

## Supporting Smallholder Banana Farmers in Meeting International Certification Standards in the Philippines

IFC partnered with Unifrutti, an international fruit exporter with a local presence in the Philippines, to help build the management capacity of local farmers and provide technical training that helps growers maintain soil quality, recycle water, and produce quality crops.

This partnership has allowed Unifrutti to command a higher price for its produce in specialized markets and has led to the adoption of more sustainable farming practices, increased the income of farmers, and to economic growth.

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*“Safety. Environmental sustainability. Employee welfare. When we started this business, no one talked about these things. But now the markets are always asking, ‘how do you grow the bananas?’”*

—Hermi B. Martin, President, Unifrutti Group

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### RESULTS AND IMPACT

- Over 1,000 farmers have been trained in strategic planning, change management, and other business skills related to farming.
- Locally trained auditors have audited more than 8,000 hectares of Philippine farmland, including at least 1,000 hectares managed by smallholders.
- Now, Unifrutti and other companies are replicating the success of getting bananas certified by the Rainforest Alliance, with plans to certify 8,000 hectares of Philippine coconut farms. So far, 400 hectares of smallholder cocoa farms have become certified.
- Highland farmers command 5 to 25 percent higher prices for their crops as a result of Rainforest Alliance certification and meeting other premium market requirements.

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\*This series provides examples of IFC's impact, expertise and lessons learned working with clients and partners.

## The Opportunity

When IFC began working with Unifrutti Group, the smallholder Filipino banana growers that supplied the international fruit company were not well positioned to comply with Rainforest Alliance and other international certification standards.

Local farmers did not follow regulations on proper use of fertilizers, waste and water management, or wage requirements for workers. As a result, the bananas they produced were mainly exported to markets that did not have stringent quality or standards requirements.

The Philippines was undergoing a national land reform policy that involved selling corporate plantations to smallholder farmers, making large export companies such as Unifrutti increasingly reliant on smallholders to supply bananas. To sell bananas to specialized markets, such as Japan, Unifrutti needed smallholders to become certified.

But growers considered certification a cost burden because it required investments such as installing hazard-proof chemical storage and mixing areas, filtering systems, and showers and toilets for workers. By providing technical and business training to farmers in areas of waste management and water conservation, among other areas of farm management, IFC helped increase the number of qualified smallholder banana growers in Unifrutti's supply chain, enabling the company to command higher prices. Unifrutti, in turn, gave farmers a price premium to encourage adoption of certification standards, which helped farmers to cover costs and increase their profit.

## IFC's Approach

IFC worked with Unifrutti Group to enable the company to provide extension services to banana farmers in its supply chain so that farmers could comply with international certification requirements. Extension services included information on water recycling, reducing dependency of agrochemicals (e.g. by manually weeding rather than relying on herbicides), and

generating new income from sorting and selling recyclable wastes, among other sustainable farming techniques.

The training led to increased confidence among farmers and a better negotiating position with Unifrutti and the banks they approached for financing because certified farms are perceived to be well-managed and disciplined—and sustainable over time—making them better bets for bank loans. By becoming certified, smallholder farmers demonstrate they can be environmentally and socially responsible.

In June 2008, IFC created a 14-month pilot project that introduced 416 farmers to the new farming techniques and began to change mindsets that made many farmers cling to old ways. The pilot resulted in improved social and environmental practices and the farmers received Rainforest Alliance (RA) certification; 98 percent reported improved business management skills.

During the second phase, a price premium was established for highland growers, whose high quality bananas were identified during the pilot phase as a priority for Unifrutti's premium market. Lowland farm bananas weren't of a high enough quality to make the premium cut, but the farmers still covered the increased costs associated with obtaining RA certification through cost savings derived from water conservation, recycling, and other sustainable farming practices.

IFC and Unifrutti shared training costs, with Unifrutti providing the RA technical training and IFC facilitating the business management training. IFC also worked with Rainforest Alliance to train local auditors, which will enable farmers to have easier access to annual audits needed to maintain their RA certification after the IFC–Unifrutti partnership ends.

*IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector.*

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**IFC CLIENTS** Unifrutti

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