operate, fail to acknowledge that a) if Chiquita ended its operations, no victim would really benefit but instead thousands of workers and their families would lose their livelihood, and b) that only if a company continues to exist, does it have the opportunity to demonstrate that it has learned from the past. Those who would like to 'let bygones be bygones' on the other hand, ignore the fact that negative events from the past often remain alive in the collective memory of societies for a long time and have the potential to negatively influence conditions up to the present.

Companies with a controversial past often struggle with critics over the issue of whether they did wrong in the first place, and whether there is enough transparency regarding their past. These questions seem to be more or less settled in Chiquita's case: While there are of course differing interpretations of the extent of their wrongdoings, there is consensus that Chiquita, or rather its predecessor companies like United Fruit, did do wrong. Given the meticulous documentation of United Fruit's role in Central America in publications worldwide, the question is not whether Chiquita's past has been made sufficiently transparent. However, some might question whether Chiquita has duly acknowledged their responsibility. We have found mixed evidence in this regard.

For one, the manner in which they proactively address their history, for example in their 2000 CSR report, suggests that such acknowledgement exists. As ex-CEO Steve Warshaw writes in his letter in Chiquita's much appraised CSR report 2000, p. 2:

"... the United Fruit Company became known as "the octopus," an organization reputed to have such broad reach and influence that it could hold sway over

governments and the lives of its employees. This reputation was born of many things, including allegations of the Company's participation in labor rights suppression in Colombia in 1928 and involvement in a government overthrow in Guatemala in 1954, as well as its involvement in a bribery scandal in Honduras in 1975. And in the years since, some would argue that the Company has been closed and defensive in addressing concerns about its standards and practices. In the eyes of many, all of this casts a shadow, even today, over the Company. Times have changed. And so has our Company."

Further down in the same report, Chiquita states:

"Today, we are a different Company. But we acknowledge our complex past as a way to begin an honest dialogue about our present and our future. It is humbling to consider the impacts – both positive and negative – that a corporation can have." (p. 92)

This statement was reaffirmed in their CSR report 2009-12 (p. 8). While all of this can be taken as an indication that Chiquita is aware of and acknowledges the dark sides of its past, it stands in contrast to the way they depict their history on their website where they state⁴:

"Chiquita's history is a story "of unique and positive transformation. From our founding by Captain Lorenzo Dow Baker in 1870 to the addition of the Fresh Express brand in 2005, Chiquita's dedicated employees have transformed the company into one of the leading socially and environmentally responsible produce companies in the industry. Although Chiquita's history includes storied moments in its past, the company now proudly focuses on extending labor rights, protecting our environment and investing in the communities in which we live and work. Our Core Values of Integrity, Respect, Opportunity and Responsibility serve as the basis of our business performance and guide our everyday activities."

Added to this description is a timeline from 1870 to the present, which fails to mention any of the transgressions which led to its notorious reputation (e.g. its entanglement in violence against striking workers in Colombia and Honduras in the 1920s, its role in the overthrow of Guatemalan president Arbenz in 1953, or its involvement in a bribery scandal in Honduras in 1975).

Chiquita's narrative of its past differs from that of external critics not only in that the company sometimes omit critical facts, but in that they simultaneously emphasise 'positive aspects' of their history, for example by claiming that the look back on their history is not only "humbling", but also "inspiring" (CSR report 2000, p. 92). They ascribe the latter effect to the role they played in developing entire regions by building "railroads, houses, hospitals, ports, ships, and all sorts of other infrastructure to bring bananas to market" (CSR report 2000, p. 2).⁵ While part of this engagement was driven by necessity, much of it went beyond what was directly relevant for the smooth functioning of their business operations.

This is important to mention because as we have found in our study, the perception of Chiquita's history differs across regions: the public discussion about Chiquita's past in Europe largely focuses on the negative side and is accordingly dominated by *resentments* for its manifold infringements. By contrast, some

people in Chiquita's production countries, in particular the trade unionists we met in Honduras, also tend to take into account the positive side. Their perception of Chiquita's past is characterised by *entitlements* rather than resentments, i.e. by expectations that Chiquita should return to its paternalistic provision of public goods and services from the past (see Chapter II.3: Employees). Moreover, in Chiquita's operating countries, several people also reacted with surprise when we told them that Chiquita's reputation in Europe still suffers because of its past. As one worker put it while shrugging her shoulders: "But that's past history now".

In any case, given that there is transparency and acknowledgement of Chiquita's transgressions, the focus here is not on how Chiquita could come to terms with its past but rather on what it has learned from that past and what it is doing in order to prevent similar harm in the future. As we will see throughout this study, both aspects of its past, the 'humbling side' and the 'inspiring side', have an impact on its current CSR.

IMPLICATIONS FOR THE PRESENT

The extent to which a company creates or accepts transparency and expresses acknowledgement of its past (and – if needed – the extent to which it promotes reconciliation with victims of its wrongdoings), has an impact not only on the credibility of their current CSR policy but also on the effectiveness with which they can implement it.

Companies with a controversial past are often held to "a different, higher standard of behavior as a result of this past because (...) critics are more sensitive to the corporation's activities in those spheres".⁶ If stakeholders find that Chiquita has not properly acknowledged and overcome its past transgressions, they are less likely to attribute credibility to its CSR policy and to cooperate with the corporation in its efforts to implement it. The need to demonstrate "historical sensitivity" is thus not an end in itself but a requirement for an effective and credible CSR policy in the present. Moreover, historical sensitivity also fosters greater sensitivity towards comparable challenges in the company's current operations.

Historical sensitivity should not only involve explicit acknowledgement of the controversial past, instead it must also manifest itself in actions: in order to be credible, Chiquita must demonstrate a distinct departure from those behaviours that were responsible for its wrongdoings in the past, namely, if we take Chiquita at their word, their "use of improper government influence, antagonism toward organized labor, and disregard for the environment" (CSR report 2000, p. 92).

Thus, when evaluating Chiquita's current CSR policy, we need to benchmark it not only against their current challenges but also against their inglorious practices from the past. Chiquita actively invites such benchmarking by claiming that their actions from the past "clearly would not live up to the Core Values we hold today or to the expectations of our stakeholders" (p. 92).

For this study, this means that Chiquita's history acts as an important premise for analysing its current CSR. The whole study, but in particular the chapters that address CSR in those areas where Chiquita's behaviour in the past was most problematic (i.e. II.1: Governments, II.3: Employees, and II.4: Environment) need to be read with its history in mind. This is indispensable if we want to understand Chiquita's CSR as the story of a company that embarked on a long and strenuous journey some 20 years ago with the goal of transforming itself from the rather ruthless 'octopus' into a company with a wholehearted commitment to CSR.

Our analysis shows that in contrast to many other companies Chiquita does not deny its dark past.

Our analysis shows that in contrast to many other companies such as Monsanto or IBM, Chiquita does not deny its dark past. Instead, at times it explicitly uses the past as a starting point and as a trigger for its CSR engagement. The debate on historic CSR shows, however, that, in contrast to legal matters, there is no "zero hour" for moral issues, i.e. there is no metaphorical new beginning that disconnects the present from the past.⁷ Thus, for Chiquita the challenge is to ensure that their CSR engagement in the present is not interpreted by critics as an attempt to bring closure to their past. Such an interpretation seemed to underlie the reactions of NGOs to Chiquita's marketing campaign with the Rainforest Alliance frog in Germany and Switzerland a few years ago, which was denied credibility with explicit reference to Chiquita's controversial past (see also Chapter IV.1: Marketing of CSR to Consumers).

In order to mitigate such pressures Chiquita needs to make the politics of memory a firm component of their CSR. As our analysis has shown, Chiquita practices critical acknowledgement of its past in selected CSR reports, yet the laudable aspects of these declarations are offset by the embellishment of its past in other pieces of official communication such as its website. If Chiquita wants to break the cycle where its CSR policy in the present is hampered by negative spillover effects from the past, it needs to step up its critical engagement with its past. A first step towards achieving this, would be to firmly embed the critical acknowledgement of its past into all of its official communications. More fundamentally, Chiquita might consider opening their archives to an independent historic analysis in order to really make peace with the past.

Lessons learned

Chiquita's engagement with its difficult past is sometimes perceived as insufficient and undermines the credibility of its CSR engagement in the present. Attempts at pointing out the **positive aspects of Chiquita's past are unheard**, at least in consumer markets, or risk being seen as an attempt to embellish Chiquita's wrongdoings. Public perception in consumer markets is dominated by resentments towards Chiquita's past.

Chiquita's past is much less of an **issue in its operating regions where perception is characterised by entitlements**, i.e. by expectations that Chiquita to its paternalistic provision of public goods and services from the past.

On a communications level a **more proactive, critical engagement with its past is needed** in order to break this cycle. It is essential to portray the past in

a coherent manner across different channels of communication (e.g. website, CSR reports etc.). Contradicting portrayals of the past undermine the company's credibility and are grist to the mill of critics.

In terms of actions, Chiquita must proactively engage with its past and demonstrate a **distinct departure** from those behaviours that caused its wrongdoings in the past.

ENDNOTES:

- 1 Chapman, P. (2007). *Jungle Capitalists. A Story of Globalization, Greed and Revolution*. London: Canongate Books.
- 2 Bucheli, M. (2008). Multinational corporations, totalitarian regimes and economic nationalism: United Fruit Company in Central America, 1899-1975. *Business History*, 50(4), 433-454.
- 3 See the website of the United Fruit Historical Society for a detailed chronology of the activities of Chiquita and its predecessor companies with a specific focus on their exertion of economic and political power from 1848 until 2005 on <http://www.unitedfruit.org/chron.htm>; or Chiquita's CSR report 2000 for their depiction of their 'complex history' (p. 92).
- 4 <http://www.chiquita.com/Our-Company/The-Chiquita-Story.aspx>
- 5 In 1979, Chiquita, then known as United Brands Company, donated 75 photo albums to the Harvard Library. These photos document "a way of life in company towns and villages—from construction and running of railroads and wharves to daily scenes in company-built schools, hospitals, worker homes, and recreational facilities" in Central and South America between 1891 and 1962. See <http://www.library.hbs.edu/hc/pc/large/united-fruit.html>.
- 6 Schrempf, J., Palazzo G., & Phillips, R. (2014). Historic Corporate Responsibility. Working Paper.
- 7 Booth, C., Clark, P., Delahaye, A., Procter, S., & Rowlinson, M. (2007). Accounting for the dark side of corporate history: Organizational culture perspectives and the Bertelsmann case. *Critical Perspectives on Accounting*, 18(6), 625-644.



1.2. Economic Premises: Value Creation and Distribution in the Banana Industry

Abstract

In this chapter we clarify the premises under which Chiquita operates its CSR. The crop characteristics, the market structure, and the structure of the value chain all have an impact on Chiquita's CSR. In particular, we show the conflict between Chiquita's approach to CSR and the Fairtrade concept. Moreover, the fact that Chiquita finds itself under severe economic pressure acts a key limitation for their CSR. We find that Chiquita's commitment to CSR is driven by a firm belief in the pay-off of its CSR strategy among management representatives, which is not, however, necessarily backed by evidence.

1. Introduction

In order to understand Chiquita's CSR, we need to understand its product and the industry in which it operates. What are the crop characteristics of bananas? What does the market structure look like? What characterises the value chain and how are prices and premiums being generated and distributed across the value chain? And do the notoriously low margins influence Chiquita's CSR? All these questions are highly important premises shaping Chiquita's CSR and must therefore be analysed.

2. The banana industry

CROP CHARACTERISTICS

Bananas are a non-seasonal agricultural crop, which means that they are available throughout the year. This has significant economic implications because it means that in banana growing areas the banana industry is one of the few businesses in a position to offer permanent (i.e. all-year) employment. Moreover, banana cultivation is relatively labour-intense (involving detailed field practices, harvesting and packing) compared to other crops: While palm oil, which is often cultivated in the same areas as bananas, which leads to competition for land (Nolan Quiros, regional CSR manager), employs about 0.25 people per hectare, for bananas the headcount is four times higher, i.e. 1 person per hectare. This further underlines the significance of the banana industry as an employer. At the same time banana production is also capital intense because it requires huge investments particularly in infrastructure and technology for transport (packing, shipping, and logistics make up around half the costs of banana export) but also in drainage and packing facilities.

Bananas yield a steady supply as a non-seasonal crop, yet in Europe and the US the demand is high in winter and low in summer. Thus, as stated in an internal presentation by a Chiquita representative, Chiquita's typical financial year is as follows: "You earn money in the first half of the year and you lose money in the second half, the balance is hopefully positive".

Bananas are best grown in a tropical climate with an average temperature of 27° C and an annual amount of rainfall between 2000 and 3000 millimetres.

¹ The tropical climate, which is good for bananas, is however challenging for human activity in general and for economic activity in particular: infrastructure decays rapidly due to heat and humidity and banana plantations can easily be damaged or entirely destroyed by earthquakes, tropical storms and hurricanes. The worst-case scenario came true in 1998 in Honduras when hurricane Mitch destroyed up to 80% of the banana crop. Moreover, the tropical climate also provides fertile soil for a variety of pests and diseases affecting bananas. The most damaging disease is the so-called Panama disease, which destroyed banana plantations on a large scale in the 1950s and literally wiped out the Gros Michel variety on which the banana trade had relied up to that time. Ever since, the dominant variety on world markets has been the Cavendish variety. However, a new strain of Panama disease called Tropical race 4, which is already present in Asia, is currently threatening to erase all Cavendish bananas once it reaches Latin America (more about diseases and pests in Chapter II.4: Environment). Finally, rainfall in the tropics is diminishing (e.g. from 3000-4000 mm/year to 2000 mm/year in Costa Rica) due to climate change, which means that Chiquita's operations are increasingly affected by water stress. All in all, this means that there is a high element of risk in banana production. According to George Jaksch (Senior Director for Public Affairs and CSR), market prices do not reflect this risk but only focus on normal production costs.

In banana production two main different farming techniques can be distinguished: intensive farming and organic farming. As one of the biggest banana companies in the world, Chiquita's business model (like that of companies working with other long-term crops such as palm oil or vineyards) relies on intensive farming, which is based on monocultivation or monocropping. This type of farming which was originally used as an attempt to stimulate economic growth in developing countries during the Cold War², has been heavily criticised for a long time due to its damaging effects on the environment: intensive farming means that the crop is densely planted, heavily fertilised and is (usually) treated with pesticides. The key advantage of intensive farming is its high productivity; yet, environmental scientists criticise it for the high risks it poses to the environment and to the health of workers (see Chapter II.4: Environment for further information).

As one of the biggest banana companies in the world, Chiquita's business model relies on intensive farming based on monocultivation.

However, it is also clear that without highly productive intensive farming the global demand for bananas could not be met. As Alistair Smith (Bananalink) puts it:

"The whole Cavendish monoculture system, especially in a country with high disease pressure like Costa Rica is difficult to reform. It is difficult in the short term to do much more than Chiquita has done. There is a limit unless you are willing to question the whole nature of the industrial banana production."

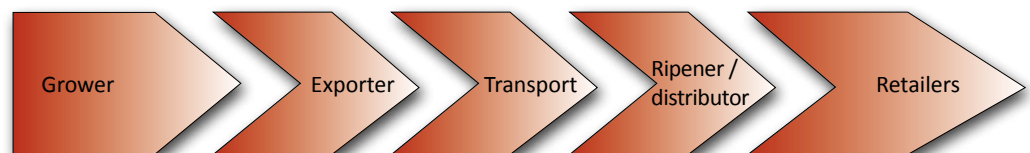
Particularly in the tropics, organic banana farming is hardly feasible due to the high disease pressure. The much praised smallholder production, “which is less capital intensive and more labour intensive”, is mainly present in regions such as the Eastern Caribbean where intensive farming is not possible due to topographical factors.³

MARKET STRUCTURE AND VALUE CHAIN

By 2013, the big five multinational companies who rely on intensive farming for their production, together controlled about 44% of the export market in bananas. While this share has decreased significantly from past figures (i.e. from 70% in 2002), competition between the dominant players continues to be fierce and market access for new producers or traders is difficult. In 2013, Chiquita controlled 13% of global banana exports, closely followed by Fresh Del Monte with 12% and Dole with 11% market share. Fyffes owned 6% and the Ecuadorian company Noboa 2%. However, market power concentration used to be even higher in the past. In the 1980's the combined market share of the top three companies extended to almost two thirds (65.3%) of global banana exports.⁴

In a simplified version, the value chain in those parts of the banana industry which rely on intensive farming, involves the following key actors: growers (incl. workers), exporters, transportation, ripener/distributor and retailers.

Fig. 1: The banana value chain



Some traders like Chiquita are partially vertically integrated and operate their own plantations as well as purchasing from independent suppliers. The degree of vertical integration directly impacts not only on the power of the company in the value chain but also on their responsibility. Based on a very simplified understanding of CSR, one could argue that Chiquita is only responsible for those parts of the supply chain which it directly owns. Such a view is however not tenable and as we will see below, Chiquita also acknowledges responsibility for social and environmental standards on their supplier plantations.

The extent of Chiquita's vertical integration has fluctuated over the past decades. Historically, Chiquita directly owned most of its plantations, but due to political changes in Central America Chiquita was forced to sell its land. Also the US government exerted pressure on the company to sell farms due to anti-trust issues. Thus, at its lowest point, only about 30% of production came from Chiquita's own farms. Currently, Chiquita owns approximately 40% of production (with a 5% increase over the past 5 years, according to Nolan Quiros, Regional CSR Manager) while the rest is purchased from so-called independent suppliers.

According to Chiquita CEO Ed Lonergan, the decision whether to own a farm or not is primarily an economic one:

“If it’s lower cost to farm on your own farm vs. buying in the market then of course you would want to do that ... it’s about your ability to be efficient ... we think that we are pretty good at farming. ... An example: we bought several farms in Honduras in January 2014. Those farms employed about 300 people, and today they employ about 450. So we created about 150 new jobs. But we created those new jobs because these farms are much more productive today than they were before. We get more boxes for each hectare than the old farm operations did. Thus, our own farms matter as sites of innovation, for new ways of farming, water management etc.”

At the same time CEO Lonergan emphasises that *not* owning a farm is never an attempt to deny responsibility. By making Rainforest Alliance Certification a contractual requirement for all of their own farms and those of their suppliers, Chiquita holds their producers to the same standards as themselves (see Chapter III.1: Managing external aspects of CSR, for more about Rainforest Alliance certification, and Chapter II.2: Suppliers, for more on supplier relationships).

CEO Lonergan emphasises that *not* owning a farm is never an attempt to deny responsibility.

Thus, in those cases where Chiquita also acts a producer, the value chain shrinks to two key actors: Chiquita and the retailers. Yet there is also another important trend aimed at shortening the value chain which threatens to eliminate even Chiquita: recently big retailers have started to buy bananas directly and thus to bypass the big traders like Chiquita, Dole and Del Monte.⁵

Alistair Smith from Bananalink confirms:

“Retailers now are starting to go directly to people who used to supply the MNCs – Tesco’s etc. are eliminating the MNCs because they see them as adding unnecessary costs to the supply chain.”

While advocates of Fairtrade in principle welcome a reduction of actors in the value chain because “the less players there are in the chain, the more chances of sharing value there are” (Alistair Smith, Bananalink), they also acknowledge that there are significant risks that a powerful retailer could directly dictate terms to a national producer.

According to Martin Blaser from Fairtrade International it is important that we acknowledge the direct responsibility of traders (and also of retailers) for the social and environmental conditions on supplier plantations. The price paid to independent producers by multinationals like Chiquita or Dole directly impacts on the ability of independent producers to work in accordance with social or environmental criteria. Put simply, the lower the price, the less feasible it is to produce in a socially and environmentally responsible manner. Yet, according to Blaser, in some cases multinationals used the fact that they do not own production as an excuse to deny responsibility; they simply claimed that they did not know about the conditions on supplier plantations. Such a claim is however not tenable since the multinational traders exactly know the costs of produ-

cing bananas and therefore they also know what they have to pay to the independent producers in order to make socially and environmentally responsible production financially feasible. Chiquita agrees with that claim and argues that the basis for the price definition in their negotiations with suppliers is in fact their own knowledge of the costs of banana production.

What advocates of Fairtrade frame as a battle for fairness is in fact very often also a battle for market share.

Having characterised the crop and the industry, we now turn to one of the dominant issues when discussing CSR in the banana industry, namely the issue of Fairtrade. Before doing so, a caveat needs to be added: While much of the discussion about Fairtrade vs. free trade seems to be ideological (i.e. driven by ideas about how to achieve justice), it is very important to note that Fairtrade is also a direct competitor of Chiquita: what advocates of Fairtrade frame as a battle for fairness is in fact very often also a battle for market share. The quotes from representatives of Fairtrade organisations (e.g. Martin Blaser from Fairtrade International) must therefore be seen not just as the opinion of an NGO but always also as that of a competitor. Nevertheless, as we will see, any actor in the banana export industry finds their CSR benchmarked against Fairtrade standards and thus is under pressure to deliver proof that their approach is ‘just as fair’.

FAIRTRADE VS. FREE TRADE

“The banana trade symbolizes economic imperialism, injustices in the global trade market, and the globalization of the agricultural economy.”⁶

The fierce competition among multinational banana companies and the growing power of retailers described above, which together lead to intense price pressure on the weakest members in the value chain, i.e. workers or smallholders, is not a new phenomenon. As early as in the 1970s consumers in certain Western countries (e.g. Switzerland) began to doubt that the low retail price of bananas in their shops could ensure that growers in the South would receive a fair share of the value creation, and they feared that big multinational producers and distributors like Chiquita, Dole and Del Monte systematically denied access to small farmers while exploiting their own workers. Eventually, the shared conviction among a growing number of people that ‘free banana trade’ as conducted by the big multinationals was irreconcilable with a fair value distribution along the supply chain led to the emergence of the Fairtrade movement, which set out to develop an alternative approach to trade and development.⁷

The goal, which is to date one of the core pillars of sustainable agricultural development, was to build increased price stability and equity along the supply chain. Fairtrade aimed for a value chain “that is as short as possible through a reduction in the number of profit-generating nodes between small producers and consumers”.⁸ Thus, in its original vision Fairtrade focused mainly on the plight of small producers.

The two key mechanisms on which Fairtrade focuses in order to achieve fairness along the value chain (as contained in the core principles underlying the *Fairtrade Trade Standard*) are: a) a guaranteed minimum price, defined as the price

“that aims to cover the costs of sustainable production” which traders must pay to every producer, and b) the payment of the Fairtrade Premium which is “an additional sum that producers can invest in development”.⁹

Yet, as stated above, in the case of bananas the fact that the global demand cannot be met without supply from highly productive large plantations could not be ignored. François Meienberg from the Swiss NGO Berne Declaration admits:

“With an exclusively-based smallholder economy, we would not have the supply of bananas we have today. Thus, the market would be much smaller. Big plantations certainly have the right to exist as long as the land has been acquired in a legal manner.”

Thus, after lengthy internal quarrels, which appear to have led to the split of Fair Trade USA (formerly known as TransFair USA) from the rest of FLO, the fair trade movement decided to also certify bananas from large plantations in order to empower workers.¹⁰

As a consequence of acknowledging the *raison d'être* of plantations, Fairtrade introduced standards for hired labour. The core mechanisms for securing fairness for hired labour on plantations are securing workers rights and managing the Fairtrade premium, which must be overseen by a Joint Body that includes workers and management. Fairtrade also promotes workers rights, i.e. freedom of association and collective bargaining, and working conditions, which must be “equitable for all workers”, and they require salaries that are “equal or higher than the regional average or than the minimum wage in effect”, and health and safety measures.¹¹

Against this benchmark for fair value distribution, Chiquita, in its role as a trader as well as a producer, must be able to prove that their approach, i.e. non-Fairtrade certified trading, and non-Fairtrade certified production, is nevertheless fair.

Chiquita follows a different approach to ‘fairness’, which could be called a ‘market-liberal approach’: it addresses the problem of fair value distribution from a different angle, namely by focusing on creating more value before distributing it. How does Chiquita do that? Chiquita focuses on improving the social and environmental conditions ‘on the ground’, that is, on the farms and in the communities in the banana growing regions, rather than intervening in the market by changing the terms of trade through a guaranteed minimum price etc. Chiquita’s approach is based on the belief that such improvements increase the value of bananas, because they lead to higher quality bananas, better yield management (efficiency) etc. that are ideally rewarded by the market in terms of higher prices. Thus, their final effect is deemed to be very similar to the effect of Fairtrade, namely the fair distribution of value.

In order to achieve increased value as a precondition for fair distribution, Chiquita has subscribed to a number of voluntary standards which all target the social and/or environmental conditions of banana production in one way or another.

Against Fairtrade as a benchmark for fair value distribution, Chiquita, must be able to prove that their approach, i.e. non-Fairtrade, is nevertheless fair.

- Rainforest Alliance
- IFA Trade union
- SA8000
- Global Social Compliance Program (GSCP)
- GlobalGap

The most visible of these mechanisms is Rainforest Alliance certification which explicitly claims to make 'trade fair' via a systematic focus on managing and improving social and environmental matters on the ground, in that this leads to efficient farming and high-quality bananas which then achieve a price premium on the market (which ideally leads to higher wages for the workers).

Thus, by committing itself, and also its suppliers, to 'on the ground'-certification, Chiquita seems to rely on the fairness of the market in terms of rewarding better quality, higher efficiency, etc. with a higher price.

As Fausta Borsani, Consultant for Rainforest Alliance in Switzerland, claims:

"Farmers working on Rainforest Alliance Certified farms mostly receive a higher price for their bananas – this is not part of the certification but their own achievement. Why should this be worse than a guaranteed minimum price? ... The Rainforest Alliance is convinced that the important thing is to help farmers improve their agricultural practices, to get a better yield with fewer resources, to earn better and to enable them to negotiate the price premium on the market. Thus, farmers are being *empowered* in that they are told '*we don't interfere with pricing – you can do this yourself. You produce better quality, higher yield, have a higher yield security and are better prepared to handle climate fluctuations*' – the effect of SAN standards thus often leads to an income increase."

Nevertheless, advocates of Fairtrade contradict this opinion. According to Alis-tair Smith from Bananalink:

"You simply cannot do responsible banana business without paying a minimum price. Most of the time the idea of a minimum price is that it covers the cost of sustainable production. You need to establish this and possibly more... from our point of view it needs to include the externalities, i.e. costs, which are not accounted for in the standard costs of calculation (social and environmental costs). There are of course also other standards, but for us the heart of fair trade is to do with minimum price."¹²

Chiquita states that they agree on negotiated fixed prices with their suppliers. They take the market risk in the vast majority of contracts with suppliers (see Chapter II.2: Suppliers for more information).

In any case, if we want to judge whether this claim is reasonable, or whether trade can also be fair if we trust that the market rewards efforts on the ground, we need to look at the prices and premiums Chiquita bananas achieve on the market compared to Fairtrade (or other certified) bananas and we also need to consider the exact price distribution along the value chain.¹³



3. Generating and distributing prices and premiums based on market mechanisms

PRICES AND PREMIUMS

Fair prices and premiums are a precondition for social responsibility because only if the bananas achieve a fair price on the market, is there enough value available for a fair distribution. If bananas sell at a very low price, a fair distribution of value is basically precluded. As we will see in Chapter IV.2 (Managing Relationships with Retailers) a fair price for bananas can by no means be taken for granted. Instead, bananas are one of the key products in the fierce price war among retailers in Western countries. The price squeeze on producers, particularly in the major European markets in Germany and the UK is so intense that it is impossible for “a fair share of value to be returned to growers and their employees”. This means that “rising costs for growers simply have to be swallowed and any margin is sacrificed to the greater need to remain a supplier. Operate at a loss or get out, seems to be the market’s message”.¹⁴

The empirical evidence is inconclusive as to whether Chiquita bananas, or bananas from Rainforest Alliance certified farms, achieve a price premium which potentially benefits workers (that is if the producer shares their premium with workers) and the environment.

According to the 2013 SSI study on the banana market, bananas from Rainforest Alliance certified farms fare worst in terms of premiums compared to Fairtrade or Organic bananas. However, the study also shows that “Rainforest Alliance bananas can sell at prices varying from market price to 30 percent over

the market price”.¹⁵ Thus, the market seems to be willing to pay a premium for bananas from Rainforest Alliance certified farms.

This is confirmed by another study that quotes Chiquita as stating that even small price premiums for its bananas “could generate a very large impact. Farmers that earned certification against a Rainforest Alliance standard qualified for a price premium of approximately 1%. Given volumes of production, this amount could quickly add up for farmers.”¹⁶

Contrary to these studies, a 2009 FAO study claims that clear evidence is *generally* lacking of a price premium paid to producers who operate without a price guarantee (as required by Fairtrade standards). Instead,

“(w)hether certification will give a financial benefit to the producer may depend on market recognition, and the negotiations between buyers and sellers.”¹⁷

Clearly, blind trust in the market as a guarantor of fair prices would be naive. Instead, those producers who are selling without a guaranteed minimum price, need not just agricultural but also distinctive business skills enabling them to negotiate a fair price for their crop.

Finally, it should also be noted that a higher price alone does not necessarily mean higher revenues for the producers, let alone the workers, or a more equitable share of retail prices. At the end of the day, this also depends on the costs incurred by the producer. Overall, there is some evidence that voluntary standards in general have a positive impact on price volatility.¹⁸

Aside from the absolute prices paid for bananas, it is also important to consider the distribution of income along the value chain.

DISTRIBUTION OF INCOME ALONG THE VALUE CHAIN

Data on value distribution in the banana industry shows that for example, organic producers earn 17% of the retail price of bananas sold on the New York market (and retailers 37%), while conventional producers (including bananas from Rainforest Alliance certified farms) get 21% (and retailers 21%) and producers of Fairtrade and Organic double certified bananas get 22% (retailers 39%). Thus, while the margin for producers of Fairtrade or Fairtrade and Organic double-certified bananas is highest, the improvement over conventional bananas is marginal.¹⁹

However, we need to be careful when referring to percentages: in absolute numbers, for example, if the retail price for Organic bananas is twice as high as for conventional bananas, the 17% gained by Organic producers means more money for them than the 22% gained by conventional producers.

Another study, published in a Swiss NGO newsletter, specifically focuses on Fairtrade bananas and is critical of the fact that in Switzerland in the years

2007/8 producers of Fairtrade certified bananas earned just 13% of the retail price.²⁰ Finally, data from the UK that differentiates between income for workers and income for growers, estimates that only 4% of the price of a banana produced in Costa Rica and sold in a UK supermarket goes to workers, while growers earn 20%, and 29% stays with the retailer.²¹

In all cases the biggest share of the price stays with the retailers with margins ranging from 21% (conventional bananas on the New York market) to 45% (Fair-trade bananas sold in Switzerland). Thus, certifications seem to be particularly attractive for retailers. It also shows that retailers often abuse the reputation of certified bananas to increase their own profit margin far beyond the additional costs of those bananas.

From the data available we can conclude that banana production and trade is a low-margin business. This is also confirmed by Chiquita's net operating income in the past years²²:

Table 1: Chiquita's Net Income 2011-2013

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Net income	-15,815	-405,017	56,836

In 2001, at a time when Chiquita had already committed itself to a comprehensive CSR strategy (with CSR reports, different certifications etc.), the company even filed for bankruptcy under Chapter 11. The SLC report (for the Colombia case) cites three reasons for this crisis:

“(i) the decline in the Company’s earnings in the mid-1990s, related, in part, to the debt it incurred in expanding its ownership of farms and investing substantially in enlarging its fleet of ships; (ii) the substantial destruction of the Company’s Honduran division by Hurricane Mitch in 1998 and the decision to rebuild in that location; and (iii) the deteriorating value of the Euro as compared to the dollar, which, because Chiquita’s costs were dollar-based, affected its operating cash flow and the ability to refinance its debt.”²³

The question is what all of this means for Chiquita's CSR. Taking into account the fact that Chiquita has made an average profit of 1% in the past decade, we need to ask how CSR can be afforded in a low-margin industry or as a non-profitable business, and what the rationale is to stick with it in hard times.

Taking into account the fact that Chiquita has made an average profit of 1% in the past decade, we need to ask how CSR can be afforded in a low-margin industry.

4. CSR in a low-margin business

In Chiquita's 2008 CSR report Ex-CEO Fernando Aguirre wrote, “We can do good and do well at the same time”.

But what if you don't do well anymore? Can you still do good? The economic pressure was omnipresent in our interviews with Chiquita representatives. George Jaksch, senior director CSR, admitted:

“The cost of an effective CSR program is an investment, which is legitimately expected to generate benefits in the marketplace.”

Nolan Quiros (regional CSR manager) started his presentation on CSR with the words “The main goal is to lower costs”.

Miguel Zapata (Local Labour Relations Manager, Honduras) said his job was challenging and that he wanted to change labour relations so that they were less antagonistic: “But at the end of the day the money is what counts.”

He continued:

“It’s all about CSR in times of financial crisis. Workers don’t get that Chiquita does not have the money anymore.”

He then said that currently Chiquita’s costs were still more than 1 USD above the price they aspired to for producing one box of bananas, showing the enormous economic pressure he was under.

Julio Vasquez, general director of Chiquita in Panama, made similar statements: “Efficiency is the biggest challenge for Chiquita in Panama.”

In Panama, Chiquita is constantly trying to increase productivity. He assumed that the target for productivity should be reached by 2017. Only when productivity increases can they pay higher wages and be more competitive. The fixed costs stay the same.

The pressure to be more productive was also felt by independent producers. Agustin Herrera, independent producer in Costa Rica, said that the productivity of their farms had decreased in recent years due to extremely low margins. But since they were not able to increase productivity on the land they already owned, they chose to buy additional land, which means that the fixed costs remain the same.

This leads to the question of why Chiquita still sticks to CSR in times of low profits.

We found two mutually non-exclusive key rationales: On the one hand, Chiquita seems to be convinced that in times of economic crisis CSR makes sense because it pays off. As early as 2002 Chiquita was quoted as saying that they are convinced that CSR “is a strategy to lower production costs through good labour relations – thereby facilitating the implementation of new practices and decreasing the risk of strikes.”²⁴ At the same time, Chiquita emphasises that CSR is also fundamentally important to their relationship with retailers who care about the environmental and social conditions of banana production. In this context CSR helps Chiquita to protect their sales with retailers.

This line of reasoning does not seem to apply to independent producers: Agustin Herrera (IP, Costa Rica) openly doubted the return on investment in CSR for independent producers like himself. He felt that the market did not recognise

the benefits of CSR. According to Herrera, independent producers do not get a higher price for their bananas even though they offer many benefits to their workers. He also stated that for him, certain CSR-related aspects like the housing he offers to his workers were simply non-negotiable.

The second rationale sees CSR as an expression of firm convictions that have become such an integral part of Chiquita's business model and its corporate culture that they cannot be questioned. CSR aspects are so thoroughly integrated into all business processes and across all levels that eliminating them would imply an entire re-modelling of the business. For example, when asked about the percentage of the budget Chiquita spends on CSR, CEO Ed Lonergan said it was impossible to tell: "CSR penetrates everything in Chiquita – it cannot be singled out". In support of the first rationale, he said that the costs of CSR must be seen as a commercial benefit because an investment in CSR increases premiums.

While the belief that CSR pays off is an important driver of Chiquita's CSR, the fact that Chiquita nevertheless suffers from economic problems is troublesome. As *The Economist* put it in a 2012 article:

"Chiquita's conspicuous lack of reward is beginning to worry some veteran campaigners. Neither Dole nor Del Monte has been interested in following Chiquita in signing a global union agreement, says Ron Oswald, head of IUF, the international food workers' union." It's not sustainable for any company in a competitive sector to make progress and gain no recognition for it," he grumbles."²⁵

Added to this worry is frustration over the fact that despite Chiquita's undisputable CSR efforts, which make them the CSR leader in the industry, they continue to face fierce criticism. Julio Vasquez (general director of Chiquita in Panama) even suggested that the relationship between CSR and criticism was causal: because they made so much effort, they faced the strongest criticism.

Despite Chiquita's undisputable CSR efforts, which make them the CSR leader in the industry, they continue to face fierce criticism.

5. Conclusion

The banana business is characterised by a number of issues which directly impact on CSR: environmental factors mean that Chiquita operates in areas where the use of pesticides is inevitable, and on big plantations where crops are exposed to difficult climatic factors; at the same time, the fact that bananas are one of the few agricultural crops available throughout the year implies significant power and responsibility for Chiquita as an employer in the areas in question. Economic factors such as the oligopolistic market structure among multinational banana companies, and particularly the increased power of retailers, imply enormous pressure on prices, which can be felt throughout the whole value chain.

Against this background it is not surprising that the banana industry has been one of the prime targets of Fairtrade activists who strive to achieve fairness along the value chain. Their attempt to achieve this fairness by intervening

in the market has become the key benchmark for any multinational company competing in the banana business. Chiquita as a major non-Fairtrade certified trader and producer, which has been suspected by critics of exploiting power asymmetries along the value chain, in particular is under pressure to prove that its 'free trade' instead of Fairtrade approach nevertheless allows it to treat its workforce and the workforce of its suppliers in a responsible manner, as well as the environment. In order to deliver that proof Chiquita has chosen to engage in a number of measures that focus on improving social and environmental conditions on the ground. The rationale behind this approach is as follows: better conditions on the ground lead to higher quality bananas which will be rewarded by the market in terms of a higher price, or a premium. This is a precondition for the producers' ability but no guarantee for their willingness to distribute the extra value generated to their workers in a manner that is fair. Thus, ideally such market-based measures boil down to the same kind of 'income guarantee' that Fairtrade provides by means of requiring a minimum price. The empirical evidence on whether Chiquita achieves this extra value on the market is mixed, yet there are indications that their bananas fare above the market price and that thus, the precondition for fair value distribution is met.

Chiquita must inevitably confront the question of how to reconcile economic tensions with the demands of CSR.

The low margins in banana production and trade imply huge pressure on productivity which acts a key factor influencing Chiquita's CSR. Against the background of several years with significant financial difficulties, Chiquita must inevitably confront the question of how to reconcile economic tensions with the demands of CSR. This is not only important for the internal evaluation of CSR investments but also for the external evaluation of Chiquita's CSR performance. With a margin of 1%, one can hardly claim that the corporation is exploiting workers for profit maximisation. Whatever Chiquita does or is expected to do by its stakeholders must be examined carefully against the background of the financial limits to which the company is exposed. This is probably an important difference between Chiquita and companies in other industries (from Nike to Apple) who are also criticised for social and environmental reasons but who at the same time make huge profits.

Our study suggests that Chiquita firmly believes that on the one hand CSR pays off, i.e. it expects the market to reward its CSR efforts by paying a premium for its bananas; on the other hand, over the past decades CSR has become such an integral part of Chiquita's way of doing business that undoing it would imply a fundamental redesign of many of its core business processes.

Lessons learned

- **Crop characteristics** significantly influence Chiquita's CSR, e.g. the tropical climate makes large-scale organic farming almost impossible.
- For Chiquita, the degree of **vertical integration** mainly depends on economic considerations and they deny that this has a significant impact on their CSR. Critics however suspect that vertical disintegration could be used to disconnect from responsibility.

- The **fierce competition** among multinational banana companies, and particularly the increased power of retailers, implies a **very high pressure on prices**.
- Any actor in the banana export industry finds their **CSR benchmarked against Fairtrade** standards. The debate about Fairtrade vs. 'free trade' is first of all a **battle of beliefs**. Critics refuse to see Chiquita's commitment to Rainforest Alliance as a valid alternative to Fairtrade.
- At the same time, given that Fairtrade in many markets acts as a direct competitor of Chiquita, that which Fairtrade representatives frame as a battle for fairness, is in fact also often a **battle over market share**.
- Finally, the debate also involves a **battle of facts**: Empirical evidence as to whether Chiquita's bananas from Rainforest Alliance certified farms achieve a price premium in the market is inconclusive. Moreover, it is also inconclusive whether such a premium benefits the suppliers, the workers and the environment.
- For Chiquita, banana production and trade is a **low-margin business**. The CSR performance of Chiquita has to be examined carefully against its financial limits.
- Chiquita faces the challenge of 'doing good while not doing well', but Chiquita is convinced that CSR makes sense because it pays off. The strategic value of CSR for Chiquita becomes evident in their relationship to retailers who insist on social and environmental standards. Moreover, CSR has become an integral part of Chiquita's business model and its corporate culture.

ENDNOTES

- 1 <http://www.bananalink.org.uk/how-bananas-are-grown>
- 2 <http://www.greenfudge.org/2009/09/24/monocrop-farming-green-revolution-or-environmental-blunder-of-historic-proportions/>
- 3 <http://www.bananalink.org.uk/how-bananas-are-grown>
- 4 <http://www.fao.org/docrep/019/i3746e/i3746e.pdf>
- 5 <http://www.economist.com/node/21551500>
- 6 <http://www.globalissues.org/article/63/the-banana-trade-war>
- 7 Reed, D. (2009). What do Corporations have to do with Fair Trade? Positive and Normative Analysis from a Value Chain Perspective. *Journal of Business Ethics*, 86(1), 3-26, p. 3.
- 8 *ibid.*, p. 9.
- 9 <http://www.fairtrade.net/trade-standard.html>
- 10 To date, advocates of fair trade are divided over the question of whether plantations in general and those of multinationals in particular should be eligible for any

kind of certification that carries the term “Fairtrade” on its label (Reed 2009).

- 11 <http://www.fairtrade.net/hired-labour-standards.html>
- 12 The minimum prices that are guaranteed by Fairtrade must not be confused with regulated exit prices as defined by the government that exist in Costa Rica and Ecuador.
- 13 Here, we limit our focus to the ‘upstream’ distribution of value, i.e. to the distribution of value among growers and workers. The ‘downstream’ dimension, i.e. the distribution of value including the retailers, will be addressed in Chapter IV.2.
- 14 <http://www.freshfruitportal.com/2014/02/07/opinion-the-battle-for-banana-livelihoods/?country=others>
- 15 The State of Sustainability Initiatives Review 2014, p. 114, online at: www.iisd.org/pdf/2014/ssi_2014.pdf
- 16 <http://www.shiftproject.org/publication/audit-innovation-advancing-human-rights-global-supply-chains>
- 17 www.fao.org/3/a-i0529e.pdf, p. 13
- 18 The State of Sustainability Initiatives Review 2014, Box 5.1., p. 114
- 19 Ibid.
- 20 http://www.gebana.com/media/medialibrary/2013/10/Bananenzeitung13_17.10.13_small_def.pdf
- 21 <http://www.bananalink.org.uk/who-earns-what-from-field-to-supermarket>
- 22 Chiquita annual reports
- 23 SLC report, p. 78.
- 24 Riisgard, L. (2004). The IUF/COLSIBA – Chiquita framework agreement: a case study. ILO Working Paper No. 94. The International Labour Organisation, Geneva, Switzerland, p. 9.
- 25 <http://www.economist.com/node/21551500>

I.3. Political premises: Growing bananas in a conflict zone



Abstract

The local environment constitutes an important boundary condition for a company's CSR. In a stable state with a strong rule of law, a functioning government, and an overall high level of trust and safety, acting responsibly is much easier for any company than in a conflict zone, with a weak, often corrupt or even absent government and violent fighting between opposing armed groups. In this chapter we assess how Chiquita dealt with the challenges of operating in such a conflict zone using the example of their involvement in Colombia during the civil war. We highlight the dilemmas Chiquita faced in dealing with extortion from paramilitaries as well as the accusations of complicity. We discuss whether Chiquita could have behaved differently during the conflict, whether their decision to leave Colombia was implemented in a responsible manner and whether their plea of guilty in the US was an act of responsibility. Our analysis highlights the complexity of decision-making situations in conflict zones and in the face of legal accusation.

CHIQUITA'S PAYMENT TO TERRORIST GROUPS IN COLOMBIA: CHRONOLOGY OF KEY EVENTS

- Mid-1960s: Civil war in Colombia starts
- 1989: Chiquita begins making payments to left-wing guerrilla organisation FARC (*Fuerzas Armadas Revolucionarias de Colombia*) for alleged worker protection
- 1993: Chiquita stops making payments
- 1995: a busload of 25 Chiquita workers assassinated on their way to work
- 1995: Chiquita reinstates payments to FARC for alleged worker protection
- 1997: Chiquita stops making payments to FARC and starts making payments to right-wing paramilitary groups AUC (*Autodefensas Unidas de Colombia*) for alleged worker protection
- 1998: 2 Chiquita farm supervisors assassinated on banana farm
- 2001: AUC designated as a terrorist group by US Department of Justice as part of new antiterrorism laws

2003: Chiquita learns of new terrorist legislation and contacts the US Department of Justice to inform them of their Colombian payments

2004: Chiquita stops payments to paramilitaries and sells their Colombian subsidiary to Banacol, a local Colombian banana company

2007: Chiquita is fined 25 million USD by the US government for violating US antiterrorism laws based on their 2003 disclosure

2009: Publication of the Special Litigation Committee report

2014: News report that Chiquita spent \$780,000 USD lobbying against the Justice Against Sponsors of Terrorism Act (JASTA)

2014: A US federal court in Florida dismisses a lawsuit by relatives of victims of the Colombian civil war against Chiquita under the Alien Tort Claims Act

1. Growing bananas in a conflict zone

Like Shell in Nigeria, Chiquita has been confronted with severe criticism for its engagement in Colombia.

Over the past two decades, corporations have been increasingly criticised for their business practices in conflict zones. Campaigns such as those against Shell for its operations in Nigeria have fuelled debates about the behaviour of corporations in states with weak or absent governance. Like Shell in Nigeria, Chiquita has been confronted with severe criticism for its engagement in Colombia. In this chapter, we examine complicity as a key aspect of a corporation's CSR performance following the severe criticism Chiquita has been facing for its operations in Colombia. As will be spelled out in more detail below, complicity means that a company aids and abets international crimes, "i.e. knowingly providing practical assistance or encouragement that has a substantial effect on the commission of a crime" (Art. 74, UN Guiding Principles).

Since the mid-1960s Colombia has been the site of a civil war known by the name of "La Violencia". More than 220,000 people have died in this conflict, most of them civilians. About five million people have been forced to leave their homes, turning Colombia into the country with the highest number of internally displaced persons. In this ongoing civil war, Colombian government armed forces, paramilitary groups such as the AUC (*Autodefensas Unidas de Colombia*), left-wing guerrillas such as the FARC (*Fuerzas Armadas Revolucionarias de Colombia*) and criminal organisations have fought each other in their attempts to gain control over the Colombian territory and the resources appertaining to it. All the involved parties claim noble motives for their fight (promoting social justice, protecting the poor, fighting for the rule of law etc.) yet at the same time they are accused of numerous acts of terrorist violence and human rights violations. Most of these groups use extortion and drug trafficking to finance their activities and Colombia has become one of the world-leaders in cocaine production.

Despite the enduring political instability, numerous multinational corporations

operate in Colombia, many of them for decades now. Colombia is well connected to global production networks to which it provides coffee, meat, cotton, sugar, flowers, coal and bananas. Colombia is among the top five banana exporting countries in the world¹ and Chiquita grew bananas in Colombia, beginning in the early 20th century. Chiquita has created some 4400 direct and 8000 indirect jobs in the country and as such was undoubtedly a very important player in the Colombian economy.² The company sourced about 10% of its bananas produced in Latin America from Colombia.

While many regions of Colombia have been suffering from La Violencia, the Urabá region in the north-western part of the country has a particularly violent history. The reason for this is its geographical proximity to Panama, which has made it a hub for drug trafficking and arms smuggling. Both FARC and AUC have committed atrocious crimes in the Urabá region and are responsible for the displacement and deaths of thousands of civilians. At the same time, Urabá is the largest banana-growing area in Colombia and Chiquita, represented by its subsidiary Banadex, had most of its plantations in this conflict zone.

2. Accusations of complicity

How do you do business in a zone of conflict like Urabá, in the middle of constant violence? How do you avoid becoming an accomplice of one party or the other? How do you protect your operations in the midst of such a nightmare of instability? How can a company operate responsibly in a conflict zone? Chiquita's role in the conflict between the Colombian government, paramilitary groups (such as the AUC), and left-wing guerrillas (such as the FARC) has been discussed controversially and the case raises important questions way beyond the case itself. Many corporations operate under similar conditions in violent contexts in Latin America and elsewhere and the Chiquita case might provide important general lessons about operations in conflict zones.

Chiquita has been accused of complicity and in 2007 officially admitted that they had paid what they call "extortion money" to two of the major players in the Colombian conflict for fifteen years until 2004.³ The company made payments to both the FARC (between 1989 and at least 1997) and the AUC (1997 – 2004). Chiquita argued that they did not have a choice because both left-wing guerrillas and right-wing paramilitaries had forced them to pay money in order to "protect the lives of its employees". In 1995, 25 Chiquita workers were killed on a bus on their way to work, and in 1998, two workers were assassinated on a farm while the other workers were forced to watch.⁴ According to George Jaksch, Senior Director of Corporate Responsibility and Public Affairs at Chiquita, the situation in the Urabá region was simply unbearable with victims frequently seen piled up at the cemeteries. Around 1992/93 Chiquita decided to stop the payments, but they perceived the brutal assassination of their workers in 1995 and the bombing of two of their packing stations in 1995 and 1996 as a reaction to that decision (SLC report, p. 73). As a result, both, in Colombia as well as in company headquarters in Cincinnati, payments to armed groups like the FARC or the AUC were perceived by Chiquita as inevitable for the protection of the lives of their workers. While being morally challenging from the out-

In 2007 Chiquita officially admitted that they had paid «extortion money» to two major players in the Colombian conflict for 15 years.

set, but not illegal under Colombian law, these payments became illegal under US law in September 2001 when the US Department of Justice officially designated the AUC as a terrorist group. Doing business with such groups became a federal crime for any US-based company or representative thereof.⁵ Yet, even after this point, Chiquita continued to make extortion payments to AUC until 2004. It is important to note that Chiquita claims that they only became aware of this change in legislation in Spring 2003. While this claim is rather surprising, there is no conclusive evidence against it.

As the then-CEO Fernando Aguirre highlighted, when facing the dilemma of breaking the law versus risking the safety of their employees, the company decided in favour of the latter, convinced that they acted in good faith. Chiquita justifies the 'good faith'-assumption based on the fact that they consulted the Department of Justice of their own accord shortly after their realisation that the AUC was now officially designated as a terrorist group, in order to talk about their situation in Colombia. Apparently, representatives of the DOJ did *not explicitly* advise them to immediately stop the payments but instead suggested that the DOJ might treat the case as a policy issue rather than a legal issue. Thus, Chiquita claims that they were basically continuing the payments 'in good faith' after their first contact with the DOJ in Spring 2003 and that they were surprised when the DOJ suddenly issued subpoenas in Spring 2004, thereby clearly moving the issue from the policy level to the legal level (SLC report, p. 90-132).

While other companies – including Chiquita's competitors - allegedly made similar payments, it is important to emphasise that Chiquita is currently the only company to have notified the US Department of Justice and stated their guilt in this context. In fact, the company even developed internal reporting and monitoring procedures for the extortion payments in order to fulfil the requirements of the FCPA (Foreign Corrupt Practices Act). They did not try to hide the payments. For Aguirre, admitting the payments to the U.S. government signalled the willingness of the corporation to take responsibility for their past decisions even if the price which the company now has to pay is high. In March 2007, Chiquita settled a criminal complaint with the US Government and paid 25 million USD in fines for violating U.S. antiterrorism laws. Nevertheless, there are currently still a number of lawsuits open against Chiquita, including one under the Alien Tort Claims Act filed by a group of Colombian citizens at a US federal court in Florida, which was however dismissed in July 2014. The plaintiffs in this case are relatives of people (e.g. trade unionists, workers, social activists and others) killed by the paramilitaries during the 1990s through to 2004. They claim that Chiquita's payments made them complicit in the human right violations in the region where they grew their bananas.⁶ While we do not mean to dispute the legitimacy of the claims of the victims, we also need to be aware that at least some of the critics of Chiquita, in particular lawyers, have vested interests considering the huge sums of money that are to be gained in class action suits in the US.

Chiquita's narrative that they faced a moral dilemma has been challenged from various perspectives. First of all, the legal perspective taken by the U.S. government, has little interest in considering whether the payments were morally justified and whether Chiquita's acknowledgement of their guilt signals a

willingness to accept *moral* responsibility. Secondly, the moral framing by the company is contested as well. There is widespread scepticism that in reality paying the extortion money ‘only’ served to protect the lives of workers. Instead, some claim that Chiquita actually benefited from the violent conflict. Plaintiff attorney Terry Collingsworth for example claims that Chiquita actively pursued a partnership with the AUC in order to clear the FARC from the region, which involved regular contact between managers from banana plantations and AUC representatives.⁷

Chiquita has even been accused of much more intensive cooperation with paramilitary forces beyond the extortion money. According to Bruno Rütscche, representative of the NGO “Working Group Swiss-Colombia” (Arbeitsgruppe Schweiz-Kolumbien, ASK), Chiquita and other companies operating in the Urabá region were in close contact with local paramilitary brigades, and official meetings involving more than the simple transmission of extortion money, were held in the brigades’ quarters. A former paramilitary claims that the relationship between AUC and multinational banana companies was “an open public relationship” which provided them not just with security services but also with services for the kidnapping and even assassination of defiant labour leaders.⁸ Rütscche even claims that massacres committed by the paramilitaries were carried out with the explicit consent of politicians and business leaders. Yet, the fact that the trade union representing Banadex’ workers, SINTRAINAGRO, would have preferred Chiquita to stay in Colombia⁹, suggests that the relationship between Chiquita and the trade union was not hostile, especially because Chiquita enabled the creation of SINTRAINAGRO in the Santa Marta region. According to Chiquita representatives, until today they maintain a good relationship with SINTRAINAGRO, and there have even been meetings between members of the trade union and the Chiquita CEO in Cincinnati at which Chiquita agreed to proposals made by the unions regarding the terms of the sale of Chiquita’s farms in Colombia to Banacol.

Chiquita has also been accused of allowing the use of its vessels for illicit arms shipments and for smuggling cocaine to Europe¹⁰. Yet, it must be noted that the accusation of arms trading was investigated by the General Secretariat of the Organisation of American States (OAS) and was also brought to court in Colombia, where the accusation against the employee from Banadex who had been accused of being involved in arms smuggling (i.e. in unloading a shipment of arms and ammunition), was dropped (Fiscalía Report, July 23 2004).

Once Chiquita started to cooperate with the U.S. government, they laid out the details of their dealings with armed groups in Colombia. One of the key documents in this strategy is a 269-page report drafted by a special litigation committee (SLC).¹¹ It is important to note that even the lawyers acting on behalf of the victims’ relatives acknowledged the comprehensiveness of this report.¹² Chiquita could demonstrate in this report that it did not make the payments “in cold blood” but continuously had intense internal debates among board and management representatives, auditors, lawyers and other employees about how to proceed in view of this dilemma, and it also regularly informed the US authorities about its activities. On a technical level, the company also made sure that the payments were accounted for in compliance with the Foreign

In their Special litigation Committee report, Chiquita could demonstrate that it did not make the payments “in cold blood”.



Corrupt Practices Act (FCPA) (SLC p. 36) by including the payments in their reporting system as “sensitive payments”, permitted under the FCPA. Chiquita thus never tried to hide the payments.

More interesting than the behaviour of Chiquita defending itself against criminal complaints, is how to evaluate their behaviour during the conflict and after the legal decision from a moral perspective.

The SLC report leaves no doubt that Chiquita’s payments to the paramilitaries were wrong from a legal perspective and the company pleaded guilty and thus admitted the illegality of the payments. Given the rules of the US judicial system, the company would have risked much higher fines had they not pleaded guilty. However, what is legally wrong is not necessarily wrong from a moral perspective. For our CSR analysis, more interesting than the behaviour of the company defending itself against criminal complaints, is how to evaluate the behaviour during the conflict and after the legal decision of the U.S court (which we call the post-conflict phase) from a moral perspective.

EVALUATING CHIQUITA’S PAYMENTS FROM A MORAL PERSPECTIVE

We have no reliable evidence about the extent to which Chiquita was cooperating with paramilitaries. As argued, accusations range from paying protection money over transporting weapons and drugs to being silent profiteers of assassinations. As we have pointed out there is no evidence for the latter accusations, only for the payments, well documented in the SLC report. Our analysis thus focuses on the extortion money. The extortion payments can be examined from a moral and a legal perspective. From a legal perspective, the payments became a problem the moment the US government declared the AUC a terrorist organisation. From a moral perspective, Chiquita may have been stuck in a classic dilemma in which no ideal solution exists. After the attempt to stop the payments, workers were killed and Chiquita saw only two alternative options: Paying the extortion money and thus indirectly supporting a criminal organisation in its activities or not paying and risking the life of the workers.

From the very beginning, the company seems to have known that the payments were morally dubious: Upon receiving the first demands for payments from FARC in the late 1980s Chiquita apparently sought advice from a security consulting company, which confirmed that if Chiquita wanted to stay in Colombia, in light of the security situation, they had no other option than to make the payments (SLC, p. 32). Another aspect that signals the company's awareness of the moral problem connected to the payments can be found in the fact that over the years Chiquita kept discussing the dilemma within the company. They obviously tried to get out of the situation by stopping the payments and by asking the Colombian government for help. If this perception of the dilemma is realistic (workers lives against payments to terrorists), Chiquita's payments were certainly wrong from a legal perspective but maybe not from a moral perspective. It is always difficult to evaluate decisions in extreme situations from the outside and with a hindsight bias. What is probably undeniable is the fact that Chiquita managers acted under extreme conditions for many years in one of the most violent regions of the civil war in Colombia. The dominating perception in the company was that the life of Chiquita managers and workers was at risk. While the company tried to maintain good relationships with the communities surrounding the plantations and with the unions, they did not see an alternative to making the payments.

The dominating perception in the company was that the life of Chiquita managers and workers was at risk.

The question is whether it is true that Chiquita really did not have any alternative option. Was there a third option that the company did not see or that they discarded that would have been better from a moral perspective? Was there a way out of the dilemma and did they sufficiently reflect upon it? In order to morally evaluate the behaviour of a corporation in a conflict zone, it is crucial to have credible answers to these questions.

Under normal circumstances, the first obvious alternative is to *seek help from the government*. In fact, Chiquita sought help from the Colombian army in at least one instance, namely after the destruction of a wharf in the early 1990s (SLC, p. 34) but the army lacked the means to provide protection. According to Chiquita, Manuel Rodriguez even went to the Colombian embassy in Washington and to the Colombian embassy before the UN in order to discuss the situation and ask for help. Overall, when operating in conflict zones where governments are either unwilling or unable to guarantee the rule of law, trusting in the authorities is not a viable option. Moreover, trusting the Colombian authorities also poses a moral challenge since the Colombian conflict is officially classified as a 'non-international armed conflict' occurring in the territory of a state and without the involvement of armed forces from other states. In this conflict the Colombian State itself is – and in particular was at the time of the payments – an active party so that turning to the Colombian State would also have constituted an involvement in the conflict. The Colombian State was certainly not an actor from which one could expect impartial support and help in respecting and protecting human rights.

Another way of avoiding complicity would have been to *leave the country*, yet, it could be argued that such a decision would have put thousands of workers, their families and communities in a difficult situation since they were all depending on Chiquita. Alternatively, Chiquita could also have considered *making*

their dilemma public and thereby hoping to put terrorists under pressure by “outing” them (while paying or not paying). As one interview partner stated (Bruno Rüttsche, ASK), considering Chiquita’s economic power, making the extortion public and threatening to leave the country, could possibly have had an impact on the behaviour of the armed groups. According to Rüttsche, the armed actors in Colombia were not ideological extremists who would operate totally arbitrarily and out of control but instead they were often backed up or even controlled by influential citizens, “white collar people” with a high stake in the economic wellbeing of their country. Yet, this is of course rather speculative and we do not know whether the extortionists would have felt provoked by such behaviour and been incited to violent demonstrations of their power. Such a counter-reaction would have been quite typical for paramilitary organisations, drug cartels and Mafia organisations, which have to defend their authority with violence if necessary in order to maintain their credibility.

Sometimes, corporations *engage private security forces* to protect their operations. In a conflict zone, however, apart from the fact that it is technically impossible to protect territories the size of Chiquita’s plantations, this option entails considerable risks. For one, it might have provoked violent attacks against the security forces, for another it might have incited the extortionists to demonstrate their power. Moreover, private security forces have often been involved in human rights abuses themselves. This option would probably have drawn the company even deeper into the conflict.

There is another option, which would indeed have required some moral imagination, namely *collective action*. This option however was not considered by Chiquita.

All of the alternative options mentioned so far have severe downsides. However, there is another option, which would indeed have required some moral imagination. It is the option other companies in Colombia successfully chose in order to avoid complicity, namely *collective action*. Paramilitaries do not operate in a social vacuum, they are often strongly embedded in local communities. Some corporations in Colombia found protection through those communities. Companies such as Isagen and Ecopetrol also saw workers killed, however they decided not to pay but instead collaborate with the communities in which they were embedded in order to have those communities create a protection shield for them.¹³ Through collective action with local communities they turned the communities into their defenders. This of course, does not come for free but results from sophisticated corporate citizenship strategies that among other things rely on local investments in favour of the communities. The abovementioned argument that paramilitaries were acting rationally in order to protect their interests also speaks in favour of such an option. Despite its strong community links, Chiquita was not able to leverage its already-existing community engagement by turning it into a political tool. The conflict was particularly violent in the Urabá region, where Chiquita had its plantations. We do not know whether this made a solution such as the one chosen by Ecopetrol impossible or whether Chiquita did not investigate this option sufficiently. One can also imagine that state protection was stronger for companies of strategic importance such as Ecopetrol.

What should be highlighted with regards to Chiquita’s engagement during the violent conflict is the fact that the company was able to maintain its standards on plantations throughout the civil war with Rainforest Alliance certifications and SA8000 and they maintained good relationships with the unions and continued with their collective bargaining agreements.

In recent years, a number of initiatives have been launched as a means to provide guidance for companies that operate in conflict zones: The UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises are probably the two most important guidelines in this regard. The UN Principles developed by John Ruggie and his team, invite corporations to develop policies that help them to “avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.” In the context of these Guiding Principles, one can argue that in a strict sense, Chiquita became an accomplice because it “knowingly (provided) practical assistance or encouragement that (had) a substantial effect on the commission of a crime” (Guiding Principles, commentary to Principle 17). Paramilitaries need money to buy weapons and Chiquita provided money to them. As we have argued above, however, it is questionable whether Chiquita had a choice other than leaving the country in order to avoid the payments. And leaving the country, as we have argued, might have created other problems.

Complicity imposes the duty on the company to address the human rights problems to which they are connected, by “taking adequate measures for their prevention, mitigation and, where appropriate, remediation”. Such duties are of particular relevance for corporations, which, like Chiquita, have the leverage to influence the decisions or activities of other actors with whom, for better or worse, it has a relationship. It is obvious that the company was forced by violence to make the payments and tried to find a way out of it. Whether or not the company would have had the means to behave differently remains speculative. What our analysis shows, however, is that the company would have preferred not to pay the extortion money. They tried to get out of it, stop it, find help and they did not try to hide the payments. The latter point sets them apart from other multinational corporations that operated in Colombia during the civil war, which to date deny that they ever made such payments.

It is obvious that Chiquita tried to find a way out of making the payments by looking for help. Moreover, they did not try to hide.

3. After the fall – Chiquita’s post-conflict behaviour

As we have argued, Chiquita pleaded guilty and paid 25 million USD to the U.S. government. The story does not end there; we also need to consider whether the company dealt with the case in an appropriate way in the post-conflict phase. Is there a difference between legal and moral obligations? The latter questions are of importance for Chiquita if it ever wants to return to Colombia, as would have been the case if the intended merger with Fyffes had gone through in 2014.

Chiquita left Colombia because they were convinced that they could not stay and stop the payments – and stopping them would have once again exposed Chiquita employees and property to serious risks. The first question we have to ask is whether or not the company took measures to prevent similar cases in the future. The Italian philosopher Antonio Gramsci once said that history is a great teacher but unfortunately has no students. Chiquita has implemented a number of measures and enhancements, particularly in its legal compliance programs, which it claims suffice to ensure that “an event of this nature is un-

likely to recur” (SLC p. 259). However, critics claim that Chiquita still lacks a comprehensive human rights policy comparable to those in the extractive sector.¹⁴

A second aspect of the post-conflict analysis is to ask whether or not the company took measures of remedy. This is, of course, not only relevant for the Chiquita case but applies to all post-conflict situations in which corporations might be involved. While a judge may wish to close the case, the wounds, trauma and harm done to the victims of violent conflicts obviously exist beyond legal agreements. As the UN “Protect, Respect and Remedy” Framework and Guiding Principles puts it: “the corporate responsibility to respect requires a means for those who believe they have been harmed to bring this to the attention of the company and seek remediation, without prejudice to legal channels available.” (Art. 82) The Guiding Principles further emphasise the importance of non-judicial mechanisms alongside judicial processes, particularly “in a country where courts are unable, for whatever reason, to provide adequate and effective access to remedy” (Art. 84). Moreover, it is important to acknowledge that legal settlements are “less a victory than a compromise”.¹⁵

Chiquita, however, is fiercely reluctant to further deal with its illegal actions in court either in the U.S or in Colombia, thereby signalling that for them the case was concluded with the payment of the 25 million USD fine in 2007. Given the judicial practices in the USA, such resistance to further remedies makes sense. Any action that would have represented further admission of guilt beyond what the company already admitted could trigger devastating financial consequences. The company seems to be committed to fight any kind of legislative developments which could increase their liability. This is obvious from their efforts to lobby against the Justice Against Sponsors of Terrorism Act (JASTA), “a bill conceived of and supported by a group of 9/11 victims and families to aid their claims against actors who supported the terrorist attacks JASTA”.¹⁶ Chiquita has spent \$780,000 lobbying against this bill. This lobbying has attracted harsh critique and seems to even harm the overall evaluation of Chiquita’s CSR engagement (see also Chapter II.1: Governments).

A case that is legally closed can remain open from a moral perspective. What did Chiquita do beyond the court room? We need to remember that the 25 million USD fine was paid to the US treasury and thus had no impact on the victims in Colombia. Indeed, Chiquita did consider “making a charitable donation that would be used exclusively for bona fide civic projects in the Urabá and Santa Marta regions” (SLC p. 131) in order to “potentially soften the blow of the Company’s leaving Colombia and to reduce the risk of violence from the guerrillas and the AUC” (SLC p. 131). Yet, even though such donations were approved by the board (up to \$300,000), the donation ultimately was not made (SLC p. 131). This has been harshly criticised by representatives of the victims of paramilitary violence.¹⁷ Until today, the company has not (yet) contributed to reparation of any kind in Colombia. This might be explained by the abovementioned dilemma: Any further step that signals guilt beyond the already admitted wrongdoing would expose the company to high financial risks.

Finally, we can ask whether the company engaged in remedy. Regions that have been devastated by civil war for decades are obviously in need of activities

to promote healing processes. If corporations have been part of the problem as accomplices in the harm that occurred, from a moral point of view it can be argued that they have a duty to engage in the process of rebuilding peace and stability. Numerous companies in Colombia have started to engage in this peace building process, e.g. by integrating ex-combatants in their workforce or by building up local communities. Chiquita decided to leave Colombia in 2004 and has taken no actions for remedy. However, as we have argued, the exit strategy does not release the corporation from its moral post-conflict duties. Moral problems cannot be outsourced.

EVALUATING CHIQUITA'S EXIT STRATEGY

Chiquita left Colombia once it became clear that the legal circumstances were forcing them to do so if they wanted to avoid far-reaching prosecution. As has been argued even inside the corporation, by selling the Banadex subsidiary, Chiquita wanted to “avoid extradition of Chiquita insiders to Colombia for their criminal conduct” (SLC, p. 219). Thus, clearly, the decision to leave was primarily driven by legal, not moral considerations. It was a legal, not a moral response.¹⁸ Leaving Colombia can be interpreted as a refusal to deal with the consequences of the company's actions and as an unwillingness to engage in on site amendment. The selling of Banadex has been called a “fire sale” by shareholders (SLC, p. 219). However, the SLC report argues that “the length of the diligence and negotiations and the ultimate terms of the deal” speak against this assumption (SLC p. 134). In any case, and regardless of the timing, from the point of view of responsibility, it is important to consider whether the exit was conducted in a manner causing the least damage to those left behind, i.e. to the employees who risked losing their jobs and to their families who depended on the income.

Chiquita left Colombia once it became clear that the legal circumstances were forcing them to do so if they wanted to avoid far-reaching prosecution.

Chiquita sold the operations of its Colombian subsidiary Banadex to the Colombian producer Banacol in 2004. The sales contract also contained “eight-year purchase contracts with Banacol for bananas and pineapples, with a preferential discount on the pineapples” (SLC p. 131). Was this a morally justifiable solution to its dilemma? Chiquita was aware that selling Banadex “would not reduce the risk to the people on the ground in Colombia, and that paramilitaries (could) ‘turn around’ and extort Banacol for the money Chiquita had not paid” (SLC p. 101). A similar concern was also raised by a representative from the DOJ who claimed that “Chiquita might be aiding and abetting payments to the AUC if, pursuant to the sale agreement, it purchased fruit from Banacol and Banacol continued to make the payments” (SLC p. 128). Yet, according to the SLC report, Chiquita could prove by means of a chronology of the Banacol deal which they sent to the DOJ that “the transaction was not in any way designed to facilitate future payments by Banacol to the AUC” (SLC, 133). We found no evidence that Chiquita tried to find a buyer for its operations who had clean hands (i.e. who had not paid extortion money or been involved in the conflict otherwise) or that Chiquita imposed a policy of non-payment on the buyer of its operations in Colombia. Given their assumption that all companies paid, finding a clean buyer was probably out of question. Legally, the problem is solved since the payments are only illegal in the US but not for a Colombian company. Moral-

ly, one could argue that the problem was not solved but only outsourced. However, if the company could not find a way out of the extortion for itself, how could it find one for the buyer? The payments however remain morally doubtful and Chiquita continues to be connected to the problem from a moral perspective.

Regardless of Chiquita's 'internal justifications', external critics claim that Banacol is as a mere continuation of Chiquita's business under a different name. They see Banacol as "the continued presence" of Chiquita in Colombia¹⁹ or even as Chiquita's "alter ego"²⁰. According to a legal complaint, Banacol is even run by the former Banadex management, and until at least 2009 it also employed a number of former Chiquita workers.²¹

The question is whether all of this speaks against Chiquita in terms of leaving Colombia in the most responsible manner. Is it for instance morally reprehensible that Banacol employed former Chiquita workers? Not per se. Why should simple workers who most certainly had no influence on Chiquita's involvement with the paramilitaries be punished for the faults of their former employer?

As former CEO Aguirre argued in 2007, the terms of the sale of Banadex to Banacol reflected Chiquita's "continued interest in the well-being of (our) workers". The purchase contract contained a number of requirements to ensure that: for one, Banacol was required to uphold the collective bargaining contract with the trade union which represented Chiquita workers, for another Banacol also had to commit to maintaining the environmental, social and food-safety certifications pertinent to Chiquita's farms, namely SA8000 and Rainforest Alliance certification and union collective bargaining agreements. As mentioned above, representatives of the unions were invited to Cincinnati to discuss which operations sale conditions were acceptable for the unions.²²

The contract with Banacol did not only reflect financial considerations, therefore, it was also aligned with the requirements in the International Framework Agreement (IFA) between Chiquita and Colsiba (see Chapter II.3: Employees): the IFA requires that companies exert their influence on suppliers in order to ensure that the same standards prevail after selling a plantation. As a consequence, Chiquita signed a memorandum of understanding where it committed to ensuring that Banacol would recognise SINTRAINAGRO as the official trade union and that labour and environmental standards would remain as high as before. The trade unions saw the contract between Chiquita and Banacol as a huge success because it contained Chiquita's commitment to making sure that Banacol recognised SINTRAINAGRO, who effectively managed to gain 5000 new members up to 2006.²³ In November 2004, SINTRAINAGRO confirmed that Banacol recognised them and had pledged in writing to respect the workers' rights.²⁴ To date, all Banacol plantations (including those bought from Chiquita) are apparently Rainforest Alliance certified.²⁵

Thus, selling the operations to Banacol cannot be seen as an irresponsible act as such. It would have been far less responsible to sell to a supplier without making any efforts to ensure the continuation of the employment of former Chiquita workers and without adding clauses about labour rights etc. Yet, the problem is that Banacol cannot be considered a 'responsible supplier' with respect to the complicity issue. Banacol itself has an equally longstanding his-

tory of entanglement with paramilitaries, and this history lasts until today and “while Chiquita’s payments to the AUC ended with the 2003 scandal, Banacol continued paying security companies that were used to launder payments to the paramilitaries until at least 2007”.²⁶ Banacol is also said to be involved in landgrabbing and forced displacements of Afro-Colombian communities who had previously been forcefully displaced in the last century and who had just returned to their ancestral lands.²⁷

There is no doubt that paying extortion money to violent paramilitary groups is in itself immoral. It might, however, be the least immoral option available. In such a case, it remains the duty of the company to try everything possible to stop the payments. From the very beginning Chiquita managers in Cincinnati and Colombia were well aware of the immorality of the payments. Our analysis shows the various attempts of Chiquita to avoid the extortion payments. Did they do enough? Would it have been possible to behave differently in one of the most violent regions of Colombia during the civil war? Were alternative practices such as those used by Ecopetrol and others available to Chiquita as well? We cannot answer those questions but our analysis shows the complexity of decision making situations in conflict zones. Operating under such conditions requires a clear corporate policy on human rights. More and more companies have developed such policies in recent years. In the past, however, most companies, including Chiquita, had no such written policies in place for their conflict zone operations.

Our analysis shows the complexity of decision making situations in conflict zones. «There is no doubt that paying extortion money is in itself immoral. It might, however, be the least immoral option available.»

Lessons learned

- Chiquita was exposed to a **severe moral dilemma situation** in Colombia, for which no ideal solution existed. They had to choose between paying extortion money to violent groups versus risking the safety of their employees. Chiquita decided in favour of the first, convinced that they acted in good faith. At the same time, the company tried to keep good relations with the communities surrounding the plantations and with the unions, and they were able to maintain standards such as Rainforest Alliance certification and SA8000 on their plantations throughout the civil war.
- Chiquita could demonstrate that the threats they faced were real and they could prove that they did not make the payments “in cold blood” but continuously had **intense internal debates** about how to proceed in view of the abovementioned dilemma, and they also regularly informed the US authorities about their activities.
- Chiquita tried **various measures in order to get out of the situation** (e.g. stopping the payments temporarily, asking the Colombian government for help, getting advice from a security consulting company) or to get legal backing (i.e. collaborating with the US authorities), and they implemented a number of measures and enhancements, particularly in their **legal compliance programs**, to prevent similar cases in the future.
- Chiquita firmly claims that a) they were **victims of extortion** and b) that

pleading guilty to the U.S. government was an **act of responsibility**. However, Chiquita's view is *contradicted* by plaintiffs and other critics, who claim that Chiquita's payments made them complicit in human right violations, and who judge the plea of guilty as an attempt to save their skin. The gap between Chiquita's version of the events and the judgment of outsiders seems to be unbridgeable.

- Chiquita has **not yet engaged in remedy**. Dealing with their wrongdoings in court, be it in the US or in Colombia, entails potentially devastating financial consequences. Again, Chiquita faces a moral dilemma: paying a compensation to victims would potentially open a Pandora's box given the way the US legal system functions.
- Their **involvement in Colombia continues to haunt Chiquita until today**. For one, not all legal cases against them have been settled and new legislation (e.g. JASTA) might put past events in the spotlight again. For another, critics cite their allegedly irresponsible behaviour as evidence against the overall credibility of the company's CSR program.

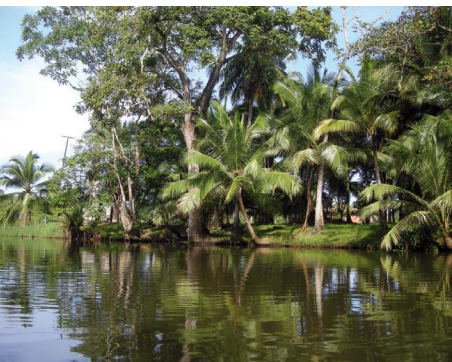
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II. Stakeholders



II.1. Governments: Respecting the rule of law, tax paying and responsible lobbying

Abstract

One key dimension of CSR which is often underestimated is the responsible management of the relationship between the company and the state. Many aspects of this relationship are specified under law but companies still have considerable leeway when it comes to managing their relations with states. Due to its controversial past, Chiquita's relationships to governments are a particularly delicate matter. In this chapter we assess how Chiquita manages this scope of discretion, regarding their tax policy on the one hand, and their lobbying strategy on the other.

Introduction

Debates on CSR are often biased towards voluntary or charitable activities of companies. The most popular topics concern engagement in partnerships with civil society organisations, benevolence towards workers, community engagement etc. It is therefore often forgotten that one of the key responsibilities of any company, which classifies itself as a responsible actor, refers to how it manages its relationship with the state. Many aspects of the relationship between companies and the state are specified under law. However, this does not necessarily mean that the law is always respected. Moreover, companies still have considerable scope for discretion when it comes to managing their relationships with the state. Therefore, any company with a credible commitment to CSR needs to prove not only that they respect the law, e.g. by abstaining from corruption and respecting antitrust legislation, but also that they deal responsibly with the scope of discretion, e.g. by committing to a fair tax policy and to responsible lobbying.

How does Chiquita define its responsibility towards governments? In their 2000 CSR report Chiquita defines the primary expectations of governments as including "lawful conduct, continuing economic activity and employment opportunities, employee health and safety/environmental protection/food safety/integrity, and fair lobbying" (p. 81). They further acknowledge the strategic value of governments by seeing them as "potential partners for social investment" and they assume that their "engagement encourages governments to enforce the rule of law, protect property rights, and foster free trade and investment".

Historically, a number of events have contributed to the impression that Chiquita has not always acted very responsibly in its relationships with governments

(see Chapter I.1: Historical Premises; and I.3: Political Premises). It is therefore highly important for Chiquita to prove that they have learned from their distant and recent past, and that they are not committing the same mistakes again, if they wish to be perceived as a credible actor in CSR. Chiquita claims that they have succeeded in making their collaboration with governments a positive aspect of their CSR, and as evident by the above-mentioned statement from their 2000 CSR report, they now see governments as partners.

RESPECTING THE RULE OF LAW

Contrary to common assumptions, legal compliance must not be taken for granted, as shown by the regular news on the failure of companies to comply with the law. Yet, respecting the rule of law is key for any company that wishes to be considered a responsible actor in CSR. As a reaction to its controversial history, Chiquita has made legal compliance part of the company's foundation. They are aware that this is particularly important for companies working in developing countries where judicial systems might not always work as effectively as in the more affluent parts of the world. As a consequence, they have made sustaining and strengthening "legal and Code of Conduct compliance and training" one of their CSR priorities for 2012-2015. They also have a compliance group, which among other things operates a helpline, provides different forms of training, and reports on the Foreign Corrupt Practices Act (FCPA) as well as on conflicts of interests (CSR report 2009-12, p. 15).

As a reaction to its controversial history, Chiquita has made legal compliance part of the company's foundation.

RESPONSIBLE TAX PAYING

Paying taxes is a civic duty not just for individuals but also for 'corporate citizens'. Many tax issues are legally regulated, but companies still have considerable discretion, in particular when it comes to choosing where they pay their taxes. The practice of choosing low tax areas is commonly associated with tax avoidance, which according to the OECD erodes the integrity of tax systems, harms the capabilities of governments, reduces the growth potential of economies and undermines the trust of citizens in governmental institutions.¹ While tax avoidance, in contrast to tax evasion, is legally permissible, the damages it causes make it a morally controversial practice.

Recently, multinational companies like Starbucks and Apple have faced severe criticism and reputational damage for engaging in tax avoidance. Chiquita and its direct competitors have also been criticised for their tax policy. According to the British newspaper The Guardian "(t)he big three banana companies have a long history of confrontation with the regulatory and tax authorities" and they "openly admit they use low tax areas and tax avoidance schemes." The Guardian claims that in 2006 Chiquita listed 11 subsidiaries in the tax haven Bermuda and thereby saved 44 million USD a year between 2001 and 2006 compared to if they had paid taxes in the US.²

Tax issues came under scrutiny again more recently when Chiquita announced its intention to merge with Fyffes in March 2014. Even though Chiquita claimed

that merger-related tax benefits would have a “very de-minimus impact” on their tax rate and its deferred tax assets, the merger was widely seen to represent a case of so-called tax inversion, i.e. it was alleged that Chiquita would move its corporate headquarters to Ireland in order to escape higher taxation in the US.³

RESPONSIBLE LOBBYING

The standard notion of lobbying often diametrically contradicts the essence of CSR.

Lobbying is typically understood as an activity by which corporations try to influence the regulatory environment in ways that are favourable to their business interests. This notion of lobbying often diametrically contradicts the essence of Corporate Social Responsibility, comprised of activities which a company uses to prove that it accepts responsibility for the social and environmental effects of its business operations beyond the law and beyond the direct business interests of the firm.

One could argue that a company with a sound CSR policy does not need to be afraid of stricter social and/or environmental regulation because its standards typically exceed the law. In fact, in some cases particularly progressive companies have been seen to actively lobby for stronger regulation in order to raise the bar for their competitors and to make sure they do not suffer from a competitive disadvantage because of their CSR commitments. However, in the vast majority of cases, lobbying is seen as an attempt to impede tougher regulations rather than promote them.

The main problem with lobbying is a lack of transparency. While it is generally known that companies invest huge amounts of money into lobbying, the details of their activities are hardly ever made public. In their Code of Conduct, Chiquita claims that their “lobbying and advocacy activities are guided by the principles of transparency and openness.” While we did not have access to documents about their lobbying strategy, this statement suggests that Chiquita distances itself from allegations that lobbying typically occurs behind closed doors. Chiquita further claims that they “do not make political contributions, even if legally permissible. Political contributions include both cash contributions and in-kind donations either to political parties or to individual politicians. This provision does not apply to company-sponsored PACs or the administration and other permissible activities the entity may undertake in their support”.⁴

Nevertheless, Chiquita’s lobbying has repeatedly hit the headlines. For example, in the 1990s, Chiquita was seen to engage in “an aggressive and costly lobbying campaign” against the EU banana policy, which aimed to restrict imports of Latin American bananas. This eventually led to the ‘banana trade war’, the “worst transatlantic economic dispute since World War II”, which was one of the first WTO dispute settlement cases.⁵

In 2014, critical news reports revealed that Chiquita has engaged in massive lobbying against the “Justice Against Sponsors of Terrorism Act” (JASTA) that aims to aid the claims of 9/11 victims and families against actors who supported the terrorist attacks⁶ (see also Chapter 1.3: Political Premises). According to the news, Chiquita has spent \$780,000 lobbying against this bill, which is a significant amount of money for a company in financial difficulties. The reporting on Chiquita’s lobbying against JASTA made it clear that their payments to

paramilitaries in Colombia have not been legally settled. Moreover it suggests that in the public perception Chiquita's claims that they were 'victims of extortion' enjoy limited credibility.⁷ Given that the 9/11 attacks are a hugely emotive issue, it is not surprising that Chiquita is literally being seen as blocking "the path to justice". On the one hand, one could argue that if Chiquita had been extorted by the paramilitaries and forced into the payments, they should not have to be afraid of JASTA. As one article puts it: "It'll be interesting to see how Chiquita responds now that the standoff between the banana company and 9/11 victims is in the spotlight. At some point, facing litigation and even making payments to victims will likely be less damaging than being seen as the company that tried to prevent 9/11 victims from seeking justice."⁸ On the other hand, given the functioning of the US legal system, the company might be right in fearing opening a Pandora's box with incalculable financial follow-up risks.

CONCLUSION

Chiquita has made significant efforts in order to distance itself from its past, particularly regarding its strong commitment to legal compliance. However, Chiquita is still perceived as a company with a high and rather conflictive profile when it comes to what one could roughly classify as "political matters". This also has potentially negative repercussions for the overall perception of Chiquita's CSR. In particular their tax policy and more recently their active lobbying against JASTA have attracted criticism.

Even though Chiquita, in contrast to many other companies, does not separate CSR issues from Public Affairs in its organisational structure but instead has assigned both functions to the same person, namely Manuel Rodriguez, the two functions seem to stand in a rather tense relationship to each other. While Chiquita's CSR policy squarely focuses on delivering the proof that they accept responsibility for the social and environmental effects of their business operations, when it comes to the political dimension, i.e. to Public Affairs, Chiquita comes across as being determined to maximise its scope of discretion in favour of its business interests. Even though the debates around Chiquita's CSR and the way it frames its governmental relationships are often discussed separately from each other, the antagonism between the two fields of action threatens to harm the overall evaluation of Chiquita's CSR engagement. This is particularly troublesome because Chiquita's controversial history sets the bar very high in this regard. The dilemma, however, remains that a different approach to the legal risk the company is facing because of the Colombia case would potentially have devastating financial consequences for the company. This is a dilemma that many companies are facing on a varying number of issues and they all struggle for better alignment between their CSR and lobbying strategies.

Even though the debates around Chiquita's CSR and the way it frames its governmental relationships are often discussed separately from each other, the antagonism between the two fields of action threatens to harm the overall evaluation of Chiquita's CSR engagement.

Lessons learned

- Chiquita addresses the **role of governments as stakeholders** in their 2000 CSR report. Among other things they acknowledge the strategic value of governments as "potential partners for social investment" and they as-

sume that their “engagement encourages governments to enforce the rule of law, protect property rights, and foster free trade and investment”.

- **Chiquita’s tax policy** has hit the headlines several times, most recently, when Chiquita announced its intention to merge with Fyffes in March 2014, which was seen as an attempt to avoid taxes in the US. Previously, Chiquita faced criticism for having subsidiaries in a tax haven, which allow them to save a significant amount of taxes. While tax avoidance is not illegal, the damages it causes make it a controversial practice.
- Regarding their lobbying strategy, Chiquita commits itself to conducting their *lobbying* activities in line with the **principles of transparency and openness**.
- Nevertheless, Chiquita’s lobbying has repeatedly come under scrutiny, for example with respect to its **engagement in the ‘banana trade war’ in the 1990ies**, during which it fought the EU banana policy, which aimed to restrict the import of Latin American bananas.
- In 2014, news reports revealed that Chiquita engaged in **massive lobbying against a bill that aims to aid the claims of 9/11 victims and families** against actors who supported the terrorist attacks in order to avoid being held accountable for their payments to paramilitaries in Colombia under US law. While Chiquita is right to fear the devastating financial consequences in case of a conviction, their behaviour has been fiercely criticised in the public debate.
- Even though Chiquita works on **CSR issues and Public Affairs** in the same company department, the two functions seem to stand in a **tense relationship** to one another: While Chiquita’s CSR policy focuses on delivering the proof that they accept responsibility for the social and environmental effects of their business operations, Chiquita is seen as maximizing their scope of discretion in favour of their business interests when it comes to political matters.

ENDNOTES

- 1 <http://uk.businessinsider.com/oecd-plans-for-tax-avoidance-2014-9?r=US>
- 2 <http://www.theguardian.com/business/2007/nov/06/12>
- 3 <http://www.thestreet.com/story/12523312/1/what-chiquita-brands-isnt-talking-about-in-fyffes-merger.html>
- 4 Evidence on Chiquita’s lobbying efforts and expenditures can be found at <http://www.opensecrets.org/orgs/summary.php?id=D000018190&cycle=2012>
- 5 Bucheli, M. (2005). Banana War Maneuvers. Harvard Business Review (November), 22-24.
- 6 <http://www.thedailybeast.com/articles/2014/06/03/exclusive-chiquita-is-blocking-a-9-11-victims-bill.html>
- 7 <http://www.trefis.com/stock/cqb/articles/242104/chiquita%E2%80%99s-terrorist-problem/2014-06-09>
- 8 Ibid.

II.2. Suppliers: Contracts and conditions at supplier plantations

Abstract

Chiquita sources about 50% of its bananas based on contracts with supplier plantations and a bit less than about 5% to 10% from the spot market. This means that Chiquita's CSR policy can only be meaningfully analysed if we also include their relationship with their suppliers. **Therefore, in this chapter, we investigate Chiquita's CSR performance with regards to the social and environmental conditions of banana production at their supplier plantations.** We investigated two key issues. First, we asked whether Chiquita's contracts are fair in the sense that they do not use their power to exploit suppliers. Second, we asked whether Chiquita actively convinces their suppliers to follow comparable social and environmental standards to the ones Chiquita applies on its own plantations. We critically examined accusations against the outsourcing of production as an attempt to dilute responsibility. Another challenge relates to spot market purchasing, where Chiquita needs to source bananas due to demand dynamics but where there is little control over the social and environmental conditions of production.

1. Introduction

The debate on CSR started as a critique of working conditions in the supply chain of companies such as Nike or Levi Strauss which outsourced their production to countries with weak governance systems in the late 1980s. Now, with civil society raising concerns about human rights and environmental degradation, it mostly refers to the direct and indirect suppliers of Western multinational brands who outsource most of their production to third parties. To examine the CSR performance of a corporation the differentiation between in-house and outsourced production must therefore be included. Corporations, which perform well in CSR, are expected to manage social issues not only in but also beyond their own operations.

As mentioned in Chapter I.2 (Economic Premises), Chiquita has three sources for their bananas: about 40% of their bananas come from their own plantations, 50% from supplier plantations and the rest from the spot market (mostly in Ecuador). This means that Chiquita's CSR policy can only be meaningfully analysed if we also include their relationship with their suppliers. Therefore, in this chapter, we will consider Chiquita's CSR performance with regards to the social and environmental conditions of banana production at their supplier plantations.



What is at stake in Chiquita's relationship with their suppliers? Two major issues must be investigated here. Firstly, it has been argued that independent producers are not really independent because they depend on Chiquita and Chiquita might abuse their power in their contract with suppliers. Secondly, social and environmental conditions on supplier plantations have been criticised as being generally lower than on Chiquita's own plantations and banana producers such as Chiquita are accused of trying to hide social and environmental problems by outsourcing their production.

In this chapter we will address these claims based on our analysis of publicly available documentation, as well as on information from our interviews with Chiquita suppliers in Costa Rica and with Chiquita representatives themselves.

2. Contracts

Chiquita claims that their contracts with suppliers offer stability and security. As mentioned in Chapter 1.2 (Economic Premises), Chiquita takes the market risk in most of their supplier contracts by guaranteeing the supplier a negotiated price independent of market realities (exception: spot purchases without long-term arrangements). According to Chiquita their suppliers are always free to sell their bananas to other traders and are thus not locked-in by their contract with Chiquita. At the same time there is also close cooperation between Chiquita and their suppliers in terms of sharing technology and certification processes, which overall means that there is a relatively high degree of transparency (Nolan Quiros, Regional Manager CSR). Overall, Chiquita considers their network of growers as a valuable asset, which must be maintained with care. As a consequence they strive to establish long-term relationships with suppliers wherever possible.

Critics argue that 'independent producers' are highly dependent on Chiquita and that their workers are worse off than those directly employed by Chiquita.

Critics by contrast argue that 'independent producers' are in fact highly dependent on Chiquita and that their workers are worse off than those directly employed by Chiquita. One critic claims that there is a general dependence from traders, resulting from debts with Chiquita and 10-year contracts, which leave no room for negotiation (Ursula Brunner, founder of a movement for 'fair bananas' in Switzerland). Alistair Smith from Bananalink argues that whether a contract guarantees stability or is in fact oppressive, depends on the terms of the contract. According to him, "if there is an annual renegotiation price that is like a relation between company and workers... genuinely two autonomous partners who negotiate on an ongoing basis based on real costs. Then they shouldn't be oppressive."

Chiquita states that prices are renegotiated annually. Moreover, the fact that the governments of Ecuador and Costa Rica have introduced fixed minimum exit prices in recent years, also adds to the protection of suppliers at least in these countries. Smith links the fact that multinationals like Chiquita do not necessarily have 10-year contracts any more due to the change in the balance of power in the banana trade: as retailers in principle have the option to source their bananas directly from suppliers who previously sold to Chiquita, multinationals can no longer impose their power on suppliers as easily.

The power of independent producers also depends on whether they receive support from a national association that represents their interests on the world market. For example, CORBANA (Corporación Bananera Nacional), a non-governmental public institution dedicated to the development of the banana industry in Costa Rica, plays an important role in strengthening independent producers.¹ According to the representatives of an independent producer we visited (Tres Estrellas in Costa Rica)², CORBANA regulates relationships between independent producers and multinational traders, for example by negotiating a minimum price per box, which has increased steadily over the past years. According to Agustín Herrera, partner at Tres Estrellas, “the power imbalance between multinational traders and producers is being mediated by CORBANA”.

Tres Estrellas sells 90% of their bananas to Chiquita and they have had contracts with Chiquita in 27 of their 30 years in existence. The partners from Tres Estrellas negotiate their contracts with Chiquita jointly, based on an annual estimate, but each farm has an individual contract. They also know of independent producers who have 5-year contracts with Chiquita. The producers from Tres Estrellas expect contracts to improve every year. For them the main reason for selling to Chiquita is not necessarily the price but the overall quality of their relationship with the company.³ At the same time they are aware that there is a problem with the value distribution where multinational traders like Chiquita hand the pressure they feel from retailers over to independent producers. The problem is exacerbated by the fact that retailers steadily increase their quality requirements, which implies higher costs for producers.

However, representatives from Tres Estrellas also feel that recently Chiquita has tried to appeal to retailers on behalf of the independent producers instead of simply handing the pressure over to them. Chiquita has even shown interest in buying the farms but the independent producers have refused their offers. During our visit to an association of mini banana producers named the Camuro Group⁴, we found that under certain circumstances, having a contract with Chiquita can in fact be effectively empowering rather than disempowering for independent producers: During their first 2 to 3 years of planting mini bananas, the Camuro Group worked with an intermediary. However, they found that the intermediary would not provide them with the security they needed, i.e. they only had oral confirmations instead of a contract, which put them in a very precarious situation where at times they would have several months without any earnings. Thus, their first years in the mini banana business were characterised by rejection and frustration and they found it very difficult to gain market access. In November 2010 they contacted Chiquita. After some negotiations in which they “had to convince Chiquita of [their] potential” (Camuro Group), but which they characterised as harmonious overall, they managed to get a direct contract on an annual basis. According to the Camuro producers, the negotiated price in the contract has increased every year since then.

We found that under certain circumstances, having a contract with Chiquita can in fact be effectively empowering rather than disempowering for independent producers.

The mini banana producers thus shed a different light on the power of Chiquita in the value chain: they see it as an opportunity rather than a threat because they simply do not have the resources for talking to the retailers in Europe directly. Thus, they rely on and seem to benefit from Chiquita’s representation of their interests. Just like the ‘big producers’ from Tres Estrellas, representa-

tives from Camuro also complain about the low tolerance for ‘abnormal’ bananas on the global market which forces them to reject significant parts of their harvest which they cannot sell.⁵ They hope that Chiquita can influence retailers in Europe to become more tolerant. The Camuro representatives claim that overall Chiquita has helped them to become visible on the market; before that they were invisible. They now get a better price, and they also have a solid legal structure as an association.

Despite these success stories, not all suppliers are satisfied with their contracts with Chiquita.

Despite these success stories, not all suppliers are satisfied with their contracts with Chiquita. For example, in December 2014, independent producers in Honduras publicly called for more support from Chiquita “in order to protect them from adverse weather events damaging production”.⁶ According to one independent producer, they currently have to bear all costs relating to crop loss. In contrast to Costa Rica, Honduras does not have an institution like CORBANA that represents the interests of the national banana industry. Instead, the Honduran government has a policy of non-intervention that does not define banana export prices. Thus, the only option for growers is to harness support via their customers, i.e. in the case of Honduras via Chiquita or Dole. However, given Chiquita’s exposure to the price squeeze from retailers and their overall tight financial situation, this expectation may not be completely founded.

THE SPOT MARKET

While Chiquita argues that their goal is to develop long-term relationships with suppliers, in some cases this is simply not feasible. The prime example of a market which is characterised by short-term and fast moving relationships, is the spot market in Ecuador. The spot market means that bananas are sold “on the spot”, “i.e. at the time of sale without a previous contract”.⁷ Chiquita buys about 5 to 10% of their bananas on the spot market. The exact amount depends on climatic factors and demand dynamics. Due to its location in the Southern hemisphere Ecuador’s production peaks in the first half of the year which coincides with the excess demand in the Northern hemisphere. Thus, during these months Chiquita is forced to buy bananas on the spot market in Ecuador in order to cope with the demand dynamics. It is important to note that contrary to spot markets for other crops like coffee, in the banana trade the prices on the spot market are higher than on the regular market.

The spot market poses a challenge to CSR because the very fact that it operates without long-term contracts makes it difficult for Chiquita to ensure that the bananas they source have been produced in a socially and environmentally responsible manner. While the spot market is inevitable from a business point of view in order to manage the volatility of the demand for bananas, the way it works contradicts Chiquita’s ambition to maintain long-term relationships with its suppliers, and according to Chiquita, suppliers in Ecuador are not even interested in having annual contracts with Chiquita because they want to maintain their flexibility. As a result of the lack of certification on the spot market, Chiquita can almost exclusively sell their spot market purchases in non-European markets.

3. Conditions at supplier plantations

As mentioned above, critics perceive that shifting production to independent producers is a strategy to reduce costs and diffuse responsibility. Their main criticism is related to labour rights (e.g. freedom of association, right to collective bargaining, minimum wages) on the plantations of suppliers, which risk being less protected than on Chiquita's own plantations. For some, outsourcing production is part of a "dual arrangement", in which the wages on their own plantations are much higher than those on the plantations of their suppliers.⁸ Frundt cites evidence from Chiquita suppliers in Guatemala, Ecuador, Nicaragua, and Colombia, who "refused to negotiate contracts or pay social security" in 2007. He also mentions the tragic case of a leader of a trade union at Chiquita's biggest supplier in Guatemala in 2008, who was killed, apparently as a reaction to his attempts to organise workers.⁹

Alistair Smith from Bananalink confirms Frundt's overall impression that multinational producers like Chiquita are better employers than national producers. According to Smith, one of the reasons for the inferior performance of suppliers in terms of CSR relates to the fact that they do not have the same reputational risk as Chiquita since they are less exposed. Moreover, the price pressure under which suppliers operate means that they have to squeeze their costs, particularly labour costs, which are an important factor in banana production. Through Rainforest Alliance certification Chiquita tries to ensure that the conditions at their supplier plantations are comparable to those on their own plantations. Since the start of its 'CSR offensive' in the 1990s, Chiquita has recognised that its CSR will only be credible if it is extended beyond the boundaries of the operations the company owns to the operations of its suppliers. Thus, in around 2001 the company made Rainforest Alliance certification a requirement for all of their suppliers. By 2012, 75% of their banana supplies came from Rainforest Alliance certified farms (Chiquita internal presentation May 2014). However, it must be noted that this share has decreased in comparison with 2008, when more than 80% of the supplier farms were certified (CSR report 2008, p. 10). In their 2009-2012 CSR report, Chiquita rather cautiously mentions that "the majority" (p. 9), and respectively "a high percentage" (p. 56) of their supplier farms are Rainforest Alliance certified. George Jaksch argues that the Rainforest Alliance certification is a requirement for producers in every contract that exceeds one year, yet he also admits that this requirement has not yet been enforced in Ecuador where Chiquita has some long-term relationships with suppliers who are not certified.

Smith from Bananalink is aware of Chiquita's requirements for their suppliers, however he claims that Chiquita generally has trouble enforcing their social and environmental standards with them. Along similar lines, Martin Blaser from Fairtrade International points out that the interesting thing would be to know what the conditions are like on those supplier plantations that are not Rainforest Alliance certified, and thus "do not comply with any standard".

Two out of the three suppliers we visited in Costa Rica are Rainforest Alliance certified. Sincelejo has achieved Rainforest Alliance certification rather recently and is very proud of it. The farms from Tres Estrellas have even been certified

since 1996, which made them a pioneer in Costa Rica. Moreover, they also have ISO14000 certification, which addresses various aspects of environmental management by providing practical tools for companies to identify and control their environmental impact and improve their environmental performance.¹⁰ Yet, they do not have SA8000 certification because they feel this would not add anything substantial that they have not otherwise covered. Like Chiquita, on 14 of its 28 farms in Costa Rica (see Chapter II.3: Employees), they also practice a system of serial contracts where workers are being dismissed every 6 months. However, we do not know whether they also have an agreement with the trade unions, which confirms the legality of this practice. Tres Estrellas moreover rewards workers who have not missed a single day at work in 6 months with a bonus of 60,000 Costa Rican colones (approx. 100 USD). Workers on sick leave get 60% of their wage. Tres Estrellas is proud of the fact that on average workers spend 19 years working for them and that they have a low turnover. Finally, Tres Estrellas provides housing for workers.

Overall, Agustín Herrera from Tres Estrellas conveyed the impression of a patron who takes great pride in his business and who is continuing down the paternalistic route that Chiquita had to give up in recent years. Herrera sees the fact that they are a family-owned company as an advantage in terms of CSR because it gives them the freedom to make investments without having to justify them to shareholders.

The mini banana producers are the only supplier we visited which does not have Rainforest Alliance certification. They stated that they would be interested in becoming certified, but they simply lack the knowledge and the resources to apply and they would need Chiquita's help in order to get started. At the same time, they expressed doubts whether they could meet the requirements of the SAN standard. Mini banana production is mostly undertaken by the family members of the producers and there are only few workers with an official contract. Since there is only one day of harvesting per week all of them work on a part-time basis and their contracts are apparently temporary. In general, everything is much more informal, which is hard to reconcile with the idea of certification. Yet, and this is important to note, we must not conclude from the fact that the mini banana producers are not certified, that they do not care about social and environmental matters. Instead, they engage within the scope of their possibilities, for example in the Nogal Project where they plant trees, promote environmental education in their community and monitor wildlife.

4. Conclusion

The times when multinational traders could literally lock-in their suppliers in 10 years contracts with no chance for renegotiation of the price, seem to be over.

When assessing Chiquita's relationships with their suppliers, it is important to take into account the two dominant criticisms, namely that Chiquita exploits suppliers, and that suppliers in turn exploit their workforce (and the environment). While we only had limited insight into the workings of supplier farms, from the interviews we conducted we felt that, at least within the Costa Rican context in which our interviews took place, the contracts between Chiquita and the suppliers are perceived as fair. The times when multinational traders could literally lock-in their suppliers in 10-year contracts with no chance for

renegotiation of the price, seem to be over. At the same time, Chiquita seems to not only have recognised the importance of good supplier relationships from a business point of view but it has also included them in its CSR policy by requiring Rainforest Alliance certification for anyone with a contract of more than one year.

This leads us to the second criticism: while it is quite probable and in fact plausible that suppliers do not have the resources to provide their workers with the same benefits as Chiquita does on their own plantations, those who have Rainforest Alliance certification can at least prove that they fulfil the social and environmental conditions of an acknowledged independent third party. The ambiguous value of certifications became evident in our interviews with small producers whose informal structures might be placed under undue pressure if they applied for certification. This case made it clear that a rigorous insistence on certification for all suppliers might pose a risk to the empowerment of such smallholders.

Nevertheless, problems remain and the call for help from independent producers in Honduras suggests that not everybody feels equally satisfied with their position in the value chain, and that part of the blame is put on Chiquita.

Against this background it is certainly to be recommended that Chiquita further increase the percentage of bananas from Rainforest Alliance certified farms among its big suppliers while at the same time leaving scope for empowering smaller suppliers whose structures might not be suitable for certification from the outset.

Lessons learned

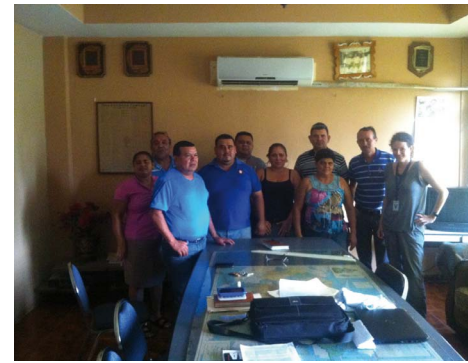
- **Good supplier relationships** are not just important from a business point of view but also play a role in Chiquita's CSR policy.
- The **terms of the contracts** with suppliers define whether Chiquita can exert a positive influence on suppliers' CSR. The threat of retailers sourcing directly from producers means that Chiquita is no longer in a position to impose their power on suppliers easily.
- A **key challenge** for enacting CSR in supplier relationships refers to the **spot market**, which is characterised by fast-moving and short-term relationships and where Chiquita business necessities create tensions with the company's CSR policy.
- Some independent producers feel that Chiquita does **not carry a sufficient share of costs**, for example regarding crop losses due to adverse weather events. However, given Chiquita's exposure to the price squeeze from retailers and their overall tight financial situation, it should be questioned whether this expectation is reasonable.
- Chiquita tries to secure environmentally and socially responsible conditions on suppliers' plantations by making **Rainforest Alliance certification** a requirement.

- It is often forgotten that in various instances **Chiquita also gives suppliers a voice** by bridging the gap between suppliers and retailers. We found for example that Chiquita has tried to appeal to retailers on behalf of the independent producers instead of simply handing the pressure over to them.
- For **smallholder producers**, which do not have the means to compete on the global market on their own, a contract with Chiquita is a chance for **security and stability** and they also feel that Chiquita gives them a access to retailers which they could achieve on their own.
- **Certifying suppliers** is not always feasible and not necessarily appropriate. For example in the case of smallholders, the informal character of their business operations is hard to reconcile with certification requirements.

ENDNOTES

- 1 CORBANA provides technical assistance to the Costa Rican government, promotes scientific research, manages a fund, which provides credits for working capital and publishes market information about different countries, the marketing of the fruit and consumption trends (https://www.corbana.co.cr/categories/categoria_1352511841)
- 2 Tres Estrellas consists of three independent farms, which together employ 360 people and share a not-for-profit service company for administrative tasks like accounting or human resources. Every farm sells to the service company, and the three producers are partners. This means that there is no competition between them.
- 3 According to the owner of another supplier farm we visited (Sincelajo, 120 workers), who exclusively produces for Chiquita, they appreciate Chiquita as a customer, among other things because they pay regularly.
- 4 The Camuro Group encompasses 30 producers, who in total who cultivate about 65 hectares of mini banana plantations. The producers originally come from an area vulnerable to flooding and they purchased their land with the support from the government in an effort to provide them with a basis for supporting themselves.
- 5 At the moment they have to waste 50% of their bananas because the market only accepts bunches of 5 bananas, which means that any bunch with less than 5 perfect bananas has to be thrown away.
- 6 <http://www.freshfruitportal.com/2014/12/03/honduran-banana-growers-say-more-support-from-multinationals-is-needed/?country=others>
- 7 http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Banana%20Sector%20in%20Ecuador.%20Trade.%20Supply%20Chain.%20U.S.%20Cooperation._Quito_Ecuador_5-25-2011.pdf
- 8 Frundt, H. J. (2009). Fair bananas! Farmers, workers, and consumers strive to change an industry. Tucson: University of Arizona Press, p. 144.
- 9 Frundt (2009), p. 144.
- 10 <http://www.iso.org/iso/iso14000>

II.3. Employees: Promoting the well-being and empowerment of workers



Abstract

Chiquita's responsibility towards their workers consists of two central elements, i.e. securing their well-being and their empowerment at the same time. The challenge is to align the well-being of workers with their empowerment so they can lead a self-responsible life where dependence on Chiquita is limited to the financial income gained from employment. This chapter first examines how **Chiquita deals with the challenge of providing the basic financial means that allow their workers and their families to live with dignity**. Second, it addresses the importance of non-financial means for securing the well-being of workers (e.g. health and safety, and housing). Finally, it analyses how Chiquita manages their labour relations, i.e. how they interact with trade unions, or alternative forms of worker representation, in different countries. We find that Chiquita takes its responsibility towards its employees seriously and pays comparatively fair wages. They have also succeeded in establishing an overall constructive relationship with trade unions. Nevertheless, they find themselves under pressure regarding the provision of social benefits, where their financial limitations collide with the expectations of workers and traditional paternalistic practices.

Introduction

The well-being of workers is a core element of the debate on corporate responsibility and it is of particular relevance for our analysis of Chiquita. As it seems, "the climate which is good for bananas, is challenging for the people" (Marco Latouche, Regional Manager Labour Relations). In Costa Rica, for instance, the three provinces where bananas are grown are the poorest provinces in the whole country (Costa Rica State of the Nation Report 2013). It is not clear whether this poverty results from the operations of Chiquita and other MNCs or from the overall geopolitical conditions in those regions (climate, lack of infrastructure, scarce population etc.). However, regardless of the exact causality, the fact that its operations are often located in comparatively poor regions means that securing the well-being of workers and their families is probably a more central responsibility challenge for Chiquita than for companies in many other industries.

The fact that its operations are often located in comparatively poor regions means that securing the well-being of workers and their families is a more central responsibility challenge for Chiquita than for companies in many other industries.

Yet, as we will see, an exclusive focus on well-being alone is misleading because, if we understand well-being as a situation in which workers have the financial and non-financial means to live a healthy existence with social protection, this could in principle also be achieved by a paternalistic approach which

makes the workers entirely dependent on the company. Yet, paternalism is not only very expensive; it also contradicts the idea of worker autonomy and has therefore provoked a lot of criticism from civil society. Our analysis is based on the assumption that the well-being of workers must go hand in hand with their empowerment so they can lead a self-responsible life where dependence on their employer is limited to the financial income gained from employment.

Thus, in this chapter, we will assess how Chiquita is managing its responsibility as an employer by looking at securing the well-being while simultaneously promoting the empowerment of the company's most vulnerable employees, the workers on the plantations.

First, we will examine how Chiquita deals with the challenge of providing the basic financial means that allow their workers and their families to live their life with dignity (Wages, Contracts and Savings). Second, we will address the non-financial means which ensure the well-being of workers (Healthy and Safety, and Housing). Finally, we will examine, how Chiquita manages their labour relations, i.e. how they interact with trade unions, or alternative forms of worker representation, in different countries (Relationship with Trade Unions and Alternative Forms of Worker Representation).

Wages, contracts and savings

Do wages suffice to live a decent life? This question is at the core of the debate on corporate responsibility across many industries.

Do wages suffice to live a decent life? This question is at the core of the debate on corporate responsibility across many industries – from harvesting tea, cocoa or coffee to assembling computers. Many corporations simply state that they comply with the law and pay the national minimum wage in the countries where they operate. Minimum wages, however, are rarely calculated on the needs of workers and they might not be perceived as fair wages or living wages. A living wage can be defined in accordance with Art. 23 (3) of the Universal Declaration of Human Rights, as a “just and favourable remuneration” that ensures “an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”

The documents we have received from Chiquita show that the company clearly pays above the minimum wage in their various operations, that is, in 2014 their wages exceeded the minimum wages in the countries where they operate by an average of 30-50%.

Yet, are these wages also living wages? Whether or not a wage can be defined as a living wage depends on the local cost of products and services taken as a benchmark. Already in the early 2000s, Chiquita emphasised that living wages cannot be defined by the company itself but have to result from an independent evaluation. They showed that they took this issue seriously by commissioning an independent study in order to “determine whether a given set of wages and benefits will be certified by an SAI-accredited organization as a wage that meets basic needs and provides some discretionary income” (Chiquita internal documentation) for their employees in their countries of operation, in accordance with the SA8000 standard of Social Accountability International in 2001.

While this study was never published, in its CSR reports from 2000, 2001 and 2002 Chiquita underlined its commitment to the matter by explicitly taking the living wage as a benchmark. In 2002 for example, they pointed out that their wages complied with the living wage in all locations but one, Bocas, Panama where 7% of the workers were paid below the benchmark. This shortcoming was argued to be due to the high costs of food and clothing in that remote region and due to the large average family size (CSR report 2002, p. 28). In 2002 Chiquita claimed that in all other countries, workers earned wages above the living wage. Yet, as of 2003, the CSR reports stopped publicly addressing the issue of living wages.

Regardless of whether they publicly refer to it or not, at least internally, as part of their commitment to the SA8000 standard, which explicitly requires a living wage, Chiquita must still be able to demonstrate that they pay a living wage to their workers.

According to our analysis of internal documentation from Chiquita, and according to the SA8000 assessments to which we had access, at least in the past two years Chiquita seems to have paid average wages that are more or less significantly above the living wage in all of the countries where they own plantations. Yet, the extent to which average Chiquita wages exceed the living wage as calculated by the SA8000 auditor, varies significantly from more than 50% in Costa Rica in October 2013 to only 7% in Panama in May 2014. Moreover, within Panama, the extent to which Chiquita's average wage exceeds the living wage has decreased sharply from 33% in October 2013 to a mere 7% in May 2014.

«According to our analysis, at least in the past two years Chiquita seems to have paid average wages that are more or less significantly above the living wage in the countries where they own plantations.»

Finally, we gained the impression from our interviews with managers and workers, that Chiquita also pays higher wages than other corporations in the same and in other industries. Compared to their co-citizens, Chiquita workers earn more money.

Another important aspect is the amount of hours a worker has to work in order to achieve the Chiquita wage. Critics have argued that workers in the banana industry have to work excessively long hours in order to earn their 'higher-than-minimum wages' (Alistair Smith, Bananalink). Our analysis of Chiquita wages is based on the three countries we visited.

It is important to highlight that assessing wages is very challenging. Inquiring about wages in interviews with workers without any formal documentation is almost impossible because there is always the risk that different dimensions are being confused (e.g. gross or net salary, confusion with different currencies, weekly, bi-weekly, and monthly salaries, wages per hour, per day or per month etc.). For example, we became aware that in Honduras and Panama, personal debts are typically discounted directly from workers' salary. When asking them about their last wage, workers often refer to the amount they had actually been paid without taking into account the debts that had already been deducted. The law in Panama and Honduras explicitly allows for the direct deduction of personal debts from a salary. Thus, the most reliable sources of verification are pay slips, which have been provided to us by Chiquita. Thus, our statements regarding wages are based on our trust in the accuracy of Chiquita's documentation.

WAGES IN COSTA RICA, HONDURAS AND PANAMA

Costa Rica is the wealthiest country among those we visited and accordingly pays the highest wages. However, as mentioned above, according to the 2013 State of the Nation report, the banana producing regions are among the poorest in the country.

Our inquiries in Costa Rica have shown that Chiquita salaries exceeded the minimum wage set by the government by an average of 26% in 2014. A specific and current example from Costa Rica showed an even greater difference: On the farm “El Roble” in Costa Rica, the average wage of a worker in the packing station is 627 USD and 716 USD for a field worker. The minimum wage in Costa Rica as set by the government is 442 USD, which suggests that the workers in question earn salaries that exceed the minimum wage by 60 – 70%.



Yet, Alistair Smith from Bananalink argues that in Costa Rica in particular, workers have to work very long hours in order to achieve a decent wage. Chiquita contradicts this allegation and points out that in Costa Rica, a typical working week consists of 48 hours (including a 1-hour lunch break every day) and overtime is paid 1.5 times the hourly rate up to 54 hours, and double the hourly rate up to 60 hours (El Roble farm). However, the company admits that the amount of working hours necessary in order to gain a ‘decent wage’ certainly depends on a worker’s efficiency. Our inquiries (interviews with workers and examination of pay slips) at the El Trópico farm suggested that it is possible to gain such a wage by working 48 hours per week or less.

In Honduras, Chiquita pays wages, which are around 56% above the legal minimum wage (numbers from 2014). The living wage in Honduras, according to Chiquita representatives, is about 20-30% higher than the minimum wage. In terms of working hours, one farm manager (Marlon Rivera, Finca Omovita) claimed that 50 hours are sufficient in order to achieve the Chiquita average wage listed in the above table. While Chiquita claims that they pay decent salaries in Honduras, they also face competition for their labour from other industries. For Miguel Zapata (Local Labour Relations Manager, Honduras), this means that Chiquita needs to look after its workers. Maquilas (textile factories) pay higher wages on paper, yet, one must note that these companies do not provide the same benefits to their workers as Chiquita (e.g. healthcare, access to affordable mortgages for housing etc.). Chiquita is in fact the only company in Honduras that pays 100% of medical bills. Dole for example now sends employees to the national health system (see more on healthcare in Honduras

below). Chiquita admits that they did wish to change the system and transfer their workers to the national health system. This however was met with fierce resistance from trade unions. Moreover, a recent scandal about corruption in the public health system in Honduras convinced them that ‘they cannot do that to their employees’ (more about that will be said below).

In Panama, our assessment of sample pay slips suggested that Chiquita clearly exceeds the minimum wage. The workers we interviewed also confirmed this. These workers, however, all complained that their wages were not sufficient. According to them, prices for food and other daily necessities (such as personal hygiene) have increased tremendously over the past years. On average, Chiquita pays 21% above the minimum wage in Panama. We found, however, no conclusive answer to the important question of how many hours workers have to work to get this ‘above the minimum wage’. Overtime is being paid at approximately 1.27 times the hourly rate and while Julio Vasquez, General Director of Chiquita in Panama, claims that it is impossible to work more than 60 hours per week due to strict regulations and monitoring in Panama, field workers told us that they worked up to 72 hours per week. However, at the same time, those workers did not complain about their working hours but seemed to be very proud of their performance.

One often underestimated aspect of the debate on wages cropped up on a number of occasions in our investigation of plantations: No wage in the world is sufficient if people do not know how to handle their personal budget. Thus, providing workers not just with the money but also with the knowhow how to manage their finances and how to effectively put aside savings is a key component of worker empowerment. In Honduras for example, Chiquita found out that workers pay on average 56% interest on consumer credits per year. Consequently, Chiquita undertakes a number of measures in order to facilitate savings and to enhance workers’ skills in managing their personal budget. For example in Costa Rica, the issue is handled by a savings association named ASEACOB which covers 28 farms, with 75% of workers affiliated giving a total of 2,120 members (in September 2014). ASEACOB is run by a management committee with 13 members. The law in Costa Rican covering such associations requires that the worker saves 3-5% of his salary per month in order to become an associate (but this is only the minimum – some workers save up to 12% of their salary). Added to this is a contribution of 2% from Chiquita. In 2014, data shows an average saving of approximately 900 USD per member of the association. The fact that workers are able to set aside such a significant amount of money can be taken as an indication that Chiquita is paying a living wage.

Chiquita has also started programs in order to enhance financial literacy. This training is available in all of Chiquita’s operating countries. In order to avoid the impression of paternalism, Chiquita typically does not provide this type of training themselves but instead trains trade unionists who then act as facilitators. Participants get paid their full wage while attending the classes (4 hours in total). Facilitators moreover also go to communities in order to help families with the management of their finances.

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WORKING CONTRACTS AND JOB SECURITY

The average wage as such cannot be examined in isolation. One important aspect of the wage is whether the workers have job security or whether they work under precarious contractual conditions. Even if workers receive living wages, they will struggle if their employment is either temporary or likely to be terminated at any point in time. The agricultural sector often works on temporary contracts due to the seasonality of the work. Even though bananas are harvested the whole year round, temporary working contracts exist. Temporary workers are hired for specific, time-limited tasks like renovation work or drainage canal maintenance (e.g. 42% temporary workers were employed at the “El Roble” farm in Costa Rica in May 2014 for renovation work).

According to a Chiquita internal presentation, the average percentage of seasonal workers across Honduras, Guatemala, Costa Rica and Panama, is about 30%. Chiquita claims to offer the same conditions in terms of wages, health care, etc. to permanent and temporary workers. The percentage of permanent workers was however questioned by Martin Blaser from Fairtrade International who argued that in the banana industry at large, temporary work contracts were still common practice rather than the exception. Blaser in particular referred to a peculiarity, which is widespread in Costa Rica, namely the employment of workers based on “serial contracts” which are subject to renewal every 6 months with a different job description on paper.

Before describing the Costa Rican practice of serial contracts below, we need to distinguish a third category of workers, namely contractual workers. These workers are hired on the spot and paid by an intermediary. They typically only earn the minimum wage and receive none of the benefits of the other workers. According to Martin Blaser from Fairtrade International, the Fairtrade Standard for Hired Labour insists that the regular workload is done by permanent employees. Along similar lines Chiquita argues that they only employ contractual workers for work outside the day-to-day banana production cycle (e.g. renovation and drainage work). However, as our case from Honduras shows below, trade unions have a different view on this matter.

In Costa Rica there is a particular practice on some farms where employment of Chiquita workers differs from those in other countries in that it consists of a series of working contracts that are renewed every 5.5 months. The worker is dismissed and re-hired. This effectively means that employment consists of a series of work contracts and that there are *de facto* no permanent workers. This practice exists exclusively on 14 farms in Costa Rica (approximately 50% of Chiquita’s owned farms). It does not exist in any of the other locations where Chiquita owns farms (Honduras, Panama and Guatemala).

Martin Blaser from Fairtrade International criticised employment based on “serial contracts”. He even claimed that this was officially forbidden, but that companies tend to circumvent this restriction by seemingly assigning the workers in question new functions in every new contract. Alistair Smith from Bananalink expressed the same concern. According to him, the exact design of contracts is the biggest loophole for companies to circumvent their responsibility as employers.

Yet, there is another side to the story. When we made inquiries at the El Trópico farm in Costa Rica where we first became aware of this system, the farm manager Dennis Zuñiga emphasised that workers explicitly supported the system and they even begged to have their contracts ended after 5.5 months. The reason for this is that according to the law, workers get a severance pay (Spanish: *cesantía*) when they quit their jobs or when they are dismissed. The amount of this pay depends on how long the worker has been employed. Yet, after 8 years of employment, the maximum severance pay is achieved. After that it does not increase anymore. Thus, in general, workers prefer not to be employed for too long time without a break – and certainly not for longer than 8 years. Moreover, they prefer ‘quick cash’ in the form of severance payments every half year over permanent contracts which mean that they would have to wait for that money until their employment ends. At the El Trópico farm we were told that temporary contracts are particularly popular among Nicaraguan migrant workers who wish to return to their home country after a while. Thus, Chiquita fulfils the wishes of their workers and ends their contract every 5.5 months, pays them their severance and gives them a short vacation before re-employing them again with a new contract. In this new contract, however, the job description stays exactly the same, as does the wage. According to Zuñiga, in 98% of cases workers are offered a new contract. It is only when they do not perform well, that their contract is not renewed¹.

Contrary to the allegations from Blaser and Smith, the system of serial contracts is *not* illegal. When Chiquita tried to end the system and introduce permanent contracts upon request from the IUF (International Union of Food Workers), the workers protested because they consider the system of serial contracts to be beneficial and they count on the extra income to pay their mortgages. Trade union leaders eventually acknowledged that this practice is beneficial for their members and confirmed this by signing an agreement in which all parties committed to continue with the practice of repeated 5.5 month contracts on farms where this is an established practice. As we gathered from a copy of this agreement sent to us by Chiquita, the agreement requires the explicit agreement of the workers for this practice (they always have the chance to opt out), and in cases of workers who belong to a trade union, a signature from a trade union leader is also required, in addition to that of the worker. According to Chiquita, the Costa Rican Ministry of Labour is aware of and has approved this procedure.

The system of serial contracts is therefore legal and in accordance with workers’ preferences, however, the problem with serial contracts is that workers do not have any legal claim for contract renewal. In principle, workers depend entirely on the goodwill of the company to re-employ them, which makes them very vulnerable. The question is whether the fact that ‘in 98% of cases’ they do get re-employed, can be seen as an adequate substitute for legal protection. We also need to ask ourselves whether the fact that workers seem to rely on the severance pay every half year in order to cover special expenses implies that their wages are not sufficiently high. One could argue that a living wage should be high enough for a worker to cover his expenses without having to rely on such ‘extra income’ intended for other purposes. However, as argued above, we have clear indications that Chiquita pays a living wage in Costa Rica. Thus, it seems that this objection can be dismissed.

The system of serial contracts is legal and in accordance with workers’ preferences, however, workers depend entirely on the goodwill of the company to re-employ them, which makes them very vulnerable.



Health and Safety

Decent working and living conditions do not only depend on wages. If workers risk their life at work, wages are put into perspective.

Decent working and living conditions do not only depend on wages. If workers risk their life at work, wages are put into perspective. The question we ask next is therefore, whether or not Chiquita has a convincing health and safety policy in place. According to Chiquita, workers' health is a core aspect of the company's responsibility as an employer. It consists of two dimensions, which shall be discussed here: firstly, there is the issue of occupational health and safety, which refers to "anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers, taking into account the possible impact on the surrounding communities and the general environment"².

Secondly, there is the issue of general health care for workers outside of work-related issues. We will discuss the challenge of providing health care to workers against the background of economic pressures and expensive cultural habits based on our observations from Honduras.

OCCUPATIONAL HEALTH AND SAFETY: TARGET ZERO

The core pillar for promoting occupational health and safety is the so-called "Target Zero" initiative. While Rainforest Alliance certification based on the SAN standard also requires a number of rules and procedures regarding health and safety, Chiquita chose to place additional emphasis on this issue by embedding it in a company-wide initiative, launched by a steering committee on safety matters, which sessioned in Chiquita's headquarters in 2013. The company then acknowledged that safety had to become an integral part of the 'way work

is done' and not just a goal that had to be achieved for reasons of certification. Apparently, CEO Ed Lonergan's engagement on this matter is outstanding. He is convinced that Chiquita owes it to the families of their workers to send their employees home healthy. The management regularly reviews Target Zero and progress is documented twice a year. Chiquita conducts a systematic analysis of safety risks for workers and defines the different risks associated with a job, e.g. environmental risks, chemical risks, mechanical risks etc. Based on this analysis, the right equipment for the job in question is identified. This means that all types of work on the farms are analysed in terms of risks and assigned the according equipment. Chiquita emphasises that they invest a considerable amount of money in this process.

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While the banana industry used to be notorious for the health damages caused by pesticides, this has changed significantly in past years. Due to considerable efforts in responsible pesticide use (including training workers how to handle pesticides), cases of intoxication have decreased substantially (see also Chapter II.4: Environment). The monitoring of workers' health is carried out according to the law by means of indicators, medical exams etc. For example, people who still handle certain insecticides have regular blood tests in order to control their blood values.³ The plantations also monitor water quality.

Chiquita plantations have installed health and safety commissions that typically consist of two workers and two supervisors or seniors (e.g. one supervisor plus the farm manager). Since many workers are poorly educated, Chiquita highlights the importance of training in order to raise awareness of the various risks. Chiquita claims that the number of accidents has effectively decreased thanks to Target Zero. Every work-related accident is investigated based on a clearly defined procedure: first, a declaration from the worker is recorded, then witnesses are interrogated, this is followed by an analysis of reasons. There are also 'requests of actions' as a preventative or corrective measure, for example if someone spots an unsafe bridge. An internal audit is conducted twice a year on every farm, and once a month there is an inspection by the health and safety commission.

HONDURAS: PROVIDING ACCESS TO HEALTH CARE

In Costa Rica, workers have always been referred to the public health system, which is considered to be working very well. In Panama, Chiquita has transferred more recently the health care of all its workers to the state service. This has been done partly because of the costs, and also because the company is convinced that health care is a public, not private duty. Chiquita however pays doctors to conduct studies on specific problems. Public health care in Panama means that workers and their families are covered by paying 11% of their wages. Chiquita pays another 6%. In contrast to this, the health policy at the Tela Railroad Company in Honduras stands out, as the company provides access to private health care for all of its workers (and their families, including their parents).

According to Nolan Quiros (Regional CSR Manager), there are historical reasons for the adherence to private health care in Honduras: La Lima, the town where

the Tela Railroad Company has its headquarters, more or less only emerged because of the banana business. When the banana industry started its operations in the early 20th century, the town, which now has more than 80,000 inhabitants, was literally inexistent. The state was largely absent, thus Chiquita, as the biggest company operating in the area, built the whole infrastructure necessary in order to run their operations effectively, including schools, hospitals etc., thereby helping the government to free itself from responsibilities in these areas. Nevertheless, as times changed, competition increased. Chiquita's loss of market share meant that they could no longer afford to maintain the whole infrastructure themselves. Thus, around the mid-1980s, as part of a shift from banana production to banana trade, they started to transfer their assets to the government (schools, colleges, roads, water companies, and also land). The La Lima hospital, which Chiquita had owned until then, was sold to a corporate group that converted it into a private hospital. Chiquita stayed involved (with 20% of the shares) so that their 4,000 employees (and their spouses, children and parents, which gives a total of 11,000 people) in Honduras could access medical care. They pay more than 1 million USD per year for this service (they are thus also clients). It is the only hospital in the area (for some 30 km). Chiquita uses 'prepaid medicine' as its health care model: Tela pays 37 USD/month per employee, and La Lima hospital must ensure that they treat all Chiquita workers and their families with this budget. In comparison, public health care would only cost 21 USD/month per employee. However, Tela does not just provide a generally higher standard in medical treatment it apparently also includes much more services than in other examples. Currently, around 50% of the hospital's patients are linked to Tela.

Both doctors we interviewed, namely Doctor Emilio Castro, General Director of La Lima hospital, and Doctor Tony Oliva at the Santa Rita farm, stated that the main health problems encountered among Tela workers and their families relate to general illnesses, not to accidents. If people have accidents, the majority of them seem to not be work-related but happen in their free time. Moreover, our interviews with doctors showed that Chiquita seems to have very few problems with pesticide damage, and fares much better in this regard than for example its competitors. In general, hospital director Emilio Castro feels that many health problems are due to 'bad habits' – e.g. there is a significant percentage of overweight people, and related to that there is a high rate of diseases like diabetes or hypertension. As a consequence, the hospital has recently opened a diabetes centre. Another problem is alcoholism and drug abuse. According to Miguel Zapata (Local Labour Relations Manager, Honduras) Chiquita openly addresses these problems and pays for rehab for 8-10 days per worker. They even offered Alcoholics Anonymous groups on the farms. However, this was not successful due to an apparent lack of interest on behalf of the workers.

Emilio Castro pointed out the challenges of what you could call 'moral hazards': people seem to abuse the generous health care offered to them. According to him, there is an average of 1.52 doctor visits per worker per month, which is very high. Inquiries have moreover shown that 80% of the people visiting the doctors on the farm do not have anything worth treating. For Dr. Castro these habits are economically challenging given that his hospital pays, from the gene-

ral budget received from Chiquita, 13 USD per doctor visit to the dispensary at the farm. He is thus very interested in lowering this rate. In order to underline the accuracy of the allegation that people might visit the doctor too often, he points out that they only very rarely go to physiotherapy. According to him this shows that if there is something that requires an effort on their behalf, they seem to 'prefer to be healthy'. Emilio Castro underlined all of his claims with meticulous documentation. It seems that La Lima is a highly professionally managed hospital. The hospital also receives cases of domestic violence, which however are often kept hidden.

Housing: Encouraging Home Ownership

Housing is a basic need acknowledged in the Universal Declaration of Human Rights and as such should be affordable as part of the living wage. In the banana industry, for a long time it was customary to provide housing as part of the work contract. For as long as they were employed, banana workers used to live in company-owned houses next to the plantations and did not have to pay rent. When their employment ended, they also had to move out of the house. In recent years, several factors have contributed to a move away from this model and to removing the link between housing and employment. One the one hand, increased awareness of the health damages caused by exposure to pesticides means that nowadays nobody should live in direct proximity to the plantations. Certifications such as the Rainforest Alliance and national legislation for example in Costa Rica, now require a minimum distance between houses and plantations in order to make sure that people are not affected by air spraying. This means that many of the houses originally provided by Chiquita for workers became uninhabitable. For Chiquita it was cheaper to move the workers away from the plantations instead of refraining from spraying the parts of the plantations next to the houses. On the other hand, the financial burden of providing a house for every worker was significant, in particular the maintenance of the houses cost Chiquita a lot of money. For all these reasons, Chiquita decided to sell houses to workers rather than having them as tenants for the time of their employment. Thus, according to Nolan Quiros (Regional CSR Manager), the reason for changing the 'approach to housing' was an economic one, "but with a social impact". On the one hand, one could argue that separating housing from employment meant that the workers lost access to an essential service (i.e. shelter), which potentially made them more vulnerable. On the other hand, by being given the chance to become homeowners their dependency on Chiquita decreases because this means that they do not lose their accommodation as soon as their employment with Chiquita ends. Viewed in this light, home ownership is an important aspect of empowerment.

The shift from providing housing as part of employment, to encouraging home ownership among workers by providing them with access to affordable mortgages, is best illustrated with the example of Honduras. In Honduras, after the devastating effects of hurricane Mitch which in 1998 destroyed 95% of the 5,600 ha of plantation, the Tela Railroad Company together with the municipality of La Lima, the trade union SITRATERCO, a church, an accounting firm, and a Honduran credit cooperative⁴ created a foundation named Fundesula (*Fundacion para*

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el Desarrollo de Comunidades Sostenibles en el Valle de Sula). Tela paid all the money and took the lead. Fundesula is a very successful example of sustainable community development and among other things has been awarded with a price for urban design and with the “2004 Corporate Citizen of the Americas Award”.⁵

According to Eva Galo, manager of Fundesula, Chiquita used the land where the workers’ houses had been destroyed in order to build new houses for those workers who were still employed. To date, there are 1,500 houses in the Nuevo San Juan community and 158 houses in Cobb with around 6 people living in each house. In total there are approximately 9,600 beneficiaries. Some 30-40% of these people are employed by Chiquita.

Chiquita judges the homeowner program managed by Fundesula as highly positive. They argue that they had to change the system for economic reasons. Providing people with access to subsidised houses means a lot in Honduras where it is generally very difficult for ordinary people to access mortgages in order to buy their own house. According to Nolan Quiros (Regional CSR Manager), most people have subsequently redeemed their mortgages, now fully own their houses, and are generally satisfied.

Eva Galo from Fundesula paints a slightly different picture. According to her the track record is mixed. Initially, people resisted the change in the system from having housing as part of their employment to what they felt was an obligation to become homeowners. People only focused on the fact that before everything regarding housing was paid for by Chiquita. However, Galo estimates that now around 50% are content while the rest still refuse to see the benefits of the new system. It is also noteworthy that some homeowners from the first generation of houses have sold their property because they could no longer pay the utility bills once they retired or became unemployed (Eva Galo, Fundesula).

Relationship with Trade Unions and Alternative Forms of Worker Representation

Chiquita was the first company in the banana sector to officially acknowledge freedom of association, and the first and up to the present only company in the sector to sign an International Framework Agreement with IUF (the International Union of Food workers).

Trade unions are the most important tool for the representation of workers interests in negotiations with international corporations. The banana industry, like many other agricultural industries, has a rather dubious reputation when it comes to their relationship with trade unions. In 2001, however, following a “damaging international campaign”⁶ which accused Chiquita of violating workers’ rights on Chiquita-owned and supplier plantations in Latin America, Chiquita adopted a pioneering role: it was the first company in the banana sector to officially acknowledge freedom of association, and the first and up to the present only company in the sector to sign an International Framework Agreement (IFA) with IUF (the International Union of Food workers) and COLSIBA (the Coordinating Body of Latin American Banana and Agro-industrial Unions). The IFA represented “the culmination of several years of coordinated union-NGO effort and one of a series of CSR initiatives adopted by Chiquita”⁷ and it has added another level to labour relations management: contrary to other commitments like codes of conduct, the IFA entails a system of governance which is not simply controlled by the com-

pany but which recognises and embeds the role of trade unions in representing and promoting workers' rights.⁸ Among other things it provides for a review committee, "composed of representatives from the IUF, COLSIBA and Chiquita, to evaluate any allegations of serious or systemic problems in the company's labour rights performance" (CSR report 2001, p. 16). According to Chiquita, the IFA has significantly improved labour relations. By avoiding labour disruptions, it has also directly helped Chiquita in the achievement of their cost-reduction goals (CSR report 2008, p. 7). Moreover, in 2011 Chiquita committed to seek improvement for women working on their farms by forming the IUF/COLSIBA/ Chiquita Women's Committee together with the trade unions. The Committee strives "to promote and reinforce a safe workplace, free of harassment, exclusion or inequality, and to improve the opportunities available to women by supporting their personal and professional development" (Chiquita CSR Report 2009-12, p. 24).

Nevertheless, the fact that an IFA exists does not mean that there is consensus among the trade unions. Instead, the trade union landscape in the countries we visited is fragmented and there is no industry-wide trade union. In reality, and as made clear by the Tres Hermanas case, which we will illustrate in more detail below, trade unions often fight among themselves over workers. This tendency is further exacerbated when different representatives compete against each other in elections for prestigious positions. Due to this politicisation the interests of trade unions are not always necessarily identical with the interest of the workers they are supposed to represent. Thus, whether the relationships between Chiquita and trade unions are characterised by conflict or cooperation, does not exclusively depend on the conditions Chiquita provides to their workers but also to some extent on the political situation within a given trade union and among competing trade unions in a region. Moreover, there are also variations in attitudes among trade unions across countries. For example, the attitude of trade unions in Colombia is less confrontational than that of trade unions in Honduras (George Jaksch, Senior Director Corporate Social Responsibility and Public Affairs).

Moreover, nor does the IFA mean that Chiquita is immune to public criticism when it comes to workers' rights. One fundamental aspect of workers' rights is the right to collective bargaining which is part of the International Framework Agreement and according to internal documents from Chiquita, at the time of writing, 13 collective bargaining agreements with specific trade unions and 23 direct agreements⁹ with permanent committees are in effect in several countries (e.g. Honduras, Guatemala, Panama and Costa Rica). We will discuss the complexity of Chiquita's relationships with trade unions on the basis of specific cases and observations from the countries we visited.

First, we will discuss the Tres Hermanas case in Honduras, where Chiquita put an end to a fierce conflict over labour rights by taking over one of its supplier farms. Second, we will illustrate the clashing views of Chiquita and trade unions based on our observations from Honduras. Third, we will address the specific situation in Costa Rica where the degree of unionisation is very low and where so called 'permanent committees' (*comités permanentes*) prevail over classical trade unions. Finally, our observations from Panama suggest a more or less constructive relationship between Chiquita and the trade unions where both parties are committed to dialogue and learning.

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HONDURAS: THE TRES HERMANAS CASE

In 2013/14 Chiquita was involved in a conflict over labour rights, which received much attention both locally and globally. According to Bananalink, the conflict in question occurred at three farms known as “Tres Hermanas”, owned by an independent producer selling to Chiquita, where the independent trade union SITRAINBA accused the owner of systematic discrimination against their members.¹⁰ Chiquita paints a slightly different picture of the story. According to Marco Latouche (Regional Manager Labour Relations), the conflict occurred because



two trade unions were competing at Tres Hermanas. One of them wanted to achieve a collective bargaining agreement (under the previous owner) but they were denied access. As a consequence they filed a complaint.

In any case, the conflict became the subject of an international campaign led by Bananalink and other NGOs¹¹, which called upon Chiquita and the Rainforest Alliance to take action. As a result the supplier was first suspended, and eventually Chiquita decided to buy the farm and to run its own operations there. Under its ownership, Chiquita has authorised access to the plantations for trade unionists in order to raise the workers’ awareness on freedom of association, and trade union representatives also acknowledge that the new regime “has brought both economic benefits and better treatment for the workers”.¹²

However, the case raises a number of questions. First of all we need to ask why Tres Hermanas was Rainforest Alliance certified in the first place. According to Antonio Gutierrez, the new farm manager at Santa Rita, “no one seems to understand how it was possible for Tres Hermanas to ever obtain the Rainforest Alliance certification”. It must be noted that Chiquita does not directly audit the suppliers but instead relies on external certifications such as Rainforest Alliance (see Chapter III.1: Managing external aspects of CSR). Gutierrez said that upon buying the farm Chiquita had to invest a lot of money in training staff so that the farm could operate in line with Chiquita’s standards. Secondly, we need to consider whether purchasing Tres Hermanas was an act of responsibility. Even though public pressure from NGOs in Europe and the US played a role, the key reason for buying Tres Hermanas was that Chiquita perceived it as a good opportunity from a business perspective (Marco Latouche, Regional Manager Labour Relations). For them it made sense to buy a farm which they knew well in an area they knew well. Most importantly, the previous owner, who incidentally was a former Chiquita employee, was willing to sell. Yet, given the improvements for workers on the farm upon Chiquita’s takeover, the decision to buy was also an act of responsibility.

In terms of the improvements after Chiquita bought the farms, in interviews with Chiquita workers apparently testified that they felt better treated under the new owner. Circumstances under the previous owner were particularly bad with respect to workers' health, but also regarding safety and production because workers had not received any training. According to Nolan Quiros (Regional CSR Manager), upon buying the farm, Chiquita checked conditions regarding production, certification and health and safety and created an action plan on all these matters. They also immediately hired a doctor who is now present every day until 2pm, and a nurse who is there throughout the day. Before that there was only one nurse for 500 people. Chiquita also set up a medical dispensary with support from the Heineman Foundation. According to Doctor Tony Oliva, who attends the medical dispensary on the farm, workers claim to be more motivated since Chiquita bought Santa Rita. There are some contradicting statements regarding the provision of private health care for workers at Santa Rita: the doctor we interviewed said that workers were not yet being offered medical treatment at La Lima hospital (see below for more information on the hospital) but instead were referred to the public hospital if necessary. However, negotiations on this matter seemed to be under way.

HONDURAS: MEETING WITH SITRATERCO

In Honduras we met with representatives of the trade union SITRATERCO. SITRATERCO was founded in 1954 and is Honduras' oldest trade union. The whole trade union movement in Honduras in fact emerged because of Chiquita. SITRATERCO covers all of the Tela Railroad Company farms and the way it operates can be considered to be a prime example for the effective working of freedom of association and the right to collective bargaining. Trade unionists in Honduras are Chiquita employees who are elected as full time trade unionists for a certain period before they go back to work for Chiquita. They are granted access to the farm whenever they want.

While one Chiquita representative had the personal view that '*sindicalismo*', i.e. the trade unionism, is a challenge which hinders progress, Chiquita managers generally claim that the relationship between themselves and trade unions has improved over the past ten years. Whereas the 1990s were characterized by instability, there is now more dialogue and less confrontation. Workers and the company have both committed to dialogue. At the same time, there has been substantial progress in working conditions (as also confirmed by farm manager Marlon Rivera at the Omovita farm).

SITRATERCO however told a very different story about their relationship with Chiquita. According to them, their relationship has had ups and downs, but recently there has been a clear deterioration. They claim that the main reason for this lies in the fact that Chiquita is continuously reducing services provided to workers, such as health, housing and education. For example, until recently, Chiquita would apparently support the education of workers' children until the age of 25, but now the maximum age for support is 18. SITRATERCO in general painted a very bleak picture of the situation for Chiquita workers in Honduras: workers on plantations are subject to abuse from supervisors who lack

training, they are regularly exposed to air spraying, and a lot of work accidents occur on plantations. SITRATERCO also claimed that it was common practice for companies in Honduras not to respect the minimum wage and that in the case of Chiquita no worker was paid the minimum wage because workers are paid by piece, not per hour.¹³ Finally, they also accused Chiquita of discriminating against female workers, referring to an apparently steady decrease in the percentage of female employees.¹⁴ They argue that as a consequence the lives of workers have become so desperate that some of them join the thousands of Honduran migrants who try to enter the US every year. SITRATERCO claims that many workers ask to get their severance paid so they can leave and start a new life abroad. According to other people, however, it is not pure desperation that makes people leave Honduras, but rather false hopes and dreams about life in the US.

While SITRATERCO admitted that they were more or less granted access to plantations, they accused Chiquita of violating basic rules, for example regarding the dismissal of workers. According to them, the procedure that establishes taking a number of steps before someone is fired (i.e. first dialogue, then suspension for two days, then for five days, etc.) is very often not respected.

Another discrepancy concerned the frequency of and reasons for strikes: according to Chiquita representatives, at the time of our visit to Honduras, the last significant strike affecting all of their farms had happened in June 2014 and was triggered by a conflict related to a quality check which yielded bad results. However, according to SITRATERCO, first of all, strikes are very frequent, that is to say, there had been at least 5 strikes lasting for 1-3 days in the weeks before our visit. According to documentation provided to us by Chiquita, this seems exaggerated. Chiquita 'only' noted a total of 7 days of strike in the first 8 months of the year before our visit. While SITRATERCO further confirmed the strike across all farms in June 2014, they argued that the strike emerged because Chiquita had tried to fire a worker. Regarding the quality issue, which triggered the conflict, they blamed Chiquita of obsessively controlling the contents of entire containers instead of only taking samples. According to them, workers protested against this 'harassment' and then Chiquita arbitrarily identified one worker as a scapegoat who was apparently totally innocent.

Similar discrepancies appeared regarding other issues. Two months before our visit, in July 2014, there were news reports that a collective bargaining agreement had been signed between SITRATERCO and Chiquita.¹⁵ The agreement was the result of "10 long months of negotiations" and covers a total of 2,080 employees. According to SITRATERCO, they had been forced to sign the agreement because Tela threatened to otherwise cut *all health care for everyone* or even close down operations in Honduras. In the end, SITRATERCO agreed on a raise in salaries of 27% over three years (initially they had asked for an increase of 66%). One of the farm managers with whom we talked (Marlon Rivera, Omovita) admitted that the negotiations were very challenging. While Chiquita acknowledges that the costs of living are rising steeply, a 66% increase would not be economically feasible.

As is clear from the abovementioned occurrences (see Health and Safety, Honduras: Providing Access to Health Care), health benefits granted to workers

is one of the main points of contention. Currently, all workers, their spouses, children and their parents, benefit from a very high standard of private health insurance. Yet, due to economic pressure and a massive rise in costs, Chiquita decided to reduce the scope of beneficiaries by excluding the fathers of workers who do not live in the same household and the fathers of new workers. This, however, was met with fierce resistance from SITRATERCO.

COSTA RICA: PERMANENT COMMITTEES INSTEAD OF TRADE UNIONS

Advocates of Fairtrade claim that the degree of unionisation is ‘the strongest message’ about the application of real standards on the ground, i.e. “much stronger than any third party private certification where at best somebody, upon announcement, one or two days a year will come into the plantation” (Alistair Smith, Bananalink). Yet, based on this indicator one would have to conclude that workers rights are very poorly protected in Costa Rica where the percentage of unionisation is only 15% compared to an average of more than 80% in Guatemala, Honduras and Panama. While at first sight this could be interpreted as an indicator of the absence of freedom of association, according to Chiquita this conclusion is misleading because Costa Rica has a tradition of permanent committees (‘comités permanentes’), which bargain with management on behalf of employees. According to Chiquita this is an “alternative to unionisation” and it is part of the reality in Costa Rica that there are hardly any trade unions and collective agreements.¹⁶

The only difference between a direct arrangement, as negotiated by the permanent committees, and a collective agreement, as negotiated by trade unions, is that workers do not pay a membership fee for their representation by a permanent committee and that the leaders of the committees continue to work on the farm (that is, they are not full time trade unionists like in Honduras). Beyond that, everything concerning benefits is identical – there is no difference between trade unions and permanent committees. In fact, trade unions in Costa Rica copy this direct arrangement and also include licences for the leaders and rights for the committee. Nevertheless, it is important to note that in November 2014, 33 years after their first agreement was signed in 1981, and after what they call 6 months of negotiations with interruptions ‘resulting from the intransigence of the company in improving the economic and social conditions of the banana workers’¹⁷, the Costa Rican trade union SITRACHIRI signed their 11th collective bargaining agreement with the Chiriquí Land Company, a subsidiary of Chiquita. This agreement, according to the trade union, will improve the labour, economic and social conditions of more than 400 families, the vast majority of which are indigenous migrants from Panama and Nicaragua.¹⁸

Observers such as Alistair Smith from Bananalink harshly criticise the preference for permanent committees over trade unions and they particularly question the independence of permanent committees. Smith admits that Chiquita is not the only company to have a kind of ideological problem with independent trade unions in Costa Rica. The problem is that there is an “unwritten national agreement which is to prevent independent trade unions from growing”. It has proved very difficult for Chiquita to break out of this national anti-union

culture and bargain collectively with autonomously organised workers. According to Smith, some companies have tried in the last ten or fifteen years, but have quickly gone bankrupt because of credit and other pressures exerted by their peers. To the company's credit, Chiquita has the only collective bargaining agreement in the national industry that survived the onslaught of the anti-union alliance in the 1980s. Smith and also Martin Blaser from Fairtrade International argue that banana plantation owners in general have subtle ways of undermining the unionisation of their employees, for instance by refusing to renew a contract if someone joins a trade union rather than firing the employee in question right away, putting them on the worst paid jobs, separating them from other non-union colleagues etc.

If we believe the very high percentage of contract renewals (i.e. 98%) reported by Chiquita (see above, section on Wages, contracts and savings), this either means that there are hardly any workers joining trade unions on Chiquita's plantations in Costa Rica, or that Blaser is wrong. In any case, one could certainly argue that Costa Rica has much better social conditions for workers than Honduras or other countries with a higher degree of unionisation so that we need to ask ourselves whether this figure is the most appropriate indicator when it comes to worker well-being and empowerment.

Our inquiries on the ground at the El Trópico farm in Costa Rica suggested that the permanent committees were playing an important role on farms in raising practical issues related to infrastructure (e.g. bad bridges, missing stairs for accessing cables), but that they apparently hardly ever raised salary issues or criticised the behaviour of supervisors. Every three months the permanent committees meet with farm administrators and human resources and labour relations staff but apparently there are hardly any problems on any of the farms regarding salaries or bad treatment of workers etc. It is however impossible to conclude whether this is indicative of a general satisfaction with working conditions or whether it proves that the permanent committees do not have the critical capacity of trade unions.

PANAMA: RESPECTFUL RELATIONSHIP

At the time of our visit in September 2014, Bocas Fruit Company (the name of Chiquita's subsidiary in Panama) and SINTRAIBANA were negotiating a new collective agreement. One of the main points of contention refers to Bocas' intention to replace the current system of hauling the banana bunches by means of motors along the aerial cables with manual hauling. Chiquita says this change would significantly increase productivity since it would ensure a steady flow of bananas from the field to the packing station. At the moment, with the motors, banana bunches only come through in large numbers. Workers are against the change. According to Chiquita, they consider hauling by hand as 'animal work', i.e. below their dignity. However, the manager of the farm we visited and also an assistant labour relations manager (Annier Sanchez) were confident that an agreement would be reached soon and they also stated that the people from the packing station were in favour of the new system because it would make it easier for them to carry out their work.

However, worker representatives (trade union representatives on the farm) we interviewed painted a different picture. As one of them stated, they were far from accepting this change, or rather, they insisted that such a change would only be accepted if they received a significant increase in salaries because manual hauling would mean harder work for them, which they feel must be better paid. Chiquita has made a huge effort to convince the workers of the practical nature of this change. For example, they sent local representatives to farms in Costa Rica, where, as in Honduras and Guatemala, manual hauling is the standard procedure. One of the union representatives who had travelled to Costa Rica admitted that workers there had in fact confirmed that manual hauling was physically not very demanding. However, according to him “those guys are 18 years old and therefore I don’t believe them”. The same representative also mentioned that contrary to Chiquita’s assumption the workers at the packing station were not in favour of the change but were instead in solidarity with their colleagues in the field. It must be noted that very often both husbands and wives work at a farm, with husbands employed in the field and women working in packing. Thus, clearly, such bonds can be expected. At the time of our visit in September the Panamanian ministry of labour was serving as a mediator in this matter. According to Chiquita, the government authorities are a neutral player; however workers we interviewed said that this was not the case; instead, the ministry of labour would always be on Chiquita’s side.

Our inquiries suggest that workers in the field generally state that they are satisfied with their conditions, with the exception of the pay they receive. One worker mentioned that Chiquita subsidises his secondary education evening classes, which he hopes will eventually allow him to go and work in the police. It seems that relations between the company and the worker representatives have improved over the past 10 years. During a staff lunch, worker representatives, the farm manager and the assistant manager for labour relations all agreed that a few years ago sitting next to each other in such a relaxed atmosphere would not have been possible. Worker representatives, just like the majority of the workers on the plantations in Changuinola, are typically Ngobe people with a low level of education. However, it was impressive to see how these people have developed a considerable skill set (negotiation skills, labour relations knowledge) over the years, and the pride they take in their role is obvious. Most of them have been working for Chiquita for many years and they have become more and more engaged in labour relations. Workers also reassured in confidence that they were never afraid to raise criticism against the company. As one worker representative put it, they are aware that their labour is of tremendous value to Chiquita and that without them Chiquita could not survive. Therefore they negotiate with confidence. This experience thus contrasts with the circumstances we encountered in Honduras where the trade union (SITRATERCO) claimed that Tela was blackmailing them with the threat of closing down operations and moving to Guatemala. In Panama workers did not mention such threats and it seemed like they would be confident enough to dismiss them.

Conclusions

The well-being and empowerment of workers results from a mixture of various components and wages are only one aspect. If we wish to evaluate whether or not Chiquita is managing its labour relations responsibly, we have to consider the whole picture. It should be obvious that living wages are the key element of such an evaluation, but without access to housing or to health care, a decent life is difficult to imagine. We draw the following insights from our analysis:

Chiquita delivers above-average conditions for its workers compared with local standards, but there is room for improvement: Since its pioneering discussion of living wages in the company's CSR reports from 2000, 2001 and 2002, Chiquita has stopped addressing this delicate issue publicly. This is a pity and we would urge the company to reconnect to this public discourse. Our study shows that Chiquita's wages clearly exceed the minimum wage and that it seems to be possible to achieve the average salary with a reasonable number of working hours. In large parts of its operations, Chiquita's wages also seem to exceed a living wage and thus Chiquita should go back to an explicit reference to living wages as the benchmark of their engagement with workers. Living wages are a social construction and as such highly contested. Therefore, Chiquita should engage with credible stakeholders in order to define living wages as a benchmark for their own payment policy. For each country, however, it is not just the wage that should be evaluated but the whole package of housing, job security, health and safety and healthcare policy. Our impression is that though Chiquita's operations vary in the different countries in how they perform across all those aspects, they clearly create above-average conditions for workers in the respective local contexts.

Chiquita needs to find innovative ways to replace its paternalistic engagement with workers from the past, with more modern and empowering forms of engagement – while at the same time paying attention to balancing the additional burdens for the workers. Our analysis shows that the company is struggling with the necessary transition from a more paternalistic approach in the past to worker well-being, to a more empowering concept. Traditionally Chiquita invested a lot in the protection of workers and their families, for instance by operating schools, hospitals and other infrastructures.¹⁹ Quite understandably, workers do not want the company to reduce those services. Yet, at the same time, they want higher wages. Workers expect Chiquita to continue to provide them with services that give them protection such as health care, housing, or education, which Chiquita did and still does across its various operations to a varying degree. However, more recently, demographical changes, a stronger state, and in particular huge economic pressures, mean that Chiquita either wishes to or has to leave behind its paternalistic past. There is for instance no convincing reason for Chiquita to finance the health care of workers' parents except for the simple reason that they did so in the past. Instead of providing workers with services, Chiquita strives to empower them so that they have the knowhow and the resources necessary for leading a self-responsible life. At the same time, in contexts where governments still do not provide sufficient public services and where people lack education about healthy lifestyles, it is difficult to imagine a smooth fading out of this paternalistic system.

Chiquita is trying to facilitate self-responsible and healthy lifestyles by openly addressing problems such as alcoholism and by giving training on budget management, healthy eating etc. But there is a catch: the more Chiquita seems to be telling people how they should live, the more paternalistic it appears, even if it is doing so in the name of worker empowerment. Nevertheless, Chiquita seems to be aware of this dilemma and chooses innovative compromises such as training trade unionists as facilitators on matters like financial literacy rather than having their own management representatives carrying out the training.

Chiquita outperforms its competitors when it comes to labour rights but is surprisingly facing many challenges with NGOs and union representatives.

When asked about their general impression of Chiquita's respect for labour rights, even the fiercest critics admitted that Chiquita tends to perform much better than local producers, and that for moreover, there are reasons to argue that Chiquita is 'the most responsible' among the multinationals in terms of respecting trade unions – particularly for example if compared to Dole. At the same time, it must also be noted that in recent years Chiquita has lost some of the momentum initiated by the International Framework Agreement in 2001. The reason for this, according to Alistair Smith from Bananalink, relates to the top management: while top management was very committed to labour rights in the lead-up to the IFA and while it opened doors "in areas where there weren't necessarily good relations before" (Smith), under the influence of then-CEO Fernando Aguirre from 2004 to 2012, negotiations became far more difficult than before. According to Smith, "the jury is out now" and the future will tell whether the current top management is seriously committed to labour rights.

Opinion is divided among NGO and Fairtrade representatives in the West and Chiquita management representatives. For whatever reason, the reality of Chiquita workers' lives as perceived by Western critics differs significantly from the way in which Chiquita management representatives describe it, as well as farm managers and workers themselves. A number of the critical attacks on Chiquita seem to be either unfounded or exaggerated. This is exemplified by the discussion on serial contracts in Costa Rica, which are very popular among workers and have even been officially embraced by local trade unions, but which are heavily criticised by Western activists. The question is whether this is just a matter of information asymmetry – i.e. whether Chiquita fails to provide its critics with the relevant information, or whether such criticism is part of a political strategy on behalf of the critics. It is self-explanatory that the 'raison d'être' of critics hinges on being critical and that admitting that Chiquita is acting responsibly potentially undermines their mission.

We find a similar divide between statements from Chiquita and trade unionists. The most blatant contradictions arose in our meeting with the trade union in Honduras: The extent of contradictions between what Chiquita claimed and what the trade unionists claimed suggests that the two parties *de facto* live in different realities. Literally every claim made by Chiquita was disputed by the trade unionists. Weighing the statements from both sides against each other made us feel as though we were caught in a propaganda war. We can only speculate about the reasons for the tensions in Honduras, but our investigations

there cast doubt on some of the claims of the unions. At times it felt as if trade unionists feared that by admitting progress they would undermine their *raison d'être*. This was different in Panama where company and worker representatives were not just critical towards each other but also towards themselves and where they acknowledged that progress was being made without brushing away remaining differences.²⁰

Chiquita runs into financial limitations when it comes to CSR. One big question that accompanies the CSR engagement of multinational companies like Chiquita is always whether the companies do enough: Are the needs of workers sacrificed for the benefit of the shareholders? In the case of Chiquita, it is highly questionable whether a company with a profit margin of around 1% over a full decade and thus with very limited financial resources, has room for manoeuvre to go beyond what it already does. Given the circumstances, improving their CSR would appear to be more a matter of optimising what it already does, rather than increasing its activities. One way of optimising the company's responsibility when it comes to worker well-being and empowerment lies in shifting its resources away from paternalistic measures towards increases in salaries and comprehensive education on all aspects of a self-responsible life. This, however, is facing strong resistance and requires a sensible strategy of slow transformation.

To conclude, we consider that the relationship between the two main issues for Chiquita in addressing their responsibility towards their workers, i.e. their well-being and their empowerment, can be described as follows: well-being is a necessary but not sufficient condition for empowerment. While well-being can be achieved by means of a benevolent paternalism, Chiquita is now under pressure (economically and socially) to empower their workers. This can only be achieved by granting them independence. Yet, this independence needs to be accompanied by measures that help workers to maintain their well-being themselves, i.e. to lead a self-responsible life. If Chiquita simply cuts down its services without promoting the empowerment of their workers, the result might be 'neglect', understood as a situation where workers are factually independent but where they find themselves overwhelmed by the demands of a self-responsible life. From what we have seen in our study, Chiquita is aware of this challenge and it is addressing the issues in question in a sensitive manner. Yet, its success is threatened by its financial limitations on the one hand and by the ongoing antagonism it faces from certain trade unions and NGOs on the other hand.

Lessons learned

- ***Chiquita delivers above the average conditions for its workers compared with the local standards:*** Our study shows that Chiquita's wages clearly exceed the minimum wage and that Chiquita wages also seem to exceed the living wage in large parts of its Even though the public discussion often focuses on monetary aspects, ***non-financial means such as housing or health care are an important part of Chiquita's contribution to the well-being of their workers.*** Our impression is that though the performance of Chiquita in this regard varies across different countries, they generally create above average conditions for their workers in the respective local contexts.

- **Chiquita needs to find innovative ways to replace its past paternalistic engagement with workers with more modern and empowering forms of engagement while at the same time paying attention to balancing additional burdens for its workers.** Demographic changes, stronger states, and in particular huge economic pressures, mean that Chiquita wants to and has to leave behind its high level of service provision. But in contexts where governments do not provide sufficient public services and where people lack education, such a transition needs to be facilitated by providing workers with the know-how to lead a responsible life.
- **Chiquita outperforms its competitors when it comes to labour rights but is surprisingly facing many challenges with NGOs and union representatives.** Even the fiercest critics admit that Chiquita tends to perform better than local producers in terms of labour issues, and that there are reasons to argue that Chiquita is 'the most responsible' among the multinationals. At the same time, Chiquita has lost some of the momentum of its CSR commitments in the early 2000s.
- Division exists in the **perception of the reality of Chiquita workers' lives**, not only among, on the one hand, NGO and Fairtrade representatives from consumer markets and Chiquita management representatives, but also among, on the other hand, farm managers and workers. A number of the attacks against Chiquita from external critics seem to be either unfounded or exaggerated. The question is whether this is just a matter of information asymmetry, i.e. whether Chiquita fails to provide its critics with the relevant information, or whether such criticism is part of a political strategy by critics.
- We find a similar **divide between statements made by Chiquita and trade unionists**. The most blatant contradictions came to light in our meeting with the trade union in Honduras: the extent of contradictions between Chiquita's claims and the trade unionists' claims suggests that the two parties *de facto* live in different realities. We can only speculate about the reasons for the tensions in Honduras, but our investigations there cast doubt on some of the union's claims. This was different in Panama where company and worker representatives were not just critical towards each other but also towards themselves and where they acknowledged that progress had been made without brushing away remaining differences.
- **Chiquita runs into financial limitations when it comes to CSR.** One big question that accompanies the CSR engagement of multinational companies like Chiquita is always whether the companies do enough. Given that Chiquita operates with a profit margin of about 1%, improving their CSR is not a matter of maximisation but rather of optimisation under the given circumstances. One way of optimising its responsibility when it comes to worker wellbeing and empowerment lies in shifting resources away from paternalistic measures and towards salaries and comprehensive education on all aspects of a self-responsible life. This, however, is facing strong resistance and requires a sensible strategy of slow transformation.

ENDNOTES

- 1 We met a young man on the street, who begged the farm manager to re-employ him. But Zuñiga said this man had been fired a few months ago because of theft and there was no chance for re-employment. Theft and other grave failures lead to immediate dismissal (as in other countries).“
- 2 http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_093550.pdf
- 3 Blood tests allow an early identification of physical damages like the inhibition of the so-called cholinesterase enzyme, which can be caused by chemicals contained in insecticides. According to Sergio Alvarado, less than 1% of workers show abnormal values in blood tests, and it must be noted that abnormal values are not life threatening. <http://pmep.cce.cornell.edu/profiles/extoxnet/TIB/cholinesterase.html>
- 4 The church and the accounting firm ended their engagement about five years ago.
- 5 <http://www.prnewswire.co.uk/news-releases/chiquita-earns-2004-corporate-citizen-of-the-americas-award-154031925.html>
- 6 Riisgard, L. (2004). The IUF/COLSIBA – Chiquita framework agreement: a case study. ILO Working Paper No. 94. The International Labour Organisation, Geneva, Switzerland, p. 8.
- 7 Ibid.
- 8 Robinson, P.K. (2010) ‘International Framework Agreements: Are workers’ rights improved on banana plantations?’ International Labour Process Conference (ILPC), New Jersey, 15-17 March, available online at: <http://www.ilpc.org.uk/Portals/56/ilpc2010-paperupload/ILPC2010paper-10913.doc>.
- 9 The difference between collective bargaining agreements and direct agreements will be explained further below.
- 10 <http://www.bananalink.org.uk/chiquita-takes-reins-resolve-honduran-conflict>
- 11 <http://www.makefruitfair.org.uk>
- 12 <http://www.bananalink.org.uk/chiquita-takes-reins-resolve-honduran-conflict>
- 13 They said the minimum salary is 6500 Lempiras whereas Christian Lopez (local CSR manager) said it’s 5600 (<http://nacerenhonduras.com/wp-content/uploads/2013/12/salario-minimo.jpg> suggests Lopez is right).
- 14 According to an internal presentation from Chiquita as of 2014, 38% of their workforce in Honduras is female, which is much higher than for example in Costa Rica, where only 15% of the employees are female. The SA8000 assessment of the Tela Railroad Company suggests that the percentage of female employees sharply rose from 21% to 36% between May 2013 and November 2013 and then decreased to 34% between November 2013 and May 2014. There is thus no evidence of a steady decrease.
- 15 <http://www.freshfruitportal.com/2014/07/01/honduran-workers-union-reaches-deal-with-chiquita-subsidiary/>
- 16 Permanent committees emerged from the solidarismo movement which developed in Costa Rica in the early 1950s. Depending on one’s viewpoint they are said to have been introduced by employers in the 1980s “in order to replace the independent unions” (Riisgard, L. (2004). The IUF/COLSIBA – Chiquita framework agreement: a case study. ILO Working Paper No. 94. The International Labour Organisation, Geneva, Switzerland, p. 10), or as a means to manage “collaborative labour management relations as a means of both advancing social progress and reducing the Communist influence that was perceived to exist at the time within local labour unions” (Chiquita CSR report 2000, p. 73).
- 17 <http://www.costaricaon.com/noticias/ultima-hora/34849-sindicato-logra-convencion-colectiva-en-bananera-chiquita.html>
- 18 Ibid.

- 19 In Panama, until recently, Chiquita even supplied drinking water for the whole city of more than 50000 inhabitants. They have now handed over this task to the state.
- 20 It should be noted that we only met with worker representatives, i.e. people that were at that time employed by Chiquita, in Panama, whereas the trade unionists we met in Honduras were full-time trade unionists at that time and thus 'more independent' from Chiquita. Yet, from our observations in Panama, worker representatives were not afraid to express their criticism of their employer. It seems that the pride they took in their work made them self-confident in their interaction with management representatives.



II.4. Environment: Challenges of industrial banana farming

Abstract

The debate about the environmental responsibility of the banana industry is divided into two camps that rely on different business models: on the one hand, there are those who practice industrial banana farming on a large scale, on the other hand there are those who advocate for organic farming. The challenge for industrial banana producers and traders like Chiquita is to deliver the proof that industrial banana cultivation is compatible with sustainability requirements. **This chapter characterises Chiquita's environmental strategy and assesses how it deals with environmental issues directly related to industrial farming on large-scale plantations** (i.e. pesticide use, including the challenge of aerial spraying) and it addresses the validity of using organic farming as a benchmark. It also assesses allegations of greenwashing, which have been specifically levelled against Chiquita's environmental engagement outside its plantations. We argue that thanks to its early collaboration with the Rainforest Alliance, Chiquita has been a pioneer when it comes to environmental responsibility in industrial agriculture but that the challenge lies in reconciling the economic pressure to maximise yield with the pressure to protect people and the environment.

Introduction

The banana industry, like any other industry, has been exposed to changing attitudes and expectations when it comes to the side effects of their operations.

Since the early 1960s, when Biologist Rachel Carson published her landmark study on the devastating effects of the use of DDT in agriculture, awareness of accumulating environmental problems has gradually increased. The banana industry, like any other industry, has been exposed to changing attitudes and expectations when it comes to the side effects of their operations. In 1992, the Rainforest Alliance, an NGO specialised in sustainable agriculture, convinced Chiquita to use the criteria of the Better Banana Project in a pilot study. This environmental engagement became the starting point for the company's CSR engagement. Cooperation with the Rainforest Alliance did not only expose Chiquita to demanding standards for tropical agriculture but also imposed an external certification scheme on the company. Since this early collaboration with the Rainforest Alliance, Chiquita has made significant improvements in mitigating the environmental harm inherent in the industrial production of bananas.

Unlike any other CSR aspect, the analysis of environmental issues requires the analysis of substantial scientific data. In this assessment, we base our evaluation on data provided by the company and information gained in interviews with Chiquita representatives and stakeholders. The complexity of the debate

on environmental sustainability meant that we had to select those issues we considered to be central to the study. We will start by briefly characterising Chiquita's environmental strategy; we will then address environmental issues directly related to plantations such as environmental challenges related to monocropping and the responsible use of pesticides including the challenges of aerial spraying, before analysing the heated debate on the use of pesticides, which is often driven by the claim that such use of chemicals should be abolished in favour of organic banana production. We thus will examine carefully this alternative before we add some insights about Chiquita's environmental projects outside of the plantations themselves.

Characterizing Chiquita's environmental strategy

In his comparison of the efforts of Chiquita and Dole to “bring a certified green banana to the market” in Honduras between approximately 1990 and 2004, Jansen distinguishes three phases in the evolution of environmental strategies¹: in the first phase, both companies reacted defensively to criticism of their environmental impacts mainly related to the use of chemicals. In the second phase, they introduced technological innovations in order to address the most pressing problems (e.g. safe spraying equipment, protective clothing for the workers etc.). However, recommendations for further improvements were apparently rejected as too costly and the system of banana cultivation itself was not changed, moreover there was little willingness to question the choice of specific pesticides. In this period, Jansen argues, the companies still refused to accept responsibility for accidents and instead blamed the workers' “cultural ignorance” for these events. In the third phase, companies finally moved beyond prevention and made organisational and process changes. They acknowledged environmental branding as a strategic asset, whose implementation could not be left to a small circle of selected experts. From then on, banana companies communicated proactively on their environmental strategy and they started to collaborate with a number of stakeholders including certification agencies (e.g. the Rainforest Alliance), auditors and consumers (Jansen 2004, p. 160).

In his analysis Jansen characterises Chiquita as an early mover who reacted faster to criticism from the outside than its direct competitor Dole. State officials in Honduras apparently acknowledged that Chiquita “had worked hard from the start to change its whole system of pesticide management” (Jansen 2004, p. 150). While Chiquita only introduced official government environmental audits in 1995, a few years later than Dole, they soon performed better. The reason for this was that Chiquita had already learned a great deal from its alliance with the Rainforest Alliance in its ECO-OK banana project to which it had already committed in 1992.

Our study of a variety of publicly available sources, our consultation of internal documentation from Chiquita and our interviews with Chiquita representatives and other stakeholders all suggest that this impression still holds true today: Chiquita's longstanding collaboration with the Rainforest Alliance has not only been responsible for its status as a relatively early mover but it seems to be the main driver for its present environmental strategy. Nearly all of the

Chiquita's longstanding collaboration with the Rainforest Alliance has not only been responsible for its status as a relatively early mover but it seems to be the main driver for its present environmental strategy.

environmental measures undertaken by Chiquita are either required by or actively supported by the Rainforest Alliance. Thus, while the details of Rainforest Alliance certification based on the standards set by the Sustainable Agricultural Network (SAN) are not at the heart of this chapter, everything that follows should be read with the importance of this collaboration in mind.²

Where does Chiquita stand now? Environmental issues account for the longest chapter in Chiquita's latest CSR report (2009-2012) and the report provides detailed background documentation and 'hard facts' on the progress Chiquita has made regarding environmental issues. Chiquita identifies sustainability as one of its CSR priorities for the period between 2012 and 2015. The main elements to be promoted within this rather large issue are emissions and water, waste reduction, biodiversity, as well as the development of a company-wide strategy and targets.³

Environmental progress has also been confirmed by the people we interviewed on the plantations. Particularly those who had been working for Chiquita for several years testified that significant improvements had been made regarding the use of agrochemicals or regarding waste management, to name just some examples. Environmental progress is also visible in the natural barriers surrounding the plantations and by the planting of soil cover.

Chiquita has also recognised the importance of closely monitoring the carbon footprint of their bananas and they have collaborated on the issue with the Massachusetts Institute of Technology.⁴ The resulting study, published in 2011, identified ocean transportation (i.e. refrigerated transport), farm chemicals (i.e. pesticides) and destination logistics (i.e. transportation on the road and chemical processes in ripening centres), as the three areas mainly responsible for the carbon footprint. Based on this study, Chiquita has undertaken a number of measures in order to reduce their greenhouse gas emissions such as renewing their container fleet, building a carbon-neutral ripening facility that serves as a testing ground for climate-friendly technology, engaging with the Environmental Protection Agency's Smart Way®, a collaborative transportation initiative, and they have achieved a 37% reduction in carbon emissions per box of bananas through a more eco-efficient ocean transportation from Latin America to Europe (CSR report 2009-12, p. 31). Moreover, they have committed to reducing their carbon emissions by 30% by 2020 (CSR report 2009-12, p. 13).

Finally, in 2012, together with WWF International, Chiquita developed a detailed "Water Risk and Footprint Assessment" of its main agricultural operations and activities (CSR report 2009-12, p. 34). The assessment revealed that producing one kilo of bananas uses about 400 to 600 litres of water, over 90% of which is consumed by the crop in the field. Recirculation of water in the packing plants is one means of significantly reducing the water footprint for processing.⁵ As a consequence, Chiquita has undertaken a number of measures such as monitoring and management of irrigation cycles, recirculation of water in several packing stations, micro-irrigation in some locations etc. (see CSR report 2009-12, p. 34). In order to reach the company's stated goal of reducing fresh water consumption by 15% by 2020, Chiquita needs to optimise efficiency, adhere to an overarching water strategy and management policy, mitigate water-related operational risks, and share best practice internally and with banana suppliers.

Environmental challenges related to monocropping

Industrial agriculture has become an increasingly dominant model in global food supply. Yet, while it has contributed significantly to economic growth in particular in developing countries, it has come under attack for a variety of reasons, in particular for environmental and social reasons. Even though bananas are just one of many agricultural products whose cultivation has been increasingly industrialised, their industrial production was among the first type of monocropping to be criticised. While public discussion currently mainly centres on the massive expansion of megafarms producing soybean, oil palm, rapeseed and sugar cane,⁶ the banana sector was already the target of fierce criticism from environmentalists in the 1990s (a criticism that eventually led to the cooperation between Chiquita and the Rainforest Alliance).

The main damaging effects ascribed to monocultivation can be summarised as follows: The extensiveness and the homogeneity of banana plantations limit habitat diversity and thus lead to a loss of diversity among animals and plants. This lack of biodiversity together with a lack of genetic variety (97% of internationally-traded bananas come from one single variety, the Cavendish) and the high concentration of pathogens, implies a high disease and pest pressure. This pressure is counteracted by the frequent use of pesticides, which potentially leak into drinking water, pollute irrigation canals and endanger the health of workers, their families and communities. Yet, at the same time the pests and diseases adapt, ever stronger, which means that more harmful pesticides need to be applied. A lack of nutrients leads to the degradation of the soil and to a decrease of its natural fertility.⁷

The main damaging effects ascribed to monocultivation can be summarised as follows: The extensiveness and the homogeneity of banana plantations limit habitat diversity and thus lead to a loss of diversity among animals and plants.

Monocropping in banana production is typically illustrated by pictures of monotonous landscapes stretching across huge areas of land, which were previously covered by tropical rainforests providing a habitat for thousands of species. Historically the establishment of banana plantations involved the deforestation of large areas, in particular in the early stages of banana production from the late 19th century to approximately 1960. The Panama disease, a fungus, and the degradation of the soil due to a lack of nutrients forced banana farmers to move their production to new places in increasingly brief intervals. The last wave of expansion occurred in the mid-1980s when Chiquita, Dole and Del Monte acquired new land in order to be able to satisfy demand in newly-emerging markets in Eastern Europe and China.⁸

Yet, at least since the 1990s, Chiquita, just like other agricultural companies, have found their acquisition and use of land closely monitored by the critical public and they have been pressured to prove that at least none of their new plantations have been built at the expense of rainforests.

In terms of numbers, the 2014 State of Sustainability Initiatives (SSI) Review⁹ cites that in 2011 5.3 million hectares of land were under cultivation by banana companies. While this is a significant area of land, it only represents 0.11% of the global agricultural area, and it is small compared to the 25 million hectares used for sugar cane, 163 million hectares for rice, and 217 million hectares for wheat (SSI 2014, p. 100). Thus, while the banana industry has contributed to deforestation, it is certainly not a main driver nowadays.

As early as 1992, Chiquita committed itself to a zero-deforestation policy as part of its engagement with the Better Banana Project (now Rainforest Alliance). In its 2000 CSR report, Chiquita states that from 1992 on the company “committed not to cut down any forest in the future” and that this “commitment (...) has since led us to turn down potential purchases of new farmland in Sarapiquí, Costa Rica, and potential contracts with growers who would have cut down forests to plant new farms in Bocas, Panama”.

If we believe Chiquita’s claims, it seems that for quite some time – and as one of the first big banana companies – Chiquita has acknowledged its own responsibility and that of its suppliers who are also required to have Rainforest Alliance certification, and it has not contributed any longer to deforestation. In the meantime, Chiquita has up to 50,000 hectares certified by the Rainforest Alliance, which is significantly more than for example Dole with 20,000 hectares.¹⁰

At the same time, it is safe to claim that a commitment to zero-deforestation is an indispensable requirement for any banana company that strives to have a credible environmental policy: given the topical nature of the massive CO₂ emissions resulting from deforestation, any company which lacks an explicit commitment to zero-deforestation is alleged to actively aggravate these problems.

Chiquita has undertaken a number of measures in order to break the vicious cycle of monocropping and need for new land.

Chiquita has undertaken a number of measures in order to break the vicious cycle of monocropping and need for new land. In particular, they have launched measures to fight soil degradation. These measures among other things involve the reduction of herbicide use. For example, in Honduras, a 4-year general plan to reduce the use of herbicides is underway; diverse species of ground cover are being planted in farm areas and along drainage canals.¹¹ With this, Chiquita strives not only to conserve the soil and water but also to reduce erosion and surface water drain, to improve water infiltration and – last but certainly not least – to reduce costs. According to Chiquita’s head of research and development, Ronald Romero, the use of pesticides has decreased significantly over the past years; the use of soil cover for example has reduced the use of herbicides by 70%. This statement is confirmed by the Rainforest Alliance who characterises the progress in reducing soil erosion and the use of agrochemicals by farmers as “dramatic”.¹² Other measures that serve to lessen the damaging effects of monocultivation include creating habitats and natural corridors for animals in the plantations.

RESPONSIBLE USE OF PESTICIDES

Pesticide use is one of the most controversial environmental issues for banana companies, and it is marked by conflicting demands and characteristics related to yield, pests, pesticides, biological control, workers, environmental movements, consumers, retailers and certifying consultants (Jansen 2004, p. 153). While climatic conditions and the effects of monocropping require the use of pesticides, the pressure is further heightened by the competitive market, which forces producers “to create the perfectly presented high-yielding banana”.¹³ Quality standards for bananas have steadily increased and nowadays the fruit

must also comply with a number of requirements related to age, grade, and foliage, which enable an optimal utilisation of the fruit in the packing process and also ensure a proper green life period of the end product.¹⁴

Historically, pesticide use peaked in the late 1960s after the Panama disease had largely eliminated the Gros Michel banana variety. From then on, the big banana companies applied a series of toxic cocktails including herbicides, nematocides¹⁵, and fungicides.

Pesticide management touches upon all three dimensions classically associated with sustainability: environmental, social and economic.

Environmental dimension: as argued above, pesticides are necessary for any large-scale production of high quality bananas in the tropics, but at the same time the use of pesticides always imposes the risk of contamination.

Social dimension: pesticides, particularly if handled unsafely, pose a threat to the health of workers and communities. This means that any banana company engaged in CSR needs to make a strong commitment to the safe use of pesticides accompanied by strict controls and thorough educational measures for workers and communities.

Economic dimension: pest control is “the major cost factor in banana production” (Jansen 2004, p. 154). In 2004, pesticides accounted for 30% of per box production (Frundt 2009, p. 78), yet at the same time, pesticides are essential for maximising banana yields.

Historically, two pesticides used in the banana industry have been particularly controversial. On the one hand DBCP (a nematocide), on the other hand Paraquat (a herbicide). While the application of these chemicals increased banana yield, both posed a significant risk to people exposed to them. In the case of DBCP, residues were hard to control, and traces of the chemical extended to houses, schools and recreation areas (Frundt 2009, p. 73). Among the most fatal effects of exposure to DBCP was the sterilisation of thousands of workers in Nicaragua and Costa Rica in the 1970s. By at least 2011 these workers were still “seeking justice in the US courts from the multinationals involved”¹⁶. In particular, Dole and Chiquita have been accused of using DBCP across plantations for years even though they were aware of the potentially devastating side-effects it caused in humans.¹⁷ This led Chiquita to be listed as one of the “Ten Worst Corporations” in 1995 by the NGO Multinational Monitor.¹⁸ In its 2000 CSR report, Chiquita addressed the DBCP issue and claimed that they only applied it in a few countries from 1973 to 1976. They state that they “stopped using DBCP commercially even before evidence appeared that it might cause health hazards, several years before the EPA revoked DBCP’s registration for use. At no time did Chiquita use DBCP in Nicaragua, although the Company has been named as a defendant in DBCP litigation filed in that country”.¹⁹

Paraquat is a chemical herbicide commonly used in agriculture. However, it is acutely toxic, causes a large amount of suffering and cannot be used safely under common working conditions.²⁰

Pesticide management touches upon all three dimensions classically associated with sustainability: environmental, social and economic.

Chiquita stopped using Paraquat in 1998 as part of the Rainforest Alliance certification which requires that Chiquita refrains from using the so called “Pesticide Action Network Dirty Dozen” substances including Paraquat, as well as substances that are either banned or severely restricted by the US Environmental Protection Agency or the EU and substances that are banned globally under the Stockholm Convention on Persistent Organic Pollutants (POP).²¹ Chiquita was thus an early mover compared to its competitor Dole who only phased out Paraquat almost one decade later in 2007.²²

Chiquita’s willingness to stop using Paraquat has even been positively noted by critical NGOs like the Berne Declaration, which is one of the main drivers of a global campaign that aims to entirely prohibit Paraquat. According to a 2011 report, Chiquita has managed to drastically reduce the use of herbicides by focusing on a number of measures like shade growing, mulching and ground cover with cover crops.²³

Thanks to its early commitment to environmental certification from the Rainforest Alliance, Chiquita was a prime mover in many ways in terms of its environmental strategy.

The fact that Chiquita stopped using Paraquat relatively early, confirms the findings from Jansen’s study mentioned at the beginning of this chapter (Jansen 2004): thanks to its early commitment to environmental certification from the Rainforest Alliance, Chiquita was a prime mover in many ways in terms of its environmental strategy.

SPRAYING BY AIRPLANE

Despite phasing out some of the most problematic chemicals and despite a drastic reduction in the overall use of pesticides, problems continue to exist: One of the most controversial environmental debates in the banana industry refers to the practice of aerial spraying. Aerial spraying is mainly used for the control of Black Sigatoka, the major fungus disease for bananas. Black Sigatoka was first discovered in Honduras in 1972 and reached epidemic proportions in 1973.

Aerial spraying is heavily criticised by environmentalists and advocates of workers’ health: it is argued that up to 85% of chemicals sprayed by aircraft miss the crop and instead saturate “the whole area, including workers, their homes and food”. Exposure to these chemicals creates serious health problems for people, such as respiratory problems, cancer, miscarriages, and birth defects.²⁴

Chiquita claims to undertake as many preventative measures as possible to keep plants healthy in order to avoid the outbreak of Sigatoka and it tries to spray as seldom as possible. However, once the infection is established, it is too late to use fungicides. Chiquita therefore asserts that in the climatic and economic conditions in which they operate, aerial spraying is inevitable. One of the main reasons for spraying by airplanes instead of doing it manually is related to cost. Moreover, according to Chiquita representatives, spraying plants by hand would simply be too labour-intensive.

Nevertheless, Chiquita is aware of stakeholder concerns about aerial spraying: in their 2000 CSR report they address the overall safety of fungicides, methods of application, and the short- and long-term health effects on employees, their families and the surrounding environment.²⁵



Aside from reducing the need for spraying in the first place, there are two main drivers in limiting its potentially damaging effects once it becomes inevitable; namely technology and information.

Technology

Ever since 1993 when technology akin to GPS became available for spraying, Chiquita has made use of technological advances that allow for a more precise application of spraying such as satellite controlled technology which traces and keeps record of the navigation of the airplanes and therefore of the exact areas where chemicals are applied. According to Chiquita representatives, they are committed to the leading technology in spraying, including a so-called “smart valve” system which controls the flow of spraying by only opening the valves in the exact points of the farm which have previously been selected for spraying. This system has apparently improved the efficiency of controlling the disease and allowed for a significant reduction in the consumption of chemicals. Moreover, by reducing the risk of spraying outside specific areas it has also enabled Chiquita to keep occupational safety issues under control.²⁶

Education

While the choice and application of technology lies entirely in the hands of Chiquita, the intended effects can only be achieved if people cooperate, i.e. if workers and communities are informed about the exact times and places of spraying, and if they behave accordingly. There are still regular accusations that Chiquita exposes – be it on purpose or not – field workers to aerial spraying. For example, in our meeting with the Honduran trade union SITRATERCO, representatives claimed that spraying was conducted even if people are on the plan-

tation and that this had led to strikes. However, based on the documentation about strikes in Honduras provided by Chiquita, we could not verify this claim.

In general, Chiquita denies any such allegations and points out that they were the first company to keep workers (and their families by moving them to nearby communities) away from spraying areas and that they continue to do everything possible in order ensure that this is respected. Moreover, in order to avoid spillages into the surrounding neighbourhood, Chiquita has begun to spray the borders of farms close to residential areas with land-based equipment, and plantations and drainage channels are surrounded by natural barriers consisting of trees or hedges to absorb the chemicals (this is part of Rainforest Alliance certification).

Yet, Chiquita's main means for protecting workers and people from nearby communities from exposure to spraying are through information and education. Every plantation is divided into two blocks in order to enhance the control and coordination of aerial spraying. Whenever one block is sprayed, labour is suspended for a period of 24 hours and the section in question is quarantined. As we observed during our visits to plantations, this information is made visible by means of large maps, which delineate the different sections at the entrance of plantations. Moreover, signposts warning of the dangers of aerial spraying and indicating spraying times can be found frequently along the roads surrounding the plantations.

Despite efforts at spreading information, there is no guarantee that people respect the rules and a strict control of access to plantations, which cover hundreds of hectares, is impossible.

While Chiquita seems committed to significant efforts in order to reduce the risks posed by aerial spraying, the problem as such is not resolved.

Despite its efforts at spreading information, there is no guarantee that people respect the rules and a strict control of access to plantations, which cover hundreds of hectares, is impossible. Chiquita for example faced a problem with plantain farmers crossing plantations without paying attention to spraying times in Panama. In such cases, simple solutions are not at hand since no one can force people into self-responsible behaviour. Instead, Chiquita has come up with an elaborate solution to improve the general situation of those farmers by teaching them agricultural know-how and by subsequently even enabling them with market access. The goal is to enhance their understanding of good agricultural practices, so that the plantain farmers will start to respect the rules.

It should be noted that ensuring that no one is exposed to aerial spraying is not only a matter of goodwill. In fact, if people are encountered on plantations while spraying occurs, Chiquita risks losing Rainforest Alliance certification. Added to this is the negative publicity with which they are confronted every time someone publicly reports such a case.

While Chiquita thus seems committed to significant efforts in order to reduce the risks posed by aerial spraying, the problem as such is not resolved. Recently there have been two pieces of news reporting health damages from spraying. According to a study published in *Environmental Health Perspectives*²⁷ and reported by the *Tico Times*, a daily English language online newspaper,²⁸ high levels of ethylenethiourea (ETU), the main metabolite of a fungicide named Mancozeb, which is typically sprayed by aircraft, were found in the urine of pregnant Costa Rican women working in and living near the banana industry in Matina, Limón. ETU levels were significantly higher for women living less

than 50 metres from a banana plantation, for women who wash agricultural work clothes as well as for women who work during pregnancy and for immigrant women.²⁹ While the study does not name the companies operating in this region, the results suggest that despite technological advances and despite efforts made at educating and informing people, it is almost impossible to entirely rule out the exposure of people to the chemicals sprayed by planes.

Another news item, confronting Chiquita directly, concerned reports of a lawsuit being filed against Chiquita by a Seattle-based NGO named WASH (Water and Sanitation Health).³⁰ While the main focus of the lawsuit is ‘deceptive advertising’, the NGO in question also accuses Chiquita of a number of environmentally unsustainable practices in Guatemala, such as contaminating local water supplies, failing to provide buffer zones between plantations and communities and thus regularly exposing people to overspray. Chiquita fiercely rejects these accusations and, claiming that WASH refused to mediate the situation, apparently considers filing a claim in return (for defamation and other torts associated with incorrect statements).³¹ In the meantime, the lawsuit has been settled, however, WASH has now “filed an additional lawsuit against the Rainforest Alliance, claiming that the environmental organization is also responsible for unfair marketing because it certified Chiquita farms as sustainable” (see also Chapter III.1: Managing External Aspects of CSR).³²

To conclude, while we cannot establish the truth of such allegations, the fact that they exist, and that they surface on a relatively regular basis proves that the issue of aerial spraying and exposure to pesticides in general is far from being resolved.

Benchmarking against organic bananas

With an increasing awareness of the damaging environmental effects of industrial farming and the unbridled use of pesticides, a global market for organic bananas has emerged. While this market is rather small, organic certification is often taken as the benchmark for environmentally responsible banana production, just like Fairtrade certification often figures as the benchmark for socially responsible banana production. Given the severe environmental and social side effects that result from the use of herbicides and pesticides, one could ask why companies like Chiquita do not move into the production of organic bananas.

Chiquita’s business model like that of its main competitors relies on intensive farming, which due to its reliance on pesticides is effectively incompatible with organic farming (see Chapter I.2: Economic Premises). Intensive farming is based on monocultivation or monocropping. While the latter terms have a negative connotation it should be noted that monocultivation is common practice in many long-term crops (e.g. palm oil, vineyards, etc.) and moreover that the global demand for bananas could simply not be satisfied based on organic farming. In order to grow bananas organically, i.e. without using pesticides, they need to be cultivated in regions with a low disease pressure, namely in regions with low humidity and rainfall, but also ample water for irrigation.³³ There is simply not enough land available for shifting all banana production to

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these regions, and in addition, even if there was in principle enough land available, the fact that organic farming needs much more land to produce the same amount of bananas as conventional banana cultivation and requires the intensive use of irrigation water in dry areas, suggests that there are also limitations to the desirability of organic farming from an environmental point of view.

The vast majority of Chiquita bananas stem from regions where organic banana farming is hardly possible due to the high disease pressure.

When considering organic bananas as a benchmark for environmentally responsible banana production, we need to take into account that the vast majority of Chiquita bananas stem from regions where organic banana farming is hardly possible due to the high disease pressure. The 2014 SSI study shows that the majority of organic bananas come from the Dominican Republic and from Ecuador, a significantly smaller proportion comes from Colombia, and a very tiny (almost negligible) share from Guatemala and Costa Rica. More recently, Peru has also started to export organic bananas.³⁴ Thus, the significance and viability of organic bananas is very low, at least in those countries where Chiquita owns production. However, it is important to note that Ecuador, where Chiquita purchases approximately 19% of its bananas,³⁵ is an important producer of organic bananas – i.e. 200'000 MT in 2011/2012. Chiquita sources about 19% of their production from Ecuador. Thus, in the Ecuadorian context one might rightly ask why Chiquita does not source more organic bananas.

Yet, outside that context, it is hard to imagine that anyone who wants to sell bananas from tropical regions on the highly competitive global export market could do so exclusively based on organic farming. All these arguments signal very clearly, that for a company like Chiquita it would be simply impossible to produce only organic bananas.

Environmental protection beyond plantations

Chiquita has not confined its environmental engagement to the way it cultivates bananas on the plantations, it has also committed to environmental projects in the surrounding areas. One particular project stands out as a sign of their extended commitment to environmental matters: the Nogal nature and community reserve in the Sarapiquí area of Costa Rica (i.e. near Chiquita plantations), which is dedicated to conserving biodiversity, promoting environmental education, enhancing community engagement on environmental matters, and fostering cooperation with retailers and NGOs. Chiquita launched Nogal in 2004, together with the Rainforest Alliance and the Swiss retailer Migros. In the meantime, the UK retailer IPL/Asda and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (a state-owned enterprise focusing on international development and cooperation) have also joined. One of Nogal's core activities targeted at biodiversity is the establishment of corridors that connect forest patches, which allow free movement of forest-dwelling species. By 2014, 600 hectares of forest have been connected.³⁶ In terms of community engagement, Nogal is dedicated to ensuring the participation of the community. To name an example, they help a nearby that had started as an illegal settlement to gain access to water and they promote their resource management. Yet, as project leader Dr. Amanda Wendt emphasises, Nogal only wishes to serve as an inspiration for people, and therefore does not adopt a leadership role. Through

this initiative, Chiquita further distances itself from the paternalistic view of the company, which has dominated public perception for a long time (see also Chapter II.3: Employees). Finally, Nogal also promotes environmental education by visiting schools across the region. According to Dr. Wendt, they reach approximately 2500 primary school children with their educational program.

How should we judge projects like Nogal from a CSR point of view? Such projects can be interpreted in different ways, both positive and negative: There are two obvious readings, which are disputed by Chiquita, and two less intuitive readings, which Chiquita affirms.

Considering Chiquita's contribution to deforestation in earlier times and the fact that despite significant improvements on the plantations monocultivation continues to be environmentally damaging, one could view Chiquita's engagement outside its plantations as some kind of atonement for previous wrongdoings and a correction of 'system errors' in their business model. In a sympathetic reading, such projects can thus be interpreted as a sincere acknowledgement of responsibility for the 'external effects' of their operations. According to this interpretation, Chiquita's commitment to these projects indicates that they are aware that under current conditions the environmental bottom line of large-scale banana cultivation is negative, but that they try to offset as many external effects as possible by conserving the environment not just on their plantations but also nearby. Even though this reading is sympathetic, Chiquita rejects it: According to Dr. Amanda Wendt (project leader Nogal), Nogal is by no means meant to be a mitigation of the impact of monoculture.

A less sympathetic reading condemns any environmental engagement extending beyond plantations as a mere charity or greenwashing exercise, i.e. as an attempt to distract attention from the environmentally damaging character of the core business model. Such accusations have been raised in the wider context of Chiquita's collaboration with the Rainforest Alliance (more about that in Chapter III.1: Managing External Aspects of CSR), but they could equally be targeted at specific projects resulting from this collaboration. For example, one NGO representative we interviewed (François Meienberg, Berne Declaration) found it "pathetic" of Chiquita to communicate about Nogal as part of their CSR at all. According to him, CSR has to be about the core business. Nogal for him is first of all charity, and even worse, it is indicative of 'schizophrenia' between the core business and charity. He points out that the areas reforested and conserved by Chiquita bear no relation to the total amount of land occupied (and damaged) by banana plantations. Chiquita fiercely counters such allegations and in addition Nogal's project leader Amanda Wendt claims that Chiquita neither needs nor uses Nogal as a marketing tool in order to convince the consumers or distract their attention from the 'real problems'. If it were a greenwashing exercise, communication about the project would be much more proactive. One could add that greenwashing arguments normally apply to situations where companies replace serious CSR activities with CSR communications and philanthropy. Given the intensive environmental engagement of Chiquita and its pioneering role with regards to reducing pesticides and herbicides, greenwashing accusations seem to be out of place.

Greenwashing occurs when companies replace serious CSR activities with CSR communications and philanthropy. Given the intensive environmental engagement of Chiquita and its pioneering role with regards to reducing pesticides and herbicides, greenwashing accusations seem to be out of place.

But if Nogal and other similar projects are neither intended to offset the damaging effects of monocultivation nor used as a means to convince the consumer of Chiquita's environmental commitment, what are they? Chiquita provides two justifications, which are *prima facie* less evident than the two readings mentioned above: for one, they frame the projects as contributions to empowerment, for another they emphasise their strategic value for their relationships with retailers. In their 2009-2012 CSR report Chiquita presents the Nogal project as a "'bottom-up' approach to biodiversity conservation, very different from the 'top-down' approach that has sometimes consumed large resources with disappointing results"³⁷, and it links them to their motto "Conserving biodiversity, with the community and for the community".³⁸ According to Nogal's project leader Dr. Amanda Wendt, Chiquita's engagement demonstrates that they consider themselves to be a member of the community rather than an isolated economic actor. Raising environmental awareness among people is not just an act of charity, but a strategic necessity. In order to maintain certification with the Rainforest Alliance, Chiquita needs to ensure compliance with the SAN Standard, which among other things requires that they conserve the ecosystem, protect wildlife, and ensure the social and environmental well-being of surrounding communities.³⁹

Aside from the strategic value of empowering people, projects like Nogal are also of central importance in maintaining good relationships with retailers. By committing to comprehensive nature and community projects, Chiquita demonstrates to their retailers that they take their responsibility seriously. Chiquita representatives emphasise that Nogal and similar projects are not isolated activities, but part of the core business because they are located in direct proximity to the plantations. Efforts at promoting biodiversity must not be confined to plantations but must extend to their surroundings. Plantations need to be embedded in the environment for example by means of biological corridors on and between plantations. If we agree that a producer's responsibility extends beyond what happens in the field, such projects become directly relevant for the core business (more will be discussed about Chiquita's relationships with retailers in Chapter IV.2).

Conclusion

Chiquita's environmental responsibility first of all faces the challenge of legitimising the *raison d'être* of its very business model against the pressure of advocates of organic farming. According to George Jaksch from Chiquita one can argue that conventional banana production with good agricultural practices is more sustainable than organic farming. However, given that the critics will probably reject such claims and will continue to monitor the company's CSR performance, the focus must be on continuous improvement. Chiquita has undertaken a number of measures in order to achieve this goal and is willing to be held accountable for its actions by committing to Rainforest Alliance certification. The company has been a pioneer with regards to several key environmental challenges. Yet, as made evident by the problems associated with aerial spraying, banana farming in the tropics will never be entirely free of risks for people and the environment. In a business with extremely low profit margins

(see Chapter 1.2: Economic Premises), Chiquita finds itself trapped between the economic pressure to maximise its yield, which requires extensive use of pesticides on a given area of land, and the pressure to protect people and the environment, which, *ceteris paribus*, requires a further reduction of pesticides. Given this dilemma, the goal for Chiquita must be to keep up and potentially strengthen its commitments. The Nogal project and similar initiatives do not mitigate the environmental harm caused by banana production because they are neither focused on core business problems nor sufficiently scaled up. They do, however, provide important additional advantages such as an increased environmental awareness in the communities in which Chiquita operates and stronger links to retailers. These links might help Chiquita bring their overall CSR performance to the attention of retailers who themselves are under increasing pressure to become more sustainable.

In a business with extremely low profit margins, Chiquita finds itself trapped between the economic pressure to maximise its yield, which requires extensive use of pesticides on a given area of land, and the pressure to protect people and the environment, which, *ceteris paribus*, requires a further reduction of pesticides.

Lessons learned

- The most fundamental criticism Chiquita needs to address in demonstrating its environmental responsibility refers to the **question as to whether industrial banana farming as conducted by Chiquita can ever be sustainable**. In this context, it is essential to illustrate the complex relation between climatic factors, economic pressures and limited availability of land that constrain the extent to which large-scale production of bananas can be achieved in a sustainable or even organic manner.
- Thanks to its early commitment to environmental certification from the Rainforest Alliance, Chiquita was in many ways a **first mover** in the agricultural industry in terms of its environmental strategy: With its **zero-deforestation policy, its commitment to responsible pesticide management, and its investments into technological advances**, Chiquita has a variety of measures in place that mitigate the damaging effects of its operations.
- Pesticide management epitomises the **limitations on sustainability in industrial banana farming**: the disease pressure in the tropics means that large-scale banana farming is impossible without using pesticides. Social characteristics imply that responsible pesticide management requires a significant investment into the education, not only of workers, but also of entire communities. Finally, the fact that pest control is simultaneously a crucial cost factor in banana production but necessary for the maximisation of yields on a given area of land, poses an additional challenge for Chiquita.
- **Aerial spraying** is an example of a very controversial practice, which is currently necessary due to economic and climatic factors, but whose damaging effects can only be mitigated if people cooperate, i.e. if workers and communities are informed about the exact times and places of spraying, and if they behave accordingly.
- Given that critics perceive that Chiquita's business model is irreconcilable with environmental sustainability, Chiquita's **engagement in environmental projects** in the areas surrounding its plantations could be seen

as a sincere acknowledgement of responsibility for the ‘external effects’ of their operations. Yet, Chiquita denies that such projects are meant to compensate for the impact of monocropping. A less sympathetic reading condemns any environmental engagement outside of plantations as a mere charity or **greenwashing exercise**, i.e. an attempt to distract attention from the environmentally damaging character of the core business model. Yet, given that Chiquita uses such engagement as a complement to rather than a substitute for environmental engagement in its core business, allegations of greenwashing can be refuted.

- According to Chiquita, the main **value of environmental engagement outside its core business** is twofold: for one, such projects represent a bottom-up approach, which illustrates that **Chiquita see themselves as a member of the communities in which they operate**. Raising environmental awareness among people is not just an act of charity, but a strategic necessity because environmental education is necessary to maintain Rainforest Alliance certification. Moreover, such projects are of central importance in maintaining **good relationships with retailers** who require proof that Chiquita take their responsibility seriously. Thus, even though such engagement takes place outside of plantations, it is directly relevant for the core business.

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III. Managing CSR



III.1. Managing external aspects of CSR: Cooperation with NGOs, standards and certifications, CSR reporting

Abstract

In order to secure its existence, a company needs to subject its activities to the judgment of external stakeholders. We find that Chiquita has a comprehensive set of measures in place for achieving this, ranging from bi- and multi-lateral cooperation with NGOs, to the adoption of standards, labels and certifications, and the publication of CSR reports. We assess the credibility of their engagement across these activities and argue that while Chiquita's different measures add up to a convincing commitment, their collaboration with the Rainforest Alliance absorbs an undue amount of attention and that as a consequence, Chiquita's reputation in terms of CSR has become inextricably linked with that of the Rainforest Alliance. Moreover we find that their CSR reporting has lost its pioneering momentum of the early 2000s and this should be strengthened and its frequency enhanced. One way to achieve this might be by joining the UN Global Compact and subscribing to the GRI guidelines.

Introduction

A company whose CSR fails in the eyes of its stakeholders, quickly loses its license to operate and becomes vulnerable to consumer boycotts, NGO campaigns, or a simple lack of goodwill in the communities in which they operate.

Companies have to be efficient in order to survive, but they also have to be legitimate. Their existence and their practices have to be accepted by a broader set of stakeholders who evaluate the companies from outside. Many companies engage in CSR because they have been under pressure from their various stakeholders for the social and environmental harm to which they are connected. In order to keep their license to operate, these CSR activities must be evaluated as a credible and sufficient answer to the social and environmental challenges the companies are facing. A company whose CSR fails in the eyes of its stakeholders, quickly loses its license to operate and becomes vulnerable to consumer boycotts, NGO campaigns, or a simple lack of goodwill in the communities in which they operate.

There are several ways in which a company can ensure that its CSR activities are exposed to the moral judgment of stakeholders. First of all, a company must demonstrate its open-mindedness by cooperating with stakeholders – be it on a bilateral level, such as with NGOs, or on a multilateral level in multi-stakeholder initiatives. Second of all, a company needs to subject its CSR activities to objective external control. The main tools for implementing such control are standards, labels and certifications by third parties, which at the same time act as public benchmarks for the credibility of a company's CSR. Thirdly, it is important that a company regularly communicates about its CSR in a transparent way with the general public.

Bi- or multilateral cooperation, standards, labels and certification as well as CSR reporting represent different degrees of formalisation and levels of accountability. While bilateral cooperation with an NGO can be rather informal and includes a limited amount of pressure on the company to be accountable, a multi-stakeholder initiative typically represents a more institutionalised context with clear structures and decision-making guidelines. Standards, labels and certification are the most formalised way of demonstrating accountability and securing trust because their awarding follows clear procedures and generates measurable outputs (e.g. the share of bananas from certified farms in Chiquita's case). Finally, CSR reporting is in principle not subject to any guidelines but because it is publicly and freely available it reaches an extremely wide audience and must stand up to critical examination by a potentially unlimited number of readers.

Bilateral cooperation with NGOs

Chiquita had already started to collaborate intensively with NGOs back in 1992 when they launched their pilot project with the Rainforest Alliance. At that time, very few corporations worked with NGOs, in fact, most did not even speak with them and NGOs focused on attacking corporations for their unsustainable practices. While today, partnerships between NGOs and corporations have become an important and well-established element of CSR, the 1990s were characterised by rather hostile relations between corporations and civil society. Chiquita played quite a unique pioneering role not only within its own industry (where such partnerships remained rare until recently), but also in global business in general. Today, many multinational corporations engage in similar partnerships to the ones Chiquita had already built in the early 1990s.

Chiquita played quite a unique pioneering role when it started to collaborate intensively with NGOs back in 1992. At a time when relations between corporations and civil society were rather hostile.

Partnerships may vary from pure philanthropic donations to ad hoc projects on particular issues to long-term and intensive collaboration around core business challenges. While Chiquita engages in various partnerships (e.g. with the WWF in its "Water Risk and Footprint Assessment"; see Chapter II.4: Environment, and CSR report 2009-12, p. 34), its partnership with the Rainforest Alliance, however, is certainly the most extensive one.

Chiquita's engagement with the Rainforest Alliance stands out in many ways: The mere fact that this cooperation has lasted for more than 20 years deserves notice in the world of CSR where trends often come and go. As pointed out in other chapters (II.4: Environment, and III.2: Managing Internal Aspects of CSR), several factors influenced Chiquita's decision to cooperate with the Rainforest Alliance, ranging from the genuine desire to improve social and environmental conditions in their business, to strategic considerations about differentiating their product on the market, to reputational considerations and the personal conviction of influential people in the company. The question remains, however, as to whether this collaboration has really strengthened the credibility of Chiquita's CSR and thus Chiquita's license to operate.

The will to engage with critics is a necessary but insufficient requirement for the credibility of a company's CSR. A multinational brand like Chiquita can har-

dly afford to ignore critical voices, but the exact design of a CSR engagement matters in determining whether it is perceived as a real effort to improve circumstances or a mere greenwashing exercise. Here, we will briefly address the fundamentals of a credible NGO-business partnership before discussing in greater detail the Rainforest Alliance certification itself.

The main challenge for any partnership between a company and an NGO lies in striking the right balance between cooperation and 'critical distance'.

The main challenge for any partnership between a company and an NGO lies in striking the right balance between cooperation and 'critical distance'. That is, a company must avoid the impression of 'buying the NGO' with which it cooperates in order to ensure the credibility of their partnership. This means that there must be transparency regarding the financial transactions between the parties and personal links, and the company must demonstrate that it has not merely bought endorsement from the NGO in exchange for merely superficial change in its business practices. Greenwashing accusations have for instance been levelled with heightened frequency against the WWF, on suspicion that the organisation is all too willing to engage with companies in exchange for money, thereby 'selling out' its mission.¹ While the NGO feels the damaging effect of such criticism most acutely, it also impacts on the credibility of a company's CSR. Moreover, the goals of the partnership must be stated clearly. Both sides must report regularly on progress, demonstrating measurable achievements as well as failures.

How can we judge Chiquita's cooperation with the Rainforest Alliance by using these parameters?

The Rainforest Alliance guards against the risk of being accused of selling out by forbidding the use of its logo and of its "Rainforest Alliance Certified™ seal on products for the purpose of marketing promotions".² In terms of funding, the Rainforest Alliance accepts corporate grants, which sets it apart from other well-established NGOs like Greenpeace. According to their 2013 annual report, approximately 16.5% of their revenue came from "foundations and corporate grants" (Rainforest Alliance Annual report 2013, p. 36).³ Yet, the Rainforest Alliance does not accept corporate money uncritically, but rejects contributions from companies whose histories or practices "raise questions about their commitment to positive environmental or social change".⁴ In their 2009, 2010, 2011, 2012 and 2013 annual reports, Chiquita is registered as a funder of an event over 10'000 USD. Fausta Borsani (Consultant for Rainforest Alliance in Switzerland) claims that the Rainforest Alliance deems corporate donations to be unproblematic as long as they are made public. She also rejects criticism targeted at personal links between the Rainforest Alliance and companies: Kraft Foods has been a partner of and a donor to the Rainforest Alliance for many years, and former Kraft executive members are now members of the Rainforest Alliance's Board of Directors. According to Borsani, again, this is not problematic because it is made transparent. Overall, due to the fact that they have linked their partnership to a certification program, the goal of the partnership between Rainforest Alliance and Chiquita is quite clear and both sides communicate fairly regularly about the progress made. Yet, as we will see further below, when it comes to certification, their cooperation is not beyond suspicion.

Multilateral cooperation

Multi-stakeholder initiatives (MSIs) are private governance mechanisms, in which corporations meet with civil society organisations, and often also other actors, such as governments or trade unions, in order to address the social and environmental challenges of their business. Multi-stakeholder initiatives typically have a clear mission and a formalised structure and decision-making procedures. These initiatives are indicative of a trend to institutionalise the interaction between business and its stakeholders by embedding it into more or less formal and democratic governance structures.

By participating in multi-stakeholder initiatives, a company demonstrates that it is willing to further engage its stakeholders in its CSR policy and to be held accountable for its progress. At the same time, MSIs are an important forum where companies can represent their interests and engage in dialogue with their critics in a 'safe environment'. Very often, multi-stakeholder initiatives issue 'soft law' in the form of voluntary standards or guidelines. Thus, they also present an opportunity for corporations to actively co-create standards. Such initiatives are normally considered to be the most sophisticated and most credible private regulatory systems available when hard law regulation does not exist or is not enforced. We will discuss this further in the section below on standards, labels and certifications. Chiquita is engaged in several multi-stakeholder initiatives. For example, CSR manager George Jaksch was originally a member of the Social Accountability International (SAI) Advisory Board and to date is still a member of the founders' committee of the same board.⁵ Chiquita is also a member of the Global Social Compliance Programme, "a business-driven programme for the continuous improvement of working and environmental conditions in global supply chains"⁶, where George Jaksch is also a member of the executive board.

Moreover, Chiquita also actively participates in the World Banana Forum, which was launched in 2009 by about 150 organisations, institutions and companies, and which provides "a permanent space of assembly for participants representing the global banana supply-chain". Its mission is "to inspire collaboration between stakeholders that produces pragmatic outcomes for the betterment of the banana industry; and, to achieve an industry-wide consensus of best practices regarding workplace issues, gender equity, environmental impact, sustainable production and economic issues".⁷

The World Banana Forum not only unites Chiquita's most important stakeholders, including NGOs (e.g. Bananalink), trade unions (e.g. Colsiba), retailers (e.g. Tesco), and governments, but also competitors (e.g. Dole) and representatives from the Fairtrade Labeling Organization (FLO).

Chiquita is well represented, with George Jaksch acting as member of the steering committee, and of the Working Group on Sustainable Production Systems and Environmental Impact, and Marco Latouche (regional manager of labour relations) acting as a member of the working group on labour rights. According to Chiquita's 2009-12 CSR report, the World Banana Forum does not just promote dialogue between interested parties, but aims primarily "to bring about improvements in the social and environmental impact of the sector that individual organizations cannot achieve on their own" (p. 58).

Chiquita's active engagement in the most inclusive and distinctive multi-stakeholder initiative within its industry is very important from a credibility and from a strategic point of view.

Chiquita's active engagement in the most inclusive and distinctive multi-stakeholder initiative within its industry is very important for two reasons: for one, staying away like their competitors Delmonte⁸ and Noboa⁹, would clearly undermine public trust in the seriousness of their CSR; for another, as mentioned above, the World Banana Forum provides Chiquita with the unique opportunity to have a say in the creation of standards, which is strategically highly valuable.

Standards, labels and certifications

Standards, certifications and labels are a form of private regulation. The need for them emerged as stakeholders became aware that companies did not meet basic social and environmental standards. Private regulation in particular plays a role in the absence of state capacity or enforcement of the law. Certifications are thus an essentially "privatised standards model, which allows the buyers to point to verified criteria and tell their consumers that the bananas meet standards, when this is not always the case" (Alistair Smith, Bananalink). They go beyond bilateral partnerships by providing "arm's length assessment process, with practice measured against robust standards."¹⁰

The importance of labels, standards and certifications for Chiquita is underlined by the fact that "the banana export industry is by far the leader in the use of voluntary certification". Voluntary certification in the banana industry has been driven among other things by "growing concerns among consumers and NGOs over the industry's environmental and social performance".¹¹ At the same time, banana companies have acknowledged certification as a means to "differentiate their products and add value"¹² in the fierce battle for market share and profits.

Standards, labels and certifications are no panacea in themselves. As discussed in Chapter III.2 (Managing internal aspects of CSR), CSR always also needs to be accompanied by 'soft factors' like culture, leadership and values that are not covered by standards. Yet, it is also clear that the rather 'technical' dimensions measured by standards etc. often impact on internal factors and vice versa. Standards such as the Rainforest Alliance certification, or management systems such as entailed in SA8000, are vital for anchoring and implementing CSR internally. This was repeatedly emphasised in our interviews with Chiquita representatives. For example, occupational safety was originally only covered by certifications and only later became identified as an issue that merits attention in its own right (Leonardo Murillo, regional Environmental, Health and Safety manager). Certifications support the integration of values throughout the company and they make values tangible (Marco Latouche, regional manager of labour relations). Put differently, all certifications should ideally already be part of 'Chiquita's DNA' so that audits do not constitute an extra effort but rather serve to confirm what is already there anyway (Marlon Rivera, farm manager, Tela Railroad Company, Honduras).

Yet, the integration (or lack thereof) of standards into the internal processes of a corporation is normally not visible to the outside world (for our evaluation of Chiquita's internal processes, see Chapter III.2). The public discussion typically

focuses on the external dimension, in particular on questions of effectiveness and credibility, and as we will see, certifications are among the most intensely debated aspects of CSR and Chiquita is no exception.

Certifications are among the most intensely debated aspects of CSR and Chiquita is no exception.

WHAT STANDARDS, LABELS AND CERTIFICATIONS DOES CHIQUITA HAVE?

Just like many other industries, the banana industry has also experienced the rapid growth of competing environmental and social standards, labels and certifications in recent decades. Thus, any banana producer needs to carefully select among the mechanisms available to certify or label his or her products. The goal must be to have a credible and effective set of standards that together address as many of the environmental and social aspects of banana production and trade as possible. Chiquita has committed to a number of different standards and certifications. The most comprehensive among them are SA8000 and Rainforest Alliance certification.^{13,14}

SA8000 is a standard, owned by Social Accountability International (SAI), “which promotes the human rights of workers through the implementation of voluntary standards. In 1997 it convened a multi-stakeholder Advisory Board to develop its SA8000 standard. The SA8000 standard is based on the principles of ILO conventions, the UN Convention on the Rights of the Child, and the Universal Declaration of Human Rights.”¹⁵

The Rainforest Alliance operates the certification program for the SAN (Sustainable Agriculture Network). SAN primarily focuses on “social and environmental standards applicable to tropical agriculture”.¹⁶

While there are overlaps in the issues addressed by Rainforest Alliance certification and SA8000, they vary in terms of visibility and credibility and in terms of Chiquita’s stated motivation for committing to them: Chiquita argues that Rainforest Alliance certification primarily helps them ensure environmental responsibility, while SA8000 ensures their social responsibility, and in particular labour rights. In terms of attention, the Rainforest Alliance certification dominates much of the international debate about Chiquita’s CSR. This has to do with the fact that a few years ago, Chiquita started to affix the “Rainforest Alliance-certified” label to bananas sold in some European markets.¹⁷ As we will argue in Chapter IV.1 (Marketing of CSR to Consumers), this has led to an exponential increase in the visibility of the Rainforest Alliance certification. At the same time, judging from the extent of CSR communication devoted to it, Chiquita seems to see their co-operation with the Rainforest Alliance as the flagship of their CSR policy.

Below, we will first assess how SA8000 and Rainforest Alliance certifications perform based on different tools or references designed to evaluate the quality of voluntary sustainability standards. We will then present criticism and appraisal of these standards based on our analysis of publicly available documentation and on our interviews with different stakeholders. Together, the findings serve to highlight whether the standards chosen by Chiquita really enhance the credibility of its CSR or whether there is a discrepancy between Chiquita’s conviction and the public perception.

BENCHMARKING SA8000 AND RAINFOREST ALLIANCE CERTIFICATION

There are different tools or references to evaluate the credibility/quality of sustainability standards and to compare them. If we assess how Rainforest Alliance certification and SA8000 perform on the Standards Map, an online tool provided by the International Trade Center (www.standardsmap.org), in particular in comparison with the Fairtrade standard for Hired Labour¹⁸, it becomes evident that the Rainforest Alliance certification is almost as comprehensive as that of Fairtrade International in terms of how many aspects it covers across different dimensions (e.g. environmental, social, management, quality and ethical dimensions). SA8000 by contrast almost exclusively focuses on social issues. At the same time, the Rainforest Alliance standard is weaker in terms of the degree of obligation required for meeting its objectives: If we differentiate between criteria linked to “immediate action”, those that require action within 1, 3, or 5 years, or mere recommendations, we see that the Rainforest Alliance standard only requires immediate action for about 28% (i.e. 55 of 196) of its requirements, while the rest must be met within 1 year. SA8000 and the Fairtrade Standard for Hired Labour by contrast require immediate action for the vast majority of their criteria. This finding could explain why, as we will see below, some critics accuse the Rainforest Alliance standard of being ‘soft’. Softness, i.e. a lack of rigour, is one of the main biases of voluntary standards because it is directly linked to ineffectiveness, which in turn implies that the standard does not achieve much.

Another reference for the credibility of standards is whether they are member of ISEAL, “a non-governmental organization whose mission is to strengthen sustainability standards systems for the benefit of people and the environment”.¹⁹ Only Rainforest Alliance is a full member of ISEAL (as is Fairtrade International), but Social Accountability International, which is responsible for the SA800 standard, is not a member. Full members of ISEAL are compliant with the ISEAL Standard-Setting Code as well as with the ISEAL Impacts Code. Compliance with these Codes “is an indicator that a standard-setter embraces credible practices and can distinguish an organization to standards users and other stakeholders”. Aligning with ISEAL codes is “more than an additional ‘layer of certification’”, but instead strives to prove that an organisation is committed to “continuous improvement” and that it has “well-functioning systems (...) in place that are more likely to deliver positive social, environmental and economic impacts”.²⁰

Finally, Social Accountability International (SA 8000) as well as the Rainforest Alliance’s certification body SFC (and the certification body of Fairtrade, FLO-Cert) are ISO65 compliant. ISO65 ensures quality management, transparency in all operational and certification processes, and independence of decisions made during certifications.²¹ While SFC only achieved compliance in 2012, this achievement is important in terms of countering previous criticism, which claimed that the Rainforest Alliance was not sufficiently independent and that its cooperation with Chiquita was a mere greenwashing exercise.²²

CRITICISM AND APPRAISAL OF RAINFOREST ALLIANCE CERTIFICATION

While objectively, Rainforest Alliance certification ticks many boxes in terms of credibility and is accredited by the main ‘standard evaluation organizations’, it

still faces a number of criticisms. Below we will describe these criticisms as well as the counterarguments.

Scope and rigour of certification

Several of our external interview partners perceived Rainforest Alliance certification as “credible within the scope of what it claims to certify” (François Meienberg, Berne Declaration; Tobias Meier, Helvetas). Yet, they also shared the impression that the scope of Rainforest Alliance certification was too narrow, i.e. biased towards environmental issues. There was a general feeling among NGO and Fairtrade representatives that Rainforest Alliance was not the right certification for labour matters (e.g. Alistair Smith, Bananalink, Ursula Brunner, Martin Blaser, Fairtrade International, and François Meienberg, Berne Declaration).

Tobias Meier, Helvetas:

“While I feel that the Rainforest Alliance certification has a clear standard and independent controls, I have doubts regarding the content: what are their standards? What is being controlled? To me, Rainforest Alliance certification is a ‘code’ rather than a premium label that imposes rigorous environmental and social criteria.”

Alistair Smith from Bananalink claims that “Rainforest Alliance people in private admit that labour issues are not their expertise and that’s not where they came from or are good at.” To underline this argument he cites the controversial case of the Tres Hermanas farms in Honduras (see Chapter II.3: Employees), which were Rainforest Alliance certified despite ongoing violations of labour rights.

Interestingly, Chiquita CEO Ed Lonergan also characterises the Rainforest Alliance certification as being primarily environmental while social aspects are covered by SA8000 and the IFA.

The Rainforest Alliance by contrast claims that they also provide a credible certification for social matters, in particular for labour rights. According to Fausta Borsani (Consultant for Rainforest Alliance in Switzerland), Rainforest Alliance certification in itself would be sufficient to prove that Chiquita respects labour rights. According to her, SA8000, which Chiquita flags as its main standard for social matters, does not make a qualitative difference, but only serves to underline Chiquita’s commitment to the cause. Borsani calls to mind that historically Chiquita’s main problem was its antagonism towards organised labour (see Chapter I.1: Historical Premises), which means that commitment to labour rights cannot be emphasised enough today.

In terms of the rigour of certification some criticise the fact that only 16 out of the 100 criteria that form the Rainforest Alliance standard are classified as critical, which links back to the above-mentioned findings from the Standards Map. The vast majority of the rest are “scoring criteria, which means that they add to a certain score that needs to reach a specified level to pass”.²³ This in principle allows for trade-offs between different non-critical criteria, e.g. the planting of some trees can compensate for non-delivery in a social area (Martin Blaser, Fairtrade International).

For the Rainforest Alliance this approach is indicative of their commitment to learning rather than sanctioning. They want to ensure continuous progress with a focus on the self-responsibility of the producers, rather than policing them. As Fausta Borsani (Consultant for Rainforest Alliance in Switzerland) puts it:

“Certification is not a guarantee for a perfect state but work-in-progress. It allows farms to continuously improve, requires them to correct deficiencies and holds them accountable for their progress. It is a pragmatic system. You don’t label ‘paradise’, you label work in progress.”

Critics of certifications sometimes claim that audits, particularly those that are announced beforehand are stage-managed.

Credibility and Effectiveness of audits

Critics of certifications sometimes claim that audits, particularly those that are announced beforehand (as is the standard case for SA8000 and Rainforest Alliance audits) are stage-managed, in that the farm management cleans up the site just for the time of the audit and instructs workers on what they are allowed to say (Ursula Brunner, fair trade pioneer, Switzerland). A 2006 article in the German news magazine *Der Spiegel* quoted Chiquita field workers as saying that they were being sent to “the other end of the plantation when the auditors come so that they cannot get in touch with them”. The same workers claimed that as early as one month before the audit, the farm management starts to tidy up and to store away pesticides.²⁴ Trade unionists from SITRATERCO in Honduras backed up such criticism by presenting us with two photographs from a packing station at a Chiquita farm: one photo showed a very clean and tidy place, the other version a rather messy place. According to them, the clean version is an exception and is only arranged in the run-up to audits.

Both, Chiquita and the Rainforest Alliance strictly reject such allegations. As Borsani (Consultant for Rainforest Alliance in Switzerland) argues, an audit indeed requires a lot of preparation work, but only in terms of administration. The management needs to have all the documentation ready (e.g. contracts, credit accounts, etc.) that the auditors need to review. This is also the reason why an audit needs to be announced. She claims that it would be impossible to entirely re-model the whole plantation including all operations etc. just for the time of the audit. A business with such a high productivity pressure like the banana industry would simply not have the resources available for doing so.

However, recently, serious allegations emerged regarding the credibility of the Rainforest Alliance audits when a US-American NGO named WASH first filed a lawsuit against Chiquita for ‘deceptive advertising’ (see also Chapter II.4: Environment) and then, upon reaching a settlement with Chiquita, filed another lawsuit against the Rainforest Alliance directly, “claiming that the environmental organization is also responsible for unfair marketing because it certified Chiquita farms as sustainable”. According to the latest lawsuit, Rainforest Alliance staff told WASH that “as little as 15% of Chiquita bananas are grown under sustainable conditions.” WASH bases its allegations on environmentally unsustainable practices observed on Chiquita farms in Guatemala. Five of the farms mentioned in the lawsuit were deemed to be in compliance with the SAN standards according to a Rainforest Alliance audit in June 2015. Upon being informed about WASH’s claims, the Rainforest Alliance “updated (their) website

material regarding Chiquita to ensure it was up to date". WASH says the website previously exaggerated Chiquita's sustainability.²⁵ Rainforest Alliance has published a statement on the allegations from WASH, in which they defend the results of their audits.²⁶ In our personal communications they have moreover emphasised that "(t)he claims WASH is making are meritless. The statement that as little as 15% of Chiquita bananas are grown under sustainable conditions, is incorrect. (...) In addition, our website did not previously exaggerate Chiquita's sustainability."

Regardless of who is right or wrong and regardless of their own legal settlement with WASH, such events are a matter of serious concern for Chiquita given that the Rainforest Alliance certification is the most prominent element of their CSR policy and Chiquita needs to face these allegations head on.

Business-friendliness

Finally, Rainforest Alliance certification is often being perceived as 'business-friendly'²⁷, particularly when compared to Fairtrade. This mainly has to do with the fact that the Rainforest Alliance follows a policy of non-intervention in the market, i.e. it does not guarantee a minimum price, and with the fact that it is not explicitly smallholder-oriented (see Chapter 1.2: Economic Premises, for details). Yet, as Fausta Borsani (Consultant for Rainforest Alliance in Switzerland) argues:

"There is nothing morally reprehensible about cooperating with the industry. It must be noted that our cooperation relates to specific issues, not to political aspects. I.e. we do not lobby for less regulation. We care about whether Chiquita can produce sustainable bananas. The political level of cooperation needs to be distinguished from cooperation 'on the ground'."

Undeniably, Chiquita's commitment to Rainforest Alliance certification has had a huge impact on the banana market. According to a 2014 review on the "State of Sustainability Initiatives", the cooperation between the Rainforest Alliance and Chiquita is the major example of how CSR decisions from a top producer affect "many sustainability outcomes associated with banana production for export markets". Thanks to Chiquita's commitment to Rainforest Alliance certification, the banana sector became "one of the first to experience mainstream adoption of voluntary sustainability standards".²⁸ To date, the Rainforest Alliance is the market leader and will lead the expansion of standard-compliant production in the banana business.

At the same time, the fact that so far Chiquita is the only main banana producer with such a comprehensive commitment involves the risk that some see the Rainforest Alliance certification as an 'essentially private standard for Chiquita only'.²⁹ Thus, from a strategic point of view, it would be desirable for Chiquita to have the Rainforest Alliance expand their certification to farms from their competitors even if this means that Chiquita might lose its 'competitive advantage'. To date, competitors such as Dole only selectively apply Rainforest Alliance certification to some of their plantations. Thus, here, Chiquita needs to differentiate themselves by making it clear that for them, Rainforest Alliance certification is an integral part of their business and not just an 'arbitrary add-on'.

The fact that so far Chiquita is the only main banana producer with such a comprehensive commitment involves the risk that some see the Rainforest Alliance certification as an 'essentially private standard for Chiquita only'.

CRITICISM AND APPRAISAL OF SA8000

Compared to Rainforest Alliance certification, Chiquita's commitment to SA8000 receives much less attention from critical stakeholders. This has to do with the fact that SA8000 certification is not an indispensable requirement for Chiquita bananas; i.e. as of 2008, only 42% of all shipped Chiquita bananas came from SA8000 certified farms (CSR report 2008, p. 19). On the other hand, the SA8000 label is not added to bananas and "there is no differentiated retail market".³⁰

Nevertheless, Chiquita calls SA8000 "a disciplined approach to labour rights" (CSR report 2008, p. 19). In particular, SA8000 serves as the basis for the chapter on human rights in the workplace in Chiquita's code of conduct – according to Chiquita, SA8000 offers the following important features:³¹

- A standard based on national laws, international human rights norms, and the conventions of the International Labour Organization (ILO)
- Developed by experts including trade union leaders
- Independent audits and certification
- Management system requirements for consistent implementation over time

Our external interview partners were however rather sceptical regarding the overall credibility and effectiveness of SA8000. Alistair Smith from Bananalink mentioned that SA8000 is one example why company certifications are "very risky". According to him, SA8000 is less and less important for bananas because on the one hand, it is not taken very seriously by the retailers, and on the other, despite its apparent focus on labour rights, "it is no substitute for good industrial relations between trade unions and the company".

CSR reporting

It is hard to imagine that a company's CSR could have any credibility if it is not documented in a systematic, publicly available manner.

CSR reporting is a highly important way for companies to document their CSR activities in a format that is available to literally anyone interested. It is hard to imagine that a company's CSR could have any credibility if it is not documented in a systematic, publicly available manner. The heightened importance of CSR reporting is underlined by the fact that some countries have made CSR reporting a mandatory requirement for certain companies (i.e. companies above a certain size in France and Denmark, state-owned companies in Sweden).

Chiquita has, again, played a pioneering role in CSR reporting. Among other things, it was rated as one of the top 50 companies in CSR reporting in 2004, in a benchmarking survey report by the United Nations Environment Programme³² and it received "the first-ever Award for Outstanding Sustainability Reporting from CERES-ACCA, a coalition of more than 80 environmental and investment groups" in 2001 (Chiquita CSR report 2003, p. 15). In particular Chiquita's 2002 report set new standards in transparency by publishing the rather critical results of the Rainforest Alliance and SA8000 audits on its plantations.

Yet, as mentioned in Chapter III.2 (Managing Internal Aspects of CSR), after its

rapid takeoff in the 1990s, due to changes in leadership and due to financial limitations, Chiquita's CSR lost a considerable amount of momentum and this also negatively impacted on the frequency and quality of its CSR reporting: After its much applauded CSR report in 2000 and an impressively transparent follow up report in 2002, it took six years before the next comprehensive CSR report was published. Between 2003 and 2007, the issue of CSR appeared only as a chapter in the regular financial report, and the years 2009 to 2012 were summarised in one three-year report.

The irregularity in their CSR reporting could be avoided if Chiquita was a member of the UN Global Compact (UNGC), which commits its participants "to issue an annual Communication on Progress (COP), a public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the (UNGC), and in supporting broader UN development goals"³³. Failure to communicate results in a company being delisted and leads to reputational risk for the company. By committing to the UN Global Compact, Chiquita might have protected parts of its CSR commitment (i.e. the reporting) throughout the times when CSR was not a major priority for the top management. Joining the UN Global Compact is also worth consideration because many interested parties use the participation of a company in the UN Global Compact as a preliminary benchmark for judging whether a company is committed to CSR at all.

The irregularity in their CSR reporting could be avoided if Chiquita was a member of the UN Global Compact (UNGC), which commits its participants "to issue an annual Communication on Progress (COP), a public disclosure to stakeholders on progress made in implementing the ten principles".

When looking more specifically at a company's track record in CSR reporting, the primary benchmark is typically to be found in the guidelines of the Global Reporting Initiative. Any company that publishes a CSR report faces the question of why it does not follow the GRI standards.

Chiquita has addressed the Global Reporting Initiative explicitly in several of its CSR reports in recent years (i.e. 2001, 2002 and 2009-12). In 2001 they stated that they were "examining new models for communicating triple bottom line performance, such as the Global Reporting Initiative standards" (p. 31) and that they were

"also examining additional reporting based on the Global Reporting Initiative's core indicators, which would extend our reporting beyond the workplace to include the company's economic impact on local communities" (CSR report 2001, p. 26).

In 2002 (p. 66) they clarified that they support GRI and

"we have adopted the GRI standard for reporting our social and economic indicators, but find that the current GRI environmental indicators are not highly relevant to the environmental performance of our agricultural operations. As such, we have chosen not to report our environmental performance in the GRI format."

They further express their desire that "the GRI should welcome the use of certification results against rigorous, transparent third-party performance standards, as a proxy for the limited set of detailed performance data currently required by the GRI standards." For them, the extensive information on their

performance “against the rigorous environmental standards of the Rainforest Alliance, as certified by independent annual audits of the Sustainable Agriculture Network” would be such a proxy.

Yet, in order to demonstrate that their reporting matches the ‘state of the art’ as defined by the GRI, they list the cross-references between the elements in their report and the GRI indicators in table format (p. 67). The same approach was used again in the 2009-12 CSR report (p. 61).

Reporting according to GRI guidelines is not necessarily the most advanced style of reporting possible and Chiquita’s innovative and transparent reporting from the early 2000s, which described the flow of information along its supply chain, probably came much closer to the ideal of CSR reporting than the technical ticking of boxes in the report required by the GRI guidelines. However, the signal effect of a commitment to GRI must not be underestimated.

Conclusions

Chiquita has a comprehensive portfolio of activities that together secure their license to operate: For more than two decades, they have engaged with stakeholders on different levels, with differing degrees of intensity, and they commit themselves to standards that are subject to third-party audits. Moreover, at least with their full CSR reports from the years 2000, 2002, 2008, and 2009-12, they have demonstrated that they are willing and able to document their CSR efforts in a systematic manner. While one can criticise Chiquita’s CSR activities for various reasons, it is undeniable that the company has in many ways been one of the most advanced multinational corporations when it comes to CSR. Chiquita was a pioneer in NGO collaboration, they were one of the first multinational corporations exposing its operations to third party control and in their early reports they were also a forerunner in CSR reporting.

Yet, some caveats are in order: The cooperation with the Rainforest Alliance absorbs an undue amount of attention to Chiquita’s CSR, and as we have argued, the track record of this cooperation is not above criticism. Part of the attention is due to the simple circumstance that the Rainforest Alliance certification is the only certification that is affixed to bananas (at least in some European markets). It is thus much more visible than for example SA8000 or the International Framework Agreement with trade unions. This disproportionate amount of attention is further fueled by Chiquita’s proactive and intense communications on their collaboration.

Moreover, the Rainforest Alliance certification program seems to be a red flag for Fairtrade activists. Some of their criticism might be motivated by the fact that certifications and labels have created a tough market in which numerous initiatives compete with each other and have an interest in highlighting the shortcomings of rival schemes. Fairtrade, which in particular competes with Rainforest Alliance certification for market share in bananas, explicitly questions the Rainforest Alliance’s credibility because it does not guarantee a minimum price. Moreover, the success story of Chiquita’s collaboration with the

Rainforest Alliance seems to encourage other NGOs to critically scrutinise this arrangement. This has become apparent in recent allegations from the US-based NGO WASH.

Given their longstanding and intense cooperation, the reputations of Chiquita and the Rainforest Alliance have become inextricably linked. This is further strengthened by the fact that (in the banana industry) Rainforest Alliance certification almost exclusively covers Chiquita bananas and thus according to some critics represents 'Chiquita's private standard'. Again, the WASH-campaign demonstrates this potentially dangerous proximity by simultaneously targeting Chiquita and the Rainforest Alliance. Even though Chiquita has reached a settlement with WASH, and is thus legally 'safe', the campaign is not over and whatever the Rainforest Alliance says or does in this context has a direct impact on Chiquita's credibility.

There is also confusion regarding the purpose of the different measures. The public seems to take the Rainforest Alliance certification as a benchmark for literally *all* of Chiquita's CSR. This is unfortunate, given that it is weaker than the IFA with the trade unions in terms of verifying labour issues. At the same time it is understandable given that the IFA is not marketed directly to consumers. Confusion is further heightened by the fact that while for Chiquita the Rainforest Alliance certification is not the principal benchmark for labor relations, the Rainforest Alliance claims that its standard is at least as comprehensive as the Fairtrade Standard for Hired Labour in terms of labour rights and should therefore rightly be used as a benchmark. Thus, NGOs simply took the Rainforest Alliance at its word when they made it the main target of their campaign against the Tres Hermanas case in Honduras, which centred on labour issues. Yet, even though Chiquita later stepped in by buying the farms in question, the campaign undeniably rubbed off on Chiquita. Overall, as we have examined in our discussion on labour relations, Chiquita's interaction with the Rainforest Alliance and SA8000 should be examined in parallel to the promotion by Chiquita of workers' self-representation. Shortcomings in certification schemes with regards to labour issues might be compensated by the engagement of the unions themselves. In this aspect, as we have argued, Chiquita has been a pioneer despite all challenges.

Finally, the fact that Chiquita's CSR reports vary in terms of frequency and quality, and that they do not follow the GRI guidelines, also negatively impacts on the credibility of its overall commitment to CSR. The company faces the challenge of how to increase the frequency of its reporting and of how to go back to the innovative spirit of the early 2000s reporting despite its very limited financial and human resources. For that matter, it might be worthwhile to consider joining the UN Global Compact and to comply closer with GRI standards. This would not only enhance the visibility of Chiquita's CSR reports, it would also provide an incentive to enhance the frequency of their reporting.

Hence, while Chiquita effectively engages in an impressive array of activities that have the potential to build trust with their stakeholders and to secure their license to operate, their portfolio suffers from the fact that most public attention focuses on just one of these activities, i.e. the Rainforest Alliance coop-

While Chiquita effectively engages in an impressive array of activities that have the potential to build trust with their stakeholders and to secure their license to operate, their portfolio suffers from the fact that most public attention focuses on just one of these activities, i.e. the Rainforest Alliance cooperation and certification

eration and certification, and from contradicting statements from Chiquita and Rainforest Alliance representatives regarding the scope and purpose of their different efforts. The confusion regarding the right benchmarks for Chiquita's different activities leads to a dilution and underestimation of Chiquita's efforts. A return to the radical transparency of the early 2000s might help to mitigate these problems.

Lessons learned

- Chiquita has a **comprehensive portfolio of activities** that together secure their license to operate: They are engaging with stakeholders on different levels, with differing degrees of intensity, and they commit themselves to **standards that are subject to a third-party audit**. Moreover, at least with their full CSR reports from the years 2000, 2002, 2008, and 2009-12, they have demonstrated that they are willing and able to document their CSR efforts in a systematic manner.
- The company has in many ways been among the most advanced multinational corporations when it comes to CSR: Chiquita was a **pioneer in NGO collaboration**, they were one of the first multinational corporations exposing their operations to third party control and in their early reports they were also a forerunner in CSR reporting.
- Yet, the **cooperation with the Rainforest Alliance absorbs an undue amount of attention** in relation to Chiquita's CSR, and indeed the track record of this cooperation is not above criticism. Part of this imbalance derives from the simple fact that the Rainforest Alliance certification is the only certification for plantations that is affixed to bananas (at least in some European markets). This disproportionate amount of attention is further fueled by Chiquita's proactive and intense communication about their collaboration.
- The **Rainforest Alliance certification program is a red flag for Fairtrade activists**. Some of their critique might be motivated by the fact that they compete with the Rainforest Alliance over market share. However, beyond that the success story of Chiquita's collaboration with the Rainforest Alliance also seems to encourage other NGOs to critically scrutinise this arrangement.
- Given their longstanding and intense cooperation, **Chiquita's reputation and that of the Rainforest Alliance have become inextricably linked**. This is further strengthened by the fact that (in the banana industry) the Rainforest Alliance certification is perceived by many as exclusively covering Chiquita bananas and thus according to some critics represents 'Chiquita's private standard'.
- There is **confusion regarding the purpose of Chiquita's different CSR measures**. The public seems to take the Rainforest Alliance certification as a benchmark for literally *all* of Chiquita's CSR. This is unfortunate ,

given that it is weaker than other commitments such as the International Framework Agreement with the trade unions in terms of verifying labour issues. Critics emphasise that the Rainforest Alliance certification is not the right benchmark for labour relations; the Rainforest Alliance, however, claims that its standard is at least as comprehensive as the Fairtrade Standard for Hired Labour in terms of labour rights and therefore should rightly be used as a benchmark.

- Chiquita's interaction with the Rainforest Alliance and SA8000 should be examined in parallel to Chiquita's promotion of workers' self-representation. ***Shortcomings of certification schemes with regards to labour issues might be compensated by the engagement of the unions themselves and by the overlapping impact of different certification schemes.***
- The fact that Chiquita's ***CSR reports vary in terms of frequency and quality***, and that they are not a member of the UN Global Compact and do not follow the GRI guidelines, also negatively impacts on the credibility of their overall commitment to CSR. ***Subscribing to the UN Global compact and the GRI standards*** would enhance the visibility of Chiquita's CSR reports, and might provide an incentive to enhance the frequency of their reporting.

ENDNOTES

- 1 See e.g. MacDonald, C. (2008). Green, Inc. - An Environmental Insider Reveals How A Good Cause Has Gone Bad. Guilford CT: The Lyons Press; <http://www.theguardian.com/sustainable-business/wwf-president-business-partnerships-greenwashing>; or <http://www.spiegel.de/international/world/wwf-helps-industry-more-than-environment-a-835712.html>
- 2 <http://www.rainforest-alliance.org/cause-marketing-guidelines>
- 3 http://www.rainforest-alliance.org/sites/default/files/about/annual_reports/AR2013_spreads_0.pdf
- 4 http://www.rainforest-alliance.org/corporate-giving?_ga=1.12515124.1294527647.1416042858
- 5 <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=494#FounderCommittee>
- 6 <http://www.gscpnnet.com/>
- 7 <http://www.fao.org/wbf/en/>
- 8 <http://www.bananalink.org.uk/fresh-del-monte-produce-coral-gables-florida-usa>
- 9 <http://www.bananalink.org.uk/grupo-noboa-sa-guayaquil-ecuador>
- 10 <http://www.ethicalcorp.com/environment/ngos-and-big-business-too-close-comfort>
- 11 <http://www.fao.org/3/a-i0529e.pdf>, p. 89.
- 12 Ibid.
- 13 Moreover, the International Framework Agreement with IFU and COLSIBA also represents a kind of private regulation. Since we have already addressed the latter in Chapter II.3 (Employees), we will not pick it up again here.
- 14 Chiquita also has GlobalGap certification. The GlobalGap standard relates to food security and addresses the environmental impacts of farming operations, requires reduced use of chemical inputs and a responsible approach to worker health and safety as well as animal welfare (see: <http://www.isealalliance.org/online-community/organisations/>)

globalgap). However, given that Chiquita does not specifically highlight their commitment to GlobalGap in their most recent CSR report and given that GlobalGap can almost count as a “trade barrier” because it is almost impossible to sell bananas to the European retail market without being GlobalGap certified (Martin Blaser, Fairtrade International), we do not address it further in this study.

- 15 http://business.sustainability-compass.com/standard-search/details-of-standards/std/58/Social_Accountability_International_-_SA8000.html?L=0&cHash=2463da4daaf06e84e21524e09a31b9fb
- 16 [http://business.sustainability-compass.com/?id=49&L=0&tx_chsimplepp_pi1\[start\]=S](http://business.sustainability-compass.com/?id=49&L=0&tx_chsimplepp_pi1[start]=S)
- 17 <http://www.fao.org/3/a-i0529e.pdf>, p. 13.
- 18 The Fairtrade Standard is often taken as the most rigorous benchmark, and thus deserves to be included as a point of reference – see also Chapter 1.2 (Economic Premises).
- 19 <http://www.isealalliance.org/about-us>
- 20 <http://www.isealalliance.org/online-community/news/eight-iseal-members-successfully-pass-independent-evaluation-for-impacts-code-compliance>
- 21 <https://www.fairtrade-deutschland.de/ueber-fairtrade/inspektion-und-zertifizierung/>
- 22 E.g. <http://www.iisd.org/business/viewcasestudy.aspx?id=109>; http://www.wwf.ch/de/aktiv/besser_leben/ratgeber/lebensmittellabels/
- 23 Bethge, J. P. (2014). Sustainability Certification. Comparative analysis of different approaches, their implementation and Impacts using the examples of Fairtrade and Rainforest Alliance in the cocoa sector of Ghana Zürich: LIT Verlag, p. 47.
- 24 <http://www.spiegel.de/wirtschaft/bananenmulti-chiquita-unter-falscher-flagge-a-428004.html>
- 25 <http://www.theguardian.com/sustainable-business/2014/dec/19/chiquita-lawsuit-green-marketing-bananas-water-pollution>
- 26 <http://www.rainforest-alliance.org/statement/wash>
- 27 E.g. Bethge, J. P. (2014), p. 49; <http://www.spiegel.de/spiegel/print/d-56831283.html>; Shumate, M., & O'Connor, A. (2010). The symbiotic sustainability model: Conceptualizing NGO–corporate alliance communication. *Journal of Communication*, 60(3), 577-609.
- 28 http://www.iisd.org/pdf/2014/ssi_2014.pdf, p. 103.
- 29 <http://www.fao.org/3/a-i0529e.pdf>, p. 13; http://www.iisd.org/pdf/2014/ssi_2014.pdf
- 30 <http://www.fao.org/3/a-i0529e.pdf>, p. 14.
- 31 Jaksch, G. (2009). Chiquita and corporate responsibility: the fruits of our experience. In D. Leipziger (Ed.), *SA8000, the First Decade: Implementation, Influence, and Impact*. Greenleaf Pub., 2009. (pp. 68-81). Sheffield: Greenleaf Publishing, p. 71.
- 32 <http://www.sustainability.com/library/risk-opportunity#.VLUCAyfdvuc>
- 33 <https://www.unglobalcompact.org/cop/>

III.2. Managing internal aspects of CSR: Leadership, cultural and structural aspects

Abstract

One of the unique advantages of this “open book” assessment is the opportunity to dig deeper and to include the inside perspective. **In this chapter we address three different but strongly connected aspects, which determine whether or not CSR has deep roots within a corporation: leadership, culture (as evident in employee motivation and in the values on which Chiquita’s CSR is based), and structural elements as represented by management systems.**

We argue that Chiquita has recognised leadership as a necessary but not sufficient factor for promoting CSR and that they place great emphasis on employee motivation, be it by tying bonuses for management representatives to meeting sustainability targets, or by rewarding workers in the field for working without lost time incidents. Beyond the ‘human factor’, Chiquita has clearly identified the foundations of its CSR and it has ensured that CSR constitutes an essential part of the foundation of the overall organisation, which strengthens CSR’s immunity to changes in leadership. Moreover Chiquita has set up standard operating procedures for managing CSR along the lines of well-established management systems.

Introduction

In order to understand whether or not a corporation is seriously engaging in CSR, it is fundamental to find the answer to the very simple question of how deep the roots for engagement are within the corporation. Greenwashing and philanthropy are two strategies used by corporations to convey the impression of being engaged while in reality, their engagement remains on the surface in marketing and donations that are not linked to their core business. On the surface, Enron had an impressive CSR engagement, but after the fall it became evident that there was nothing below that surface. The question is how CSR takes root in a corporation and how we can evaluate it as critical observers from the outside. One of the unique advantages of this research project is the opportunity to dig deeper to gain an inside perspective.

Whether or not CSR has deep roots in a corporation can be examined along three different but strongly connected aspects: leadership, culture and structural elements. In this chapter, we present our evaluation of these three aspects. First, we will discuss the importance of leadership then we will address cultural aspects as fundamental to employee motivation, and the normative foundations of Chiquita’s CSR. We will finally analyse the structural side of integrating CSR by focusing on the availability and the importance of management systems.



In order to understand whether or not a corporation is seriously engaging in CSR, it is fundamental to find the answer to the very simple question of how deep the roots for engagement are within the corporation.

Importance of leadership

LEADERSHIP IN THE PAST

How could a company with a reputation for engaging “in a range of questionable business practices”¹, perceived as violating virtually *any* understanding of responsible management practices, transform into a corporate citizen who embraces its responsibility for the social and environmental challenges related to its core business? While our study shows that numerous aspects of Chiquita’s CSR engagement have been critically challenged by various actors, it would be hard to find critics who entirely deny the serious efforts of the company to tackle social and environmental issues.

Chiquita’s move towards CSR that began in the 1990s would not have been possible without the distinctive values and beliefs of the people in CSR-relevant positions at that time.

Chiquita’s move towards CSR that began in the 1990s has been called “an astonishing transformation”, which was “driven by an unprecedented voluntary shift in focus and by a desire to protect its brand”¹. But what triggered this shift? By analyzing publicly available data, internal documentation from Chiquita and by interviewing people, it becomes clear that one of the key factors triggering this change of heart relates to matters of leadership. While external factors, in particular the highly negative publicity associated with the Cincinnati Enquirer articles in 1998 made Chiquita’s top management aware of the extent of their problems (SLC report 2009, p. 69), without the distinctive values and beliefs of the people in CSR-relevant positions at that time, the journey would not have started. In any kind of organisation, people take the behaviour of their leaders as a yardstick for their own decisions and it is hard to imagine a corporation with an advanced CSR engagement that is not driven from the top.

Chiquita had already started its transformation in 1992, when its collaboration with the Rainforest Alliance began and the company started to improve its environmental footprint and subjected itself to external audits and certifications. For a few years, however, Chiquita’s CSR engagement did not go beyond this collaboration. CSR was driven deeper into the company when then-CEO Steven Warshaw acknowledged in 1998 the need for a more open and transparent corporate culture when external shocks hit Chiquita, triggered among other things by the Cincinnati Enquirer story and by a massive strike of Chiquita workers in Panama (SLC report 2009, p. 69f.). Warshaw decided that while the collaboration with the Rainforest Alliance on environmental matters was an important step in the right direction, from now on Chiquita would have to step up its efforts on a larger scale and become equally active on social matters.²

Steven Warshaw’s central role in shaping Chiquita’s CSR policy has also been recognised by the media: in a German magazine, he was called a “visionary”, who was willing to confront the “dark past” of the company and to engage with critics.³ In a 2002 Financial Times article Warshaw described his motivation for releasing the groundbreaking CSR report in June 2001 as follows:

“Rather than simply respond to criticism, my hope was to define leading standards for our business and to prove to myself and others that we could indeed live up to them, everywhere we operate”,

Warshaw added:

“This was not to be a public relations exercise but a management discipline.”⁴

In a 2003 case study on the implementation of CSR at Chiquita, Warshaw’s role in driving CSR is again emphasised. Warshaw is described as a CEO with a “high personal sense of moral duty and conviction regarding the importance of Chiquita leading in the area of corporate responsibility and making a contribution to society”⁵. The article even identifies the CEO’s “personal drive” as probably “the single most important factor in energising the company for [Corporate Social Responsibility]”.⁶

As one of the first steps towards formalizing Chiquita’s CSR, Warshaw installed a “Senior Management Group for CR” in 1998. This group was responsible for “providing vision and leadership” for CSR, and included Steven Warshaw himself and seven top managers.⁷ Thus it is clear that Warshaw would not have been able to bring about such a fundamental change without the help of other senior managers. In their CSR report 2009-12 Chiquita explicitly expresses their “gratitude to our pioneering colleagues at Chiquita who started us on our CSR journey” (CSR report 2009-12, p. 9). Aside from Steven Warshaw, they name Jeffrey Zalla, Chiquita’s first Corporate Responsibility Officer 2000-2003, and David McLaughlin Senior Director Environmental and Social Performance, 1997-2006, who is now Vice President of Agriculture at WWF. The simultaneous engagement of three top managers was a lucky circumstance, which significantly contributed to the speed and comprehensiveness of Chiquita’s transformation.

Zalla was the leader of the broad Corporate Responsibility initiative developed by Warshaw in 2000, and he became the first Corporate Responsibility Officer at Chiquita. Among other things Zalla set up a corporate responsibility steering committee, in which employees from Chiquita’s different business areas were represented (SLC report 2009, p. 69f.). This committee was responsible for developing a set of core values.⁸ Warshaw underlined his commitment by often attending the meetings of this committee and actively participating in discussions.

Moreover, as part of the Corporate Responsibility initiative, Zalla also revised Chiquita’s code of conduct, set up training programs for employees, and conducted a self-assessment of Chiquita’s CSR efforts across all its business operations. The 2001 CSR report was the culmination of this initiative, which at the same time marked the start of Chiquita’s official CSR program.

David McLaughlin was the key driver behind Chiquita’s collaboration with the Rainforest Alliance. In the early 1990s he was general manager of Chiquita’s operations in Costa Rica, when he decided to engage in a pilot study, in which Chiquita subjected two farms in Costa Rica to the environmental (and social) standards of the Rainforest Alliance (Chiquita internal documentation, Our Story). McLaughlin’s vision and courage were central in convincing the sceptics in the company that this was a necessary and valuable step for Chiquita.⁹

External critics also admit that leadership has played a central role in the progres-

The years following Chiquita's quantum leap in CSR proved that if the leaders of an organisation lack serious commitment, CSR suffers.

sion of Chiquita's CSR. Alistair Smith from Bananalink claims that the International Framework Agreement, which Chiquita concluded with the trade unions IUF and COLSIBA in 2001, was only possible because the top management in the 1990s became seriously committed to issues of labour rights and because they were willing to "open doors in areas where relations were not necessarily good before".

At the same time, the years following Chiquita's quantum leap in CSR under the auspices of Warsaw, proved that the opposite is true as well: if the leaders of an organisation lack serious commitment, CSR suffers.

This became clear in particular from 2004 to 2012 when Fernando Aguirre was President and CEO. Alistair Smith from Bananalink claims that Fernando Aguirre was "definitely feeling that CSR was less important". Current Chiquita representatives support this claim by admitting that during Aguirre's time in office, CSR had lost a considerable amount of the momentum it had gained under Warsaw. Chiquita's CSR engagement turned into a sleeping beauty and some Chiquita managers even talk about the "lost decade in CSR".

This judgment shows that even though certain people, like Manuel Rodriguez (Executive Vice President of Government & International Affairs and Corporate Responsibility Officer) and George Jaksch (Senior Director Public affairs and CSR) have tried their best to keep CSR alive throughout the years "when the CEO at that time wasn't all that excited" (Ed Lonergan, President and CEO), without the commitment from the very top, their scope of action is limited. Alistair Smith from Bananalink reasons that this limitation must have been felt in particular by Manuel Rodriguez who has worked for Chiquita for about 20 years and who he acknowledges as a central driver of the IFA with IUF and Colsiba in 2001.

„(...) even if Rodriguez is committed, the people above him and even some of the people below him, listening to the rhetoric of the CEO will get a feeling as to how the company is taking it on a corporate level. I think that's definitely been felt in the second half of the last decade."

Finally, the influence of leadership on CSR is also mirrored in the frequency and quality of CSR reporting (see also Chapter III.1: Managing External Aspects of CSR): After its much applauded CSR report in 2000, which among other things contained a passionate letter from then-CEO Steven Warsaw, entitled "A new spirit of openness", it would take eight years before the next comprehensive CSR report was published. In 2002, Chiquita published its last CSR report and until 2007, the topic appeared only as a subtopic in the regular financial report, the years 2009 to 2012 were summarised in one three-year report. According to George Jaksch (Senior Manager Public Affairs and CSR), the weaker commitment to CSR by ex-CEO Fernando Aguirre (CEO from 2004 to 2012, and Chairman from 2004 to October), along with financial constraints, was one of the factors responsible for this development. The question is where Chiquita stands on this issue at present.

LEADERSHIP TODAY

Ed Lonergan, who had already retired from work when he was appointed as Chiquita's President and CEO in October 2012, claims that CSR was one of the

central drivers for accepting his position at Chiquita as follows:

“In talks to the board, I got aware that we had lost our way in thinking and integrating CSR in everything that we did”.

Lonerger accepted his new position with the promise of making sure that CSR is “back in the center of everything”. Lonergan now wants “to make sure that no matter who leads the company, this is part of what we are.” According to him, Chiquita has reached a state in which it is “hard to extract CSR from what we do because it’s everything we do”.

Alistair Smith also acknowledges that current CEO Ed Lonergan seems committed and has realised that CSR is part of “Chiquita’s strategy on which he needs to build” and which needs to be “more coherent than it already is”. A prime example in which the influence of current leadership on matters of CSR becomes manifest is the so-called “Target Zero” initiative (see also Chapter II.3: Employees). In our interviews Chiquita management representatives repeatedly pointed out that Ed Lonergan’s engagement on matters of health and safety is outstanding. Lonergan is convinced that Chiquita owes it to the families of their workers to send their employees home healthy. Everybody confirmed that without Lonergan this initiative, which has led to a massive decrease in work-related accidents, would not have come about.

Leonardo Murillo (Regional Environmental, Health and Safety Manager) confirmed that the “leadership involvement at all levels of the organization”, cascading from top senior management is one of the key success factors of Target Zero:

“It is impossible to achieve improvements without commitment from top management”

Ed Lonergan’s commitment to safety at work as institutionalised in the Target Zero initiative is comparable to Warshaw’s pioneering role in getting CSR started: just like Warshaw ensured the success of his CSR initiative by anchoring it among the highest ranks in Chiquita, Lonergan has done the same by means of setting up a steering committee for safety matters which also consists of top management representatives.

Lonerger set out «to make sure that no matter who leads the company, this is part of who we are.» According to him, Chiquita has reached a state in which it is «hard to extract CSR from what we do because it’s everything we do.»

Cultural aspects: Values management, internal communication, employee motivation

EMPLOYEE MOTIVATION

When you ask Chiquita managers about their CSR engagement, they often just take their business card and show the back of it. Chiquita has imprinted the key values of the company on all business cards. Workers on the plantations are also confronted with those values in various ways. Our interviews showed that both managers and workers at Chiquita see the company’s CSR engagement as a source of pride. This is backed up by results from annual employee sur-

veys with which Chiquita has been measuring employees' attitudes about the company since 2010 (CSR report 2009-12, p. 20). The surveys indicate that "employees consider corporate responsibility a significant source of motivation and engagement, and are proud of Chiquita's work to address social and environmental issues" (CSR report 2009-12, p. 20).

While the tone from the top is key for the CSR performance of a company, it also turns out to be the greatest risk.

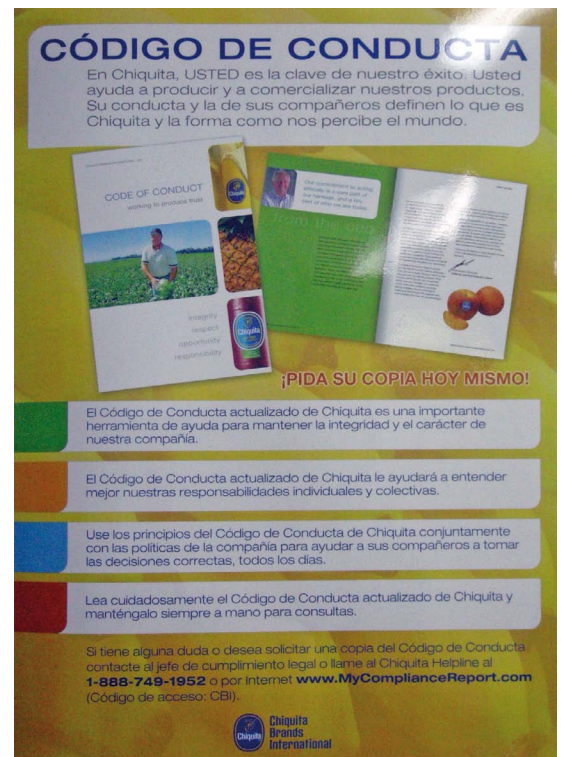
In order to guard against this risk and make their CSR engagement more robust, companies have to embed and make routine the CSR related values in their culture.

While, as we have argued, the tone from the top is key for the CSR performance of a company, it also turns out to be the greatest risk: Whenever a new CEO comes in who gives CSR less priority, CSR risks losing its momentum. In order to guard against this risk and make their CSR engagement more robust, companies have to embed and make routine the CSR related values in their culture. Chiquita is aware of this need. In 2011 they launched the "Live Chiquita! Initiative" in order to "create a company culture to inspire our most valuable asset—our employees". "Live Chiquita!" is based on three pillars named "Go Chiquita – Energize Hearts", "Be Chiquita – Engage Minds", and "Love Chiquita – Encourage Success" (CSR report 2009-12, p. 20). Moreover, Chiquita has also officially made employees one of its CSR priorities for 2012-2015.¹⁰ The goal is to sustain and strengthen compliance and to enhance CSR information and participation (Internal Presentation May 2014). At the same time, Chiquita assumes that strengthening CSR increases employee morale and subsequently enhances Chiquita's productivity. This correlation becomes evident for example in labour relations: "Productive and stable labor relations with our workers and their representatives are essential for our business" (CSR report 2009-12, p. 14).

Conversely, Chiquita suffers when their workers are not committed to the central elements of their CSR policy such as their core values. According to a farm manager in Honduras (Marlon Rivera, Finca Omovita), a 'bad attitude' such as a lack of integrity or respect that squarely contradicts Chiquita's core values poses one of the biggest challenges to successful CSR.

At management level, Chiquita ensures that employees are committed to CSR by tying bonuses to the achievement of annual goals. The board signs off on a set of objectives that includes CSR as part of the overall targets, but also specific CSR projects. According to CEO and President Ed Lonergan, bonuses depend on the successful delivery of these projects.

Manuel Rodriguez adds that tying manager bonuses to meeting annual sustainability targets is an important means to make employees "vested into the sustainability programs". According to Lonergan and Rodriguez, employees are



highly passionate about CSR and Chiquita's CSR policy has been a key factor in their ability to hire people with the right values.

In this way, the strategic importance of CSR as a recruitment tool comes into play. According to CEO Loneragan, this aspect is particularly important if we look to the future when "millennials" (i.e. people born around the turn of the millennium) will account for an ever-growing share of their workforce. Loneragan claims that millennials look at his generation as the one who has "ruined the planet", and that they have a "much stronger sense of responsibility than their parents do". If Chiquita wants to hire them, they need to be able to demonstrate a convincing and comprehensive CSR performance.

Chiquita's efforts to reward their employees' commitment to CSR are also evident 'on the ground'. For example, the above-mentioned Target Zero initiative rewards the whole workforce of a farm whenever they have achieved safety milestones as measured by hours or days worked without a lost time incident. According to our observations on the farms we visited, employee motivation is very visible. In particular Target Zero information and documentation could be found prominently at all the farms we visited. Progress was documented with numbers and success was illustrated with pictures of celebrations.

On an informal level we felt – as mentioned in Chapter II.3 – that employees generally considered Chiquita a fair employer. Yet, beyond appreciating the official CSR initiatives, they often cited the support they received from Chiquita on a personal level as one of the key reasons for their satisfaction. Several workers for example felt very proud of the fact that the company supported their efforts to attend school after work by paying for pens and notebooks. There were also outstanding stories, such as that of an employee to whom we talked at a farm, who had been rewarded for his good work with a trip to the football world championship in South Africa in 2010 together with other Chiquita employees.

VOLUNTEERING

An important means for linking employee motivation and CSR is corporate volunteering. Chiquita firmly believes in the positive effect of corporate volunteering on employee motivation and accordingly they place great emphasis on it. A few years ago they formalized their commitment by introducing the Volunteer Time Off Policy to give every employee one paid day per year to volunteer for a nonprofit organisation (CSR report 2009-12, 21).¹¹

While volunteering, regardless of whether it is promoted for the sake of employee motivation or for the sake of the beneficiaries (e.g. disadvantaged people or the environment), is certainly praiseworthy, we nevertheless need to ask ourselves whether it is not mere 'greenwashing', i.e. an attempt to distract attention from flaws that are inherent in the business model of banana production, to matters of pure charity, or a mere compensation for the damages inflicted by the company.

In our interview with leading Chiquita managers in Costa Rica, they empha-

sized that their focus on volunteering has never been one of compensation, but always about the joy of helping. They again referred to the fact that part of their workforce are millennials with a different vision of the world and that these people are enthusiastic about protecting the environment.

However, in the critical public debate about Chiquita's CSR, like that of many other multinational corporations, corporate volunteering often tends to be discarded as pure philanthropy (or in the worst case greenwashing). However, in an interview with Norma Arauz (local CSR manager, Panama), she fiercely rejected such an interpretation. At Boca (Chiquita Panama), employees get paid as much as 8 hours' volunteering per month. Whether they engage in this offer or not, is up to them. Norma Arauz' job is to constantly engage with schools and other institutions which might benefit from the help of volunteers.

Arauz made it clear that volunteering must not be viewed as disconnected from Chiquita's core business but instead testifies that Chiquita considers itself as a citizen of the environment in which it operates. In the environments in areas where Chiquita operate in Panama, which are laden with a number of social and environmental problems, the majority of which are not directly caused by Chiquita, volunteering assumes a different role: in a context where people lack awareness about environmental problems, education is much needed. Sending out volunteers to raise awareness in themselves and the people with whom they interact is more than just an act of charity but links back to Chiquita's motto "conserving biodiversity, with the community and for the community" (see also Chapter II.4: Environment). Beyond official volunteering on behalf of the company, Chiquita also supports the engagement of its workers in community services on their own initiative. According to Chiquita representatives, for them such engagement builds an important bridge between the multinational company and the local community. Against this background and taking into account the overall scope of their CSR, it would be premature to discard Chiquita's approach to volunteering as a mere feelgood exercise.

FOUNDATIONS OF CSR AND CSR AS A FOUNDATION

Commitment from top management and from employees is essential for an effective implementation of CSR, yet so far we have not answered the question about how guidance is anchored within the foundations of an organisation. An organisation needs to have distinctive features, which permit the development of an effective and durable CSR program. The importance of this becomes manifest if we consider that "developing and sustaining a long-term change in the culture of an organization is very different from projects which have a beginning and an end" (George Jaksch, Senior Director Public Affairs and CSR, internal communication). Chiquita, probably because of the volatility of its CSR commitment over the years, has learned that "the key challenge of corporate social responsibility is to create a system which is built to become an enduring element of the personality of the organization, capable of surviving the inevitable crises and shake-ups" (George Jaksch, Senior manager Public Affairs and CSR). Chiquita explicitly claims that they have not reached that goal yet, but they recognize that the foundations, as shown by principles and procedures

applied to the whole organisation, are a pre-condition for an effective CSR program.

According to George Jaksch, the foundations of Chiquita's CSR consist of the following components:

- "Ethical principles which we call our Core Values¹², that are at the heart of our Code of Conduct and visible in every workplace, and are kept alive by training programs which touch every employee, every year.
- A strong commitment to compliance with laws, which is methodically implemented through training and awareness programs.
- The adoption of authoritative external standards and external verification of our performance, as in the case of the Rainforest Alliance and SA8000 certifications.
- Management systems, which ensure that the ethical, legal, social and environmental standards we have committed to are consistently applied company-wide and over time.
- Our focus on education and training, to keep on renewing the awareness and commitment of our people at all levels of skill and responsibility."

In our visits to farms and national headquarters we found that some of the elements of these foundations were clearly visible, in particular there was ample information on core values and on certifications. The Code of Conduct is handed to each employee, and there is continuous training of employees on its content, thereby taking into account the different levels of education among workers (Leonardo Murillo, Regional Environmental, Health and Safety Manager).

Yet, even if an organisation has identified the foundations of its CSR and even if it is willing to maintain them, this is not sufficient as long as CSR itself does not constitute an essential part of the foundation of the overall organisation. CEO and President Ed Lonergan claims that this condition is fulfilled. He framed the position of CSR in the overall foundation of the organisation as follows:

"Our model is purpose-driven so it starts with who we want to be and our purpose doesn't mean that we are there yet. It just means that as a company we are bedding our company on improving lives and leading the industry. And if there is anything in our strategy that doesn't trace back to that then we have to question why it is in our strategy. And the strategy rests on the foundation of our team, of our organization, on CSR and on operational excellence. And it's important that CSR is at the center of the foundation. Because without CSR, the rest of the foundation doesn't work. And that's why I said: it's hard to separate sustainability and CSR from what we do because it's built into everything. And this is our way to play choices and to win choices and what we want people to see in us."

Structural side of integrating CSR: the role of management systems

Even if top management and employees are committed to CSR, it will never be truly and consequently enacted without the corresponding procedures.

One of the key assumptions behind our “open book assessment” is that corporations have to concentrate their CSR activities on the social and environmental challenges of their core business operation, first by alleviating the harm resulting from their operations and second by promoting the flourishing of the communities in which they are embedded. This assumption contains a very clear procedural requirement: CSR must appear in the daily practices of the corporation, it must manifest itself in the standard operating procedures and guide the decisions made on all hierarchical levels. Metaphorically speaking, if we consider leadership and corporate culture as the CSR software, we need to program in an evaluation of the CSR hardware. Even if top management and employees are committed to CSR, and even if they all know and agree with the core values and are familiar with the Code of Conduct, CSR will never be truly and consequently enacted without the corresponding procedures.

In this section we investigate whether Chiquita have their own management systems in place, which define clear procedures for the implementation of CSR-related objectives. As mentioned above, this is particularly relevant in order to ensure to ‘keep the flame of CSR burning’, including at times where commitment from the top is not as strong as one might wish.

The question is whether Chiquita provides the necessary infrastructure to enact its CSR policy, and whether the core issues of its CSR policy are addressed by management systems that ensure the alignment of values and actions. Chiquita has a number of management systems in place. We were shown meticulous documentation of steps undertaken and progress made whenever we inquired. As we will see below, most of the management systems are linked to certifications, yet it must be noted that Chiquita also uses them as an inspiration for how to manage an issue, and not just a means to achieve certification (Leonardo Murillo, Regional Environmental, Health and Safety Manager). This is important since certifications and management systems serve different functions: certifications are typically linked to a third party assessment and are thus oriented towards external accountability. Management systems by contrast serve to implement norms internally. Thus, even though the two functions can coincide, such as in the case of the SA 8000 or the SAN standard, this is not necessary.

We will briefly point out some of the most important management systems Chiquita uses for addressing CSR issues. Documentation on the exact workings of these systems can be found either in Chiquita’s latest CSR report and/or, in those cases where the management system is linked to certifications, in the publications of the respective certification agencies.

- The SAN Sustainable Agriculture Standard requires that “certified farms operate on an environmental and social management system according to the complexity of their operations and in conformance with applicable local laws.” The management system required by SAN is “a set of policies and procedures managed by the farm manage-

ment or group administrator for planning and executing operations in a manner that fosters the implementation of the best management practices indicated in this standard". Moreover, the system also serves to encourage and support continued improvement by incorporating the results of internal and external evaluations.¹³

- A management system, which sets out "the structures and procedures that companies must adopt in order to ensure that compliance with the standard is continuously reviewed" lies at the heart of SA8000. The management system is central to the correct implementation of eight elements of SA8000, such as child labour, health and safety, freedom of association and the right to collective bargaining, and working hours and remuneration. SA8000 defines its management system as the "operational map that allows the organisation to achieve full and sustained compliance with SA8000 while continually improving". The implementation of the system requires that "joint worker and management involvement be established, incorporated and maintained throughout the compliance process with all the Standard's elements."¹⁴

- In the implementation of their occupational health and safety policy Chiquita uses OHSAS 18001 (Organizational Health and Safety Assessment Series) as an inspiration¹⁵, i.e. they implement OHSAS 18001, but they are not certified, and in addition they use the criteria from OSHA, the U.S. government's Occupational Safety and Health Administration, in order to record incidents (CSR report p. 18). OHSAS 18001 requires that a company "establish, document, implement, and continually improve their occupational health and safety management system and demonstrate that they meet all the requirements of the standard."¹⁶ It requires that an occupational health and safety policy is developed and approved by top management, which is communicated to all employees, to other people working on behalf of the organisation and that it is available to interested parties. The policy must be documented, implemented, and maintained which means that it is kept up to date and validated through the management reviews and supported by the whole of the occupational health and safety management system.

In practice this means that Chiquita has a clearly defined procedure in place when it comes to health and safety matters. As described, for example, in Chapter II.3: Employees, every work-related accident is investigated following clear guidelines: first, a declaration from the worker is recorded, then witnesses are interrogated, and this is followed by an analysis of the reasons behind the accident. There are also 'solicitations of actions' as a preventative or corrective measure, for example if someone spots an unsafe bridge. An internal audit is conducted twice a year on every farm, and once a month there is an inspection by the health and safety commission.

In Costa Rica, Chiquita has developed its own system for handling worker complaints "systematically and directly", known as The Labor Relations Issues Registry and Resolution Tracking System, which it des-

cribes in great detail in its 2009-2012 CSR report (CSR report, p. 22f.). Among other things this system requires that worker representatives present the complaints they receive from their workers to the farm manager or the labour relations specialist. In monthly meetings of worker representatives with the farm manager and the labour relations specialist, the farm manager identifies those issues which can be resolved immediately. For all other issues the parties either agree on the solution, “or on the time required by management to respond regarding the feasibility of a solution” (CSR report 2009-12, p. 22). The agreement, which is recorded in a statement signed by the meeting participants, is fed into a tracking system. Worker representatives and farm management evaluate the status of previous issues in the following monthly meeting.

The importance of the system is made evident by the fact that over 1000 complaints and suggestions are handled per year. Moreover, the system also provides accurate information regarding the issues that concern employees: in 2011, the vast majority of the complaints (77%) related to infrastructure, followed by complaints about payroll errors (11%), collective agreements (6%), health and safety (5%) and management conduct (1%). In an internal document, Chiquita claims that the objective of this system is to “measure the time resolution of the suggestions, requests and complaints raised by social and labor organizations”. The goal is to solve 90% of all issues within a specified time frame.

Chiquita claims that this system has had a number of positive effects: interventions by the Ministry of Labour have decreased by over 70%; managers and workers have learned to resolve issues by using dialogue and conflict resolution without intervention or arbitration by the authorities; commitment of managers and supervisors to preventing and resolving conflicts has increased; and worker representatives are apparently “more focused on dealing with priority issues, quite different from the tactical presentation of complaints of limited practical relevance, a problem of the past” (CSR report 2009-12, p. 23).

Conclusions

In order for CSR to be credible and effective, that which is communicated externally must be firmly anchored internally. Naturally, public debate about the CSR of multinational companies like Chiquita predominantly focuses on the external aspects of CSR since this is what publicly available information refers to. The internal processes of CSR typically remain hidden to the outside world. Yet, it is often the internal dimension that accounts for the success or failure of a company’s CSR. As we have seen in Chiquita’s case, leadership was one of the key drivers to transform the company from the notorious octopus into a corporate citizen. Yet, it was also leadership (or rather a lack thereof) that was partially responsible for the fact that after its rapid takeoff Chiquita’s CSR policy suddenly lost momentum. Thus, Chiquita has learned that it would be naive to

simply trust in the power of leaders in order to sustain CSR. Instead, the goal for Chiquita as stated by President and CEO Ed Lonergan is to basically make CSR immune to changes in leadership. In order to achieve this, commitment to CSR must extend across all employees of the company, and not be only confined to top management. Chiquita rightly and credibly places great emphasis on committing their employees to their CSR. They also claim that they have come to recognise and in fact appreciate their CSR as a valuable asset in recruiting people with similar moral convictions. If this is true, Chiquita will manage to avoid a problem associated with the financial industry, which is often criticised for its exclusive orientation towards profit-maximisation at the expense of any moral considerations. This attracts people with a corresponding mindset and the regularity with which scandals emerge is not surprising as long as the financial companies do not create a CSR policy in which everyone is vested.

As to the foundations of CSR and the founding of CSR within the organisation, there is an impression that at least under its current leadership, Chiquita has identified the core components of its CSR foundations and it has acknowledged CSR as an essential part of the company's overall foundations. It also seems that Chiquita has a considerable array of management systems in place in order to ensure that their CSR is being implemented methodically and in a way that promotes improvement. While we could not verify the exact workings of these systems in practice, we were given access to documentation that suggests that they are effective. We thus trust in the accuracy of the information given to us by Chiquita and, given that several of its management systems are linked to certifications, in the reliability of certification agencies.

Judging internal aspects of CSR is a challenge for any outsider. Yet, their importance cannot be underestimated. Given that the fiercest critics of multinationals tend to be quick in discarding any CSR effort as greenwashing, it is extremely important that companies deliver the proof that they practice what they preach. Such a proof is not to be found in glossy CSR brochures or fancy eco-labels but in the heartfelt conviction of leaders and employees and, most importantly, in the everyday workings of a company. Only if CSR is firmly integrated into and documented across all operations and thus becomes an inextricable and enduring part of a company's workings, can it escape allegations of greenwashing. From what we have seen, it seems that Chiquita is aware of these links and is making considerable efforts towards achieving this goal.

Lessons learned

- **Public debate about the CSR of multinational companies like Chiquita predominantly focuses on the external aspects** of CSR. The internal processes of CSR typically remain hidden to the outside world. Yet, it is often the internal dimension that accounts for the success or failure of a company's CSR.
- **Leadership is a necessary but insufficient driver of CSR.** In Chiquita's case, leadership was one of the original key drivers to set CSR in motion. Yet, it was also leadership (or rather a lack thereof) that was partially

The importance of internal aspects of CSR cannot be underestimated. The proof that companies practice what they preach is not to be found in glossy CSR brochures but in the heartfelt conviction of their representatives and in the everyday workings of a company.

Only if CSR is firmly integrated into and documented across all operations and thus becomes an inextricable and enduring part of a company's workings, can it escape allegations of greenwashing.

responsible for the fact that after its rapid takeoff Chiquita's CSR policy suddenly lost momentum.

- In order to make CSR immune to changes in leadership, commitment to **CSR must extend across all employees of the company**, and not be confined to top management. Chiquita rightly and credibly places great emphasis on committing their employees to their CSR. They also claim that they have come to recognise and in fact appreciate their CSR as a valuable asset in recruiting people with similar moral convictions.
- Chiquita has identified the **core components of its CSR foundations** and it has acknowledged CSR as an essential part of the company's overall foundations. Chiquita also has a considerable array of **management systems** in place that ensure that their CSR is being implemented methodically and in a way that promotes improvement. References to social and environmental standards and security were omnipresent on all farms.
- Judging **internal aspects** of CSR is a challenge for any outsider. Yet, their **importance cannot be underestimated**. Given that the fiercest critics of multinationals tend to be quick in discarding any CSR effort as greenwashing, it is very important that companies deliver the proof that they practice what they preach. Such proof is not to be found in glossy CSR brochures or fancy eco-labels but in the heartfelt conviction of leaders and employees and, most importantly, in the everyday operations of a company. Only when CSR is firmly integrated into and documented across all operations and thus becomes an inextricable and enduring part of a company's workings, can it escape allegations of greenwashing. From what we have seen, it seems that Chiquita is aware of these links and is making considerable efforts towards achieving this goal.

ENDNOTES

- 1 http://www.csrwire.com/press_releases/17175-A-Notorious-Company-Changes-Course-By-Choice-On-The-Environment-And-Human-Rights
- 2 <http://www.brandeins.de/archiv/2006/komplexitaet/ein-bisschen-bio-und-gar-nicht-boese/>
- 3 Ibid.
- 4 Financial Times, 2 December 2002, The banana giant that found its gentle side.
- 5 Werre, M. (2003). Implementing corporate responsibility—The Chiquita case. *Journal of Business Ethics*, 44(2-3), 247-260.
- 6 Were (2003), p. 251.
- 7 Were (2003), p. 253.
- 8 Integrity, respect, opportunity and responsibility (see CSR report 2009-12, p. 6, for elaboration).
- 9 Jaksch, G. (2009). Chiquita and corporate responsibility: the fruits of our experience. In D. Leipziger (Ed.), *SA8000, the First Decade: Implementation, Influence, and Impact*. Greenleaf Pub., 2009. (pp. 68-81). Sheffield: Greenleaf Publishing: p. 69.
- 10 The core elements of this priority are engaging employees through more information and

participation, promoting health and safety by means of the Target Zero program, launching diversity programs, maintaining productive labour relations and sustaining and strengthening legal and Code of Conduct compliance and training (CSR report 2009-12, p. 13).

- 11 An overview of Chiquita employees' volunteer activities across all countries can be found here: <http://www.chiquita.com/Chiquita/documents/CSR/Overview%20of%20VTO%20activities%20Chiquita%20rev%2024%2010%202012%20%283%29.pdf>
- 12 Integrity, respect, opportunity and responsibility (see CSR report 2009-12, p. 6 for elaboration).
- 13 http://www.san.ag/biblioteca/docs/SAN-S-1-1.2_Sustainable_Agriculture_Standard.pdf
- 14 http://sa-intl.org/_data/n_0001/resources/live/SA8000%20Standard%202014.pdf
- 15 OHSAS is a widely recognized and internationally applied standard for occupational health and management systems.
- 16 <http://18000store.com/downloads/samples/ohsas-18001-requirements.pdf>



IV. Reaping rewards from CSR



IV.1. Marketing of CSR to Consumers

Abstract

Consumers simultaneously present a huge opportunity and risk for Chiquita's CSR. The opportunity lies in the fact that interest in CSR has increased sharply among consumers in recent years. The risk relates to the fact that the rise of modern communications technology has enabled consumers to quickly engage in campaigns launched by NGOs against brands at very little cost but with significant damage. Chiquita's CSR-based marketing has been the subject of various counter-campaigns, which focus on allegations of greenwashing, and the experiences so far in using their CSR as a marketing tool for consumers suggest that they have not yet found a way to really make it pay off.

Introduction

Before the emergence of different social and environmental certification schemes, bananas were marketed as a uniform mass commodity.

Consumers are undoubtedly one of the most important stakeholders for any company, since without their support a company would simply cease to exist. This means that there is more at stake for a company in managing its relations with consumers than, say, in managing relationships with a local NGO. Consumers are, as a whole, very powerful and in particular they also present a huge opportunity and risk for a company's CSR.¹

The opportunity lies in the fact that interest in CSR has increased sharply among consumers in recent years. While this does not necessarily directly translate into their purchasing decisions, CSR offers a valid opportunity for companies to differentiate their products from those of their competitors. Just like CSR plays a vital role for Chiquita in their negotiations with retailers (see Chapter IV. 2: Managing Relationships with Retailers), it is legitimate to use CSR as a competitive advantage and to try to transform it into a 'unique selling proposition'. In the banana market, as in other markets, "on-product labels" like that of the Rainforest Alliance in particular, are an important tool to target consumers in premium market segments.² Before the emergence of different social and environmental certification schemes, "bananas were marketed as a uniform mass commodity, whereas today it is relatively common to find at least three types of bananas in Western European supermarkets".³

The risk relates to the fact that the power of consumers has increased tremendously with the rise of modern communications technology such as social media, which allows them to quickly launch potentially global campaigns against brands at very little cost but with significant economic and/or reputa-

tional damage. Internationally known brands like Chiquita face a particularly high risk of becoming the target of such campaigns since attacks against them are often extremely popular. Such campaigns often directly refer to corporate misbehaviour (e.g. Greenpeace's campaign against Nestlé for sourcing palm oil from companies that engage in deforestation, threaten people's livelihoods and lead to the extinction of orang-utans in Indonesia), but sometimes they also take the form of counter-campaigns to CSR-based marketing from companies. Counter-campaigns typically focus on allegations of greenwashing, and as we will see below, if greenwashing is understood as part of deceptive advertising, they can even lead to lawsuits.

Internationally known brands like Chiquita face a high risk of becoming the target of consumer campaigns, which sometimes take the form of counter-campaign to CSR-based marketing from companies.

In this chapter, we will assess what reactions Chiquita has received so far to its CSR consumer marketing and what might have been done differently. We will limit our focus to the discussion of Chiquita's use of the Rainforest Alliance certified label on their bananas, since this represents their most distinctive and most intensely debated reference to CSR in their marketing to consumers.

Characterizing Chiquita's marketing of CSR to their consumers

The most striking characteristic of Chiquita's way of communicating about their CSR is that they are typically very cautious and only 'go public' once they feel they have achieved something worth sharing with the public. If implemented consequently, this might at first seem like a good strategy to guard against allegations of greenwashing, i.e. against the perception that a company promises more than it can deliver for the sake of increasing its sales. Yet, despite its rather cautious approach, Chiquita has faced such accusations.

When they first introduced the Rainforest Alliance's green frog label on their bananas in 2005 in Sweden, accompanied by a national TV advertising campaign, Chiquita found that their marketing strategy did not pay off, at least not in terms of enhancing the credibility of their CSR. Rather than welcoming Chiquita's stated commitment to CSR, the Swedish Society for Nature Conservation, a national NGO, filed a complaint against them to the consumer ombudsman, and they also launched a counter-campaign on their website, in their online newsletter and in their magazine, reaching an impressive number of 570,000 members.⁴ The main accusation from the Swedish Society for Nature Conservation held that Chiquita might be trying to deceive consumers by suggesting that their bananas were 'organic' and were thus undermining the value of the 'real' organic label.

Concerns that consumers might confuse bananas from Rainforest Alliance certified farms with organic bananas were also raised in Germany⁵ and in Switzerland, where Greenpeace, together with 15 other NGOs sent a letter entitled "Concerns about misleading information in the Chiquita advertising campaign" to Chiquita's CSR Director and the Rainforest Alliance, in which it criticised the Rainforest Alliance certification of Chiquita bananas as lacking credibility and transparency.⁶ In Switzerland, Chiquita's marketing campaign also provoked the Fairtrade movement, which was originally founded in the country to campaign on banana issues, to launch a counter-campaign and to challenge

the fairness of the Chiquita banana. In Germany, DER SPIEGEL published two articles, aggressively criticising Chiquita for greenwashing with the argument that the CSR reports were written with the help of a PR agency.⁷ The Chiquita campaign therefore backfired on three fronts for different reasons: In Sweden for not being green enough, in Switzerland for not being fair enough and in Germany for the use of PR professionals in company reports.

And finally, as previously mentioned in Chapter III.1 (Managing external aspects of CSR), and II.4 (Environment), in September 2014, the US-based NGO WASH first filed a lawsuit against Chiquita for deceptive advertising, and upon reaching a settlement with Chiquita, they filed another lawsuit against the Rainforest Alliance.

However, even though Chiquita's marketing of CSR by means of labeling their bananas as Rainforest Alliance certified has caused a stir in some markets, this does not necessarily mean that they did not succeed in using it as a differentiating factor for their bananas among their consumers. The above-mentioned NGO campaigns and lawsuits are not necessarily representative of the overall reaction from consumers. In order to judge the latter, we need to analyse market data.

We have only had access to in-depth market data from Switzerland. Switzerland is admittedly a special case in that Fairtrade bananas have by far the biggest market share (i.e. more than 50%)⁸, and there is effectively a 'duopolistic' situation between Chiquita bananas and Fairtrade bananas in terms of branding.⁹ Thus, we can assume that the sensitivity of Swiss consumers to issues of CSR in bananas might be particularly high. Nevertheless, it is interesting to note that market research from Switzerland shows that Chiquita has comparatively little credibility among consumers when it comes to CSR. Despite the fact that Chiquita labels its bananas sold in Switzerland as Rainforest Alliance certified, only 36% of consumers believe that Chiquita is producing in an environmentally responsible manner (compared to 78% for Fairtrade certified bananas) only 31% see Chiquita as respecting the rights of their workers (compared to 76% for Fairtrade certified bananas), only 30% of consumers see Chiquita as conducting their business ethically and lawfully (compared to 74% for Fairtrade certified bananas), and only 43% believe that Chiquita contributes to the well-being of society (compared to 76% for Fairtrade certified bananas).¹⁰

Thus, while Swiss results are not representative for all of Chiquita's markets, and while we do not know how Chiquita scored in terms of CSR before they labeled their bananas as Rainforest Alliance certified, they at least suggest that in a market where Chiquita is directly competing against Fairtrade certified bananas, Chiquita's CSR does not give them an advantage over their competitors.

Similar findings emerged from a study on the effects of Chiquita's advertising campaign and the counter-campaign in the above-mentioned example from Sweden. There, researchers concluded that to a large extent Chiquita's campaign seemed to have positively influenced those consumers who did *not* include CSR considerations in their purchasing decisions¹¹ and that "Chiquita strengthened their relationship with its present consumers through the cam-

paign, and in that sense they might have avoided losing customers to another banana brand or the organic banana market”.¹² At the same time, the researchers found that the counter-campaign by the NGO effectively caused CSR-sensitive consumers to have an unfavourable view of Chiquita.

Taking into account these findings, it seems that Chiquita has not yet found a way to really leverage its CSR commitment as a competitive advantage in their communication with consumers.

Downside of Chiquita's marketing of CSR to consumers

The negative reactions from NGOs in some of Chiquita's markets when it introduced the Rainforest Alliance certified label on its bananas show that using CSR as a marketing strategy towards consumers is a very delicate matter. Moreover, even though Chiquita waited before they proactively communicated until they had achieved a very high level of certification, they were still criticised. The question is therefore: should Chiquita refer to its CSR achievements in its marketing at all? Or did it possibly wait too long?

In an ideal world, a company with a sound CSR policy does not in principle need to fear a backlash when using this as a marketing tool. However, as mentioned above, strong international brands face particularly high exposure among critical NGOs, whose campaigns are not always necessarily fair but often receive considerable attention. This exposure is further exacerbated by the fact that Chiquita operates in a market with a high visibility of Fairtrade and organic certified bananas. Nevertheless, it has been suggested that part of the reason why Chiquita faced so many repercussions was that their timing was too late. Wicki and van der Kaaj argue that a change such as the one undertaken by Chiquita in terms of CSR needs to be communicated continuously in order to build trust. According to them “Chiquita missed the chance to take consumers by the hand to let them understand the process and internal re-thinking during the organizational change”.¹³ The fact that Chiquita did not communicate directly to consumers about their change from the start, increased “the pressure on the consistency of the communication in the future and (put) unnecessary question marks behind (their) authenticity”.¹⁴ For them, “jumping into the positioning of a true Fair Trade contender with a strong principle-based CSR vision after 12 years of quietness” was simply overambitious and did not come across as being authentic.¹⁵

Thus, paradoxically, maybe it was the very fact that Chiquita did not communicate about their achievements in CSR sufficiently at an earlier point in time that backfired on them when they wished to benefit from these achievements at a later date.

Chiquita's reluctant stance on using CSR as a marketing tool seems to correspond to the Rainforest Alliance's attitude towards marketing. In our interviews, several people (e.g. Fausta Borsani, Consultant for Rainforest Alliance in Switzerland) stated that the Rainforest Alliance explicitly focus on improving the environmental and social conditions ‘on the ground’ and not on matters of

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marketing and that this sets them apart from members of the Fairtrade Labeling Organization, which cover their marketing activities by means of a licensing fee.¹⁶ In line with these statements, a Rainforest Alliance representative is quoted as saying that they do not see themselves as competitors of Fairtrade, because “our schemes come from very different origins, they focus on trade and we focus on land use, and they are both credible schemes and monitoring systems. I think the more certified products that there are the better”.¹⁷ While this view is laudable from a moral point of view, it diametrically contradicts the market reality, for example in Switzerland, where Chiquita bananas (with their Rainforest Alliance certified label) evidently stand in direct competition with Fairtrade bananas.

Even though marketing might not be their primary focus, the Rainforest Alliance nevertheless publishes marketing tips on their website.¹⁸ Judging from the fact that they issue clear guidelines regarding the correct wording,¹⁹ it seems that they have learned their lesson from being the target of counter-campaigns of other NGOs. Yet, the fact that their marketing continues to be characterised to date as deceptive by the NGO WASH suggests that neither they nor Chiquita have so far found an effective way to guard against such allegations.

Interestingly, if one looks at the marketing campaign in Switzerland in 2005, one can see how cautiously Chiquita crafted its messages to consumers, pointing at its successes but also openly showing what had not yet been achieved. Similar to the CSR reporting of the early 2000s, the company showed stark transparency. Whether this transparency was helpful or instead damaging is difficult to say, but it does in any case underline how Chiquita tried to avoid accusations of “greenwashing”.

Conclusion

Chiquita find themselves in a challenging situation when it comes to using their CSR in consumer marketing: The experiences the company have gained so far suggest that they have not yet found a way to make their CSR efforts pay off. The question remains about the conclusions that can be drawn from these experiences. Some perhaps rightfully claim that Chiquita might have started with their communications about Rainforest Alliance certification to consumers too late, however, there is no way to turn back time. Chiquita could develop a strategy for greater proactivity in its communications, by leaving behind its policy to only communicate once it has achieved demonstrable results. Given that advocates of Fairtrade and/or organic bananas are closely scrutinising Chiquita’s marketing towards their consumers and that they are rather quick to raise allegations about greenwashing, this may not be advisable. However, there might be some value in taking a more procedural approach to CSR-based marketing communications, which, as mentioned above, takes consumers by the hand. The ‘milestone’ approach, which they have followed so far, both leads to a sudden increase in public exposure whose fallout (particularly reactions from critics waiting to pounce) is hard to control, and also risks overwhelming consumers. At the moment, the company’s CSR-based marketing at best seems to act as a factor that ‘avoids damage’ rather than one that ‘creates leverage’.

While giving explicit advice on marketing strategies is beyond the scope of our study, from what we have gathered, Chiquita might at least consider communicating more frequently and steadily, using a different tone in order to avoid repeating mistakes made in the past. Such a style of communication, however, is limited by the financial means which Chiquita has at its disposal for CSR communications. Large and regular campaigns with a stronger impact are difficult to imagine with small budgets.

In addition, consumers are today confronted with too many labels which they can barely differentiate. It is doubtful whether the standards and mechanisms behind a label will become more understandable for consumers in the future. Corporations might have to find another way of communicating CSR, given that labels are only of limited help.

In an ideal world, the most advanced companies in an industry, which openly present their CSR efforts to consumers, should be rewarded and those companies which do nothing or focus more on communications than on real engagement should be subject to sanctions by consumers. The reality, however, is more complex. Very often, those brands that put their heads above the parapet and openly discuss their CSR engagement become more vulnerable to criticism and those who remain in the shadows and do much less, remain invisible. Overall, companies (and scholars) are just starting to understand the mechanisms for credible CSR communications.

Lessons learned

- Chiquita's experiences gained so far in using their **CSR as a marketing tool** for consumers suggest that they have **not yet found a way to really make it pay off**. Some claim that Chiquita have been too hesitant in their communications about Rainforest Alliance certification to consumers. Yet, given that advocates of Fairtrade and/or organic bananas are scrutinising Chiquita's consumer marketing strategies very closely and that they are rather quick to raise allegations about greenwashing, a 'bolder approach' in its CSR-based marketing communications could equally entail risks.
- Consumer surveys suggest that at the moment Chiquita's **CSR-based marketing at best seems to act as a factor that 'avoids damage' rather than one that 'creates leverage'**. Chiquita might at least consider communicating more frequently and steadily and using a different tone, in order to avoid making the same mistakes from the past. Nevertheless, such a change is likely to be hampered once again by financial limitations, which undermines the feasibility of undertaking large and regular campaigns with a stronger impact.

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ENDNOTES

- 1 To be clear, in this chapter by 'consumers' we mean end consumers, and not customers like for example retailers, who we address separately in Chapter IV.2.
- 2 <http://www.fao.org/3/a-i0529e.pdf>, p. 89.

- 3 <http://www.fao.org/3/a-i0529e.pdf>, p. 89.
- 4 Hjalmarson, H., Maquet, M., & Sjöström, E. (2010). Marketing to Consumers in Different Shades of Green: The Case of Chiquita Bananas/Rainforest Alliance. In P. Dobers (Ed.), *Corporate Social Responsibility Challenges and Practices* (pp. 121-146). Stockholm: Santérus Academic Press Sweden.
- 5 E.g. <http://www.sueddeutsche.de/wirtschaft/verwirrende-biosiegel-chiquita-und-der-gruene-frosch-1.902266>
- 6 Wicki, S., & van der Kaaj, J. (Corporate Reputation Review). Is it True Love Between the Octopus and the Frog? How to Avoid the Authenticity Gap. *Corporate Reputation Review*, 10(4), 312-318; p. 316.
- 7 <http://www.spiegel.de/spiegel/print/d-48046168.html>; and <http://www.spiegel.de/wirtschaft/bananenmulti-chiquita-unter-falscher-flagge-a-428004.html>
- 8 http://www.fairtrade.net/selling_fairtrade.html
- 9 Consumer Insights (July 2014), information provided by Chiquita.
- 10 Brand Health Tracking, July 2014, information provided by Chiquita.
- 11 Hjalmarson, H., Maquet, M., & Sjöström, E. (2010), p. 139.
- 12 Ibid., p. 144
- 13 Wicki S. & van der Kaaj J. (2007), p. 317.
- 14 Ibid.
- 15 Ibid.
- 16 The Rainforest Alliance only introduced a participation fee for companies in 2010. The fee is currently only applied to tea, coffee or cocoa, but shall be extended to other product categories as well (http://www.just-food.com/interview/sustainability-watch-mercedes-tallo-rainforest-alliance_id116845.aspx).
- 17 http://www.just-food.com/interview/sustainability-watch-mercedes-tallo-rainforest-alliance_id116845.aspx
- 18 <http://www.rainforest-alliance.org/marketing>
- 19 E.g. “never say these operations ‘are sustainable’ -- the path to sustainability is ongoing. Certified operations are audited annually to ensure that they are continuing to make improvements.” Say “Rainforest Alliance Certified farms (...) meet standards for sustainable practices” instead; or “always use ‘decent wages’ rather than ‘fair wages’ to prevent confusion with other certification schemes”; see <http://www.rainforest-alliance.org/marketing/messaging>

IV.2. Managing Relationships with Retailers



Abstract

In order to be able to follow through with their CSR policy, Chiquita depend on the cooperation of retailers. Yet, retailers play an ambivalent role with regards to sustainable banana value chains. On the one hand, they exert pressure on producers and squeeze the prices of bananas thereby making it difficult for Chiquita to finance their CSR. On the other hand, at least some retailers are increasingly acting as drivers of CSR and some of them have even developed their own CSR standards, thereby imposing an additional financial burden on Chiquita. For Chiquita the challenge lies in maintaining their strategic partnerships with retailers while at the same time raising awareness in consumers about their CSR efforts and the relationship between banana prices and CSR.

Managing Relationships with Retailers

The debate on corporate responsibility as we know it today started in the late 1980s as a discussion about dubious working conditions in globalised supply chains. Since then, both academia and civil society have examined the social and environmental side effects of global production networks, starting with clothes and moving forward to coffee, cocoa, gold, bananas, computers and other products. Retailers have been targeted in this debate only in cases where they were directly sourcing from sweatshops – such as H&M or Disney. Only recently, a debate has started that builds on the observation that decisions made by retailers and consumers have a direct impact on production conditions. Ever lower prices and ever higher speed of sales make it difficult for producers to be competitive and sustainable at the same time. In addition, in recent years, there has been a power shift from producers who control the product brands to retailers who control the point of sale. While in the past, in particular the powerful brands could push their products into the retail shops, today, the concentration on the retail market in many countries and the rise of retail brands has reverted these power relations for many products and brands. Civil society has reacted to this power shift and increasingly targets retailers in order to leverage CSR-related claims. Some retailers, in turn, have started to develop their own CSR activities.

Only recently, a debate has started about the impact of decisions made by retailers and consumers on production conditions.

Power has shifted from producers who control the product brands to retailers who control the point of sale.

This recent shift of attention towards retailers has also affected the banana value chain. The role of retailers in the banana value chain and their responsibility for the environmental and social conditions in countries of origin has received increased attention in the past years. While in the 1990s, the main focus of the

public was on the role of multinational banana companies, more recently there has been a shift towards taking into account the role of retailers. “Supermarkets have become a key decision maker in the way supply chains are governed”¹ – for better or worse. The same impression was confirmed by our interview partners Alistair Smith from Bananalink, François Meienberg from the Berne Declaration, Tobias Meier from Helvetas and Martin Blaser from Fairtrade International.

Chiquita does not have its own retail activities and its success in the market depends on the company’s relationships with retailers that sell Chiquita bananas. The aim of this chapter is to investigate the impact of this relationship on the CSR activities of Chiquita. In order to be able to follow through with their CSR policy, Chiquita depends on cooperation from retailers. Without retailers willing to market Chiquita’s bananas at a price that factors in the costs of CSR, Chiquita’s CSR policy would be doomed to fail.

One of the reasons for this change in perception is the fact that multinational producers like Chiquita have incurred significant losses in market share (from 22% in 2002 to 13% in 2013)², which means that their power has decreased. This trend was paralleled by a concentration of power among retailers. Particularly in Europe, the retail market has experienced a powerful concentration process, resulting in market dominance by a few giants, many of them discounters. A second reason can be found in the particularly low profit margins of Chiquita. The retail pressure on prices is a constant threat not only to the profitability of banana production it also challenges the company’s ability to invest in CSR. At the same time, campaigns by consumer groups, NGOs and trade unions and also the CSR efforts of banana producers and traders have raised awareness in the public about the connection between fair retail prices and the socially and environmentally responsible production of bananas. Retailers are in the spotlight now in relation to bananas and all the other products they sell. Today, retailers find themselves under attack from a range of NGOs who claim that their refusal to increase the price of bananas is one of the key reasons that hampers the improvement of the social and environmental conditions ‘on the ground’ in the producing countries.

Retailers play an ambivalent role with regards to sustainable banana value chains. On the one hand, they squeeze the prices of bananas, on the other hand they insist that bananas have been produced in a socially and environmentally responsible manner.

Retailers play an ambivalent role with regards to sustainable banana value chains. On the one hand, they exert pressure on producers – as with all other products they sell – and squeeze the prices of bananas. This makes it difficult for banana producers to implement high social and environmental standards. On the other hand, at least some retailers increasingly act as drivers of CSR by insisting on proof that their bananas have been produced in a socially and environmentally responsible manner, be it by requiring established certification, by developing their own CSR standards, or by engaging directly in partnerships with producers.

The simultaneous combination of a reluctance to increase prices with a demand for higher CSR standards creates a vexing problem for banana producers and traders alike. As a recent news article states:

“The will of most employers to share benefits exists, but if the figures don’t add up, room for maneuver is close to nil (...) . As for much-needed investment in further social and environmental improvements, this simply cannot happen with prices as they are in Europe at present.”³

POWER SHIFT TO RETAILERS AND THE PRICE SQUEEZE

When addressing the widespread claim that the price of bananas has stagnated (or even decreased) over the past years, we need to be clear which price we refer to. There are five different prices that are typically discussed: producers' prices, export prices (see Chapter I.2: Economic Premises, and Chapter II.2: Suppliers), import prices, wholesale prices and retail prices. Moreover, we also need to take currency rates into account. The massive devaluation of the US dollar in recent years has had an impact on income for the different actors. While a low retail price is certainly problematic, the extent of the price squeeze on traders, producers and workers depends on the margin that retailers keep for themselves. However, as argued in Chapter I.2 (Economic Premises) it seems to still be true today that it is retailers who benefit most in the banana value chain, while banana producers often face very low margins.

Thus, without committing to exact numbers, it is safe to claim that there has been an increased price squeeze along the banana value chain in recent years and that the pricing strategy of retailers has played an important role in this development with direct impacts on the environmental and social conditions in the banana sector. As Pascal Liu, a senior economist at the UN-based FAO and a manager of the World Banana Forum states:

„If we look at the root causes of the lack of sustainability in the banana sector, it's mostly linked to very low producer prices, which are mainly due to low consumer prices. Producers do not get paid enough for their bananas so that they can invest in sustainable production methods“.⁴

In addition, banana producers face pressure to speed up retail logistics, even though the production of fruits places limits on their ability to do this (compared with speeding up the production of t-shirts or computers). As has been argued recently, “the pressure associated with producing the perfect and just-in-time banana for the discerning supermarket groups “has the potential to actively promote irresponsible behaviour such as workers re-entering the field in order to continue production right after aerial spraying has taken place.”⁵ Put differently, if we want to understand the root causes of social and environmental harm in production, we also have to consider the price and time pressure at the point of sale.

One of the main drivers of this development is the ongoing ‘price war’ over bananas in some of the most important markets for Chiquita, e.g. in Germany. This war was made possible by an oversupply of bananas on the global market, which led to a price collapse in the 1990s and early 2000s; and also because bananas play “a key position in the shopping basket of most consumers”.⁶ This means that the price is a central element for many price-conscious consumers in choosing where to do their shopping. In the UK, the banana price war has led to massive decrease in the retail price, e.g. 41% between 2002 and 2007.⁷

Similar dynamics are in play in Germany. According to Dr. Lüneburg-Wolthaus from the REWE GROUP's Strategic Quality Management, some German discounters do not have any long-term cooperation with banana traders but instead invite a group of selected traders to submit a new tender every other

week. This of course contributes to a massive price competition in which the cheapest offer wins. In 2002, a similar approach from the UK discounter Asda which put out its banana business to competitive tender, led to such a low price that small producers were entirely excluded from the market.⁸

These developments have not gone unnoticed. In 2003, The Times reported that “leading supermarkets are coming under criticism for using banana prices to attract price-conscious shoppers”.⁹ In the same news article, Alistair Smith from Bananalink is quoted as saying that “the British supermarkets are leading the race to the bottom. Jobs are being lost and producers are having to pay less attention to social and environmental agreements.” This trend has become exacerbated ever since and it now threatens to spill over to the Netherlands.¹⁰

In a 2014 market analysis, against the background of the aspired merger between Chiquita and Fyffes, the FAO wrote that: “Major supermarket chains in the US and EU have become important players in the global banana trade as they dominate the retail market in the main banana consuming countries and are also increasingly purchasing from smaller wholesalers or directly from growers.”¹¹

Retailers have a different view on the issue and they deny that there has been an unequivocal power shift from producers towards retailers.

Retailers like REWE argue that their power is often overestimated, particularly by critical NGOs like Bananalink. For example, the fact that 30% of the bananas in Europe come from Ecuador does not mean that retailers necessarily have a strong influence on social and environmental conditions, because according to FAO statistics, Europe has become less important in that country. According to the REWE GROUP, while there has been a strong concentration of retailers in bananas, at the same time, new markets like Russia have emerged. This means that producers have fallback options and that retailers need to offer them attractive prices in order to ensure their supply. While this might be true, it does not solve the problem of the banana producers, who are under pressure to fulfil ever more demanding sustainability expectations with ever lower margins. New markets like Russia are not particularly sensitive to sustainability issues and do not help the producers to find a way out of their dilemma. On the contrary, the absence of interest in sustainable production conditions in the new markets challenges the business case of sustainability even further.

If the trend towards direct sourcing through retailers continues, it threatens the very existence of multinational traders like Chiquita. However, as Alistair Smith from Bananalink states there will always be a role for an intermediary since it is rather unlikely in the long term that retailers will want to take control over all the products they manage. He cites evidence from the UK where certain retailers have given up on direct sourcing once they discovered that “it wasn’t as easy as they had thought”. Nevertheless, Smith claims that under these circumstances the *raison d’être* of multinational traders like Chiquita must be

“to provide a service in terms of their own production and production from suppliers who they identify as able to meet higher standards than the rest of the market ... that’s what their strategy has to be if

they want to justify their existence. And they need to sell more than their fruit: they need to convince direct retail buyers that they are able to maintain good industrial relations, and guarantee better working conditions, wages and environmental standards than other people.”

Such expectations expose banana producers like Chiquita to a double challenge: Coping with ever smaller margins while upholding or even further developing demanding social and environmental standards. As it is, Chiquita certainly suffers from the price squeeze exerted on them by retailers in some of their most important markets and they often cite this as an impediment to a further strengthening of their CSR. By committing to Rainforest Alliance certification and other standards they try to justify a higher price for their bananas. However, as we have argued in the Chapter 1.2 (Economic Premises), a premium for this certification cannot be taken for granted. In fact, the German retailer REWE, who we interviewed, argues that the reason why they pay more for Chiquita bananas is the brand name, not the Rainforest Alliance certification. The Rainforest Alliance certification does not justify a premium for REWE because their home brand bananas are also certified. This leads us to the second aspect of this chapter, namely the role of retailers as drivers of CSR.

IMPOSITION OF CSR STANDARDS THROUGH RETAILERS

The attempts of retailers to promote CSR are a double-edged sword for Chiquita's own CSR policy: on the one hand, a retailer's CSR policy could create synergy with Chiquita's CSR policy, on the other hand it could contradict or even undermine it. While the role of retailers in exerting a price squeeze on the whole value chain in bananas has been subject to extensive public criticism, their role as drivers of CSR has been highly praised. In reaction to campaigns from consumer groups, NGOs and trade unions, some retailers have started to develop their own CSR policies, which typically include labour codes of conduct and environmental certifications.

The attempts of retailers to promote CSR are a double-edged sword for Chiquita's own CSR policy.

What does this trend mean for Chiquita's CSR? There is a need for retailers to show a sympathetic understanding of CSR as such, but this is not sufficient to guarantee Chiquita's ability to credibly and effectively implement that policy. If a market was dominated by discounters whose sole criterion was the price of the product, suppliers would have to cover all their CSR costs themselves. Yet, a sympathetic understanding is not sufficient if it does not translate into higher prices. Thus, while many retailers have committed to responsible sourcing, in particular with regards to bananas, as we have seen above, they are reluctant to pay a fitting price.

Besides, the ambition of retailers to create their own CSR profile leads them to define their own standards, which simultaneously foster CSR among their suppliers but also potentially impose an additional burden on them. This became evident in our interview with the German retailer REWE. As part of its commitment to CSR, REWE already includes in its general supplier contracts, social criteria such as the core labour standards of the International Labour Organisation and a minimum wage guarantee. Beyond that they have also launched their

own CSR-label called “Pro Planet” with which they certify goods ‘with positive social or environmental attributes’.¹² In order to earn this label, Chiquita needs to go beyond the Rainforest Alliance certification selected aspects. According to Dr. Lüneburg-Wolthaus from REWE’s Strategic Quality Management, Pro Planet means that some of the criteria, which the Rainforest Alliance defines as optional, are mandatory (e.g. ‘more far reaching and more regular medical checkups, and additional training of the workers in handling pesticides’¹³). In terms of auditing this does not impose an additional burden since compliance with these criteria can be checked within the official Rainforest Alliance audit. Nevertheless, implementing the additional requirements means extra costs for those farms that are supplying to REWE, and for Chiquita the arithmetics only work if they get paid a higher price for their bananas.

REWE furthermore insists that all of the bananas they buy from Chiquita come from Rainforest Alliance certified farms. Again, while this is a laudable effort in terms of CSR, it imposes a restriction on Chiquita because it means that the approximately 20% of bananas from non-Rainforest Alliance certified farms in Chiquita’s supply, a quarter of which stems from the spot market in Ecuador, cannot be sold to REWE. As a retailer, REWE is free to decide that they will only accept bananas from Rainforest Alliance certified farms from Chiquita as a trader, due to climatic factors and seasonal changes in demand dynamics, Chiquita is forced to fall back on the spot market, where social and environmental criteria are much harder to establish. Thus, if Chiquita wants to sell all of its bananas, it depends on the existence of retailers who do not make Rainforest Alliance certification a requirement for all of their bananas.

The REWE GROUP claims that it insists on standards that go beyond those of the Rainforest Alliance, because for them, the Rainforest Alliance is not at present restrictive enough in some aspects. In order to improve the situation, the REWE GROUP is actively participating in the latest revision of the SAN standard, which has led to “a massive tightening” of the requirements (Dr. Lüneburg-Wolthaus).¹⁴ However, the REWE GROUP backs the Rainforest Alliance certification overall, because they see it as most appropriate standard for bringing about improvements for large producers, which are relevant on the mass market which is their focus.

In this regard the Rainforest Alliance certification is much more effective than Fairtrade or organic certification which are confined to niche markets in Germany. Thus, the fact that the retailer and Chiquita are committed to the same standard certainly creates synergies with Chiquita’s CSR policy and provides the basis for a good relationship.

Beyond introducing their own CSR standards, retailers have also become increasingly engaged in partnerships with producers or in local projects in the producing countries. As mentioned in Chapter II.4 (Environment), Chiquita also recognises the strategic importance of such projects as a way to actively promote their relationships with retailers. REWE in particular was engaged in the San San Pond Sak project in Panama together with Chiquita from 2009-2013, which focuses on biodiversity conservation, environmental education and community engagement. According to Dr. Lüneburg-Wolthaus from the

REWE GROUP, projects in the production countries provide them with more control over the use of their money. If they pay a premium price for socially and environmentally responsible products, there is a lack of transparency on how this premium is being distributed or invested. By contrast, they feel their engagement on site provides them with a more effective way to actively improve environmental and social circumstances.

This joint engagement with retailers in local projects strengthens Chiquita's CSR, yet, if retailers engage separately from Chiquita, the relation can become competitive: The experience in San San made the REWE GROUP set up a so called "banana fund", managed by GIZ, with the aim of financing projects to improve social and environmental conditions in Costa Rica. Chiquita continues their on site engagement with the REWE GROUP, to finance specific projects. Thus, this is a case where retailers' on site CSR efforts potentially restrict Chiquita's own CSR efforts.

The attempt of retailers to load their own brands with sustainability marks a challenge for producers such as Chiquita. Retailers want producers to follow high sustainability standards but they might prefer to reap the advantages themselves in order to reduce public pressure. The retailers wish to be perceived as responsible and engaged actors themselves. A company like Chiquita might thus contribute to the sustainability efforts of a retailer, but the latter does not only hesitate to pay higher prices, he might also tend to take all the reputational gains. This is for instance visible in one of REWEs campaigns: During two to three weeks per year, they commit to donate 10 cents per kilo of bananas to a social or environmental cause. According to them, this is more effective than permanently increasing the price of bananas for example by one cent per kilo. Here, REWE builds on the CSR efforts of producers like Chiquita, but instead of paying for those efforts, they add additional philanthropic activities and thus mainly improve their own image.

Conclusion

Retailers play a very important yet rather controversial role in Chiquita's CSR. The relationship is characterised by various ambiguities: Retailers impede Chiquita's CSR if they squeeze prices, yet at the same time they facilitate Chiquita's CSR by backing the same standards as Chiquita. Moreover, as soon as retailers develop their own CSR standards, Chiquita faces additional administrative and/or financial burdens, which need to be factored into prices. What at first sight looks like an advantage – retailers starting to engage in CSR themselves – might create problems for Chiquita when it comes to communications and reputation building. The interest of retailers is not to share the reputational gains with the producers. However, the spotlight on retailers and their increasing engagement at least has the advantage that replacing Chiquita bananas with another brand without certifications would expose the retailers themselves to reputational risks.

Alistair Smith's idea that intermediaries like Chiquita can only justify their existence if they exceed the (social and environmental) standards of the rest of the market, may be desirable, however, the ongoing price war over banana prices

among retailers suggests that their willingness to pay a premium to socially and environmentally responsible traders is rather limited.

This means that Chiquita needs to make sure they maintain their strategic partnerships with retailers while at the same time raising awareness in consumers of their CSR efforts and of the relationship between banana prices and CSR, independently from the retailers' communication.

Lessons learned

- Retailers play a **controversial role in Chiquita's CSR**. Relationships are characterised by various ambiguities: retailers impede Chiquita's CSR if they squeeze prices, yet at the same time they facilitate Chiquita's CSR if they back the same standards as Chiquita. Yet, the trend among retailers to develop their own CSR standards implies additional administrative and/or financial burdens for Chiquita, which need to be factored into prices. What at first sight looks like an advantage – retailers starting to engage in CSR themselves – might create problems for Chiquita when it comes to communication and reputation building. Moreover, retailers do not appear to be interested in sharing the reputational benefits of CSR with the producers.
- While some critics claim that intermediaries like Chiquita can only justify their existence if they exceed the social and environmental standards of the rest of the market, the ongoing **price war over bananas** among retailers suggests that the willingness of retailers to pay a premium to socially and environmentally responsible traders is rather limited. For Chiquita this means that they need to make sure to maintain their strategic partnerships with retailers while at the same time directly addressing consumers in order to raise awareness not only about their CSR efforts but in particular about the relationship between banana prices and CSR.

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- 10 <http://www.freshplaza.com/article/120624/Netherlands-Low-retail-prices-affecting-banana-sector>
- 11 <http://www.fao.org/docrep/019/i3746e/i3746e.pdf>
- 12 Translated from REWE website: <http://www.proplanet-label.com/proplanet/ueber-proplanet>
- 13 Translated from REWE website: <http://www.proplanet-label.com/produkte/food/obst-gemuese/bananen/bananen-chiquita>
- 14 At the same time, the REWE GROUP admits that no standard – be it Fairtrade, organic or Rainforest Alliance – is flawless. Yet, they think that the battle over the ‘right standard’ is distracting from the problem: that the vast majority of bananas on the world market are not certified in any way.



IV. 3. Shareholder Relations

Abstract

Satisfying the interests of their shareholders is vital for Chiquita's existence.

We assess how on the one hand, shareholders influence Chiquita's CSR, and on the other hand, how Chiquita's CSR impacts on shareholder interests, i.e. whether or how much value CSR creates for shareholders. The latter is one of the most intensely debated questions in the field. When looking at Chiquita's rather poor performance on the stock market in recent years, one might be tempted to conclude that what they do, including their CSR, does not pay off for shareholders. However, our study suggests that such a conclusion would be premature.

Introduction

One of the reasons for the fact that CSR has not yet become taken for granted as a mainstream activity, results from the fact that two of its key stakeholders, consumers and shareholders, are only reluctantly getting on board with the idea. These two stakeholders, together with retailers, probably have the strongest leverage when it comes to mainstreaming CSR. We discussed the difficulty for companies like Chiquita to communicate with consumers on CSR above (Chapter IV.1: Marketing of CSR to Consumers). Shareholders, like consumers, are among the most powerful stakeholders of a company and satisfying their interests is vital for a company's existence. Responsibility towards shareholders is a core element of every CSR policy. As Chiquita states in its Core Values, "responsibility" means that they "are accountable for the careful use of all resources entrusted to us and for providing appropriate returns to our shareholders".

In its Code of Conduct, Chiquita lists the following responsibilities towards its shareholders: keeping accurate records, maintaining corporate records, protecting company assets, and protecting the company's reputation. More specifically, it promises to respect the trust conferred to the company by its shareholders and "to strive to deliver sustained growth, profitability and ethical operations".

The relationship between shareholders and CSR should be understood as an interrelationship, i.e. as a bi-directional relationship in which both factors impact on one another. This means that we need to assess firstly, how shareholders influence Chiquita's CSR, and secondly, how Chiquita's CSR impacts on shareholder interests, that is to say whether or how much value CSR creates for shareholders. The latter is one of the most intensely debated questions in

The relationship between shareholders and CSR should be understood as an interrelationship, i.e. as a bi-directional relationship in which both factors impact on one another.

The question whether or how much value CSR creates for shareholders is one of the most intensely debated questions in the field.

the field. When looking at Chiquita's rather poor performance on the stock market in recent years, one might be tempted to conclude that their activities, including their CSR, do not pay off for shareholders. However, as we will argue below, such a conclusion would be premature.

Shareholders as drivers of CSR?

Whether shareholders back a company's CSR strategy depends on how they frame their interests: if shareholders are narrowly interested in short-term profit maximisation, they will most likely be rather critical towards CSR, since CSR typically does not generate quick returns. In that case they can be expected to use their power to undermine CSR.

However, with the emergence of the trend towards 'socially responsible investment' (SRI), this one-sided notion of shareholder interests has lost some of its popularity. Increasingly, it has been acknowledged that some shareholders take into account the triple bottom line of environmental, economic and social responsibility in their investment decisions, which means that these can act as a motivating factor for a company's CSR. Shareholders with such an attitude use their power to hold companies accountable for the social and environmental impacts of their operations rather than depicting CSR as a waste of corporate assets.

However, shareholder interests are typically rather heterogeneous, and it is impossible to tell what Chiquita's shareholders think about its CSR, based on the data to which we had access.

However, one could argue that shareholders most likely play an ambiguous role when it comes to CSR. We can back up this claim by looking at the instances in which shareholders claim a breach of Chiquita's fiduciary duty towards them. The fiduciary duty, i.e. the duty of the company to act solely in the shareholders' interests, is a key characteristic of the relationship between a company and its shareholders. Shareholders can claim a breach of this fiduciary duty when they feel that their interests have been neglected.

In Chiquita's case, shareholders have most prominently asserted breaches of the fiduciary duty linked to Chiquita's payments to paramilitaries in Colombia (see Chapter 1.3: Political Premises). If we look at the reasons they put forward for these allegations, it becomes clear that shareholders oscillate between driving and impeding Chiquita's CSR.

In the context of Chiquita's payments to the paramilitaries in Colombia, shareholders claimed among other things a "breach of fiduciary duty by causing Chiquita to make payments to the AUC, from approximately 1997 through February 2004, or failing to be aware of those payments" (SLC report, p. 156). If we take the payment of extortion money to paramilitaries as violating standards of CSR (we are aware that Chiquita has a different opinion on this matter), this represents an instance where there was a positive correlation between shareholder interests and CSR.

Chiquita's shareholders most likely play an ambiguous role when it comes to CSR in that they oscillate between driving and impeding Chiquita's CSR.

Yet, at the same time, shareholders also claimed a “breach of fiduciary duty and of corporate assets by causing Chiquita to enter a guilty plea and pay a \$25 million fine in March 2007 in order to protect individual officers and directors from prosecution” (SLC report, p. 156). In that case, if we interpret Chiquita’s willingness to plead guilty and to settle on a fine with the US Department of Justice as an act of responsibility, shareholders interests directly opposed CSR.

These examples show that the relationship between shareholders and Chiquita’s CSR is ambiguous.

Does Chiquita’s CSR pay off for shareholders?

The question whether ‘doing good’ leads to ‘doing well’ is one of the most intensely debated questions in the CSR context. Countless studies have been published, aiming to conceptualise, specify and test the relationship between CSR efforts and financial performance. The results are “decidedly mixed: a firm that dedicates resources to fulfilling what are perceived to be its social responsibilities will financially perform either better, worse, or the same as it might have done otherwise, depending on which studies we line up and consult”.¹

Even though there is a widespread desire to gain clear-cut information about the correlation between CSR and financial performance, it is in the vast majority of cases simply impossible to quantify the financial effects of CSR. This is also true in Chiquita’s case: As argued in Chapter I.2. (Economic Premises), Chiquita claims that CSR has become such an integral part of its business model and its corporate culture that the costs cannot be singled out. If we cannot single out the costs of CSR, we surely cannot ascertain its value either.

Nevertheless, it is interesting to note that there were times when the relationship between Chiquita’s CSR and financial performance was deemed to be positive by outsiders, at least in 2004 and 2005 when Chiquita was named one of Top 20 ‘Green’ Stocks by the publisher of a SRI newsletter. The criteria for entering this list were “a clear understanding and commitment to sustainable business practices” and “exceptional leadership and strong financial performance”.²

Given Chiquita’s poor financial performance in recent years, we need to consider whether its commitment to CSR really is in line with shareholder interests. Yet we also need to ask ourselves what the numbers would look like if Chiquita did not engage in CSR.

However, more recently, the business case for Chiquita’s CSR seems to have become less evident, and some questions need to be raised. Given Chiquita’s poor financial performance in recent years, we need to ask not only whether Chiquita can afford its CSR under such circumstances, but more specifically, we need to consider whether its commitment to CSR really is in line with shareholder interests. Knowingly engaging in unprofitable CSR programs that lower the profitability of the firm could be seen as a breach of a company’s fiduciary responsibility to shareholders.

However, we need to be careful not to prematurely proclaim a negative correlation between Chiquita’s financial performance and its commitment to CSR. After all, we also need to ask ourselves what the numbers would look like if Chiquita did not engage in CSR.

What is Chiquita's stance on that matter? Chiquita obviously believes in the positive economic impact of its CSR engagement. Otherwise they would have cut down their engagement in CSR much more severely in recent years. As we have argued in Chapter II.2 (Economic Premises), Chiquita stands by the conviction that CSR pays off and therefore makes sense even in times of economic crisis. As stated, Ex-CEO Fernando Aguirre wrote in Chiquita's 2008 CSR "We can do good and do well at the same time". CEO Ed Lonergan claims that the costs of CSR must be seen as a commercial benefit because an investment in CSR increases the premium. CSR moreover lowers production costs and it provides for better relations with retailers (see Chapter IV.2). This conviction is repeated in different words by Ed Lonergan in the CSR report 2009-12 (p. 3), where he writes: "At Chiquita, Corporate Social Responsibility and Sustainability are core commitments and are embedded in our Purpose. We believe that acting as a good citizen and providing a good return to shareholders are inseparable priorities for operating our business successfully each and every day."

If we trust the accuracy of Chiquita's self-assessment, we should stick to the second interpretation, namely that the numbers would look even worse if Chiquita did not commit to CSR to the extent that it does now. Given that it is impossible to single out the costs of CSR since they penetrate everything, we can only hypothesise about the potential damages Chiquita would incur without their CSR. However, one considerable financial risk Chiquita would face is related to being replaced by fair trade or other certified bananas by retailers that require a certain level of CSR performance such as Migros in Switzerland or Rewe in Germany (see Chapter IV.2). Chiquita would probably lose parts of its business in Europe without CSR and given the high concentration in the retail market and the lack of flexibility caused by low margins, it would be very difficult to compensate for this loss by winning new retailers.

Moreover, we need to be clear that under current circumstances where Chiquita's CSR has not delivered a substantial return in the market place, it has served more to protect the business by minimising risks rather than maximising return. It is thus very likely that shareholders would expect more from Chiquita's CSR. The difficulty of cashing in on its CSR investments in relationships with end-consumers and retailers has been discussed above (Chapter IV.1 and IV.2). Here, we see the link between retailers, consumers and shareholders: The more retailers and consumers give preference to companies with a high CSR performance, the more the shareholders will see the business case and support CSR engagement or even push for greater investment in CSR. Chiquita's limited ability to convince retailers and consumers contributes to the fact that its CSR has so far served to minimise damage instead of reaping rewards.

The more retailers and consumers give preference to companies with a high CSR performance, the more the shareholders will see the business case and support CSR engagement or even push for greater investment in CSR.

Conclusion

Chiquita has been under tremendous pressure to increase its financial performance for several years, and it even filed for Chapter 11 in the early 2000s. Even though they have sustained their commitment to CSR throughout this time, Chiquita representatives across different levels confirmed that this pressure acts as a limiting factor. While the business case for Chiquita's CSR received

some support in the mid-2000s when the company was named a top-sustainable business stock in two consecutive years, more recently, evidence along these lines has been rather scarce. Even though it is possible that financial performance would look even worse without its commitment to CSR, it seems at least that Chiquita has not been able to actively leverage its CSR commitment as a success factor in their communication with shareholders.

Lessons learned

Shareholders:

- Chiquita has been under enormous pressure to increase its financial performance for several years. Even though they have sustained their commitment to CSR throughout this time, Chiquita representatives across different levels confirmed that this pressure acts as a limiting factor.
- Shareholders have certainly not acted as active drivers of Chiquita's CSR. The way in which they have used their right to assert breaches of fiduciary duty, suggests that their main concern is risk management rather than the promotion of CSR.
- The business case for Chiquita's CSR received some support in the mid-2000s when the company was named a top-sustainable business stock in two consecutive years, but more recently, evidence of this has been rather scarce.
- Even though it is possible that the company's financial performance would look even worse without its commitment to CSR, it seems that Chiquita has not been able to actively leverage its CSR commitment as a success factor in their communications with shareholders.

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Conclusions:
Contextualizing Chiquita's CSR
across different issues



Conclusions: Contextualizing Chiquita's CSR across different issues

Introduction

Our in-depth assessment of the effectiveness and credibility of Chiquita's CSR in light of different premises, stakeholders, and distinctive management challenges has yielded a number of insights that extend across the single chapters and that together build our conclusions.

The goal of these conclusions is to highlight the complexity of designing, managing and leveraging CSR in a business riddled with contradicting stakeholder expectations and multi-faceted challenges. In particular we aim to point out the role of Chiquita's historical legacy, the tensions that exist between profit and principles, between effectiveness 'on the ground' and credibility in the public perception, as well as the literal 'wickedness' of certain CSR related challenges, whose solution at times resembles a Sisyphean task.

Struggling with a historical legacy

Chiquita's historical legacy has an impact on its CSR to date and Chiquita need to be particularly sensitive in those cases where their behaviour in the past was most problematic, namely their relationships with governments, their respect for labour rights, and for the environment. The question is whether Chiquita can show historical sensitivity and convince their stakeholders that they have transformed from the notorious 'octopus' into a corporate citizen.

Despite more than two decades of CSR engagement, the public perception with regards to Chiquita's history is still mixed and what applies to other companies with a dark history (e.g. Nestlé's baby milk scandal), also holds true for Chiquita: whenever new problems occur, the old problems get mixed into the public discourse. Yet, as we found, such criticism mostly resonates in the media of Western consumer markets, while locally, the perception is often different.

In the meantime most of Chiquita's operating countries have become more or less democratic, so that fatally close links to non-democratic regimes that violently suppress their people, are not an issue anymore. Moreover, Chiquita has integrated respect for the rule of law into the company's foundations. However, the interaction with the paramilitaries in Colombia resonates with the old banana republic narrative at least in parts of the public debate and it casts doubt on their commitment to depart from using improper government influence.

In terms of labour rights, Chiquita became a pioneer in the industry when they concluded the International Framework Agreement with trade unions in 2001. While some tensions with trade unions persist, Chiquita clearly seems to have undergone a transformation in its approach to organised labour. Interestingly, the trade unionists who we interviewed, focus on the positive side of Chiquita's history, i.e. their high level of service provision, rather than their oppressive stance. Thus, for them Chiquita's history acts as a basis for expressing entitlements rather than resentments. This puts Chiquita in a dilemma: financial constraints and historical sensitivity imply that they have to leave behind their paternalism, at the same time, that very paternalism is an important element of the good labour relations they have in most of their operations.

Chiquita's departure from its past practices becomes most evident in their approach to dealing with the environmental effects of their operations, where again they have played a pioneering role mainly fuelled by their early collaboration with the Rainforest Alliance. While environmental challenges are an inherent part of any industrial agricultural business model, even critics no longer make references to Chiquita's past when they point out remaining weaknesses.

The (missing) link between profit and principles

The debate on CSR in the corporate world is currently dominated by Michael Porter's concept of creating shared value. The basic idea is that all the social and environmental challenges corporations are facing throughout their operations can be transformed into opportunities for value creation for society and for the corporation. Put differently, if you look at these challenges as opportunities, you can make more money and improve the state of the world at the same time. This approach, in our perspective is highly misleading and the complexity of Chiquita's CSR history reveals the naivety of claims about causal relationships between profit and responsibility.

While this study did not aim to make a comparison between Chiquita and its competitors, one can claim with sufficient evidence that no company in the banana industry and probably very few companies in other industries have shown a comparably deep and long-term CSR engagement like Chiquita. The company has continued to innovate and refine its CSR activities over the years and as our analysis shows, it was a pioneer in numerous aspects of CSR within and beyond its industry. Nevertheless, the link between CSR and financial performance remains unclear and in some aspects, our analysis even shows a clear failure of the attempt to reap advantages from CSR – such as in the relationship with consumers and maybe even retailers. In both cases, CSR did not translate into a distinctive financial advantage for Chiquita. Our case thus debunks the win-win assumption underlying much of the debate on CSR.

Of course, we do not know how Chiquita would have performed financially without its extensive and expensive CSR engagement. We know, however, that despite its low average profit margin of 1% over the last decade, the company continued its engagement – even while they were close to bankruptcy and filed for Chapter 11 in the early 2000s. We would assume that the CSR engagement

The complexity of Chiquita's CSR story reveals the naivety of claims about causal relationships between profit and responsibility.

The company was a pioneer in numerous aspects of CSR within and beyond its industry. Nevertheless, the link between CSR and financial performance remains unclear

reduced the external moral pressures (from civil society and via mass media) on the company and helped them to maintain relationships with retailers who committed themselves to CSR. These retailers would probably have switched to Fairtrade or other certified bananas had Chiquita not invested so much in CSR (e.g. Migros in Switzerland or REWE in Germany).

The relationship with retailers shows another difficulty of turning principles into (greater) profit: While their CSR engagement might indeed lead retailers to continue their business with Chiquita for the sake of their own respective sustainability goals, the latter also lead to an additional risk for Chiquita: retailers, as our study indicates, are not willing to bear the consequences of their demands for responsible production. They impose high expectations on their suppliers but continue to squeeze the prices at the same time. In addition, retailers want to keep as much of the reputational benefits of CSR for themselves. They have no interest in the supplier brand being the centre of attention. Thus, given that the amount of profit to be gained from CSR is limited in the first place, sharing it with a business partner means that it is even harder to secure a pay-off.

All in all, making CSR pay is thus much more complex than has been suggested by a number of strategists.

Local performance and global communication: The failure of storytelling

Many companies are accused of focusing their CSR too much on marketing and communication while not really engaging with the social and environmental challenges they are facing. Such companies practice greenwashing (no deep environmental engagement) or bluewashing (no deep human rights engagement). Their CSR managers are often part of the communications department and they develop a headquarters-based CSR narrative, which very often does not reflect what is really going on in the factories, fields or mines.

Despite all the problems and criticism Chiquita is still facing in relation to its CSR engagement, the effectiveness of their CSR is indisputable.

Despite all the problems and criticism Chiquita is still facing in relation to its CSR engagement, the effectiveness of their CSR is indisputable: they have clearly improved the social and environmental conditions of banana production. The vast majority of their bananas are from Rainforest Alliance certified farms (and a significant proportion by SA8000), and with their International Framework Agreement with trade unions in 2001, Chiquita became a pioneer in labour relations within the industry. While some tensions with trade unions persist, Chiquita clearly seems to have undergone a transformation in its approach to organised labour and environmental challenges. It would thus be clearly mistaken to classify Chiquita's CSR strategy and performance as a mere green- or bluewashing exercise.

While other companies concentrate on the communication of their engagement right from the (often modest) start, it took Chiquita more than a decade of CSR engagement before they decided to communicate their activities to consumers. They always kept a low profile. This might have three main reasons. The

first reason is that the communication of CSR in general is difficult and has led to backlashes for many companies. Even Chiquita experienced such backlashes despite its highly cautious approach. Second, with a one percent profit margin, the leeway for high impact marketing activities is limited. Limited financial and human resources have significantly constrained the scope of Chiquita's CSR department. Finally, and less obvious, the company has a deeply agricultural mindset. Managers – including CSR directors such as George Jaksch – are experienced farmers and approach CSR challenges with an on-the-ground attitude: they focus on the plantations and their objective is to fix the social and environmental problems on site like engineers fix a broken machine. For them, CSR is more about doing and less about talking (much in line with the philosophy of their first NGO partner, the Rainforest Alliance). However, as engineers in the machine room of CSR, they have underestimated the importance of the communications aspect. Chiquita was not able to transform its local engagement on plantations and along its supply chain into a visible and credible CSR narrative. Chiquita is a pioneer in CSR in many regards. They were among the first to collaborate with NGOs and allowing for external audits, among the first to trigger an independent fair wage analysis, and among the first to phase out certain pesticides etc. However, they fail to fuse all their local activities into one global CSR narrative and they do not manage to tell a coherent and exciting story to their numerous stakeholders. The company has often acted in a visionary way, yet they lack the skills and resources to make their vision visible to outsiders.

The organisation and the processes of their CSR activities seem to be driven *bottom-up*, which clearly has advantages in terms of effectiveness, but which falls short when it comes to achieving credibility on a global level. In order to develop understanding among their stakeholders, which is a precondition for gaining credibility, their activities on the ground need to be complemented by top-down storytelling.

In order to develop understanding among their stakeholders. Chiquita needs to complement their activities on the ground by topdown storytelling.

Distorted public perceptions in the CSR domain

By conducting interviews with stakeholders in Chiquita's export countries and in Chiquita's operating countries, we became aware that there is a considerable gap between those aspects of Chiquita's CSR that are being discussed on a global level and those that are at the centre of attention on a local level.

The public discussion of Chiquita's CSR on a global level is heavily biased towards the credibility and effectiveness of standards, labels and certifications. In reaction to this, much of Chiquita's CSR communications have to be devoted to defending their certification schemes against other schemes (such as Fairtrade). Standards, labels and certifications, however, represent only a very small aspect of the overall engagement of the company.

This bias neglects the importance of the manifold CSR activities that are not captured by publicly visible certifications, namely for one, Chiquita's CSR activities on a company level (e.g. the Target Zero initiative which aims at reducing the number of work-related accidents by 10% per year). It also neglects the role of local CSR initiatives that are central in contextualising CSR. Our study

shows that local people (including workers and communities) are particularly passionate about the latter because they address particular needs in specific environments.

Activities at the company level and local CSR initiatives are at least as important in making Chiquita's CSR effective as the global standards and initiatives. However, given that in contrast to the global standards, local initiatives lack verification by third parties, it is hard to convince the public of their relevance and credibility. Thus, while their effectiveness is high, their credibility risks being low.

Chiquita is fighting an uphill battle against the Fairtrade label, which according to market research at least in some countries enjoys a much higher credibility among consumers than the Rainforest Alliance certification. This is not always backed up by evidence. For instance, workers on Fairtrade certified farms do not necessarily get a higher wage than those on Rainforest Alliance farms. Paradoxically, Fairtrade even tends to be perceived as superior by consumers in aspects such as environmental protection, which they do not frame as one of their core competencies. This shows that the public understanding of the facts behind the labels is at best very fuzzy and simplistic. Moreover, we need to be very clear that even though criticism from Fairtrade representatives is often presented as a call to improve the lives of workers, it is also motivated by substantial business interests: Fairtrade competes with bananas from Rainforest Alliance certified farms over market shares in many countries. This shows that the rise of CSR in the last decades has moved the issue from a niche to the mainstream. It has become an industry with competing labels, rankings, consultants and standards.

The wickedness of CSR problems

Companies and their critics alike tend to reduce complexity when it comes to evaluating environmental and social problems, which results in black and white constructions of CSR challenges.

There is another dimension to the distorted public perception of CSR. Companies and their critics alike tend to reduce complexity when it comes to evaluating environmental and social problems, which results in black and white constructions of CSR challenges. Public CSR discourse often consists of NGOs identifying corporations as scapegoats for a considerable array of social and environmental problems, while corporations either deny their responsibility right away or then claim that they have resolved the problem. Such a simplified, dichotomous view fails to capture that often times CSR challenges represent what political scientists call "wicked problems".

Wicked problems are challenges of high complexity which are neither caused nor can be resolved by a single actor alone, where those who analyse it might not even agree on the definition of the problem, where decisions have to be made with insufficient or even contradictory information, where solutions might provoke new problems, or where solutions might be simply impossible or at least require a very long time horizon. At the same time, it is clear that something has to be done despite the abovementioned characteristics of the problem. For instance: abolishing child labour in the production of cocoa or cotton might take decades and require the involvement of many actors with conflicting interests, it might require the disruption of deeply culturalised tra-

ditions with incalculable side effects. Corporations might operate in a highly corrupt environment or even in a war zone while implementing their solutions.

Many of the problems Chiquita is facing are inherently wicked and they are often subject to ideological disputes. For example, conventional banana producers like Chiquita often face the critique that they do not produce organically. However, large-scale organic banana farming is limited to few regions of the world and is simply impossible in the countries in which Chiquita operates due to climatic conditions. In addition, as typical for wicked problems, the seemingly ideal solution of organic farming might trigger new problems. The productivity of organic farming is so low that much more land would be required to satisfy the global demand for bananas.

Many of the problems Chiquita is facing are inherently wicked and they are often subject to ideological disputes.

Several of the issues we analysed are moreover characterised by disputes over facts. Such disputes are particularly salient when it comes to labour issues: figures relating to the wages Chiquita pays and about working hours as well as social benefits, are all notoriously disputed. Workers' statements about their wages and working hours contradict those of Chiquita, and external critics have conflicting accounts about how much is effectively being paid for what amount of work.

Another dispute over facts is related to environmental matters: there is contradicting evidence on the effective damages of monocropping as such, contradicting evidence on the damages caused by aerial spraying, and contradicting evidence on the harmfulness of certain pesticides – just to name a few. A third dispute over facts affects the discussion about value creation and income distribution in the banana industry: do bananas from Rainforest Alliance certified farms achieve a price premium, and if so, is it higher than that achieved by Fairtrade? Do workers on Rainforest Alliance certified plantations get a higher share of the value creation than those on Fairtrade plantations? How much of the value created stays with the producer or the trader? And what role do retailers play in these dynamics?

Our study suggests that while it is important to clarify and correct factual errors in the public discourse by providing counterevidence, it is very difficult for Chiquita to win such disputes once and for all. The wickedness of problems often becomes manifest in the simultaneous existence of contradictory evidence and in addition, evidence provided by corporations is normally perceived as less credible than NGO information by the public.

If we consider the amount of wicked problems confronted by a company that produces and trades a relatively simple product like bananas and that operates along a relatively simple value chain, we can only imagine how wicked the CSR challenges are for companies with more complex products and value chains.

Example of a wicked problem: Poverty in the Teobroma community in Panama

An illustrative example of a wicked problem can be found in the Teobroma community in Changuinola in Panama, which emerged 12 years ago when people belonging to an indigenous tribe called Ngobe illegally occupied land, which until then had belonged to the Panamanian ministry of agriculture. Teobroma is one of the poorest communities in the whole country where people live in shanty houses near banana plantations without electricity and with limited access to water. Most of the people in Teobroma either work for Chiquita or the Fairtrade cooperative Coobana or for one of Chiquita's independent producers.

One might wonder how workers of Chiquita who are allegedly paid a decent wage, live under such depressing circumstances.

A nexus of cultural, economic and legal factors accounts for this situation.

Culturally, Ngobe people often struggle to adjust to life outside their reserve and as a consequence they suffer from alcoholism, sexually transmitted diseases, and there is even malnutrition in children. The latter is exacerbated by a lack of access to food: due to the remote location of their settlement, the people of Teobroma live far away from supermarkets and instead of making an effort to buy food further away from home, much of their salary is being spent on drinking in their communities rather than on buying staples.

Economically, the fact that Ngobe men often have several wives with which they have several children means that one worker would have to feed two to three families and an accordingly high number of children with a single wage. Even though Chiquita pays comparatively high wages for the region, it is clear that one single wage would never suffice to pay for so many people at a time, particularly not if much of the wage is spent on drinking. Added to that is the opposition of Ngobe men to female employment.

On a legal level, Panamanian law forbids the provision of water and electricity to illegal settlements in order not to provide incentives for further annexations. As long as land rights are not clearly defined, water and electricity companies refuse to issue permits because they would not know how to invoice.

What can Chiquita do in light of this complex situation?

Chiquita is very aware that simply raising the wage of the workers is not an option because it will not resolve the problems. Instead, they see Teobroma as a pilot project for addressing social problems at their root. Consequently, they are talking to the government and in October 2014 the Panamanian President apparently visited Teobroma in order to gain an impression of the dire situation of its inhabitants. In order to enhance access to food, Chiquita engages in public-private partnerships with a Dutch retailer Deli XL

and governmental authorities; they are also considering providing incentives to retailers to open small shops in the area with affordable, healthy food for workers. Chiquita further addresses the problem of infant malnutrition by collaborating with nutrition experts, they support a children's home, and they are building a nutrition centre in Teobroma, which among other things will also provide childcare for malnourished children of single mothers. Moreover, they also undertake considerable efforts to integrate Ngobe women into the labour market. Yet, they are aware that all these measures need to be exerted with a high degree of cultural sensitivity in order to avoid appearing paternalistic.

This example shows the wickedness of practising CSR in a culturally and economically challenging environment. Chiquita is probably close to exhausting its possibilities for supporting its workers in the area, and their lives will certainly not improve from one day to the next. Financial resources are limited and too many actors need to work together in order for the problem to be solved. For Chiquita this means that they are in a vulnerable position because critics, who are convinced that the banana industry is exploitative, can easily use the Teobroma community as a poster child for campaigns against Chiquita.

Overall conclusion and outlook

Overall, our analysis shows how difficult it is to please all stakeholders and to find solutions for all those problems that seem simple from the outside but which in reality are very difficult to solve. Performing at such a high level of CSR over such a long time as Chiquita have, is impressive.

At the same time, our analysis shows the fragility of such a performance not only in times of financial crisis but particularly also in light of changes in leadership. So far, Chiquita have managed to protect their CSR commitment against such changes by anchoring their engagement in the daily routines of all employees in the plantations and by making CSR a strong element of their corporate culture. Yet, in light of the company's new ownership, the real 'endurance test' is yet to come: Will Cutrale continue with the nitty-gritty efforts that have served to make Chiquita's CSR so effective, but that remain invisible to the critical observer? And will they manage to translate this effectiveness into credibility in the public perception? Chiquita's CSR has led to significant and much-needed changes to the benefit of both workers and the environment in the past decades; yet, this work is by no means complete. It is hoped that the new owners acknowledge not just the necessity but also the value of this work and that they will find a way to reap the long-awaited rewards of this engagement.

Performing at such a high level of CSR over such a long time as Chiquita have, is impressive. At the same time, our analysis shows the fragility of such a performance.



List of interview partners

List of interview partners

Chiquita representatives*

* The interviews were conducted between September 1 and September 14 2014. Please note that some representatives are no longer with the company or have different functions.

Name	Function	Country/Region
Alvarado, Sergio	Occupational Health and Safety manager	Costa Rica
Arauz, Norma	CSR manager	Panama
Fernandez, Marylou	Manager of savings association ASEACOB	Costa Rica
Giacomat, Fuad	Director Farm Operations & Production	Honduras
Jaksch, George	Senior Director CSR & Public Affairs	Europe
Latouche, Marco	Regional manager labor relations	Costa Rica, Guatemala, Honduras, Panama
Lonergan, Ed	CEO	Global
Lopez, Christian	CSR manager	Honduras
Maldonado, Fernando	Human resources manager	Honduras
Murillo, Leonardo	Regional Health and Safety Manager	Costa Rica, Guatemala, Honduras, Panama
Oliva, Tony Dr.	Medical Doctor Farm Santa Rita	Honduras
Quiros, Nolan	Regional CSR manager	Costa Rica, Guatemala, Honduras, Panama
Rivas, Evelin	Project assistant San San	Panama
Rivera, Marlon	Farm manager Farm Omovita	Honduras
Rodriguez, Manuel	Executive Vice President of Government & International Affairs and Corporate Responsibility Officer	Global
Sanchez, Annier	Labor relations	Panama
Solano, Miguel	Human resources manager	Costa Rica
Vargas, Martin	Director of Production	Honduras
various	Male and female field workers	Panama
various	Male and female workers at packing station	Panama
various	Supervisors and field workers at El Trópico farm	Costa Rica
Vasquez, Julio	Director Farm Operations & Production	Panama
Wendt, Amanda Dr.	Manager of nature and community project Nogal	Costa Rica
Zapata, Miguel	Labor relations manager	Honduras
Zuñiga, Dennis	Farm manager El Trópico	Costa Rica

External stakeholders

NGOS AND RELATED ORGANISATIONS

Name	Organisation	Country/Region
Blaser, Martin	Fairtrade International	UK
Borsani, Fausta	Consultant for Rainforest Alliance Switzerland	Switzerland
Brunner, Ursula	Independent fair trade activist	Switzerland
Guerrero, Julio	Nutrehogar (nutrition centre for children)	Panama
Meienberg, François	Berne Declaration (NGO)	Switzerland
Meier, Tobias	Helvetas (NGO)	Switzerland
Rütsche, Bruno	Working Group Swiss-Colombia (Arbeitsgruppe Schweiz-Kolumbien, ASK) (NGO)	Switzerland
Smith, Alistair	Bananalink (NGO)	UK
Vega Antonini, Carlos	SA 8000 auditor	Honduras

RETAILERS

Lüneburg-Wolthaus, Joseph Dr.	REWE Group	Germany
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TRADE UNIONS

SINTRAINABA	Worker representatives from trade union	Panama
SITRATERCO	Trade unionists	Honduras

INDEPENDENT PRODUCERS

Association of mini banana producers El Camuro	various	Costa Rica
Herrera, Agustín	Independent producer (farm manager)	Costa Rica
Herrera, José	Independent producer (vice farm manager)	Costa Rica

OTHER

Castro, Emilio Dr.	General director Hospital La Lima	Honduras
Galo, Eva	Housing project FUNDESULA	Honduras
various	Nutrition experts at local hospital	Panama

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Mr Frederic Verborg, Business Development – Senior Manager EME



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