

Tuesday morning panel:

How to build L-T Partnerships- What's the key to success

Chiquita: David McLaughlin, Sr. Director of Environment and Social Performance
Rainforest Alliance (RFA): Tensie Whelan, Executive Director

Partnership between RFA and Chiquita began in 1992, and represents an incredibly old and successful partnership.

Rainforest Alliance Background

Why Focus on Banana growing standards?

- To create sustainable labor standards on farms in developing markets.
- Bananas are grown in hot spots of bio-diversity, which are regions that provide jobs for rural poor
- Bananas are the most popular fruit – area of growth
- To attain its goal of promoting, monitoring and evaluating standards of sustainable growth

RFA certification:

- A seal of approval concerning farm and forestry operations
- a non-governmental process
- In order to implement the standards, a local network of NGOs train the auditors on a level of 200 indicators based on broad principles. The auditors check the farms to make sure that they comply with the standards
- There are often surprise audits so the farms will be up to standard, not just annually, during the routine audits
- If farms do not comply with all 200 indicators, then they do not receive certification and Chiquita would not be able to source from these farms for fruit.

Chiquita- Why interested in working with RFA?

- 1980's Chiquita was getting bad press on several levels of business
- Needed to expand beyond their traditional framework b/c their license to operate in the remote places where they were accustomed to operate, were being challenged, needed an outside credible standard.
- Joined with RFA to get the stamp of approval that it needed to clear its name.
- Took 10 yrs to get its farms and housing branches up to RFA standard
- Never publicized its model until all standards were in place (10 yrs)

Costs to Chiquita for certification:

- Over \$20m to get farms up to standard
- Building trust internally and externally was difficult. Some Chiquita management questioned: "how can you trust an NGO?"
- Fear of reduction of standards not solving brand problem, fear risk was too high

Benefits of Partnership:

- Reduced costs- Chiquita saved \$5m/yr in reduced in agrochemical costs
- More than 500,000 trees and bushes on Chiquita farms planted, aided in Tree cover and erosion control
- 100% of all Chiquita source farms were certified

- Pilot recycling program - Chiquita saves \$3.8m in annual recycling per year
- For Chiquita: partnership brought “process discipline”, gave Chiquita a quality standard and efficiency that they had not previously had.
- Improved Chiquita’s reputation of Brand (more CSR focused brand, less risk of unrest or unreliable suppliers;
- Improved housing for many farm workers in farm regions

Questions:

- 1) How did frog campaign develop and how did partners decide on working and images?
 - Chiquita usually designs the ad, then RFA views all ads where it is mentioned, and must sign off before any ads go to press
 - High level of communication is the key to successful co-branding
- 2) Other banana distributors interested in RFA certification?
 - Dole and others were offered by RFA the same opportunity in the early 1990s, but they weren’t interested, now the certification is a competitive advantage that Chiquita holds
- 3) Did RFA get bad press b/c of its relationship with Chiquita?
 - RFA already had strong credibility so it was able to maintain its image and build Chiquita’s up as well.
- 4) Why did it take 10 yrs for Chiquita to get certification?
 - In 1990s Chiquita was partially consumed by European import regulation laws/
 - Hurricane Mitch wiped out production in Honduras and Guatemala for a considerable amount of time.