

THE BANANA SECTOR IN THE ATLANTIC REGION OF COSTA RICA

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Abstract. The Huetar Atlantic Region (HAR) of Costa Rica, has been a source of wealth, and its population shows a wide cultural diversity. However, the indicators of poverty (underutilization of the labor force, income, and the relative increase of the informal economy), have shown a worrisome trend which could lead to stagnation of social and economic development of the whole region. An analysis of the banana sector of the HAR, is presented in this paper. From 53,000 ha in 1994, banana cultivation has declined to the current 42,000 ha, due to a concentration of the plantations in areas of greater performance, abandoning those of negligible potential by its soil characteristics. However, an increase in productivity due to an increase in the performance average, and favorable climatic and market conditions has been observed. Increases in crop area or employment are not expected unless a clearer situation in the international market conditions is defined, especially in the European Union. However, a fall in exports may cause serious regional economic problems.

Introduction

The Huetar Atlantic Region (HAR) of Costa Rica is rich in natural resources, and it has generated for many years great splits of the national wealth. Nevertheless, great part of this wealth leaves the region abroad and toward other regions of the country. At present the indicators of poverty, sub-utilization of the labor force, income and relative increase of the informal economy show a worrying tendency (INEC, 2000, 2003). These tendencies also are reflected in processes of social deterioration and the local leaders perceive a stagnation of the economic and social development of the region (Ureña and Russo, 2004).

This analysis was based on available statistical information and the valuable knowledge of numerous people, especially the persons associated with regional government and non-government organizations and other local men and women of the region, that also generously contributed with information, perceptions and opinions. Also Professor Moises Soto and Dr. Panfilo Tabora, both teaching Banana courses in the University of Costa Rica and in EARTH University have contributed with their knowledge and advising on the theme of the cultivation of the banana in the HAR.

The Regional Economy

The economy of the HAR is predominantly rural and agricultural. Its more important activities are: (i) the cultivation and export of banana, with a participation of more than the 10% of the world market and more than the 85% of the national pro-

duction; (ii) the agriculture diversified that includes medium and small commercial farmers, rural settlements and farmers of subsistence; and, (iii) the operation of the complex harbor Limón-Moín that handles more than the 80% of the volume of maritime load of the country. The region employs the 8% of the Costa Rican labor force and has an approximate participation from the 6% of the gross domestic Product (GDP) of Costa Rica (CORBANA, 2003a, b, 2004a, b; INEC, 2003).

The region's economic structure and labor force are vulnerable because of their reliance on a single crop. The government has set aside resources to diversify the productive structure, including livestock breeding (5,000 farms on 200,000 ha), and to assess future opportunities in the framework of trade liberalization agreements through the Productive Re-conversion Program for the Food and Agriculture Sector (Ureña and Russo, 2005). This has produced limited results, however, given poor design, selection, monitoring, and technical support of the projects financed, and little support for marketing and business management.

The Banana Industry

The banana industry plays an important role in Costa Rica's economy. This country is the second larger exporter of banana of the world, with more than the 13% of the international market. Banana represents the 38.6% of the exports of the agricultural sector and the 8.6% of the exports of the country. Historically, from 1983 to 1994, bananas were the most important generator of foreign exchange, and in the years since 1994 bananas have been a close second.

An important proportion of the banana that Costa Rica exports, \$532 million in 2004, is produced in the HAR and it was the country's second most important source of foreign-exchange (CORBANA, 2003b). Banana plantations (over 42,000 ha) provide the main crop and economic activity of the region, which accounts for over 80% of output nationwide. In 2003 the sector generated direct employment equivalent to 23% of all jobs, and 60% of the region's agricultural employment, although 10,000 jobs were shed between 1994 and 2004.

A diagramatic model of a banana production system was presented by Hernández et al. (2000) where the major components were identified, such as the plantation, the packing plant, the housing facilities for the workers, the market, the combined set of inputs, and the outputs including the waste residuals (Fig. 1). The authors emphasize that conventional banana production for the export market is a perennial monoculture system, where the resource inputs have a large direct influence on the outputs. It means that in addition to the desired output, the fruit, the system also generates output wastes that must be managed or recycled if the banana production system is to be sustainable. In other words the environmental impact of banana production can be diminished by proper treatment of wastes (Russo and Hernández, 1995).

Social Considerations

The transformation of an economy of banana enclave to an open and globalized economy, in a relatively short period

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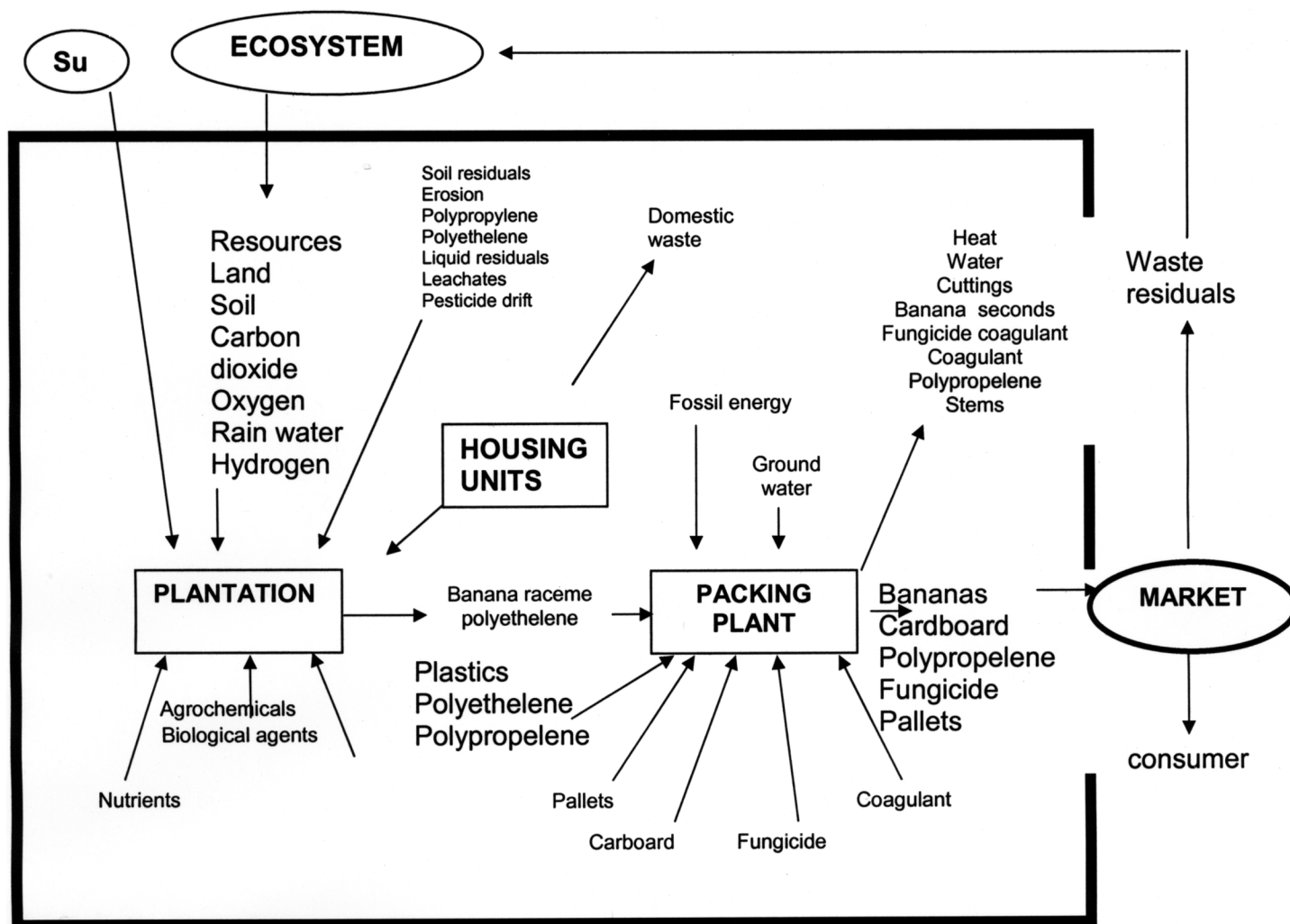


Fig. 1. Diagrammatic model of a banana production system (after Hernández et al., 2000).

of time, requires adjustment which is a difficult task for the population and the institutions. The adjustments in the banana plantation industry have caused the exit of thousands of banana workers without qualifications that have to be "re-trained" like small farmers because the non-agricultural sectors do not have the capacity to give them employment. According to some local leaders, there is a lack of business and entrepreneurial training; the region needs not only more jobs but better paid jobs, and development of building business capacities of the small farmers (Ureña and Russo, 2004). Banana cultivation reached 53,000 hectares in 1994; since then, the cultivation has declined continuously, with the exit of the farms less productive, to the present level of 42,000 hectares. Similarly, the production showed a decreasing tendency in recent years (Fig. 2) until 2003, where a significant recovery was noted due to an increase in the performances average of 2.157 boxes/ha in 2002, 2.459 in 2003, without no increase in the area cultivated (CORBANA, 2003). According to SEPSA (2004) the decrease in banana cultivation area is due to a concentration of the plantations in areas of greater performance, abandoning those of smaller potential by its characteristics of texture and fertility. The increase in productivity is mainly attributed to favorable climatic conditions and market.

Some observers of the sector think that, "due to the difficult financial condition derived from problems in the international markets of the fruit, some farms may have to declare bankruptcy, but some of them have been rescued by the own sector, while others, sadly, must have closed with damage for the banana workers" (Fernández and Zúñiga, 2004).

There is no dependable information on the employment that generates the banana plantation industry. The available statistics are limited to reckon the direct employment as a fixed proportion of 0.67 workers per ha. This results in direct employment of 28,000 people in 2003, that is to say, the 60% of the agricultural employment in the region and the 23% of the total labor force of the HAR. The estimations of the indirect employment are less dependable; is said that the industry generates "40,000 direct jobs and 100,000 indirect" (Fernández and Zúñiga, 2004), which can be exaggerated if is considered that part of this employment is temporary, although the production and the exports tend to be uniforms during the year, and the total labor force reckoned for 2004 in the HAR is 120,837 people. Also it is known in the region that a part of the "direct" employment is subcontracted through contractors that employ immigrant labor, but there is not concrete information on the dimension of this activity. Although the

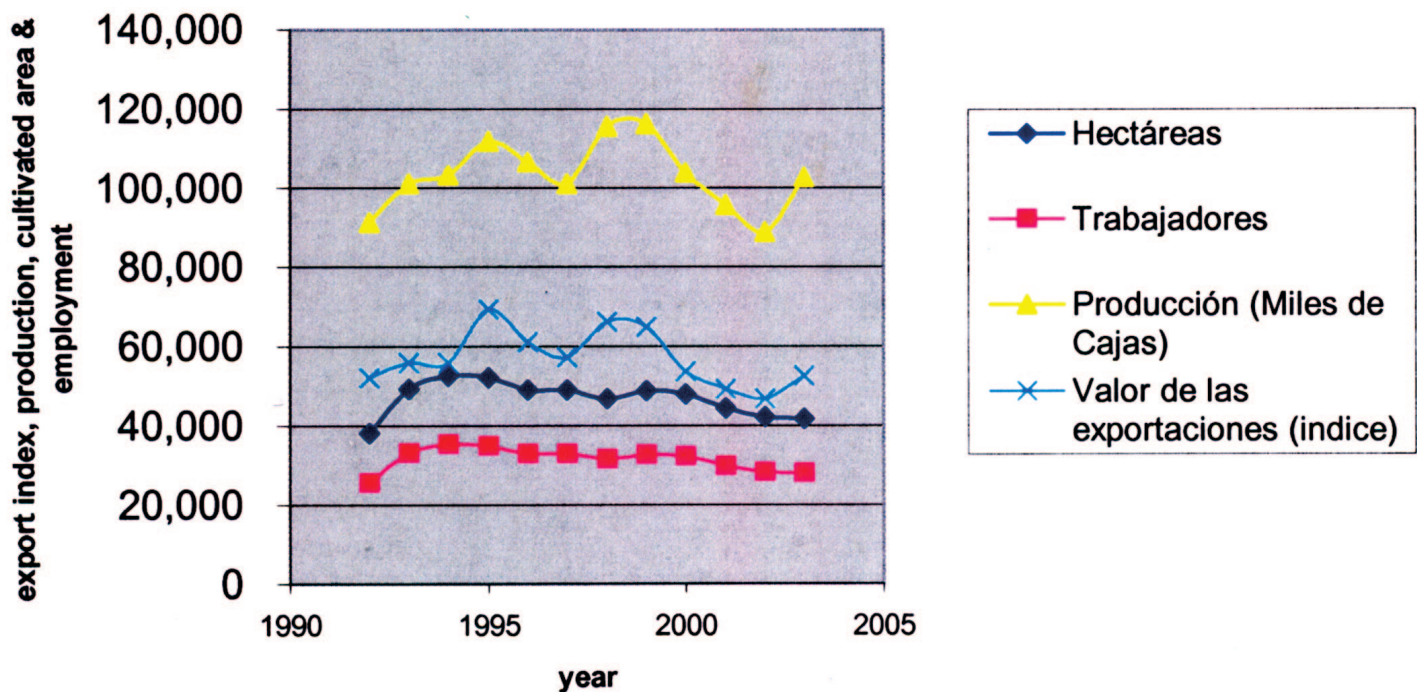


Fig. 2. Statistical analysis of the banana industry.

tendency is to diminish this system of subcontracting as a result of the application of the certification ISO 14001 (environmental responsibility) and SA 8000 (social accountability), which in their principles and criteria protect the rights of the environment and the workers. A part of the indirect employment includes that of the packing plants and pallets and the harbor services of the workers of JAPDEVA. On the other hand, an independent study carried out in early 2002, puts in evidence the critical social situation lived by the communities around the banana plantations at that moment; and the authors attributes the situation to the business sector that transferred the costs of the economic crisis caused by the world over supply of banana (Foro Emaus, 2002).

The international market is highly competitive in the production, concentrated on marketing and strongly regulated by the consumer countries. The market for the national production is controlled to a large extent by transnational shippers and marketers; 85% of the exports is carried out by four trading companies that also have their own farms. The production is a lot more competitive, there are more than 100 independent farmers that produce more than the 60% of the exported fruit, most of the independent farms range in area between 100 and 500 hectares.

As the social and environmental conditions of the sector are fundamental requirements requested by the supermarket chains and the final consumers, the Banana Environmental Commission (CAB) was created in 1992, with the commitment to improve the banana production in a friendly way with the environment (CORBANA, 2005).

The farmers are well organized to negotiate the support to the industry, they have organizations as CORBANA (National Banana Corporation), CANABA (National Camera of Banana), ANAPROBAN (National Association of Independent Producers) and CIB (Banana Institutional Counsel), among others.

The Government of Costa Rica, for decades, has maintained an important support to the sector by incentives in order to maintain a dependable source of currencies. There is a fund established in the Executive Decree No. 30841-H-MAG of 25 Oct. 2002, to contribute with compensations to some banana farmers, such is the case of some cooperatives of the southern part of the country.

Also the financial assistance for the rehabilitation of farms is being negotiated by means of the emission of bonds with preferential interest rates from 2% to 4% (rate of present inflation: more than the 9%); it is expected that some 17,000 hectares will be benefited of this program of "agricultural rehabilitation and financial aid to producers highly gotten into debt" (CORBANA, 2004b; Revista Entorno Bananero, number 13).

The available information allows to predict the general behavior of the industry: the production and the exports depend on the area cultivated and the climatic conditions that affect the performances. The demand is adjusted to the supply through the prices in the markets of consumption, which fluctuate extensively. According to farmers, as mentioned further on, there is a over-supply in the international market. The trading companies have some flexibility for "to mix" the production of different countries with different structures of costs and quality, keeping in mind the plans of quotas and licenses that influence on prices in the consumer countries.

The direct employment in a specific period depends on the cultivated area and productivity; by this reason, the temporary employment and subcontracting labor are frequent; this allows to reduce the cost of the labor. The value of the exports depends on the production and of the price that can be achieved in the final market. As it can be observed in Fig. 2, the area cultivated and the employment present less fluctuations than the production and the value of the exports.

These relations are important because they imply that the sector can maintain a level of relatively constant direct

employment, as has maintained the area cultivated (Fig. 2), and to obtain additional utilities by increasing productivity and international prices. Nevertheless, this situation is improbable by the high risk that represent the fluctuations in international prices and the high level of competition in the production, which generates a temporary employment demand structure as it observed in the region. The Nicaraguan immigrants, who make up to 20% of the labor force, are subject to still more difficult conditions. They contribute to the job opening to lower levels of salaries, including the levels under the minimum wage, without social benefits. This is the group that responds faster to the expectations of employment, and therefore, to the persistence of high levels of unemployment and sub-utilization. Recent studies on the Nicaraguan migration to Costa Rica indicate these trends (Moral and Zepeda, 2000).

On the relation with policy issues, even though Costa Rica has a well-deserved reputation for environmental awareness, legislation and enforcement of rules and regulations hardly takes place because of lack of personnel and funds (Stoorvogel et al., 2004).

Problems and Perspectives

The problems of the sector are related to the need to maintain the competitiveness of the Costa Rican supply through better performances, in terms of boxes per hectare (Soto, 2004), since their structure of labor costs is relatively high with regard to their competitors, and their environmental and labor conditions apparently are better.

There are different opinions on the perspectives of the banana, from uncertain to optimists, but all coincide in two basic aspects: the existence of an over-supply in the international market and the need to improve the competitiveness by increasing productivity. According to CORBANA (2003b), one of the main problems is the over-supply. The consumption per person in the United States has been reduced from 31 to 28 lbs per year, "the production has maintained an upward trend", including a recent period with annual rates of 17.7%, new countries have entered to the production (Brazil, Bolivia) and other as Philippines have enlarged their participation. In this context, is indispensable to improve the competitiveness of the sector, which is not easy in a country as Costa Rica where important achievements in the environmental and labor conditions have been reached and part of the improvements in the competitiveness they would be able to imply not acceptable reductions in these conditions.

Community development is a social matter of great importance. An audit made by Social Accountability in Sustainable Agriculture (SASA, 2002) remarks that the communities surrounding banana plantations generally depend on the banana business, for which it is also important to consider the welfare of such population and to perceive them as part of the banana activity.

Conclusions

After all, an increase in the cultivated area or in the employment in the banana sector is not expected. It is unlikely that this sector can be an important factor in the growth of employment for the population of the HAR, in spite of the fact that the year 2003, and the first months of 2004, showed improvements in production and exports.

An increase in area cultivated and employment is unlikely in the near future, and would be conditioned to: (i) a clearer situation in the international market—especially in the EU; (ii) to have achieved greater performances (boxes per hectare); and, (iii) to have reduced the competitiveness in other countries that require to improve its environmental, salary, and labor conditions. Nevertheless, by the relative dimension of the industry in the region, a fall in the exports can cause serious problems in the regional economy. The increase in the unemployment rates and sub-utilization of the labor force in recent years is an example of this effect.

As mentioned above, the organized private sector and the government have been in alert to support the farmers crisis situations; is also important to anticipate possible social and economic problems generated by these crisis among the workers that remain unemployed and underemployed. Though the banana activity is a source of wealth, great part of the population of the region lives in the poverty. The 30% of the population is classified as poor; 9.5% lives in extreme poverty and 21% "do not satisfy their basic needs", warning significantly higher than the corresponding national averages.

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