



Socio-economic Issues in the Peruvian Mango Supply Chain of EU Supermarkets

AAI & SOMO

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Agribusiness Action Initiatives**

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Colophon

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Executive summary

This study assesses the working conditions of the workers in the Peruvian mango supply chain of EU supermarkets and identifies and analyses factors such as procurement policies of EU retailers that might influence these conditions. Three leading Peruvian agro-exporting companies were sampled that operate in Piura, Peru's most important mango producing region: the companies Camposol AS, Sunshine Export SAC and Sociedad Agricola Saturno. With the exception of Saturno, the companies were identified as supplying various European supermarkets, including Tesco, Asda, Sainsbury and Albert Heijn.

Supermarkets are by far the biggest retail channel for fresh fruit in the EU. Mangos sold in European supermarkets come from all over the world. Depending on the season, supermarkets import their mangos from different continents. In the months between December and March, the mangos on the shelves come from Brazil, Ecuador, South Africa, Costa Rica and Peru.

Peru has a significant mango export industry, in the past ten years export values have more than tripled and the country currently exports around 300,000 tonnes of mangos annually. In fact over the last five years Peru has been the most important source of mangos for the EU, second only to Brazil. The two most important destinations for Peruvian mangos are the United States and the Netherlands.

The simplified export oriented supply chain in Peru consists of production, collection, packing and export stages. All three investigated companies are to a certain extent involved in the whole process from production to export. The major distinction between the three agro-exporters lies in the production phase: Camposol and Saturno mostly rely on their own production while Sunshine mostly buys mangos from other producers.

The most labour intensive stages in this industry are the harvesting and the maintenance of the mango crop that is done in the fields and the packing work that is done in factories. As mango is a seasonal product, the majority of the workers are only hired for 3-5 months a year, between November and March.

The most important findings of this study were:

- **All wages** at the three investigated companies are poverty wages based on the daily minimum wage determined by Peruvian law. For a monthly income at the country's poverty line level, which represents about 60% of an income that would provide for the basic needs of a family (living wage), two parents would have to work 8 hours per day 6 days a week or one parent would have to work 12 hours a day 7 days a week (including the higher pay overtime hours).
- **Working hours** are excessive, especially in the packing factories, where workers often work 11-16 hour shifts, which in the peak season of the mango production (January-February) is every day of the week. On the fields the situation is slightly different. Whereas workers officially have 8-hour working days, in practice field workers are paid a daily minimum wage to reach a production target: a certain volume of mangos picked per day. When the target is reached this is recorded as a day's work and they may leave, and any additional work is considered overtime. However, usually the target is not met in time and workers have to work more. Together with above target overtime work workers tend to work more than 11 hours per day up to seven days a week in peak season.

- Agro-industrial workers are legally allowed to work **overtime** as long as the average working week during the whole contract period is not more than 48 hours per week. In practice there is evidence that this norm is clearly violated. Workers also complained that extra hours are not always paid out.
- At all three companies surveyed, any **overtime work is voluntary** only in theory but not in practice. If a worker refuses to work overtime, they will be known as 'problematic workers', which leads to a raise in workload and the risk of not being contracted again for the next season. There are practically no cases known of refusal of overtime work, as there is little other work available, the agro-industrial sector being the main employer in the region of Piura.
- The exporting companies only let their workers sign **contracts** for a part of the actual working period, which means that for some periods workers are employed without a contract. In contravention of national law, no interviewees had received a copy of their signed contracts.
- **Freedom of association** is clearly hampered in this industry. Where trade unions exist, unionised workers are dismissed on the grounds of false allegations, are threatened with non-renewal of their contracts and new workers are not hired at all when it is known that they are unionised. In areas where no trade unions are active there are indications of companies preventing the organisation of any union initiatives.
- **Health and safety conditions** on the plantations and the packing factories are far from satisfactory; the lack of appropriate equipment creates insufficiently safe working conditions sometimes leading to injuries.
- Pregnant women are **discriminated** against because they are dismissed or not even contracted when pregnant and women are often subjected to a pregnancy test when hired.
- Supermarkets set a number of CSR standards for their Peruvian mango suppliers. All require GlobalGAP (mainly a quality standard) and some have additional standards such as those set in their company codes and/or suppliers policy, which tend to be aligned with or strive for norms set by multi-stakeholder initiatives such as the Ethical Trading Initiative (ETI) or business initiatives such as Business Social Compliance Initiative (BSCI) which in turn refer to fundamental ILO workers rights. As some of these rights, such as the freedom of association and non-discrimination as well as overtime regulations, are violated it is clear that the standards of retailers are violated as well. In short, these standards and their implementation systems have so far not resulted in good working conditions for mango workers.
- Besides the mango workers, the other actor in the mango supply chain who is being disadvantaged is the **smallholder mango producer**. The smallholder has two options, either to sell his mangos to individual collectors, who offer a lower price than the agro-exporter would but pay immediately, or to sell directly to the agro-exporter, who pays a better price but often only pays out after several months of delay. Moreover, in the absence of **long-term agreements** with their buyers they face the uncertainty of fluctuating markets.
- When looking at the value distribution in the mango production chain, a few observations can be made. First, over the last decade, the free on board (FOB) price of the mango has shown a relative decline compared to the cost, insurance and freight (CIF) price of the fruit, which could be explained by the increasing costs for transport and/or insurance. Second, of the total FOB price (0.85 USD on average) a mere 22% stays in the hands of the local (small) producer. And third, the field labour costs in Peru for the agro-exporting company entail only maximum 7% of

the retail price of the mango on the supermarket shelf, while the mango collector share of the retail price would only be 0.13%.

Introduction

Agribusiness Action Initiatives (AAI, www.agribusinessaction.org) is a global action network responding to corporate power in the food system.

AAI has been focusing for a number of years on the buyer power of EU supermarkets and the general impact of EU supermarket policies on sustainability in food supply chains. AAI felt the need to increase the knowledge and awareness on the impact of buying practices of EU supermarkets in food supply chains originating in developing countries. From this background AAI commissioned SOMO, Centre for Research on Multinational Corporations, to undertake an opportunities assessment for further research into the following three commodities:

- mango supply chain from Peru
- coconuts from the Ivory Coast
- honeydew melons from Costa Rica or Brazil

This resulted in a 46-page unpublished report 'Mangos and Melons – a preliminary overview of corporate players, problems and retail power in the supply chain from Peru, Brazil, Costa Rica to the UK, Germany and the Netherlands'. Based on this report's findings, AAI Europe commissioned the current research on the mango supply chain from Peru. The results presented in this technical report will be used in a briefing by AAI and were presented in a SOMO report entitled 'Bitter Fruit' in January 2011.¹ Both publications aim to raise awareness of the precarious conditions of labourers working in fruit and vegetable supply chains of supermarkets and make recommendations for different stakeholder such as policy makers at procuring supermarkets and Euro Parliamentarians to help address these.

The research was conducted and coordinated by SOMO from July to November 2010. Field research and desk study in Peru was conducted by Asociación Aurora Vivar (Peruvian NGO) with assistance from SITAG (Peruvian trade union) and supervised by SOMO between August and November 2010. Noticias (Dutch NGO Latin-America network) was commissioned by SOMO to produce a short film entitled 'Mango's made in Peru' about working conditions on mango plantations at one of the companies surveyed in this research Camposol in Peru.²

The report is structured as follows (see also contents): below the objective and methodology of the research is outlined; Chapter 1 provides an overview of the mango sector in Peru; Chapter 2 and 3 expand on working conditions and labour relations and commercial relations and economic conditions in this sector respectively; finally the conclusions of the research are presented.

SOMO is an independent research organisation. In 1973, SOMO was founded to provide civil society organizations with knowledge on the structure and organisation of multinationals by conducting independent research. SOMO has built up considerable expertise in among others the following areas: corporate accountability, financial and trade regulation and the position of developing countries regarding the financial industry and trade agreements. Furthermore, SOMO has built up knowledge of many different business fields by conducting sector studies.

¹ 'SOMO, 'Bitter Fruit, Socio-economic Issues in Fresh Fruit and Vegetables Supply Chains of Dutch Supermarkets – The Case of Ahold', January 2011, <http://somo.nl/publications-en/Publication_3606/at_download/fullfile> (1 February 2011)

² Noticias, 'Mango's made in Peru', , January 2011, <<http://vimeo.com/18643866>> (1 February 2011)

Objective and methodology

Objective

The objective of this study is twofold:

- To assess working conditions in the supply chain of Peruvian mangos exported to Dutch, German and English multiple retailers.
- To determine how commercial relations and economic conditions within this chain impact on workers.

To this end the study focuses on:

- Labour conditions and labour relations in mango production both in the fields and packing factories.
- The terms of trade that govern mango procurement in the supply chain from Peru to the EU.
- Identifying the most important actors and links in the supply chain and assessing value distribution throughout the chain.

Methodology

For the research in Peru three leading exporter-producers of Peruvian mangos were sampled:

- Sunshine Export SAC
- Camposol AS
- Sociedad Agricola Saturno

The selection of the companies was done according to the importance they have in the Peruvian mango export industry and the information which was available for the local researchers. All of the companies have mango production capacity in the north Peruvian region of Piura, where all of the field research was conducted.

Interviews were conducted with plantation and factory workers, trade union representatives, small-scale mango producers, industry representatives and a technical consultant for the mango producers (see boxed text for more information). The management of the exporter-producers was also contacted for information but they declined. The draft research was also sent to them to allow for corrections to factual mistakes and comments but there was no formal reaction. The Peruvian desk research for the study included an analysis of agricultural statistical data and literature from online and offline sources.

Respondents

For the study, a total of 70 persons have been interviewed:

- Field workers at Camposol: 9 men and 6 women
- Field and factory workers at Sunshine: 6 men and 10 women
- Field workers at Saturno: 10 men and 6 women
- Focal group interviews at Sunshine: 6 workers
- Focal group interviews at Saturno: 8 workers
- In-depth interviews, one at each of the companies
- 1 agricultural trade union representative
- 1 representative of the Peruvian Mango Producers' and Exporters' Association³
- 3 small-scale mango producers
- 1 technical consultant for mango producers

The research on commercial relations was mostly conducted from the Netherlands and was primarily based on desk research (review of literature). Companies in the industry were also contacted for more information (see boxed text). The study benefited greatly from the input and comments of AAI member organisations.

Company contacts

Five EU retailers (Tesco, Asda, Sainsbury, Albert Heijn and Rewe) and three of their importers (Wealmoore; Minor, Weir and Willis; and Bakker Barendrecht) were contacted for more information on the details of their arrangements in the mango supply chain and to identify and verify chain (buying) relationships. However, none of these importers disclosed any information. Eventually all supermarkets reacted at least partly to our queries. Only Albert Heijn explicitly confirmed buying mangos from Camposol. The UK supermarkets neither denied nor confirmed sourcing relations with the Peruvian producer exporters that were sampled in this research. REWE denied having commercial relations with these suppliers.

³ Asociación Peruana de Productores y Exportadores de Mango - APEM

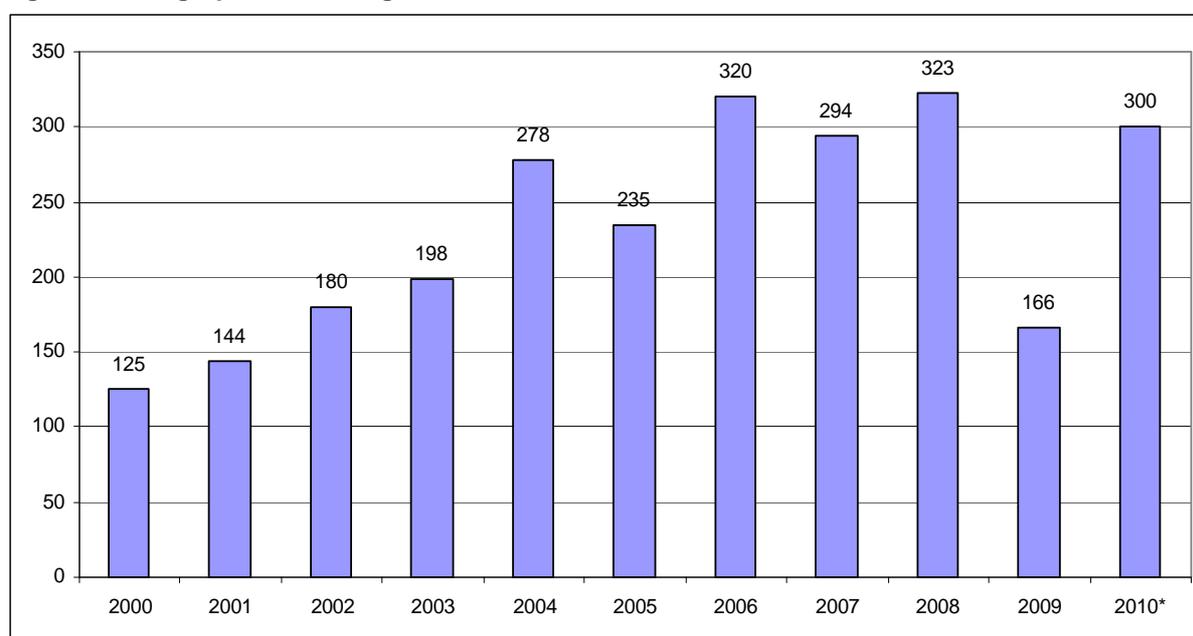
1 The mango sector in Peru

1.1 Production

Peru is a country with a wide variety of geographical and climate zones, which makes it suitable for different kinds of agricultural production. The country's main products are potatoes, coffee, cotton, asparagus, artichokes, grapes, avocados, peppers, onions and sugarcane.⁴

Mango production in Peru has been showing a steep increase in the past ten years with production figures almost tripling since 2000. Today Peru produces around 300,000 tonnes annually. Due to the economic crisis, in 2009 production figures dropped significantly, to almost fully recover in the first 5 months of 2010 (see Figure 1).

Figure 1: Mango production figures in Peru, 2000-2010, in thousand tonnes



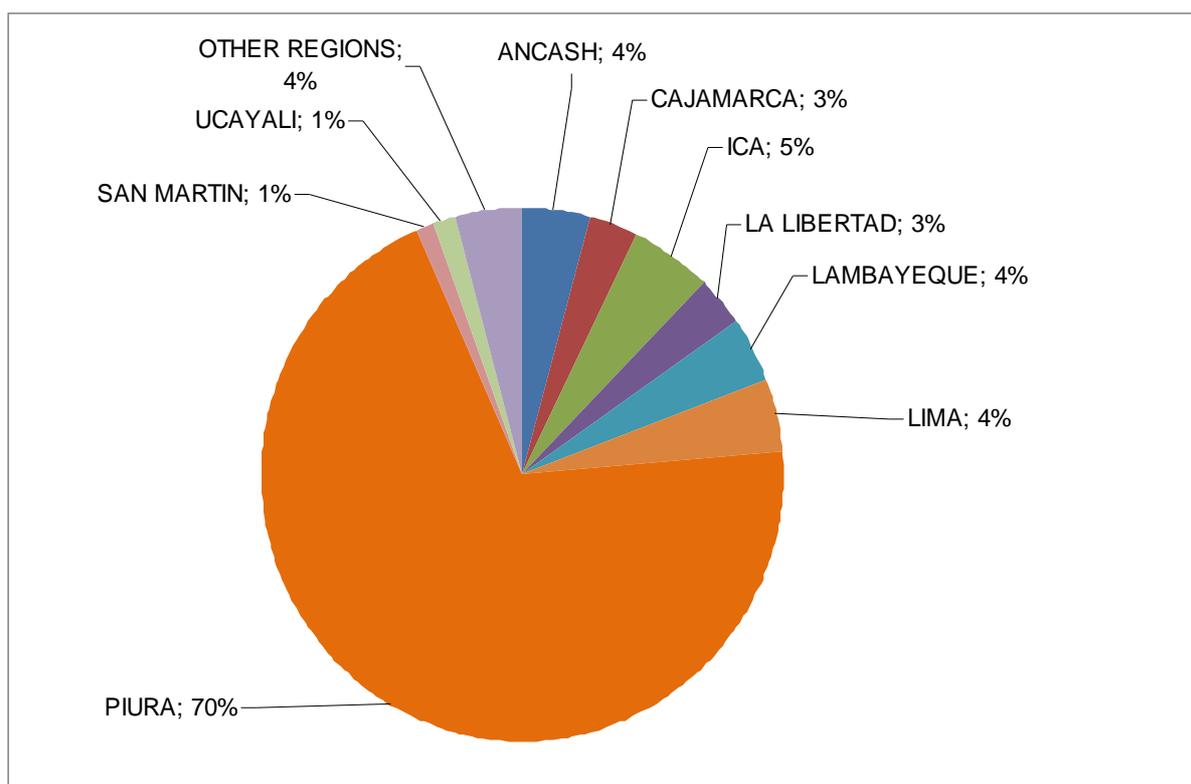
* Preliminary figures for 2010: Jan-May

Source: MINAG, INEI and BCRP

Because of its suitable climate conditions, the northern region of Piura is the region with the biggest mango producing figures by far (see Figure 2) The three companies which have been investigated in this research, all have mango production facilities in this region.

Figure 2: Distribution of mango production in Peru, in 2009, per region, in percent

⁴ <http://www.nationsencyclopedia.com/economies/Americas/Peru-AGRICULTURE.html> (27/10/2010)



Source: MINAG

1.2 Export

Table 1 below shows the development of the export of mango products from Peru over time. As can be seen, the aggregated value and volume of these exports have increased by roughly 250% and 270% between 2000 and 2009. With a free on board (FOB)⁵ value of 71 USD million and a volume of 69 thousand tonnes the fresh mango category⁶ is by far the most important product among the type of exported mangos. As noted above, in 2009 there was a slight drop in production figures, which can be attributed to the unfavourable economic conditions and the global economic crisis resulting in less demand for mangos.

⁵ The prices indicated are so-called Free On Board (FOB) prices. This price includes all costs of production, processing and transport up till the product passes the exporters ship's rail at the loading port.

⁶ Fresh mangos are the focus of this study and unless noted otherwise any reference to mangos refers to fresh mangos.

Table 1: Mango exports in Peru, 2000-2009, in value (USD millions) and volume (thousand tonnes and million litres for the mango juice)

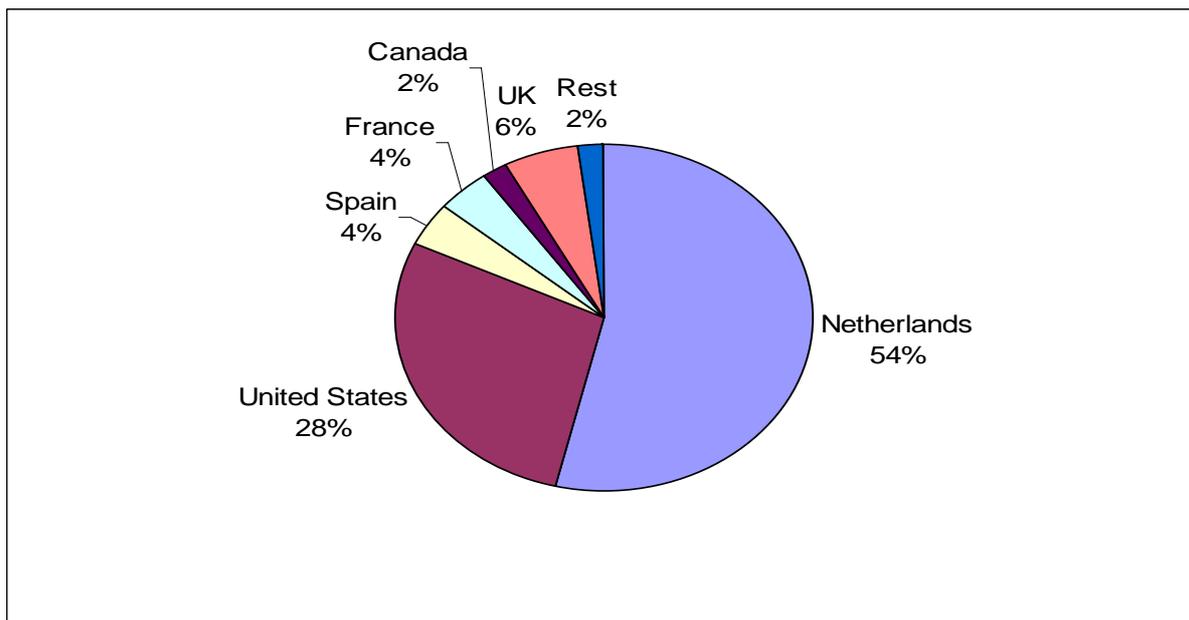
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 in %
FOB value (USD mln)	26	30	37	36	47	43	66	74	91	89	100%
Canned	0	1	2	3	3	3	4	4	7	5	6%
Fresh	23	27	33	31	42	38	59	64	63	71	80%
Frozen	0	0	0	0	0	0	0	3	18	10	11%
Mango juice	2	2	2	2	2	2	2	3	3	3	3%
Volume (thsd tonnes)	21	28	38	43	63	61	88	89	101	79	100%
Canned	0	1	3	3	3	3	5	5	6	4	5%
Fresh	21	27	35	40	60	58	83	83	83	69	87%
Frozen	0	0	0	0	0	0	0	2	12	6	7%
Volume (mln litres)	2	2	2	2	3	2	3	3	3	2	100%
Mango juice	2	2	2	2	3	2	3	3	3	2	100%

Source: Aduanas

The type of mango that is primarily exported by Peru is the mango type Kent. Of the exports of the two main mango producing regions in the country, the regions of Piura and Lambayeque, the Kent mango comprised 82% of all mangos grown and 88% of all exported. Other mangos which are exported in Peru are the types Haden, Tommy Atkins and Keitt.

Figure 3 shows the main export destination of fresh Peruvian mangos by value of exports. The two main importing countries of Peruvian mangos are the Netherlands and the United States with imports worth 39 USD Million and 20 USD Million respectively in 2009. Whereas export to the Netherlands was almost the double of that to the US in 2009 (see also Figure 4) this was also for the first time. Over the last decade the US was the most important client for Peruvian mangos.

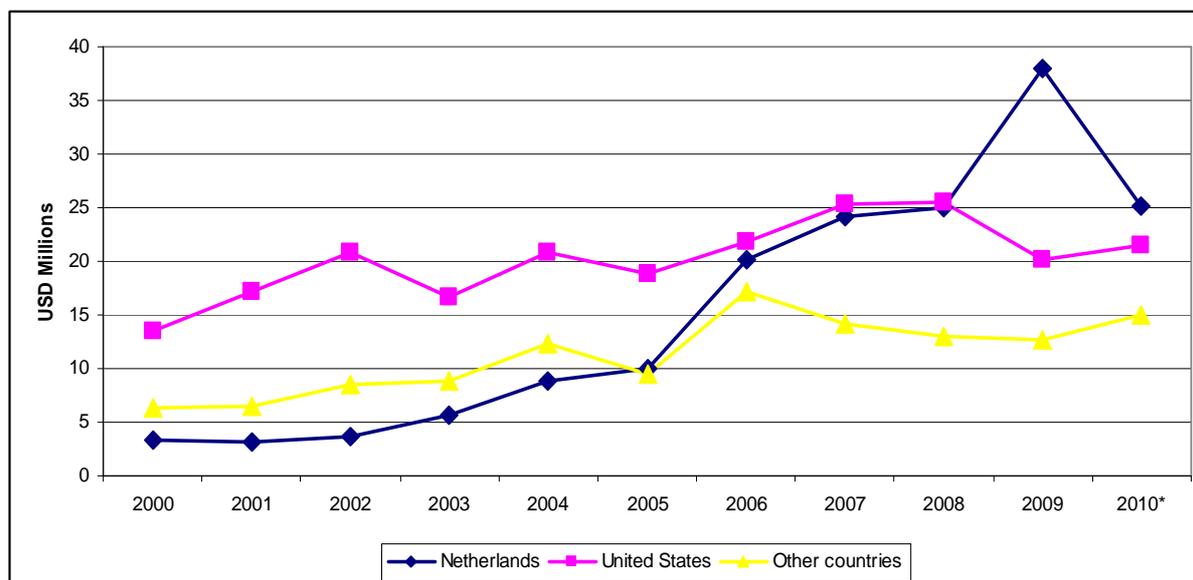
Figure 3: Main export destinations for Peruvian fresh mangos in 2009, in FOB value share



Source: ADUANAS

Figure 4 shows the export values of Peruvian mangos for the two main receiving countries. Whereas export to the United States has not increased much, export to the Netherlands has grown significantly over the past ten years. Over the last five years Peru was the second most important supplier of mangos to the EU, second to Brazil only.

Figure 4: Export values of Peruvian fresh mangos for the most important exporting countries, 2000-2010, in USD millions (FOB prices)



* Preliminary figures for 2010: Jan-Jun. Source: ADUANAS

Agricultural exports are an important source of income for Peru. In the Peruvian agricultural industry there is a distinction between the so-called traditional and the non-traditional agricultural products. The former mainly consists of sugarcane, cotton and coffee, while the latter encompasses asparagus, paprika, grapes, and bananas, among others. If we look at the past twenty years of Peruvian

agricultural exports, a shift is visible from traditional agricultural exports to non-traditional exports. In 1990 Peru exported around 150 USD mln worth of traditional agricultural products and 130 USD million worth of non-traditional products, the ratio in 2008 had shifted to 700 USD Million for traditional and 1.900 USD Million for non-traditional agricultural exports, respectively. Of all the country's non-traditional horticultural exports, asparagus is by far the most significant product (see Table 2). In 2008 mangos ranked 4th among the country's fresh horticultural exports by value.

Table 2: Export values of the most important non-traditional agricultural exports of Peru in 2008, in USD millions and in percentage

	Export (USD mln)	Percentage
Fresh asparagus	231	12.1%
Canned asparagus	184	9.6%
Paprika	136	7.1%
Grapes	85.7	4.5%
Canned artichokes	82.6	4.3%
Mangoes	64.1	3.4%
Organic Banana	45.6	2.4%
Total non-traditional exports	829	43.4%
Total exports	1,912	100%

Source: Asociación Aurora Vivar-Marañón y Moreyra.

1.3 Export supply chain

The mango export supply chain in Peru can include a varying number of links. Long chains would include small-scale producers, collectors, distributors, packers, distributors, exporters and shippers. Short chains just include large exporter-producers and shipping companies. Of course there is a whole range of other actors, such as technical experts, seed and agrochemical companies, accountants and transport firms, who also offer their services.

The mango export market in Peru is rather fragmented. The biggest exporting firm in the country, Sunshine Export SAC, captured 13% of all Peruvian fresh mango exports in 2009. Camposol AS and Sociedad Agricola Saturno, the other two companies that were sampled for this study next to Sunshine, rank second and eighth among exporting companies, respectively. Almost 60% of all the exporting companies have a share less than 0.1% of the total market. For an overview of the biggest exporting firms, see annex 1.

The two most important ports for the mango export in Peru are the ones in Paita in the Piura region and in Chiclayo in the Lambayeque region. In 2009, 81% of all the mango exports went through these two harbours in northern Peru.

1.4 Profiles of exporter producers sampled

1.4.1 Sunshine Export SAC

Sunshine Export SAC (Sunshine) is a producer and exporter of Peruvian mangos, citrus fruit, figs, onions and melons, among others. For its mango production it possesses 20 ha of land in the region of Piura and 60 ha of land in the Lambayeque region. Besides its own land, the company provides technical assistance to and buys from 300 individual small and medium sized producers in the

aforementioned regions. The company used to buy the mangos directly from producers, but since 2008 it does so through intermediaries.

Sunshine exports 6,500 tonnes of mangos, worth 9 USD million annually. The three main types of mangos the company produces are Kent, Haden and Tommy Atkins. The company owns a packaging plant in Piura, which has a maximum production capacity of 40,000 boxes a day.⁷ During the harvesting season 1000 people work for the company, in off-season 200 workers take care of the plantations. Multiple retailers Tesco, Asda and Sainsbury are among Sunshine's clients.

1.4.2 Camposol AS

Camposol is Peru's leading agri-business exporter. It is Peru's largest exporter of asparagus and peppers and the second largest exporter of mangos and avocados. It also produces artichokes, citrus fruits and grapes.⁸ Camposol is listed at the Oslo Stock Exchange (OSE) in Norway and the holding (Camposol Holding PLC) is incorporated in Cyprus. Its most important shareholders include Dyer-Coriat Holding, Deutsche Bank and Andean Fishing L.L. with 29%, 15% and 11% of the outstanding shares respectively.⁹ Camposol employs 8,497 workers (all employees not only mango workers) of whom 70% are female.¹⁰

For all its production it possesses 25,000 ha of land, for its mango production it has 499 ha available. Total sales in 2009 amounted to 122.8 USD million of which 5.6 USD million consisted of fresh mango sales only.¹¹ The company has six processing plants, but none of them in Piura. The mangos from the Piura region are processed at the factory of Empafrut, also in Piura and at the company's own plant in La Libertad. Camposol exports its fresh, frozen and canned mangos to the US, Canada, China, Japan and the European Union. Multiple retailers Asda, Sainsbury and Albert Heijn (Ahold) are among Camposol's clients.

1.4.3 Sociedad Agricola Saturno SA

Sociedad Agricola Saturno SA (Saturno) grows and exports mangos, avocados, peppers and grapes. The company has its own fields in the province of Piura and exports approximately 300,000 boxes of mangos (about 1,300 tonnes) worth approximately 1.3 USD million on a yearly basis. Saturno does not own a packaging plant although it is in the process of building one. Currently the packaging is done at the plants of Nor Agro and Sunshine in Piura. In the mango harvesting season 280 people work for the company. The rest of the year approximately 40 people are employed for the maintenance of the crop. Until February 2010 the company outsourced its mango production activities to its subsidiary Agricola Forestal del Norte. When the latter company went bankrupt, Saturno took over all of Forestal's mango workers. No connections with retailers could be established for this producer-exporter.

⁷ The boxes contain approximately 4 kg of mangos.

⁸ Camposol Holding Plc, "Annual report 2009", <<http://hugin.info/138464/R/1410920/363256.pdf>> (4 May 2010)

⁹ Camposol, presentation CEO Fabio Matarazzo di Licosa, "FOURTH QUARTER 2009 AND PRELIMINARY 2009 RESULTS", 25 February 2010, <<http://www.newsweb.no/newsweb/attachment.do?name=Camposol%204Q%20Results%202009%20Presentation.ppt&attId=74354>> (4 May 2010)

¹⁰ Camposol Holding Plc, "Annual report 2009", <<http://hugin.info/138464/R/1410920/363256.pdf>> (4 May 2010)

¹¹ Ibid.

2 Working conditions and labour relations

2.1 Different types of work and employment

In general there are two types of fieldwork: planting and maintenance; and harvesting. All of it is almost done entirely by men in Peru. Harvesting is done by teams that operate in pairs: one that climbs the tree with a ladder to cut the mangos from the tree and another to assist him with collecting the mangos. The mangos are collected in portable plastic containers/crates, which are eventually off-loaded on trucks for transportation to the packing factory. Maintenance work on mango plantations includes pruning, weeding, application of agrochemicals (e.g. fumigation), irrigation and planting.

Packing factory work includes transporting mangos in and out of the factory, weighing, categorisation/selection of mangos according to size, (hydrothermal) cleaning,¹² packing, labelling of boxes and stowing boxes in containers for transport. All of the more physically demanding work is done by men and all the other more delicate work is done by women who form the large majority in these facilities.

When looking at the employment status, the workers in this industry can be roughly divided in two groups: those that work only during the mango season and those that work all year round for the companies. The first and largest group are the seasonal workers that carry out harvest activities in the fields and do the cleaning and packaging work in the processing plants. Seasonal workers are hired mainly between November and March, the season of the mango in northern Peru.

The second group, the permanent workers, carries out the maintenance work of the mango crop the whole year round. This group also includes permanent staff members who harvest and process mangos in the mango season and are hired for other type of crops during the rest of the year. Other crops could include avocados and grapes in the case of Camposol, avocados and citrus fruits in the case of Sunshine and avocados, pineapple, grapes and peppers in the case of Saturno. Technical workers and lower management staff, who take care of machine maintenance, supervision and administrative tasks, also have a permanent status.

2.2 Workers' background

All three companies investigated have in common that they hire mostly workers from the communities where their plantations and factories are based. Most of the workers are between the age of 30 and 40, with the exception of Camposol, where the employees are slightly younger, most of them between 20 and 40. By Peruvian standards the labourers have relatively small families with one or two children at home. Only a small group of workers have extended family living with them in the same house, such as grandparents or in-laws. Most of the workers own their houses, which are normally connected to the electricity grid. However, most of them have limited access to drinking water (usually a few hours a day only) and only a small minority have a drainage system.

¹² Required for shipments to the USA only

All workers have finished primary school and most of them also secondary school. Only the few who have a technical (college) degree are selected for the supervisory or the (technical) maintenance duties.

As most of the mango labourers are seasonal workers working from November to March, they need other sources of income during the rest of the year. Most of the workers are farmers themselves so they work on their own piece of land, growing beans, peppers, bananas, lemon, corn or different types of grain. Others, who previously sold their piece of land to one of the processing and exporting firms are either hired by the companies to work or maintain other types of crop or devote themselves to small-scale trade in consumer goods, cosmetics or food on the local markets.

During the rest of the year when I do not have work at the factory, I dedicate myself to the sale of cosmetics and now I am working for the literacy programme of the Ministry of Education. Three times a week I give reading and writing lessons to illiterate people. Claudia (35), mother of five children, factory worker at Sunshine.

Before working for Saturno, I had my own piece of land where I cultivated corn, beans and some grain. Now that I work for the company, I still have slightly more than one hectare of land where I work when I'm not employed. Alfonso, 30-year-old fieldworker at Saturno.

2.3 Employment relations

National legislation provides that contracts in the Peruvian agricultural sector have to be in writing and have to be signed in threefold, one copy for the employer, one for the employee and one for the Ministry of Labour. The contracts can be temporary or permanent.¹³ However, in violation with the law none of the workers interviewed for this study had been handed a copy after signing it. Also the possibility to look into the contract at a later moment has repeatedly been denied by the companies.

At Sunshine seasonal workers only get temporary (typically three-month) contracts, even if they stay for a longer period of time than what is stated in the agreement (the harvest season lasts five months). This way, labourers do not get the benefits of a regular contract, e.g. health insurance or severance pay. Permanent workers, who work the whole year in maintenance or the harvesting of different types of fruit, get a one-year contract which is renewed every year. This practice deprives them of automatic annual wage increases that they would be entitled to if they would have a permanent contract. It also deprives them of other benefits that do not build up this way.

At Camposol and Saturno the situation is similar to that of Sunshine, workers working for the whole year only sign annual contracts. However, at Saturno not even all of the permanent staff has annual contracts. These are reserved for those who have been with the company for years and have gained the trust of the company management. In February 2010, when Agricola Forestal del Norte, the company to which Saturno outsourced its mango harvesting activities, went bankrupt, the permanent workers were forced to sign new contracts with their new employer Saturno. In the process they lost all their accumulated rights and benefits.

I have an annual contract, in February the contract will expire. Then they give us new contracts, for most of the workers only for one or two months. I get a new annual contract every year as I am one of the 'old ones', the ones who have been here for the longest period of time. Fieldworker at Saturno.

¹³ Resolución Ministerial N°322-2009-TR. 25.11.2009

According to the Ministry of Labour, more than 65% of all the contracts in the agricultural sector in Peru are of temporary nature. Statistics are not available for the mango sector alone. However based on the evidence collected for this research it is likely that this percentage is higher in the mango sector.

Decree No. 22342, Promotion of Non-traditional Exports, allows employers to hire workers on a series of short-term contracts without requiring that the workers be made permanent. This has a severe dampening effect on workers' ability to organise unions, because they can be fired for any reason and/or not have their short-term contracts renewed. The law covers workers in the fishing, wood and paper, and non-metallic minerals and jewellery sectors, and it has had a particularly severe impact in the textile and agro-industry sectors.¹⁴

2.4 Wages and cost of living

All incomes were found to be based on daily minimum wage levels as determined by Peruvian law for the agricultural sector (see boxed text below). However, due to seasonality of the crop, the number of work days per week and the hours of work per day, incomes can differ substantially during the mango season. In the peak period when many workers can and are expected to work seven days a week, 11-16 hours a day, their income is, because of over hours being paid at a higher rate, well above the minimum wage level. Outside the peak months, when labourers may work regular working weeks or less, their income is on or below weekly minimum wage level.

It is important to stress that in all cases wages in the Peruvian mango industry are poverty wages. Even if in a family both of the parents work full time (8 hours per day, 6 days a week) in the mango industry they would barely earn enough to live at the poverty line wage level. Alternatively for this same wage level one parent would have to work about 12 hours a day 7 days a week (including higher pay overtime hours). The 'poverty line wage' in return is only a mere 60% of what is determined as sufficient for a family to satisfy basic needs (living wage) (also see boxed text below). It should be added further that for most people working in the industry there is no work available year round because of the seasonal nature of mango production.

Although I work the whole year I have signed a contract for three or four months only. I get to sign such a temporary contract once a year. For a two-week period I get about 280 PEN (100 USD). In the pay slips they sometimes give me, my extra hours are noted but sometimes they are not. Octavio, mango collector for Camposol.

¹⁴ Solidarity centre, Peruvian Society, Workers, and Labor Law, December 2009
<www.solidaritycenter.org/files/policybrief_peru.pdf>

Minimum wage versus living wage

To be able to analyse wages levels of the mango workers in Peru it is important to know what would constitute an income that would provide for basic family needs (food, lodging, education, health services, etc.) and compare this to the Peruvian minimum wage. According to the Peruvian National Institute of Statistics (Instituto Nacional de Estadística e Informática – INEI), the basic monthly family basket, or the amount needed for a family to be able to pay its monthly necessities in 2010 is 2.112 Peruvian Nuevos Soles (PEN), which is approximately 760 US Dollars (USD). The INEI also states that families that earn less than 1.300 PEN (470 USD) a month find themselves below the poverty line.¹⁵

In Peru, labour legislation¹⁶ specifies a daily instead of a monthly agricultural minimum wage level. Currently the daily minimum wage in this sector is 21.46 PEN per calendar day (7.70 USD). For a 30-day calendar month this is equal to a monthly minimum wage of 644 PEN (229 USD) which is clearly a poverty wage, being far below the poverty line income and not even near what would constitute a living wage (a basic monthly 'family basket'). In practice the income of an agro-industrial worker with a regular 48-hour workweek working each week of the month is on this minimum level.

2.5 Benefits and services

All workers, the seasonal mango workers included, are entitled to certain benefits. These include bonuses that workers are entitled to such as the seniority bonus, called Compensation for Time of Services (CTS), pension and social security. However, while there is evidence that at least some companies are paying a health insurance fee on top of the gross wage, these benefits are deducted from the workers' (gross) minimum wages (see boxed text below).

Besides general costs of living, mango workers have to make costs that are connected to their work. These are daily transportation costs to and from the fields and the factories, costs for alimentation provided by the company and the costs for childcare. The only company which offers transportation services is Sunshine, but it only does so for its factory workers. It is also the only company that offers meals. The costs incurred for these services are 14 PEN (5 USD) and 18 PEN (6.5 USD) per week respectively. Camposol is the only company offering childcare service to its employees for a weekly rate of 10 PEN (3.5 USD). Considering the monthly wages of the mango workers the prices for these services offered by the companies are relatively high.

2.6 Hours of work

For workers, besides wage levels, the amount of effort they have to put into their work to get their wages is also of significant importance. The workload for the mango workers is the highest in the months of January and February, when mango production and export are peaking. During this period most workers work 11 to 16 hours a day, 6 to 7 days a week.

¹⁵ Diario La Primara, Canasta familiar más cara y salarios siguen estancados, 21 February 2010 <http://www.diariolaprimeraperu.com/online/economia/canasta-familiar-mas-cara-y-salarios-siguen-estancados_57197.html> (22 October 2010). It has to be noted that these rates are calculated for the region of Lima. In Piura, northern Peru these numbers could be slightly lower.

¹⁶ Labour Law nr 27360

According to the Peruvian legislation, labourers can work a maximum of 8 hours a day or 48 hours a week.¹⁷ Overtime legislation for temporary contract workers in the agricultural sector is different because the reference is the so-called *accumulated* workday and not a working week. This means that they are allowed to work overtime as long as the average working day during the *whole contract period* is within these limits. In practice there is evidence that this norm is clearly violated as is further illustrated below.

Law 27360: weakened labour rights for agro-industrial workers

In 2000, Peru's parliament adopted the law for the promotion of Agrarian Sector, Law Nr. 27360, which besides granting tax benefits to the companies, weakened legal protection for agro-industrial workers. It requires employers to pay workers a certain minimum wage for a workday of at least 4 hours but it does not stipulate a monthly minimum income. Moreover, and in contrast to non-agricultural workers, the daily minimum wage in this sector includes accrued seniority benefits (Compensation for Time of Services) and end-of-year holiday bonuses. This further suppresses their wages in comparison with non-agricultural workers. Finally, this legislation also meant reduced annual vacation time and it made it cheaper to fire people. The law was extended until 2021 by the parliament in 2006.¹⁸

At the Sunshine packing factory for instance in the peak period of January and February the labourers work every day of the week with an average of 14 hours a day. Their day starts at 06.00 at the factory and last until 21.00. During the day they will have a one-hour lunch break. In this peak period often when there is a large shipment, usually destined for the EU, workers have to stay in the factory until all the mangos for the shipment have been processed. This means that to not violate the maximum working hour legislation they would have to stop working the next three months of their five-month contract. Whereas in practice they will work at least a number of days a week and might have a contract of three months only.

Just as their peers in the factory, fieldworkers may have to work every day of the week in the peak season. And just like the factory workers their working days are officially determined by the hours they work. However, in practice fieldworkers are paid a daily minimum wage to reach a production target¹⁹, a certain volume of mangos picked per day. When the production target is reached this is recorded as a day's work and they may leave or if they stay the work thereafter is considered overtime. However, mostly the target is not met in time and workers have to work more. Together with the above-target overtime workers tend to work more than 11 hours per day, up to seven days a week (see quote below) in peak season.

In 2005, I worked in harvesting and we didn't have piece-rates, we had to work a certain number of hours a day. The piece-rates came in later, and the supervisors are constantly elevating the targets, now they ask for 90 boxes a pair. If we do our job fast, they might even raise our target again up to 120 boxes a day. We are never able to reach the target in 8 hours and they are not paying us for this

¹⁷ Decreto Supremo N°007-2002-TR – Aprueban Texto Único Ordenado de la Ley de Jornada de Trabajo, Horario y Trabajo en Sobretiempo / Modificado por Ley N°27671

¹⁸ Solidarity centre, Peruvian Society, Workers, and Labor Law, December 2009 <www.solidaritycenter.org/files/policybrief_peru.pdf> & Permanent Peoples Tribunal: Session on Neoliberal Policies and European Transnationals in Latin America and the Caribbean <www.foeeurope.org/corporates/Lima/EAdossier_EN_May08.pdf> (December 2010)

¹⁹ The collection quotas differ substantially between the three companies. At Sunshine and Saturno a pair of workers has to harvest 40 boxes in a day. This box fits approximately 60 mangos. This quota can usually be attained in the prescribed 8 hours a day. In the fields of Camposol the quota is more than the double. At this company a pair of workers has to harvest 90 boxes of the same size in a day, which is almost never done in eight hours. There are even exceptional cases noted when the quota is raised to the amount of 120 boxes a day.

overtime. In harvest season I start working at 6:00 am and finish at 7 p.m. That is 13 hours. Juan, a 35-year-old father of three children, working for Camposol as a fieldworker.

Regarding pay for extra hours worked, the Peruvian Labour Law establishes that a worker has to receive 125% of their hourly wage for the first two hours of extra work. For all the hours worked after this, the rate is 135% of the regular hourly wage and for working on Sundays, the rate increases to 200%.²⁰ The problem with Camposol, Sunshine and Saturno is that workers complained that extra hours are not always paid out. As a proper administration of the hours is lacking and/or supervisors do not always register all the hours worked, sometimes extra hours appear on the workers' payslip, and sometimes they do not.

The lion share of the harvest work for Sunshine is outsourced to companies that organise collectors (see also section 3.3). Mango labourers working for these traders and collectors are allegedly subject to even worse conditions than those for the collectors that are directly employed by the agro-exporters. These workers tend to work longer days than the labourers working directly for the agro-exporters and earn less than the Peruvian minimum wage.²¹

2.7 Freedom of association and collective bargaining

Forming a trade union in the mango sector in Peru is not an easy task for the mango workers. All three companies investigated create a hostile environment for trade unions. In Piura there are no trade unions at the factories and plantations of Sunshine Export SAC or the plantations of Camposol.

Camposol does have a trade union in the region of La Libertad which is called Sindicato de Trabajadores de la Empresa Camposol SA (SITECASA). At Saturno some of the mango workers are members of the local (industry wide) agricultural trade union Sindicato de Trabajadores Agrarios (SITAG) Sol Sol – Peru.

The workers at SITECASA and SITAG Sol Sol share the same experiences when it comes to the companies' stance towards trade union members. Often trade unionists are fired on the grounds of false allegations, they are threatened with non-renewal of contracts and new workers are not hired if they are part of a trade union. SITAG Sol Sol was created in June 2009 with 268 members. In September 2010 only 150 members were left.²² There was also a case of a worker trying to organise workers at Camposol in Piura being harassed and eventually not being rehired. The tendency of trade union repression is also reflected in the national numbers on trade unionism in Peru: 6% of the workforce is part of a trade union.

The company [Saturno] is continuously making attempts to get rid of our trade union. They already fired 14 trade unionists and 6 members of our union committee without giving any reason. This was in 2009, when the union was created. [...] The company also prohibits new workers from becoming members and if they do so, they end up getting fired. Now things are getting worse, the company is sending people to spy on us when we have our meetings and and to try and catch us making mistakes at work. Armando Bautista Chuica, Secretary General of SITAG Sol Sol and worker at Saturno.

²⁰ Decreto Supremo N°007-2002-TR

²¹ Information based on the interviews with small producers and the agricultural expert.

²² Interview with Armando Bautista Chuica, Secretary General of SITAG Sol Sol.

By actively discouraging and opposing trade union activity, Camposol clearly breaches its own code of conduct, which states that the company 'recognizes in theory and practice the right of all employees to establish working organizations under their own criteria and to collectively negotiate their conditions of work' (see boxed text for more information on Camposol's labour rights reputation).²³

Camposol, a company with a dubious reputation

Next to the issues that were exposed by this study in relation to its mango operations, Camposol has a bad track record as well when it comes to labour and community rights in its other operations, especially asparagus production.

Since 2006 Camposol has been in a land property conflict with two villages in northern Peru. According to villagers who have been living and farming on the lands of Santa Rosa and San Vicente for many decades, Camposol confiscated and burned down their lands to set up big-scale plantations. The conflict climaxed in October 2008, when two villages raided the company's plantations to reclaim their inherited lands.²⁴

Some 1800 asparagus pickers at Camposol have to stay 12 hours at their workplace but only get paid for 8 hours of work. This is due to the long and obligatory lunch break, which enables the employer to have the workers harvest multiple times a day on the same field. Workers have been complaining about the long working day, but the management only shortened the hours of the lunch break slightly after the Norwegian NGO Norwatch supported their case and talked to representatives of Camposol.²⁵

In October 2010, Camposol's asparagus workers organised a strike on the Panamerican highway in the province of La Libertad to protest against the unfair dismissal of seven fieldworkers, of whom two were unionised. Another point of protest was the fact that after the asparagus has been harvested, the company weighs the asparagus crates at another location than the fields, hereby often reporting lighter weights than the crates filled with the vegetables actually are. 'Every crate weighs around 22 to 24 kg, but the company only counts them for 15 to 16 kg. We demand for the weighing to be done right at the fields where we work', comments the representative of the local Camposol trade union.²⁶

In May 2007 Camposol fired workers for reading flyers that promoted the creation of a trade union in the company. This situation caused a series of demonstrations and mobilisations that led to a strong police repression. Four workers were allegedly kidnapped and tortured and others were injured by bullets. In August 2007, the Workers Trade Union of Camposol Corporation (SITECASA) was created. However, in December of that same year 385 people were unjustly fired by Camposol; of these workers 80% was unionised.²⁷

²³ Camposol Code of Conduct, point 5, "Horizontalidad", Camposol website, The company, Code of Conduct, "Camposol Code of Conduct", <http://www.camposol.com.pe/en_the_company_code_of_conduct.html> (24 October 2010)

²⁴ Norwatch website, The sweet pepper war <<http://www.norwatch.no/200904221293/english/other/the-sweet-pepper-war.html>> (24 October 2010)

²⁵ Norwatch website, Forced to watch asparagus grow, <<http://www.norwatch.no/200903061268/english/other/forced-to-watch-asparagus-grow.html>> (24 October 2010)

²⁶ R. Gómez Sánchez, "Violencia en segundo día de paro", La Industria, 17 October 2010

²⁷ Bi-regional network Europe, Latin America and Caribbean 'Enlazando Alternativas' Working Group on transnational corporations - "Permanent Peoples' Tribunal", Tribunal on European transnational corporations, 2008, <http://www.foeeurope.org/corporates/Lima/EAdossier_EN_May08.pdf> (14 November 2010) in Latin America and on neoliberal policies

2.8 Health and safety

Mango workers require protective clothing and basic tools to be able to do their work properly and safely. Field workers for instance, need certain types of knives and scissors for the cutting of the mango, ladders for the trees, boxes for transportation and protective clothing such as gloves, uniforms and masks. However, field workers in the investigated companies are often only provided ladders and scissors. All the rest, including knives, machetes and protective clothing, have to be brought from home by the workers themselves. This situation not only generates additional costs for the workers, but it also creates less safe working conditions as is illustrated further below.

As for the factory workers, according to the employees interviewed at Sunshine, the uniforms and other equipment is provided by the company. However, to save costs, the uniforms provided are often used and not complete. Workers who enter later in the season often do not get a uniform at all and have to work in their daily clothing.

None of the three companies has a workers' committee for health and safety and the workers are not properly informed about health and safety regulations. In this respect the companies ignore Peruvian legislation that states that companies and the workers are jointly responsible for a safe working environment.²⁸

The most common accidents reported are wounds and cuts in fingers and arms due to improper cutting equipment and bone breaks from falling off ladders in the fields. In the factories the improper use of the equipment causes the most injuries. As for the illnesses, abdominal diseases and stomach infections are most common, which allegedly are caused by the low quality of food provided by the company (Sunshine) and the short lunch breaks. In the Sunshine factory women have to work standing up all day, which causes problems with the kidneys.

The company (Sunshine) does have a canteen. When we cannot go home for lunch, we have to eat their food, as they do not allow us to bring food or water from home. The food is bad and it is expensive too, I've often had stomach-aches from the meals they serve us. Cielo, 40-year-old mother of four, working at the packing factory of Sunshine Export SAC.

The Sunshine plant has appropriate canteen facilities, however workers complain that there are too few toilets available for the number of workers at the production line. At the fields of Sunshine there are neither toilets nor facilities for lunch breaks and there is no drinking water. At Camposol and Saturno the canteens are rudimentary and the sanitary services often lack drinking water.

2.9 Discrimination

From the interviews conducted at the three companies it became clear that one type of discrimination that is common practice at all of the companies is that of pregnant women. If their status is known at the time of application, pregnant women are not contracted. Because young families do need the income of the woman in the family, women who are in their early stages of pregnancy conceal their status when applying for a job as a mango worker. A well-known practice at companies is that they oblige women to undergo a pregnancy test in their application procedure. The fact that women often

²⁸ Decreto Supremo no. 009-2005-TR Regulation of Health and Safety at Work - 20.09.2005

are not aware of the fact that this is a breach of one of their basic human rights only makes their situation and the solution for the problem more complex.

2.10 Child labour and forced labour

There are no cases of child labour known at any of the three investigated companies. The minimum age of workers at the factories and fields is 18, which is in accordance with national legislation.

The fact that overtime work is rife during the peak season and only voluntary in theory but not in practice can be characterised as a form of forced labour as it is internationally defined in the ILO forced labour (C29) convention:

*'Forced labour or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.'*²⁹

Mango field and factory workers are to work extra hours in order to meet production targets. While a minority accepts overwork most workers interviewed are clearly not happy with having to work overtime. However, workers that refuse overtime work risk being harassed and are considered *problematic* workers. There were reports of such *problematic* workers being given higher targets and not being hired the next time around. Also the piece rate systems tend to trap workers in overtime. Workers do not get their due daily pay if they leave before the day's target is reached. Finally there is also fear among workers that they might not get hired by any other employer in the region, either, if they are blacklisted.

What I really want is to be able to work only 8 hours daily, have one day of rest per week and get a better pay. But I am denied all of this at Sunshine. Cielo, a 40-year-old mother of four children working at the packing factory of Sunshine Export SAC.

Labour inspections

Labour inspections at Camposol, Sunshine and Saturno are done by the Regional Bureau of Labour of Piura (Dirección Regional de Trabajo de Piura). Because the inspections are announced in advance, and arranged in consultation with the management of the companies these inspections lack credibility and objectivity and do not unveil the real problems of the workers in the companies.

At Sunshine's mango processing factory the phytosanitary inspections are done by the national agro-sanitary agency, SENASA.³⁰ Workers at the factory claim that the work cannot be started before the inspectors of SENASA arrive. Sometimes it happens that the inspection is delayed until 10.00 or even 11.00 in the morning, which has the consequence that workers have to stay longer to finish their daily job.

²⁹ International Labour Organisation, Convention on Forced Labour, article 2 (28 June 1930)

³⁰ SENASA, the Servicio Nacional de Sanidad Agraria, is part of the Peruvian Ministry of Agriculture.

3 Commercial relations and economic conditions

3.1 Commercial relations between Peru and importing countries

To allow for a more elaborate analysis of factors that could potentially affect or influence the socio-economic conditions in the initial production and packing of mangos in Peru, this study had the ambition to zoom in on the details of the arrangements between commercial actors in the mango supply chain.

Next to such details on how and what is specified in terms of quality, volume, timing of shipments, transport, commission and price in transactions – also referred to as terms of trade – we were also looking for concrete linkages between various commercial actors.

Whereas most of the mangos produced in Peru end up in EU supermarkets, responsibility for conditions in supply chains become more clear when there are clear supplier-buyer relations. We were able to some extent to map the supply chain from production in Peru to retail stages in the UK, Germany and Netherlands.³¹ More specifically we found evidence that four multiple retailers, Tesco, Asda and Sainsbury (UK) and Albert Heijn (Netherlands), are sourcing mangos from two producers that were sampled for the field research in Peru: all of them are sourcing from Camposol and Asda and Tesco is also sourcing from Sunshine.³²

Information on commercial relations is clearly a delicate issue. In general, retailers and importers are not willing to publicly disclose who is supplying them nor are suppliers always keen on disclosing who their clients are. The same is true to a large extent for the information on what is specified when deals are made in the supply chain. As a result, in addition to the information that was provided upon request by retailers, the following information on commercial relations is based to a large extent on information available in the literature on this subject.³³

3.1.1 Terms of trade

The different kinds of requirements set by importers of mangos can be broadly divided in three distinct categories: trade requirements and legal and non-legal standards.

Trade requirements include quality, quantity, delivery schedule, prices, payments and delays, pre-financing, advance payment/credit and contributions for promotions.

³¹ Based on info from: SOMO, Mango's and Melons, A preliminary overview of corporate players, problems and retail power in the supply chain from Peru, Brazil and Costa Rica to the UK, Germany and the Netherlands, May 2010 (unpublished)

³² To verify this sourcing relationship we contacted all of them. AH and Tesco confirmed. Sainsbury and Asda claimed to not provide supplier relation information.

³³ None of the three importers that are supplying the retailers above – Wealmoor Ltd and Minor Weir & Willis Ltd. (UK) and Bakker Barendrecht (Netherlands) the exclusive FFV supplier of the leading Dutch retailer Albert Heijn (Ahold group) – nor the Peruvian (exporters) that were sampled for this research in Peru provided information on commercial relations upon request.

Legal standards are minimum market access standards that are set by importing countries (and/or the EU) these include food safety, traceability, phytosanitary, hygiene, product quality³⁴ and labelling demands.

Non-legal standards can include a range of social, environmental and economic requirements that are often laid down in company codes and or (global) standard systems such as GlobalGAP, BSCI (Business Social Compliance Initiative) or BRC (British Retail Consortium). While these often include or refer to international and national law as well (such as core ILO labour conventions or pesticide regulation), the difference is that they are not set by importing countries but are set by private entities such as the companies. However, these standard systems can also set requirements that are superior to, or not set at all in national legislation of the producing country. Examples thereof include prohibition of certain pesticides, requirements for health and safety of the workplace, record keeping, traceability and management systems such as Hazard Analysis and Critical Control Points (HACCP).

3.1.2 Trade requirements and relations

Importers often act as service providers for supermarkets that dominate fruit and vegetable trade in UK, Germany and the Netherlands. They are responsible for arranging logistics and transport, quality control and coordination of the mango value chain even up to supermarket shelf (MINECO, 2007). Hence it is they who set and control the terms of trade for suppliers of mangos on behalf of the multiple retailers.

Terms of trade – a term that encompasses all trade requirements and legal and non-legal standards – shape (retailer) supply chains. For instance if a producer/exporter does not comply with certain standards such as those set in GlobalGAP, BRC and Tesco's Natures Choices (which are all food safety and quality standard systems), he is not eligible to do business with multiple retailers. The same goes for producer/exporters who cannot reliably supply large volumes of certain quality. Moreover, if a supplier cannot comply with legal requirements such as those for food safety, the producer is not even allowed to bring its produce on EU markets.

With all the demands importers of supermarkets have, they seek long term trading relationships especially with large-scale growers/exporters that can provide the necessary volumes at the right time. It is clear that the Peruvian exporters that were sampled in our field research are among the ones that can live up to all these demands. They have the right certifications and can steadily supply the necessary volumes of the right quality. This does not necessarily mean that only large-scale growers can supply mangos in this model: Sunshine SAC for instance mostly sources mangos from third party suppliers, also including small growers. To a much smaller extent Camposol also sources from third party producers.

For the exporters within the system, long-term commercial relations can be beneficial as it allows them to invest and plan ahead. A 2005 survey by the Consumentenbond (Dutch consumer organisation) among Dutch supermarkets on mango sourcing confirms that there are steady supplier-

³⁴ There is overlap here with the quality as specified in the trade requirements category; however, this category is broader, i.e. it refers to EU legislation that fresh fruit and vegetables marketed in the EU (e.g. 2200/96) should be in conformity with international marketing standards.

importer relations.³⁵ The data available for our current research on exporter and importer relations from 2006-2010³⁶ also suggests trading relations are fairly stable.

3.1.3 The specifics of trade requirements

A 2006 study by SOMO concludes that trade in the Fresh Fruit and Vegetable (FFV) sector is characterised by a lack of formality: agreements are usually only made verbally.³⁷ However, the Consumentenbond also found evidence that at least some retailers were working with short-term producer contracts and were giving indications of the volumes they counted on sourcing from producers. A FFV importer for EU retailers that wished to remain anonymous shed some light on this issue. This importer confirmed that formal, legally binding contracts are rare in the industry. However trade requirements such as product specification, terms & conditions of business, volumes/orders and pricing and payment terms are set down in writing.

Similar to the anonymous importer, a leading German retailer, REWE, indicated that when sourcing (Peruvian) mangos they communicate the volumes required and prices paid for the mangos on a weekly basis. Legal and non-legal standards that are to be met such as food safety and production standards are also part of the terms of trade of course but since these are of a more stable nature they are long term requirements and as such are communicated far less frequently.³⁸

In a case study on mangos from Senegal in the 2006 SOMO publication it was found that mango exporters mostly send products in consignment. This means that the exporter/producer pays for all the costs (shipping, insurance, commission, etc) to get the product to the market destination and does not know how much he will get for his merchandise on arrival. In this system the financial risks are placed on the producers/exporters and the buying parties, for instance supermarkets, run none or far less financial risk. One can find ample evidence of mango consignment exports on the internet and in the literature.³⁹ It is not clear whether most mangos from Peru are sold in consignment or not.

The exact terms of trade, such as how the deals are made, tend to vary between different suppliers. For instance the anonymous importer indicated that there are different practices for setting prices for mangos. These range from in consignment (price setting), guaranteeing a certain minimum price, fixed price (during a certain period) and setting the price before the exporter ships its supply (freight pre-paid) or after it has reached the importing harbour (freight collect). There are also different forms of payment. For instance there might be seasonal advances, partial advances on sight of shipping documents (so called bill of landing), partial payment on arrival (landing) or payment after a certain period (30 days for example) from arrival. In general the more important suppliers get better terms of trade.⁴⁰

The import prices that producers receive fluctuate over time and within the season and are also subject to non-regular supply and peaks in demand during specific periods (e.g. Christmas). Prices of mangos decrease considerably when peak volumes are produced, for instance during the 2nd and 4th quarter of the year – which coincides with the Peruvian mango season – and recover slowly in

³⁵ Consumentenbond, Maatschappelijk Verantwoord Ondernemen in de mangoketen, 2005, <http://www.consumentenbond.nl/morello-bestanden/93079/mvo_mango.pdf> (11 November 2010)

³⁶ Apem, Statistics asociación Peruana de productores y exportadores de mango, <<http://www.apem.org.pe/muestra.html>> (21 April 2010) & Movimientonaviero.blogspot.com website (21 April 2010)

³⁷ SOMO, Who reaps the fruit? Critical Issues in the Fresh Fruit and Vegetable Chain, 2005, <somo.nl/publications-en/Publication_558/at_download/fullfile> (11 November 2010)

³⁸ REWE, E-mail, 9 November 2010

³⁹ Eg USAID, Ataulfo mango in Chiapas, 2008, <pdf.usaid.gov/pdf_docs/PNADN332.pdf>

⁴⁰ Tesco, telephone call, 11 November 2010

between. Over the last decade EU import prices for mangos from Peru have fluctuated considerably but show a clear upward trend. On average prices were 21% higher in the last half (1.41 USD/Kg) of the decade than in the first half (1.17 USD/Kg). Estimated prices in 2009 even doubled compared to the base line year 2000. This growth reflects increased volumes for even higher value of imports.⁴¹ Import prices may vary per exporting country as well as per importing country⁴², as do retail prices in importing countries.

3.1.4 Irregularities in commercial relations

In the literature there are reports of bad or unfair practices by supermarkets, such as pressure on producers to reduce prices and changing the quality norms after agreement has been reached.⁴³ Such practices were not reported by the mango exporters interviewed in the 2006 SOMO study. On the other hand, buying parties buying less than agreed amounts and not paying for fruit that had been damaged, were reported.

The finding that few bad practices are reported does not necessarily mean that such practices are a limited problem for suppliers, but finding evidence of such bad practices is difficult. A consortium led by Consumers International (CI) conducted a study on European supermarket policies on corporate social responsibility (CSR), labour conditions and fair trading relations in developing country food supply chains.⁴⁴ This study also investigated supermarket abuses/practices among developing country suppliers, but found that none of them was ready to testify.⁴⁵ The reason for this was that suppliers feared to lose business if they would testify. The Peruvian suppliers in this study did not disclose any information on their trading relations either.

Among European suppliers that agreed to provide information on commercial relations, CI found examples of practices where suppliers felt unfair additional costs and risks were passed onto them. These included late payments by supermarkets, changing payment terms within a contract period, compulsory promotional costs, late delivery penalties and requirements to make increasingly frequent deliveries. In this study an anonymous importer indicated that payments might be withheld but only with prior written agreement. He also stressed that it was their policy to bear the costs of possible promotions by supermarkets and that these were not passed on to supplier.⁴⁶

3.1.5 CSR policies

It was not the explicit focus of this study to analyse and/or compare in detail the CSR policies of retailers that are applicable or communicated to producers of Peruvian mangos. However, as they are (likely to be) part of the terms of trade we discuss their relevance briefly in this section. The Consumentenbond study made it clear that the multiple retailers surveyed were doing very little, if anything to assure decent working conditions in mango supply chains through for example setting social standards or through their general sourcing practices. However, at that time (in 2005), GlobalGAP was the most common best practice, which did not provide guarantees for good working conditions. Now GlobalGAP certification is required by *all* EU retailers. In addition it now includes an

⁴¹ Calculations SOMO based on Comtrade database 2010

⁴² Ibid.

⁴³ Eg Oxfam, Trading away our rights, 2004 <http://www.oxfam.org.uk/resources/papers/downloads/trading_rights.pdf>; War on want Sour Grapes - South African wine workers and British supermarket power, 2009 <<http://www.tescopoly.org/images/stories/Sour%20Grapes%20wine%20report.pdf>>; UK Groceries Market Investigation, 2008 <http://www.competition-commission.org.uk/rep_pub/reports/2008/fulltext/538.pdf>

⁴⁴ Consumers International, 'Checked Out', 2010, <<http://www.consumersinternational.org/media/394236/checkedout-english-02.pdf>> (11 November 2010)

⁴⁵ Ibid.

⁴⁶ Anonymous importer, Email to authors

optional social module called GRASP, which is available for implementation in several countries, but not in Peru.⁴⁷

There are also indications that some multiple retailers are requiring additional standards on top of GlobalGAP that pay attention to labour rights in mango supply chains such as their Supplier Code of Conduct based on the Ethical Trading Initiative base code or a global standard system such as BSCI.⁴⁸ In theory these developments could lead to better working conditions on the ground (see box below).

Retailer responses

In a response to our query ASDA, Sainsbury, Tesco⁴⁹ and AH provided some information on their CSR policies (not on commercial relations):

Sainsbury indicated: 'All Sainsbury's suppliers are required to comply with the Sainsbury's Code of Conduct for Socially Responsible Sourcing, which is based on the Ethical Trading Initiative (ETI) Base Code and covers suppliers in the UK and abroad. We require all suppliers to be members of SEDEX, the Supplier Ethical Data Exchange. All suppliers must complete a Self Assessment Questionnaire and higher-risk suppliers are required to have an independent third party audit.

We work with a number of organisations to support our suppliers to meet our standards including the Gangmasters Licensing Authority in the UK. We are also members of the Ethical Trading Initiative and work with them and other partners to address ethical trade issues and develop collaborative best practice.

Where relevant, a number of our suppliers are also GlobalGAP and BRC accredited.⁵⁰

ASDA, that is also an Ethical Trading Initiative member, has provided the following information: ' You may be interested to know that we conduct some 16,000 ethical audits each year, and where we receive information regarding issues at specific sites we use that information both during our audit and when developing corrective action plans.'⁵¹

Albert Heijn: 'Suppliers that produce in countries that are deemed risk countries by BSCI in terms of labour conditions need to be able to demonstrate that they work on improving them according to minimum standards. In such instances we require BSCI or comparable standards.'⁵²

The Consumers International survey of retail policies pertaining to food supply chains from developing countries shows that a minority (16 out of 35 surveyed) of supermarkets in Europe have CSR policies that aim to address working conditions and labour rights for workers in their supply chains. These CSR policies often refer to labour rights such as specified in the ILO core conventions. However, CI found little evidence of them having any practical meaning for the workers working in their developing countries food supply chains. This is because they found existing policies on labour standards not being applied or monitored consistently throughout the supply chain.

⁴⁷ GlobalGAP website, <www.globalgap.org> (21 October 2010)

⁴⁸ M. Boomsma, Sustainable procurement from developing countries, 2008, <<http://preview.tinyurl.com/nr6n5b>> (21 October 2010)

⁴⁹ Tesco referred to their website and being an ETI member, Tesco, telephone call, 11 November 2010

⁵⁰ Sainsbury, E-mail, 28 October 2010

⁵¹ ASDA, E-mail, 29 October 2010

⁵² Albert Heijn, E-mail, 11 November 2010

This finding was also confirmed by research by Bananalink for CI⁵³ on the Costa Rican Pineapple industry which concludes that: 'the system of auditing, certification and corporate codes of conduct does not appear to be translating into the achievement of good social and environmental conditions on the majority of large-scale pineapple plantations in Costa Rica, the source of most of Europe's pineapples.' Also, the field research for this study clearly indicates disconnects between policies and practices.

It should be stressed that next to these policies that apply to the bulk of the mangos sourced by retailers, some EU retailers, including the ones referred to above, also have fair trade certified mangos on offer. The fair trade and also the Rainforest Alliance standard system are more ambitious systems for guaranteeing and supporting good working conditions than those of GRASP or BSCI. Indeed Sunshine Export SAC, one of the exporters sampled in the report, also supplies Rainforest Alliance certified mangos.⁵⁴ Studying the possible impacts of these systems at this company was out of the scope of this study. It was not clear to what extent the Rainforest Alliance standard system applies to the company and their workers that were interviewed for this study.

3.2 Commercial relations and economic conditions in Peru

To be able to analyse commercial relations and economic conditions in the mango supply chain in Peru, it is important to identify the different links in the supply chain. The production and supply process in Peru can be broadly categorised in four functional groups:

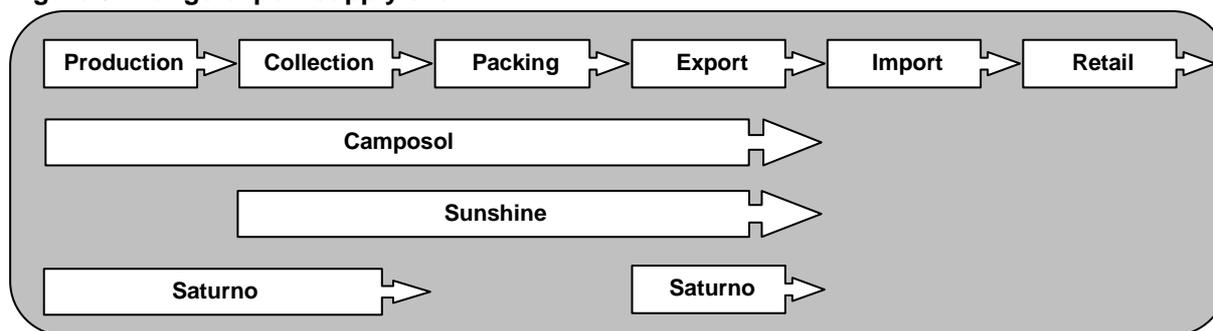
- Production, in which either small producers or agro-exporters are active.
- Collecting/harvesting which is done by independent collectors, collectors of traders or collectors of agro-exporters.
- Processing which for fresh mangos mainly constitutes packing
- Exporting which is done by agro-exporters.

The only actor who is present in all four stages of the supply chain in Peru is the agro-exporter. This makes it the most powerful player with the most bargaining power in the Peruvian mango industry. When sourcing from other producers the agro-exporter determines the price, quantity and the quality of the mangos that smaller producers supply. The three companies investigated in this study, Camposol AS, Sunshine Export SAC and Sociedad Agricola Saturno, are all agro-exporters.

Figure 5 shows a typical mango export supply chain from production to retail and the functional role the three investigated companies have in this chain. As the figure shows, Camposol is present in all functional stages from production up to export. Sunshine procures most of the mangos it exports from third party suppliers (its own production is very limited). The collection, packing and export are carried out by the company itself. It has to be noted though that most of the collection is done by harvest/collecting companies who act as intermediaries between the exporting company and the suppliers. In the case of Saturno, the company produces, collects and exports mangos, the packing is done at other factories in Piura.

⁵³ Consumers International, 'The story behind the pineapples sold on our supermarket shelves: A case study of Costa Rica', 2010, <<http://www.consumersinternational.org/media/485589/the%20story%20behind%20the%20pineapples%20sold%20on%20ur%20supermarket%20shelves%20final.pdf>>

⁵⁴ Sustainable Farm Certification website, Certified Farms, <<http://sustainablefarmcert.com/findfarms.cfm>> (14 November 2010)

Figure 5: Mango export supply chain

3.2.1 Weak bargaining power of small producers

The weakest links in the mango supply chain production process are the workers and small producers. Above we focused extensively on the situation of the workers, in this section we will also focus on the situation of smallholders. These smallholders on average each have 2 ha of land. To mitigate their risks and to generate income outside of the mango season, small producers not only sell mangos but usually also grow other crops such as lemon and papaya.

The small producers have two options when it comes to selling their mangos. The first option is to sell their product to the so-called collectors, independent traders who function as intermediaries between the small producer and the agro-exporter. The advantage is that the producer gets paid immediately, although the price is lower than the price he would get for his product from the agro-exporter directly. The collector is in charge of the harvest and often there is only a verbal agreement with the producer.

The second option for the small producer is to sell its products directly to the exporting company. In this case the harvesting is done by a team that is employed or hired by the agro-exporter. The agro-exporter pays them a higher price and provides technical assistance, but the pay is often delayed, sometimes the farmer even has to wait five or six months before he gets paid. With the delayed payment, the exporting firm is forcing a credit onto the producer, who has no choice but to wait for the exporter to pay. The agreements between the producer and the agro-exporter are laid down in a written contract.

Whether dealing with collectors or agro-exporters directly, small producer are never sure that they can sell all the produce they want because there is no long-term agreement between these actors. Usually the contracts or agreements last for one season only, which creates liquidity problems for the producers on the long term. With the short-term agreements the collectors and the exporters maximise their profit, as they can benefit from the product supply in times that there is a demand for it on the market and minimise their risk because they will not be left with an excess when demand is low. This way the costs for uncertainties in the market are transferred down to the beginning of the supply chain, the small producer. As a consequence more and more small producers are either changing their production from mangos to grapes or selling their land to an agro-exporter and start working as mango workers for the exporters.

The traders/collectors who make use of the fluctuations of the mango demand are an uncertain factor in the small producers' business, as they can be there one year, but be gone in the next.

3.3 Value chain analysis

With the information available, it is possible to have a rough indication of value distribution and the costs incurred for the most important links in the mango supply chain.

Mango growers in Peru can sell their mangos at an average price of 0.53 PEN/kg (0.19 USD) to agro-exporters. Considering that the so-called Free On Board (FOB) price for mangos, which is the international market price paid for mangos at the exporting port, is 2.38 PEN/kg (0.85 USD) this means that a mere 22% of this price reaches the independent producer.⁵⁵ It has to be noted that the price which small producers receive for their mangos is subject to serious fluctuations even during the peak period of the season, which creates even more uncertainties for the smallholders. The price for exported mangos is substantially higher than for mangos sold on the national market, which is the reason for the fact that around 80% of all mangos produced in Peru end up being exported.

When looking at production costs for a hectare of mango in Piura, the labour share (including mango harvesting) represents about 28-30% of the total costs of production. Fertilization accounts for 50-60% of all costs. The largest share of the remaining costs is absorbed by the costs for agrochemicals (7-9%) and for irrigation (3-11%).⁵⁶ Figure 6 shows the prices received for mangos exported to the two most important foreign markets: the US and the Netherlands. The figure shows the FOB price. This price shows a gradual decrease from 2000 to 2005, whereas from 2005 on, the price is slowly increasing again. The other lines in the figure show the CIF (Cost, Insurance and Freight) price for the export to the US and to the Netherlands: the price of the product until it reaches the port of destination, which on top of the FOB price includes the costs for maritime transport and insurance costs. For Peruvian mangos these are the ports of Miami and Los Angeles in the US and the port of Rotterdam in the Netherlands. The figures show that FOB prices are declining relative to average CIF prices. This increasing discrepancy indicates that the combined costs for insuring and transporting freight are increasing relative to all costs incurred for exporting mangos up to their shipping from Peru.⁵⁷ On a comparative note, in December 2009 the Fairtrade Labelling Organisation has set the minimum price (FOB) for mangos from South America at 0.80 USD/kg, this is slightly below the price that producers received in 2009.⁵⁸

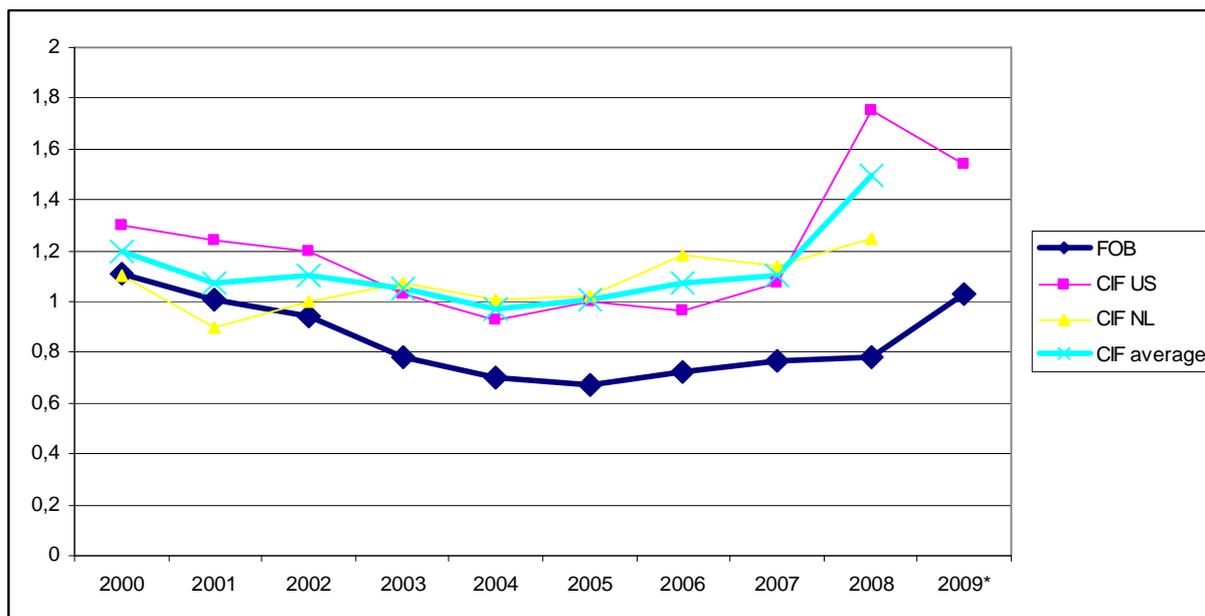
⁵⁵ V. Vásquez, "Economía agraria y las imperfecciones del mercado: el caso del mango de Piura " article published on the Agro Negocio Peru website, <http://www.agronegociosperu.org/opinion07.htm> (26 /10/2010)

⁵⁶ Cedepas website, Desarrollo económico rural <<http://www.cedepas.org.pe/desarrollo-economico-rural>> (26 October 2010)

⁵⁷ Conclusion on these data should be taken cautiously as two different sources are used for FOB (Minag) and CIF (Comtrade) prices. FOB prices are averages without reference to their final destination this might explain why in 2001 the FOB was below the Dutch CIF.

⁵⁸ FLO website, Minimum Price and Premium Information, < <http://www.fairtrade.net/793.html>> (14 December 2010)

Figure 6: Development of mango export prices, in USD/kg, 2000-2009 (FOB and CIF)



** Preliminary figures for 2009

Source: MINAG, COMTRADE

Inadequate infrastructure

A significant obstacle for the Peruvian mango exporters is the inadequate infrastructure of the most important harbour for the mango export, Paita. An example is the existence of cargo ships which can reach Europe in 15 days, but which cannot embark at Paita, because of the lack of an own crane on board. As a consequence, exporters have to send their merchandise with more expensive regular ships, which take between 23 and 25 days to get to Rotterdam. The ten-day difference gives competitors from Ecuador and Brazil a considerable advantage in terms of delivery times, prices and the quality of the fruit.

Table 3 shows the composition of the export price for mangos specified per full container and box. About 60% of the export price is covered by all costs incurred up to the exporting harbour in Peru. The figures in the table should be interpreted with some caution, as the data are based on the mango season of 2001-2002, with exports to the US market.⁵⁹

Table 3: Breakdown of export costs for fresh mangos for the season 2001-2002, in USD

	Box (4.25 kg)	Container (5160 boxes)	Percentage
Costs until exporting harbour	2.67	13,751	62.8%
Fruit purchase	0.85	4,386	20.0%
Harvest and transport to the factory	0.30	1,569	7.2%
Packing costs	0.90	4,644	21.2%
Packing material costs	0.44	2,270	10.4%
Customs	0.05	248	1.1%
Loading documents and courier costs	0.01	41	0.2%
Local insurance	0.02	77	0.4%
Financial administration	0.10	516	2.4%
Costs until importing harbour	1.58	8,153	37.2%
Transportation	0.80	4,102	18.7%
Insurance	0.01	52	0.2%
Handling costs	0.13	645	2.9%
Storage	0.20	1,032	4.7%
Commission (10% of the wholesale price)	0.45	2,322	10.6%
Total costs	4.25	21,904	100%

Source: APEM/MINAG

Table 4 shows a very rough estimation of the cost mark-up of a mango sold by Dutch supermarkets based on the breakdown of costs in Table 3 (the cost of production share referred to above) and the average retail price for mangos in the UK, Germany and the Netherlands in April 2010.⁶⁰ In this example the agro-exporter is involved in producing, harvesting, packing and transporting the product until the exporting harbour; the importer pays for the handling and the storage of the mango at the harbour of destination. The transport and insurance costs are depicted separately.

Table 4: Cost mark-up

	Price in Euros	Percentage
Price in supermarket	1.77	100%
VAT (6%)	0.11	6%
Supermarket costs & margin	0.23	13%
Importer's costs & margin	0.18	10%
Transport & insurance costs	0.29	16%
Agro-exporter's costs & margin ex field labour cost	0.84	48%
Field labour costs	0.12	7%
Mango collector share (average)	0.002	0.13%

⁵⁹ If the importers commission is deducted the relative cost of freight and insurance do correspond with the 2001/2 figures in Figure 6.

⁶⁰ Based on SOMO preliminary research 2010, Mangos and melons, assuming an average weight of 450 grams per mango

Summing up, the agro-exporting company captures the highest share of the costs mark-up with 55% of the total shelf price, including the 7% field labour costs. This share is relatively high. Studies on value distribution along tropical fruit value chains such as banana and pineapple typically indicate much lower shares for producers (10 to 20%) and much higher shares for retailers (25 to 40%).⁶¹

It should be noted that a mango fieldworker gets much less than 7% as this field labour cost share also includes the costs for mango plantation maintenance (e.g. fertilisation, application of pesticides and planting) and the transport to the packing factory. Moreover, as the model in Table 3 refers to a situation in which exporters buy their fruit from independent growers, the harvesting costs are probably much lower for agro-exporters with their own production as the picking of mangos can be much more efficient.⁶²

Indeed, based on the wage and production target information gathered in the research a worker harvesting (collecting) mangos makes about 0.0039 - 0.0089 PEN (0.0014 - 0.0031 USD) per mango which represents only 0.08 - 0.18% of the retail price of a mango. Again as just noted this share is not equal to the field labour share. In addition, even when disregarding these other field labour costs, the employer/producer needs to make other costs to have the mango worker harvest mangos as well. These include costs for the other worker (workers work in pairs) and costs for tools, crates and transport. However because harvest worker wages should naturally capture a significant share of the total field labour production costs we cannot fully explain the large discrepancy between the harvest labour cost share (0.08 - 0.18%) from our own calculations and the field labour cost share estimated by other sources (7%, see Table 4).

⁶¹ See for instance: FAO, 2008, Certification in the value chain for fresh fruits <<ftp://ftp.fao.org/docrep/fao/011/i0529e/i0529e00.pdf>> or Consumers International, 'The story behind the pineapples sold on our supermarket shelves: A case study of Costa Rica', 2010, <<http://www.consumersinternational.org/media/485589/the%20story%20behind%20the%20pineapples%20sold%20on%20our%20supermarket%20shelves%20final.pdf>> (19 December 2010)

⁶² The agro-exporter's cost & margin also includes packing material costs, customs, local insurance and the cost for labour at the packing factory.

Conclusion

This study aimed to provide insights into the working conditions, the commercial relations and the economic conditions in the Peruvian mango supply chain of EU retailers and the factors that influence these.

Labour conditions for the largest group of workers in this industry, the field and packing factory workers are below par: poverty wages, involuntary excessive working days for extensive periods of time and obstruction of freedom of association. Moreover, the health and safety conditions are not ideal, the type of work is physically demanding and the necessary tools and protective clothing are not always provided.

Broadly speaking, there are a few important factors that create and (potentially) influence the workers' situation. To begin with, there is the *business case* for mangos from Peru. Exports are growing because mangos can be produced cost effectively as a result of suitable climatic conditions and the low costs of labour. Workers are cheap and willing to work for agro-exporting companies in Piura because there are few other opportunities for paid labour in this region.

A second factor is the Peruvian legislation and the enforcement thereof. Law 27360 has been very successful in stimulating the agricultural sector in Peru, a task that it was designed for, by creating a situation that allows for the necessary flexibility in working times and low daily minimum wages. Not only has this legislation diluted labour rights but it has also muddled them. The law allows maximum working hours to be averaged over the whole working/contract period. So for a worker to be certain of whether your rights are being violated you would need to save all your pay slips during this period and do the math. What does not help this exercise is the practice of targets being set instead of daily wages, not all working hours being recorded properly and the uncertainty regarding what is considered the length of the working period because workers tend to work longer periods than their contract indicates.

This study did not focus in depth on the legal situation concerning labour conditions nor on juridical implications of the poor labour situation of the mango workers. However, the excessive overtime situation, with workers having to work more than 11 hours a day 7 days a week in the months of the mango peak season is clearly a violation of Peruvian law. The companies' tendency to not respect freedom of association, discriminate against pregnant women and not grant appropriate contracts, compel workers to overtime and not always record overtime properly, is likely to be against the law as well. If all these issues are indeed illegal, law enforcement through labour inspections has clearly not helped to address these violations so far.

A third factor is the purchasing policies of EU retailers. EU retailers being the most important clients of the Peruvian mango industry potentially have a lot of influence on socio-economic conditions in the Peruvian mango supply chain. Although this study provides many details on the terms of trade that govern commercial relations, it is difficult to say which, if any, are the most problematic aspects thereof in relation to the problems we found. The management of the Peruvian mango export companies was contacted for information but refused cooperation. Not knowing what troubles exporters in their commercial relations with importers of multiple retailers and how this trickles down to affect their workers or their suppliers is of course not very helpful.

Nor was it a main objective of this research to analyse the CSR standards systems of supermarkets (which are part of their purchasing policies) and how they apply to this sector. Nevertheless, whether

spelled out or referred to in broad terms, all of these CSR policies include references to national labour legislation and fundamental ILO labour rights. As some industry practices, such as restricted freedom of association, discrimination of pregnant women and excessive overtime, are in violation of national legislation and of core ILO labour rights we can safely say that these codes are being violated by these suppliers. The exact troubles of the mango workers apparently have gone unnoticed or have not been visibly addressed despite these codes and their implementation systems.

If looking at value distribution along the chain, we only know for sure that FOB prices have remained rather stable while CIF prices have gone up over the last decade. Most likely this reflects higher transportation and/or insurance costs. However, for this research little or no information was available on the development of the cost of production, the cost of labour (wages) in Peru, or on the development of mango retail prices during the same period. Such information, with additional details on development of margins of different actors in the supply chain, would have allowed analysing the forces behind value distribution more closely. Consequently, there is little which can be said conclusively on the downward price pressure from buyers, for example. This price pressure is often cited as one of the key factors for suppliers to reduce their cost of production. The latter often results in a squeeze of labour costs, as these are the most flexible type of costs causing an increased workload and falling wages levels for plantation and packing factory workers.

Besides workers, the weakest link in the mango production chain is the small producer. Smallholders face the dilemma of selling their product to collectors, who offer them a lower price, but pay immediately, or selling their mangos to the agro-exporters directly who pay a better price, but often only pay with a delay of several months. Another problem for the smallholders is the lack of long-term agreements for the sale of their product which creates liquidity problems and insecurity for these producers. As a result small producers suffer the risks for the fluctuating prices and demand for mangos.

Annex 1: List of most important Peruvian mango exporters

Table 5: Most important exporters of Peruvian fresh mangos, in FOB value (USD millions) and percentage, in 2009

Name	Value (USD mln)	Percentage
SUNSHINE EXPORT S.A.C	9.0	12.7%
CAMPOSOL S.A.	4.9	6.9%
DOMINUS S.A.C	3.2	4.5%
EMPACADORA DE FRUTOS TROPICALES S.A.C.	2.8	3.9%
NOR AGRO PERU SAC	2.3	3.3%
FRUTIPACK S.A.C.	1.7	2.4%
SOLIS CACERES S.A.C.	1.5	2.1%
SOCIEDAD AGRICOLA SATURNO SA	1.3	1.8%
AGRICOLA Y GANADERA CHAVIN DE HUANTAR SA	1.1	1.5%
SUN LAND FRUITS S.A.C.	1.0	1.4%
PRONATUR E.I.R.L.	0.6	0.8%
AGROMAR INDUSTRIAL S.A.	0.6	0.8%
AGRO-INVERSIONES CHAVIN S.A.C.	0.4	0.6%
GANDULES INC SAC	0.2	0.3%
CIRCULO VERDE S.A.C	0.2	0.2%
I.T.N. S.A.	0.1	0.2%
REST	0.3	0.4%
Companies not identified*	39.8	56.2%
TOTAL	70.9	100.0%

* Companies which were not mentioned by MINAG, but which complement the total numbers provided by the customs authorities.

Source: MINAG, ADUANAS