

‘We can’t just focus on trade’, says Peruvian banana leader

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From what began as a tool for Peruvian growers to gain organic certification and negotiating power with the Dole Food Company, the Piura Center for Small Organic Banana Grower Associations (CEPIBO) has forged ahead with direct fixed contract exports to Europe and North America. The group is now the largest of its kind with 843 containers sent overseas last year. At www.freshfruitportal.com we catch up with its general manager Jose Lecarnaque Castro, who finds little rest in his push to get smallholder farmers educated in specialized training.



Photo: Oke Usa

Before CEPIBO started in 2003, banana farmers in the northern Peruvian region around Sullana made a living selling in the domestic market – the fruit was organic but never labeled as such, and the returns were not particularly high.

“Before that as growers we were not organized and unilateral contracts were done between every grower and Dole; there wasn’t collective negotiation so we saw the need to organize ourselves,” says Lecarnaque.

Then came the task, which would become emblematic of Lecarnaque’s existence, of “convincing growers” during a period of constitution until 2005.

“From 2005 to 2007 we started the stage of organic certification in the hands of Dole. The idea was that this would give us negotiating power.

“At the end of 2007 the idea was born that as we were already organic certified and we already had a legally constituted organization and the minimum administration with people to work on pre-harvest and post-harvest issues, the next stage was to sell our fruit directly to importers.”

The venture did not start swimmingly. The manager appears to have selectively forgotten the names of the Italian importers CEPIBO began with, only saying that “nothing went well with them”.

“Afterwards we started in a much more stable way with French company ProNatura. It’s not a very big company but it was them who gave us leverage to be able to place ourselves in the market.

“It started with one container per week from March to June in 2008, and from July to September we rose to three containers per week, and by the end of 2008 we were shipping five or six containers a week.

“In total we finished that year shipping 194 containers. In 2009 we closed the year with 400 containers, and in 2010 we closed with 530 containers exported.”

In 2011, CEPIBO closed the year with 843 containers and until October this year it had shipped around 500 containers. The organization now has around 800 growers incorporated with an average of one hectare each.

Its staff of 35 people includes a technical team that gives educational talks and also visits farms for instructive assistance, as well as the administrative group that has had to handle the bureaucracy of a rapidly growing entity.

German company Port International is the largest buyer accounting for 50% of CEPIBO bananas, while other importers include Agrofair, Fairtrasa and Oké USA, who sells the fruit under the name Equal Exchange Bananas.

Lecarnaque says there are about 10 groups similar to CEPIBO that have popped up since it was formed. Dole continues to be the largest importer of bananas from the region but its percentage dropped off significantly to 25% in 2011.

As a secondary organization, CEPIBO accounted for 15% of Peru’s organic banana exports last year.

“It’s about economies of scale, centralizing some activities that are considered strategic for reducing costs. For example, all the harvesting, packing and trade is run by us, and with this we can ensure quality.”

Click [here for photos of CEPIBO and its operations](#), courtesy of Oké USA.



Jose Lecarnaque, Kati Sosa and Wilmer Juarez

Price surprise

Lecarnaque says growers were “shocked” to see the average price per box jump from US\$3 to US\$4 in 2008.

“Before that we had to spend two or three months a year negotiating with Dole so they could raise the price by 10 cents or 20 cents, but once CEPIBO entered the market, prices automatically started to rise without us needing to negotiate.

“After that the price rose bit by bit, and now the average price for a grower in the valley is US\$5.50.

“We sell at fixed prices and at the moment are selling at US\$12 a box, and from that money we buy materials, inputs, the equipment, and what is left from that goes to the grower for the number of boxes they produce.”

From the extra money coming in, the organization and the associations underneath it are able to strengthen their expertise, while Lecarnaque notes the standard of living has improved significantly for growers.

“If I took a photo in 2000 or before that, and then took a photo now, we would see that for example that growers’ houses were of rustic materials before but are now of noble material,” he says.

“If we look at the level of education, one diagnosis we did in 2003 and 2004 showed that around 70% of growers, members of CEPIBO, didn’t know how to read or write. Now for the majority of growers, their children have finished their secondary education.

He highlights the case of two CEPIBO staff members who have joined him for the meeting – Wilmer Juarez who heads up exports and Kati Sosa who is in charge of administration. Both are banana growers’ children who have graduated from technical colleges.

‘Prices will fall’

While the times may be better for growers in the region now that they have better prices for their products, Lecarnaque is not going to rest on his laurels.

“Never, since 2002 until now has there been a fall in prices, however the market is not like that. In one minute it will fall,” he says.

“I think that now, independent of whether there is an international crisis or not, prices have hit their peak. The demand is still there but I’m talking about prices.

“In some moment there will be an oversupply, and the industry could have a crisis if prices go down. Grower organizations are not prepared to face this situation.

He says over the next few years a key aspect of CEPIBO will be developing the business skills of small growers so they continue their businesses sustainably.

“We can’t just keep talking about growth and development with the industry as it is,” he says.



Photo: Oke Usa

“I think these organizational and social changes will not take place in the short term or in the medium term. They will have to be present in 15-25 years with a generational change and the young people now entering the group.

“There are some starting to enter but I see the change is very slow, too slow.”

He is also critical of the narrow mindset instilled in graduates of Peru’s technical institutes.

“The level of public education in Peru is very limited. The professional leaves tertiary education with a mentality like, ‘if I’m an agronomist I just look at plants’. They tend to not have a strategic vision to see the world in more complete terms.

“I think the social problems will continue to be present for a few more generations still. For this we have to be prepared, and it is more expensive still as we need more resources.

“We are here today in Piura for a training course but this is very expensive. We make big sacrifices to do this and that’s why the company pays us.”

However, he emphasizes the change will not just come from within CEPIBO or other associations, but at the base.

“It is about convincing someone to invest in a person to give them a great education. That costs, and it’s very difficult to put that in the mind of the grower.”

From a growing perspective, the region has been moving towards Williams bananas, brought in-vitro from Honduras and Costa Rica, that can start yielding fruit about three months sooner than the traditional Cavendish bananas grown in the area.

The next strategy for CEPIBO is to build a plan that deals with plant health and disease prevention.

“This is the issue of the day, constantly looking at and discussing with the government and universities to see what we can do to face problems ahead.

“This is not just for the red spots that have started to appear but for an integrated plan, and within that we could include Black Sigatoka for which we are currently not prepared to face.”

Convincing consumers

Oké USA president Nicole Vitello says the challenge for the fair trade banana industry is convincing consumers about the value that purchasing their products adds to the lives of growers involved.

“What I respect about the fair trade we practice is the farmers are not just the raw material,” she says.

“Often now we see in Peru is they’re logistics people, accountants, technicians, there are jobs for a next generation of their children who might have had the opportunity to go to college, and there’s a place to come back to the rural environment to practice their trade.

“The per box of bananas is US\$1 a case that goes back to the co-op in the form of a social premium. On average there’s one thousand boxes of bananas in a shipping container, so US\$1000 per container is going back to the co-op in social premium alone, and that’s considerable when you consider we’re a small company.”

She says this amounts to around US\$5,000 a week going back to the cooperatives that supply Oké USA, which are also in Ecuador.

“That’s on top of an already high and stable price for bananas. However, in fair trade it’s not about the premium but the risk – fresh produce operates on very slim margins.

“I think the biggest challenge for us in the U.S. is about price and value. Bananas have traditionally been seen as a cheap product, and the price per pound has not changed comparative to any other produce item I would argue.

“We’re not selling a specialty variety, something local or heirloom, so the challenge is the story that differentiates this banana, being able to ensure the consumer that paying 20 cents more per pound is worth it.”

She adds the organic element also plays a key role for the lives of these banana growers.

“The chemicals used in banana production are really toxic. A lot of people question why bananas should be grown organically, a lot of people feel it’s not on the dirty dozen list and that it’s not harmful to us as consumers.

“But it’s very harmful to the people that are living and growing and existing in those chemical environments, which are not going away any time soon.

“There aren’t too many countries where you can source organic, and certainly even less where you can source fair trade, but Peru has been a shining example.”

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