



SUGARCANE & RUM REPORT

Give them a break

The bitter consequences of poor working conditions in the Central American sugarcane industry

ABOUT

Who are we and what do we do?

About Fairfood International

Fairfood International is an innovative, fact-based advocacy organisation that strives to achieve a fair and transparent food supply chain. Our mission is to improve the socio-economic conditions of vulnerable workers in the food industry, such as smallholder farmers and fishers. In addition, Fairfood wants to create a sustainable food system, with respect for human rights and a healthy economy. Fairfood wants to tackle the social, ecological and economic problems within the global food supply chain together with companies in the food and beverage industry, as well as governments.

About CNV Internationaal

Improving labour rights – a specific subset of our human rights – is a worldwide goal for trade union CNV Internationaal and its partner organisations. Specifically, CNV Internationaal has the objective to reduce poverty and to contribute to Decent Work in developing countries based on international solidarity, own responsibility, social dialogue and pluralism. This is why trade unions focus on the living and working conditions of the workers in the production chain when discussing the social impact in responsible chain management.

About ICAES

The Central American Institute for Social Studies is an institute with more than 40 years of experience in training and assistance to trade unions and social movements in Central America. Looking for improvements to the respect for labour rights of the sugarcane workers in Central America, ICAES works together with Fairfood International and CNV Internationaal.



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Former sugarcane worker Basilio Gregorio (39), suffering from CKDnT.
A few weeks after this photo was taken, Basilio died from the consequences of the disease.

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Executive Summary

What is at stake?

Workers in the Central American sugarcane industry are suffering from a lack of decent working conditions and many of them are consequently contracting the devastating Chronic Kidney Disease of non-Traditional causes (CKDnT). This disease progressively affects the kidneys and ultimately results in the death of the patient if they do not receive proper treatment. Research institutes are linking the causes of the disease to occupational factors, including – but not limited to – long working days, few (shade) breaks, strenuous labour and insufficient access to water. Field research in Guatemala and Nicaragua has shown that the working conditions for sugarcane workers in these countries are not up to par with international standards, leading to an increased risk of CKDnT.

What needs to change?

In order to ensure that decent work is assured and the risk factors for CKDnT are eradicated from the labour practices in the sugarcane industry, companies have to ensure better working conditions, as well as allowing collective bargaining. Ultimately, this change should be enacted by local producers (ingenios) in the sugarcane-producing countries. However, at the moment not all these ingenios are willing to change. Fairfood International, CNV Internationaal and ICAES looked into the supply chain for sugarcane from Guatemala and Nicaragua and found that companies further along the sugarcane supply chain, like Bacardi and Diageo, have also been unwilling to accept responsibility for the rise of CKDnT among workers in their supply chains. However, they can make a major difference by ensuring safe and healthy working conditions through their sourcing policies and practices. The same is true for governments, who should ensure that ingenios abide by laws and regulations that can control the risk factors – which is currently not happening. This report, therefore, sets out recommendations for each of the stakeholders on how to contribute to decent working conditions and the prevention of new cases of CKDnT.



Worker harvesting sugarcane in Chichigalpa, Nicaragua



Sugarcane in Chichigalpa, Nicaragua

Introduction

Background

Decent working conditions are not always guaranteed in food supply chains. This is a violation of fundamental labour rights. Many workers in factories and on farms, especially in the Global South, are subjected to dangerous and/or substandard working conditions. This includes concerns such as health issues and exposure to pesticides, as well as low wages that need to be compensated by working too many hours per day, often without proper breaks. These deplorable conditions greatly affect vulnerable people.

As one of the most devastating cases, our work in Central America has shown that workers in the region's sugarcane industry are suffering from a lack of decent working conditions and many of them are consequently contracting the devastating Chronic Kidney Disease of non-Traditional causes (CKDnT). Among the main causes of this disease are long working days in warm conditions with lack of access to drinking water, breaks and shade.

Aim of this report

This report is part of the work Fairfood does under its Occupational Safety and Health programme, as well as falling under the work the Dutch trade union federation CNV Internationaal does on fair supply chains and the Central American Institute for Social Studies (Instituto Centroamericano de Estudios Sociales, ICAES) does on labour rights. Sugarcane workers in Central America are dying from CKDnT, while the solutions to prevent it are simple: ensure decent labour conditions that reduce work and heat stress, as well as dehydration.

Fairfood, CNV Internationaal and ICAES are establishing connections with various actors that have a stake in the solution and we increasingly engage with them to ensure they affect positive change in relation to this issue. This includes sugarcane producers (the sugar mills or ingenios), traders and brand owning companies that buy from them, as well as governments that can ensure monitoring and implement regulations. The current report outlines the recommendations we have for most of these stakeholders, the aim being to swiftly implement the necessary standards at all relevant levels of the supply chain.



Scope of this report

Sugarcane plays an important role in Central American economies. The commodity and its by-products (such as molasses) are exported for the production of consumer goods all over the world. Sugarcane – in addition to beet sugar – is the basis of confectionary sugar, as well as many sweets, sodas and alcoholic drinks. In this report, we specifically look into the rum industry, as rum is an iconic product for the region and we found links in the region to two important international spirits companies: Bacardi and Diageo.

In the following sections, we will:

1. Highlight the lack of decent labour conditions in the sugarcane industry in Central America by summarising the findings of two case studies we subcontracted in Guatemala and Nicaragua;
2. Explain what the CKDnT epidemic is and why this is affecting so many sugarcane workers in Central America;
3. Describe the importance of the Central American sugarcane industry and how the cane from the region is ending up in globally consumed goods, including rum;
4. Assess what the industry and important stakeholders in the sugarcane supply chain are doing to ensure decent labour conditions and prevent CKDnT, as well as what else is needed to prevent the disease from creating more victims;
5. Present our conclusions and recommendations for the key stakeholders.

Two case studies: Nicaragua and Guatemala

In 2013 and 2015, Fairfood commissioned field research¹ to further examine the working conditions affecting sugarcane cutters among the largest ingenios in Nicaragua (Ingenio San Antonio and Ingenio Monte Rosa) and in Guatemala.² The results are striking: according to surveys performed among sugarcane cutters, the working conditions do not fulfil international guidelines set by the US Occupational Safety and Health Administration (OSHA)^{3,4}, the US Environmental Protection Agency (EPA)⁵, and the International Labour Organisation^{6,7}. Both countries also violate the UN Covenant on Economic, Social and Cultural Rights, which requires assurance of safe and healthy working conditions and a reasonable limitation of working hours.⁸

In the sections below, we will explain this lack of decent labour conditions for each of the cases we researched. This includes the issue of insufficient wages and the lack of freedom of association, as well as the fact that workers endure long days in the burning sun, with little opportunity to hydrate and rest.

Lacking decent labour conditions

The work of sugarcane cutters is physically demanding. Sugarcane is harvested manually, with machetes in the field. The cutters tend to work long hours in extreme heat (during harvest seasons temperatures in the sugarcane fields can rise up to over 35°C) with high humidity levels, as well as having insufficient access to shade, quality breaks and clean drinking water.⁹ The long working days are a result of the low wages sugarcane cutters earn, forcing them to work more hours to earn a little more. Moreover, the workers experience a lack of freedom of association, which makes it difficult for them to stand up for their rights.

1. The majority of the workers do not earn a living wage

The salaries of sugarcane workers in Nicaragua and Guatemala fail to meet the 'basic basket of goods and services' minimums – which indicates a 'living wage': the wage workers need to earn to make ends meet.^{15,16,17} This situation is exacerbated by the fact that around half of the sugarcane cutters only work during the zafra (the six month harvesting period).¹⁸ The regions where they live are poor and lack job opportunities, so workers often have to rely on their work in the sugarcane industry as their only source of income.



THE SCOPE OF INTERNATIONAL CONVENTIONS

ILO Conventions are international treaties that are legally binding for states which have ratified them.¹⁰ One of the relevant ILO Conventions related to the issues presented in this report is ILO Convention 155 on the Right to a Safe and Healthy Work Environment. This Convention has not been ratified by Guatemala and Nicaragua. Nevertheless, the ILO Conventions like C155 are recognised as authoritative global labour standards for corporations. They should therefore implement them, even in countries that have not ratified them.

The ILO Conventions, the Universal Declaration of Human Rights, the International Covenant on Civil and Political

Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) together form the International Bill of Human Rights – an authoritative list of the most important internationally recognised human rights.¹¹ They are referred to by, among others, the OECD Guidelines for Multinational Enterprises¹² and the UN 2011 Guiding Principles on Business and Human Rights¹³ (also referred to as the 'Ruggie Principles'). The UN Guiding Principles clearly point out that businesses should respect human rights and address any adverse impact on human rights for which they are responsible. This includes impacts caused by their associates through their supply chain.¹⁴

METHODOLOGY

Our field research comprised of two field research studies that examined the working conditions affecting sugarcane workers at Ingenio San Antonio and Ingenio Monte Rosa in Nicaragua and some of the larger ingenios in Guatemala. In September 2013, La Isla Foundation (LIF), a public health and policy NGO addressing CKDnT, studied the Nicaraguan case. The Centre for International Development Studies (CIDIN) in Nijmegen verified, summarised and compared the results from this field research with existing literature and published them in the report 'Sugar from Nicaragua'.¹⁹ The Central American Institute for Social Studies (Instituto Centroamericano de Estudios Sociales, ICAES) carried out similar research for the Guatemalan case in January 2015, which provided more evidence on workers' conditions. This research was published in February 2015.²⁰

The field research investigators conducted questionnaires to collect both qualitative and quantitative data relating to the working conditions of sugarcane labourers. The total sample of these studies consisted of 57 and 102 workers within the sugarcane industry for ICAES' and LIF's research respectively.

Sugarcane cutters in Nicaragua earn between 4,076 Nicaraguan Cor-doba Oro (NIO) (EUR 135.00) and NIO 6,642 (EUR 220.02) a month^{21,22}, which is far from covering the basic basket of goods and services minimum²³ estimated by the Nicaraguan Government to be EUR 353.92. Even though workers on sugarcane plantations in Nicaragua earn the local minimum wage, this is not a living wage that enables them to cover their basic needs.

Likewise, in Guatemala workers receive an average salary of 805 Guatemalan Quetzal (GTQ) (EUR 93.23)²⁴ per week. This equals about GTQ 3,220 (EUR 372.92) per month, which is far below the minimum for the basic basket of goods and services that the Guatemalan government estimated at a cost of GTQ 5,700 (EUR 668.82) per month²⁵. While the workers' wages comply with the minimum legal requirement of GTQ 78.72 (EUR 9.24) per day, this is not a living wage.²⁶ All workers stated they were unable to cover basic needs for their families²⁷. Moreover, a shocking majority of 96.5% declared being indebted.²⁸

“The salary I receive isn't enough to cover my basic needs. I have to save money for the periods that I do not work”.

Anonymous sugarcane cutter from Guatemala²⁹

2. Over 50% of the cutters work 7 days a week, more than 10 hours a day

Due to the seasonal demands of harvest time and the low piece-rate pay, workers in the sugar cane industry in Central America work extremely long days. Cane cutters in Costa Rica³⁰, Guatemala³¹ and Nicaragua³² work over 8 hours a day 7 days a week, even working 12-hour days during the harvesting season (which lasts for about 6 months).³³ Moreover, the piece-rate pay system (payment per ton cut) pushes workers to work longer in order to earn a somewhat reasonable income – albeit even then the income is still measly.

In Nicaragua, 40% of the workers surveyed indicated that during the sugarcane harvest they work more than 12 hours a day for seven days a week.³⁴ An additional 12% of all workers work 10 hours or more a day.³⁵ Similarly, the average working day in Guatemala lasts more than 10 hours, 6 to 7 days per week.³⁶ Approximately 50% of the sugarcane cutters in Guatemala work seven days a week.

The long days and weeks exceed the statutory maximum permitted in the Nicaraguan³⁷ and Guatemalan³⁸ Labour Codes. They also exceed standards as mentioned in ILO Convention 155, such as ensuring that labour is carried out without risk to health (art. 16, C155). As mentioned before, even though Guatemala and Nicaragua have not ratified this convention, companies are expected to comply with these conventions in line with the OECD Guidelines for Multinational Enterprises.³⁹

“They threaten to fire us when we talk about salaries”

- Anonymous sugarcane cutter from Guatemala⁴⁰



3. Cutters work in the burning sun for almost the entire day, with little or no (shade) breaks

Previous research raises concerns about the amount of breaks in Costa Rica⁴¹, Guatemala⁴² and Nicaragua⁴³ in particular. The LIF and ICAES field research results from Guatemala and Nicaragua show that workers on average receive only one or two breaks a day. These breaks are usually short and shade is not always guaranteed.

Appropriate work/rest schedules are essential to prevent heat illness among workers, particularly during strenuous work in direct sunlight.⁴⁴ Breaks are also important for the workers to rest their body (from the strenuous labour). With temperatures rising to 38°C⁴⁵, the working conditions for these workers fall into the moderate to high-risk category of the OSHA Heat Index.⁴⁶ In these conditions, both the EPA and OSHA recommend supervisors to enforce longer, frequent rest breaks in cool shaded areas to cool down the body temperature and drink sufficient water.^{47,48} EPA recommends to have at least one break every half an hour.⁴⁹

“The breaks aren't of good quality, because there is no shade and they aren't long enough to recover.”

(Anonymous sugarcane cutter from Guatemala⁵⁰)

At Ingenio Monte Rosa in Nicaragua, workers are permitted on average two breaks per day, while workers at Ingenio San Antonio are allowed on average just one break a day.⁵¹ The workers are generally provided with shade only during their lunch break. Hence, they spend almost the entire working day exposed to direct sun.⁵²

Similar to Nicaraguan working conditions, the lack of breaks given to workers at the largest Guatemalan ingenios is startling. Workers reported having only one break per day: a lunch break – which lasts an average of one hour.⁵³ Workers complained that the quality of the breaks is very poor, with limited space to sit and without protection from the sun and the heat.⁵⁴

4. The majority of cutters lack sufficient drinking water and have to bring their own water to work

According to the EPA, in average working conditions and climates employers should provide workers with between 5.7 and 9.5 litres of water per day⁵⁵. In severe heat stress – where workers can lose up to 1.9 litres of sweat per hour and 12 litres of fluid per day – all fluid lost through sweat should be replenished.⁵⁶ Research by Roncal Jimenez et al. (2013) has shown that giving continuous access to sufficient water during the dehydration period can prevent the development of renal injury.⁵⁷

In general, previous research among sugarcane cutters in Central America points out that the responsibility to drink sufficient water is placed entirely upon the workers, as most of them have to bring their own water to the fields. This is especially the case in Costa Rica⁵⁸, Guatemala⁵⁹ and El Salvador⁶⁰.

In Nicaragua, each worker drinks an average of 5.4 litres of water daily.⁶¹ Only 21% of the workers reported receiving water from the ingenios for which they worked, with several workers complaining that this was water from the irrigation system that they thought was contaminated.⁶²

In Guatemala, the main ingenios do provide workers with water, up to an average of almost 4 litres. However, 93 % of workers also bring water from home as the water provided is not enough. In total, their overall water intake is little more than six litres per day, which still is not nearly sufficient given the tropical circumstances in which they work.⁶³

“We only have the water we bring from home, approximately three litres in a large jug. No more than that. I cannot bring more, because it does not fit in the jug.”

(Anonymous sugarcane cutter from Nicaragua⁶⁴)

5. Over 77% of the workers are not represented in collective bargaining

Sugarcane workers in Nicaragua and Guatemala have little to no representation through labour unions. Workers are not aware of the existence of any independent labour unions and often mention the threat of blacklisting practices^{65,66}. This makes it very difficult to mount a labour rights' defence, which would provide workers with the opportunity to claim their rights, as well as resolve the unsafe circumstances under which they work.

In Nicaragua, 77% of the sugarcane cutters indicated not being aware of the existence of any labour union operating in the Nicaraguan sugar cane industry and 28% of them point out blacklisting as the reason to explain it.⁶⁷ The research in Guatemala depicts a similar scenario where all workers agreed that neither labour unions nor solidarity associations exist at the biggest Guatemalan sugarcane plantations.⁶⁸ None of the workers are in any way represented in collective bargaining and 49% of them described the practice of blacklisting as a measure to prevent workers from organising themselves.⁶⁹

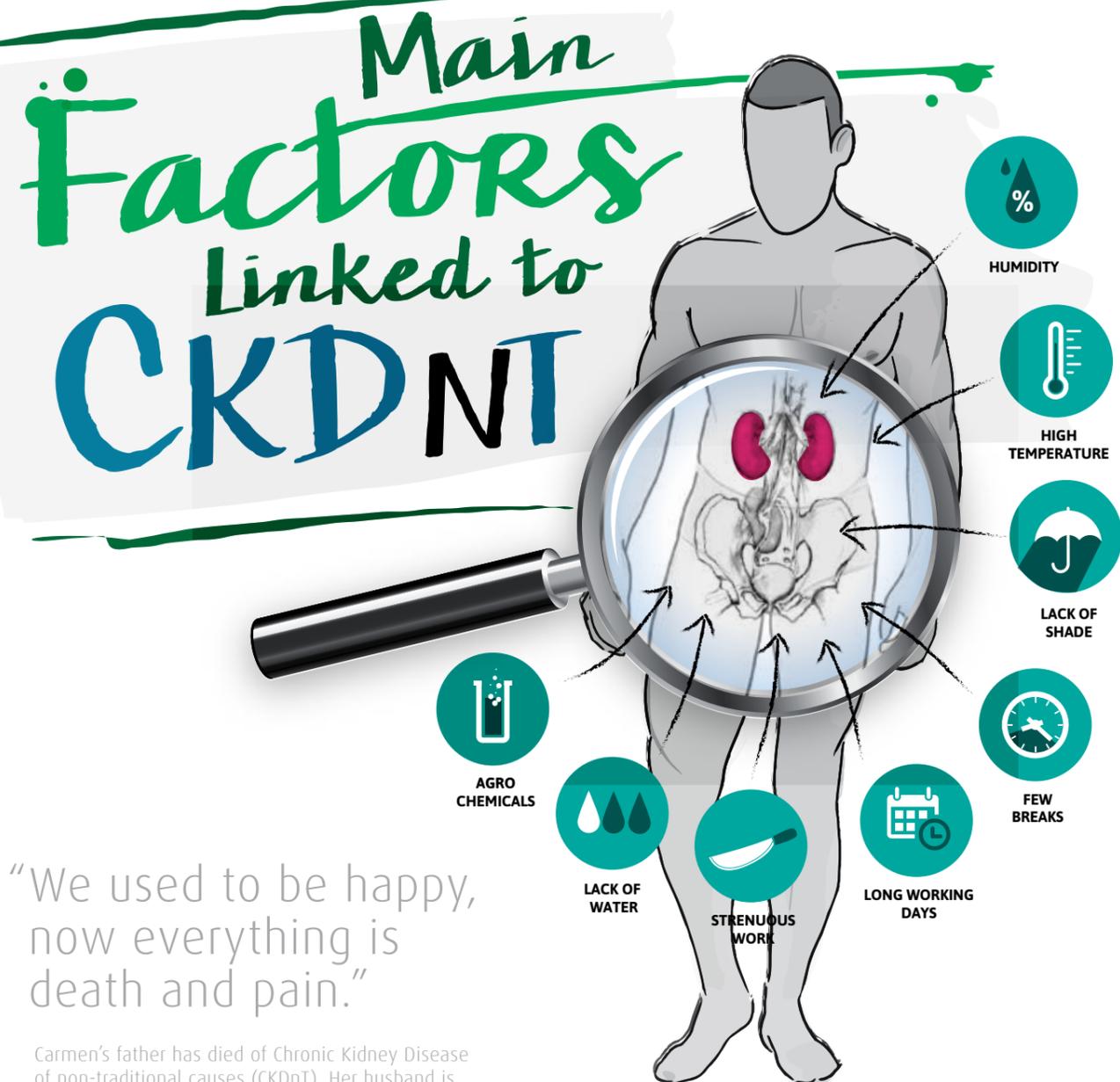
These results are in contrast to the ratified ILO's Plantations Convention (n° 110), which includes an obligatory article on the right to organise and collective bargaining⁷⁰, as well as the ILO's Conventions on Freedom of Association and Protection of the Right to Organize (87) and the Right to Organise and Collective Bargaining (98).⁷¹ All these conventions have been ratified by Guatemala and Nicaragua.

“The shift is very hard – we work for 18 hours. It should not be like this. We do not have time to eat, we eat between the machines, constantly exposed to the dust and the sun.”

Anonymous sugarcane cutter from Guatemala⁷²



CKDnT: The disease that affects thousands of sugarcane workers



“We used to be happy, now everything is death and pain.”

Carmen's father has died of Chronic Kidney Disease of non-traditional causes (CKDnT). Her husband is now diagnosed with the disease too.⁷³



Sugarcane worker in the hospital

The labour conditions of the sugarcane cutters in Guatemala and Nicaragua, as well as in many other sugarcane producing nations in Central America, seem to have given rise to a deadly disease, referred to as Chronic Kidney Disease of Non-Traditional Causes (CKDnT). Renowned research institutions such as Boston University (BU)⁷⁴, Lund University⁷⁵, Umeå University⁷⁶, and the Pan American Health Organisation (PAHO)⁷⁶ provide evidence that one or more risk factors of CKDnT are occupational. Factors that are likely to make one susceptible to the disease are: strenuous labour, long working hours in the hot sun in humid climates, few quality breaks with shade and insufficient water intake – both of which together or separately could lead to dehydration and heat stress that impact heavily upon the kidneys. In addition, exposure to environmental toxins (most probably agrochemicals) is frequently associated with the development of the disease.⁷⁸

The disease is hitting Central America hard. In the past two decades, at least 20,000 people in the region are estimated to have died of CKD.⁷⁹ It is likely that many of these cases are actually CKDnT – a differentiation of the common Chronic Kidney Disease that has only just been discovered recently by, among others, the aforementioned research institutions. CKD is generally diagnosed in older patients of both male and female gender. It is associated with welfare diseases, such as obesity, diabetes and hypertension.⁸⁰ However, this is not the case for CKDnT. It is often contracted by young working class males who do not suffer from any of the previously mentioned diseases,

many of them sugarcane workers.⁸¹ Countries where the disease has been found are Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. CKD was the 19th leading cause of death in Central America in 1990, but was the 7th leading cause of death by 2010.⁸² In all countries mentioned, except for Honduras⁸³, CKD is among the top 10 causes of death.⁸⁴

Because of the high prevalence of CKDnT and the serious consequences the disease has for many young male sugarcane cutters in Central America, CKDnT has gained attention as a serious public health problem that requires urgent healthcare and burdens the families and communities of those affected. Workers with CKDnT do not show clear symptoms at an early stage. Once the symptoms (such as nausea, breathing difficulties, swelling of extremities, muscle cramps, etc.) become evident, the disease may already be irreversible and fatal.⁸⁵ The mortality rates indicate that the phenomenon is occurring on an unprecedented scale.

The outcomes from LIF and ICAES' field research indicate that sugarcane cutters in Guatemala and Nicaragua are unnecessarily exposed to CKDnT-associated risk factors as identified by the research institutions who looked closer into the disease, and it is highly likely that the issues are industry-wide in the entire Central American region. Important risk factors include strenuous labour, excessive working hours, insufficient breaks and lack of access to shade, as well as insufficient access to potable water.

Central American Sugarcane: a commodity of global importance

Sugarcane is one of the most important agricultural commodities traded internationally. According to the FAO, it is the world's largest crop by production quantity.⁸⁶ In the past twenty years, global production of sugarcane has almost doubled and rose to almost two billion tonnes in 2013. The Americas is the world's largest producing region of sugarcane, followed by Asia.

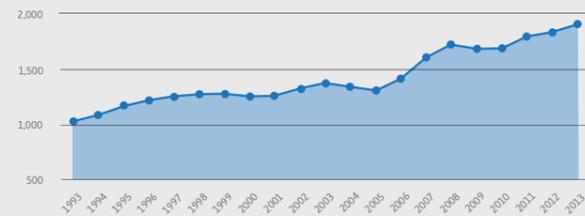
In 2013, the entire Central American region produced over 116 million tonnes of sugarcane.⁸⁷ Sugarcane is the top agricultural commodity in the region in terms of production as well as being among the region's top export commodities.⁸⁸ Central American countries with significant sugarcane industries include: Nicaragua, Costa Rica, El Salvador, Guatemala and Honduras.

The sugarcane industry in these Central American countries is characterised by a few large ingenios dominating the production of sugar and thereby accounting for the majority of the sugar exports from the region.⁸⁹ Some of the largest ingenios are owned by two large corporations: Grupo Pellas and Grupo Pantaleon. They own – among others – Ingenio San Antonio and Ingenio Monte Rosa respectively.⁹⁰ In Nicaragua, there are only four ingenios, of which San Antonio and Monte Rosa account for 81% of the production.⁹¹ Guatemala has 12 ingenios, of which the four largest account for over 75% of the production.⁹²

Ingenios like Ingenio San Antonio, Ingenio Monte Rosa and the ingenios in Guatemala are crucial actors in the Central American sugarcane industry. Besides the production and harvesting, they also process the sugarcane before it is exported to the world sugar market.⁹³ In most cases, the sugarcane is sold to traders that arrange shipment and sell the product on to multinational food corporations. The sugar products are sometimes bought directly by these corporations who process the sugarcane into consumer products that are sold in various parts of the world.

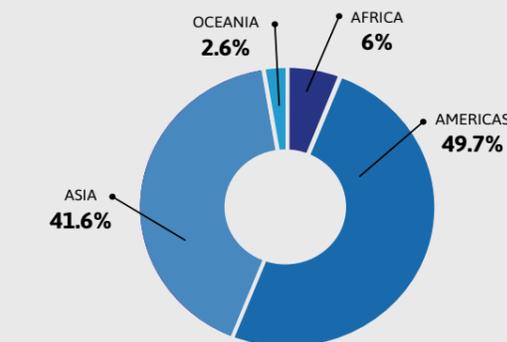
Through all supply chains, sugarcane ends up in products all over the globe. The sugarcane from Central America is also consumed in the United States (accounting for 32% of the exports) and Europe (4%).⁹⁴ Sugarcane is not exported in its pure form, but is processed into raw sugar and by-products that are the basis of many consumer goods such as sweets, sodas, spirits and beer, as well as biofuel.

Global production of sugarcane 1993-2013 (in million tonnes)



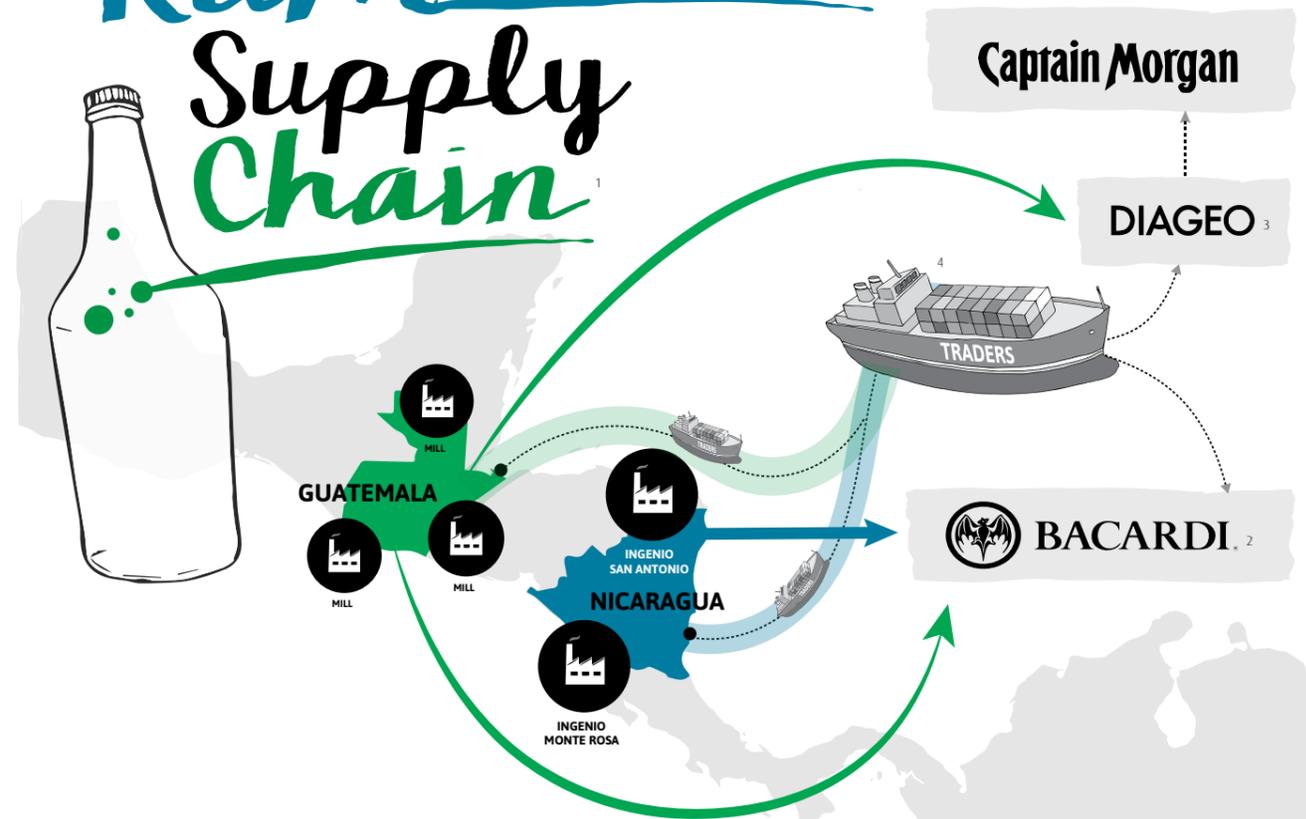
Source: FAOSTAT 2015

Share of sugarcane production worldwide (in percentage)



Source: FAOSTAT 2015

Rum Supply Chain



¹ The supply chain links include the trade in rum, as well as important rum inputs alcohol and molasses

² Bacardi sourced directly from Ingenio Monte Rosa in 2007/8. They did not deny nor confirm that they still do.

³ Evidence suggests that Diageo sources from traders that source from the region. They did not confirm nor deny this.

⁴ Links through traders imply that they source from the region and supply to the brand owners. They do not imply that each brand owner undeniably sources sugarcane products from each supplying country.

Sugarcane as important input for the rum industry

Sugarcane is a key ingredient for many popular food products, including sodas, sweets and alcoholic drinks. However, sugar is not the only product that is produced from the cane. While extracting the sugar, an important by-product called molasses is produced as well. This is used for animal feed and bio-fuels, but also as a sweetener for other food products, the production of alcohol and the distillation of rum.⁹⁵

Rum is one of the products typically produced from sugarcane and is characteristic for the Central American region. Some locally produced rums include Flor de Caña⁹⁶ (produced in Nicaragua), Cruzan Rum (produced by Cruzan Viri Ltd. in the US Virgin Islands⁹⁷ who have sourced molasses from Monte Rosa in Nicaragua in the past^{98,99}), Ron Centenario (a famous local rum brand produced in Costa Rica¹⁰⁰) and Don Q Rum (distilled in Puerto Rico from sugarcane from the entire Central American region¹⁰¹).

While looking into rum and other spirits brands produced in Central America (either directly or indirectly – through the trade in molasses, ethyl alcohol, rum, and raw sugar that can all be used to produce rum), two important global spirits companies emerged: Bacardi and Diageo. Bacardi sources from the biggest ingenios in Guatemala and from Ingenio Monte Rosa in Nicaragua.¹⁰² Cane cutters suffering from CKDnT are therefore contributing to Bacardi's supply.

Diageo also sources from the region, including Guatemala.¹⁰³ Since we assume the issue of CKDnT to be widespread in the Central American sugarcane industry¹⁰⁴, we are concerned that Diageo might be sourcing from ingenios where cutters are also contracting the disease. When given the opportunity to respond, Diageo did not repudiate any of the information we presented them on the supply chain links between Diageo and Central America. They only claimed not to source from Nicaragua. Furthermore, Diageo did not present us with any evidence that shows that working practices at their suppliers are different from the results in our report.

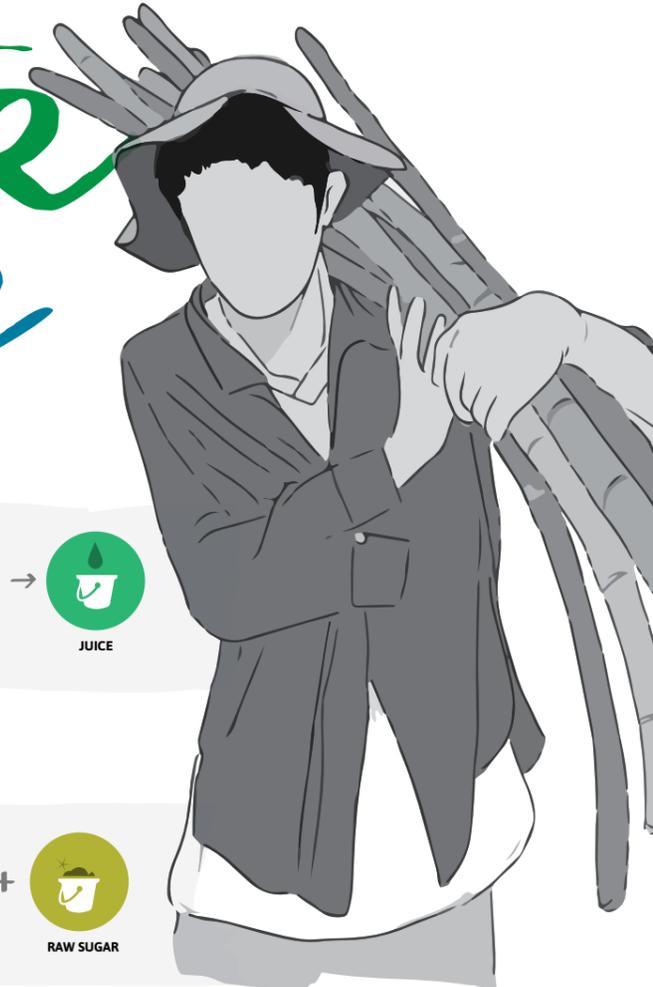


HOW SUGARCANE ENDS UP IN RUM

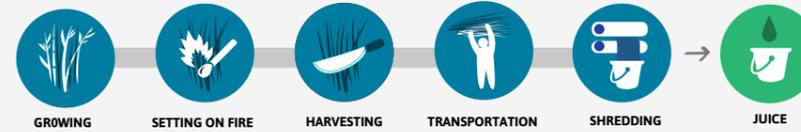
Sugarcane can be made into alcohol by fermenting and distilling some of the by-products that come into existence during the production process of alcohol. These by-products are sugarcane juice, sugarcane syrup and molasses – all which are produced at different stages in the sugar production process.

Rum is created through a process similar to that of alcohol. The alcohol distillate is then usually left to age in oak barrels until it has acquired its specific taste that make it ready for consumption. Just as alcohol, rum can also be produced from the cane juice, syrup and molasses. However, most commercial (big branded) rums are mainly produced from the molasses, as sugar tends to be more expensive.¹⁰⁵

Sugarcane



GROWING & HARVESTING



JUICE



SYRUP



MOLASSES OR SYRUP OR JUICE



RAW SUGAR



QUEREMOS QUE SE
NOS ESCUCHE, YA QUE
HEMOS DEMOSTRADO
RESPECTO Y CIVISMO.

QUEREMOS UNA
INDENIZACION

CARLOS PELLAS
NOS
ENVENENASTE



Decent labour conditions for all sugarcane workers: what the industry is (not) doing

FAIR HEARING

For each publication, Fairfood uses a process of fair hearing in which companies have a right to reply to our research outcomes. We did this for the main ingenios with regard to the Nicaraguan research (Ingenio Monte Rosa and Ingenio San Antonio, in 2014) and with brand owners and other relevant ingenios for the Guatemalan research (in 2015). The relevant elements of the companies' responses are included in this section.

Since the start of the field research, Fairfood has been raising concerns with key corporate players in the sugarcane supply chain regarding the deplorable working conditions and the issue of CKDnT in particular. These players include the main ingenios, as well as the rum companies Bacardi and Diageo. Both rum companies have not taken sufficient measures to prevent CKDnT. Furthermore, while the rum companies and the ingenios do have regulations in place to guarantee safe and healthy working conditions, the evidence we found in Nicaragua and Guatemala suggests that the ingenios or their subcontractors violate these regulations.

Below we will highlight the actions the companies in the sugarcane industry are undertaking to safeguard the health and safety of their workers, their response to any issues raised with them and what further steps we recommend they should take.

About the ingenios

Ingenio San Antonio and Monte Rosa in Nicaragua, and the bigger ingenios in Guatemala we have been in contact with, have policies in place to ensure the health and safety of their workers. However, our field research suggests that in practice these policies do not provide sufficient guarantees to protect workers' health and safety, including CKDnT. We offered the ingenios the opportunity to refute our field research findings. Even though they were in some cases able to show us quite extensive health and safety policies, they did not give us compelling evidence that made us question our findings. Policies do not seem to be put into practice.

When presenting our research results and concerns to the ingenios, the responses we received varied. Some are engaging with us to find the best ways to implement solutions. Other ingenios seem to be stalling engagement.

About Bacardi

Bacardi in its Responsible Sourcing Standards¹⁰⁶ outlines standards on working conditions that are said to apply to all their suppliers. These include the following commitments:

- The provision of a safe and healthy working environment to workers bearing in mind prevailing knowledge of the industry and specific hazards that covers health and safety training, potable water, and clean and safe accommodation;
- Working hours should comply with national laws, not exceeding 48 hours per week on a regular basis with an additional overtime limit of 12 hours (which then should always be compensated with a premium rate). On average, workers should get one day off per seven day period;
- Wages paid for a standard working week will meet at least national legal standards or industry benchmarks.

With regard to sugarcane sourcing specifically, Bacardi has set a target of sourcing 40% of all sugar derived products from sustainably certified sources by 2017 and 100% by 2022, and their preferred standard is Bonsucro.

The evidence from Nicaragua and Guatemala indicates that these conditions are not a reality for all of the workers in their sugarcane supply chains. This raises red flags with us, as we know Bacardi sources from some of the ingenios where we did our research. While Bacardi's Responsible Sourcing Standards include a reference to industry-specific hazards, they are not sufficiently specified to ensure that sugarcane workers' health and safety is guaranteed. Furthermore, we are concerned about the fact that CKDnT is mentioned nowhere as an important issue to prevent, and that specific – easy to implement – measures to address the labour conditions that can cause CKDnT are ignored (e.g. ensuring that workers are provided with sufficient breaks, potable water, shade and awareness-raising and training on the risks of heat stress and how to prevent this).

During the fair hearing process, Bacardi has not provided a detailed response to our research findings. Moreover, they have not provided any evidence to show that the working conditions in the ingenios they source from are sufficient to prevent workers from contracting CKDnT. We therefore consider the field research results from Guatemala to be factually correct, which was also communicated to them. Bacardi is

aiming for a 100% Bonsucro certified supply by 2022. We definitely consider Bonsucro certification as a positive first step towards more sustainable sugarcane production. However, to date we do not consider the standard sufficiently strong to properly address all the labour conditions linked to CKDnT. We therefore urge Bacardi to take further steps to ensure safe and healthy working conditions in its supply chain.

About Diageo

Diageo's policy Partnering with Suppliers¹⁰⁷ claims to be committed to maintaining safe and healthy working conditions for all employees and contract workers, and expects their suppliers to have the same approach. Among others, they expect their suppliers to:

- Meet all applicable legislation and ILO core conventions;
- Pay fair wages in line with industry and market norms, which do not require anyone to work excessive hours – particularly where this might impact personal health or safety;
- Protect and promote the special interests of employees under 18, among others by ensuring no exposure to working conditions that are likely to jeopardise their health & safety;
- Maintain a safe working environment, including access to protective equipment and safety training to mitigate known hazards or potential risks.

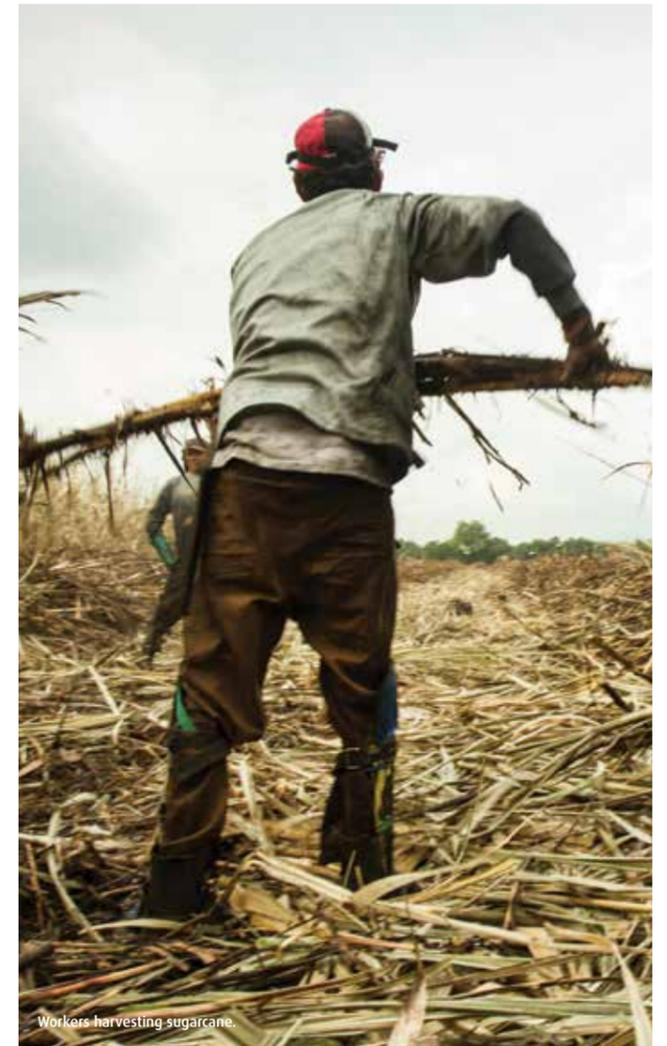
Furthermore, Diageo encourages its suppliers to:

- Conduct routine risk assessments and improve health and safety standards continuously. It claims to encourage health and safety management systems that can be externally verified.

Based on the links we found between Diageo and producers in Central America, we observe that the company runs a specific risk of encountering issues related to CKDnT in their sugarcane supply chains. While Diageo claims to be committed to ensuring occupational health and safety for all its employees, the policies that Diageo currently has in place are not sufficiently specified to ensure that sugarcane workers' health and safety is guaranteed. We did not find any standards in Diageo's policy that regulate adequate shade breaks and hydration for workers in their supply chain – some of the measures that can address the labour conditions linked to CKDnT.

During the fair hearing process, we invited Diageo to provide us with evidence that shows that the working conditions at their suppliers is

different from the results in the research results outline. They replied that they "are committed to safe working conditions in [their] supply chain"¹⁰⁸, without giving any assurance that they practice what they preach. We ask them to put in place specific standards to ensure the safety and health of all workers in their supply chain, particularly to ensure prevention of the deadly CKDnT.



Workers harvesting sugarcane.

Decent labour conditions for all sugarcane workers: what governments are (not) doing



Where companies fail to live up to necessary standards to work towards decent labour conditions and to prevent CKDnT, we are counting on the governments of their respective jurisdictions to set regulations and to ensure effective enforcement so that companies live up to these regulations. This is necessary to guarantee that the disease claims no further victims.

The field research by LIF and ICAES indicates that the Nicaraguan and Guatemalan governments are failing to meet several international commitments. They both ratified the United Nations International Covenant on Economic, Social and Cultural Rights (ICESCR), which commits State Parties to "recognise the right of everyone to the enjoyment of just and favourable conditions of work which ensure (...), Safe and healthy working conditions (...) [and] Rest, leisure and reasonable limitation of

working hours (...)."109 The working conditions reported by the workers in the field research clearly do not conform to these requirements.

Both countries also ratified the Fundamental ILO Conventions on Freedom of Association and Protection of the Right to Organise (87) and the Application of the Principles of the Right to Organise and to Bargain Collectively (98). In addition to that, they both ratified the Plantation Convention (110), which includes a mandatory article on the right to organise and collective bargaining (54). Furthermore, both countries have signed and ratified the American Convention on Human Rights, which stipulates the right to freedom of association under article 16.¹¹⁰ The field research conducted demonstrates that the workers who were interviewed by LIF and ICAES do not enjoy the right to organise or bargain collectively.

THE ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN UNION AND CENTRAL AMERICA

In 2013, the European Union and Central America signed an Association Agreement with the purpose of fostering sustainable development and advancing the regional integration of Central America. The Agreement consists of three pillars: Political Dialogue, Cooperation and Trade.¹¹¹ The trade pillar of the agreement has been ratified and has provisionally applied since the end of 2013.^{112, 113} This means that the exports of sugar and its by-products to the EU are now governed by the Association Agreement.

The Trade pillar of the Agreement contains a chapter on Trade and Sustainable Development which aims to ensure that

internationally recognised core labour standards are respected, domestic labour laws are enforced and that a high level of labour protection is provided for. In article 286, specific reference is made to the Fundamental ILO Conventions, including the ones on Freedom of Association and Collective Bargaining¹¹⁴ and the Declaration of the UN Economic and Social Council on Full Employment and Decent Work:

*"The Parties reaffirm their will to promote the development of macroeconomic policies (...) with full respect for fundamental principles and rights at work under conditions of equity, equality, security and dignity."*¹¹⁵

Imports of sugarcane products from Central America to the EU in 2014 (volume in mt)

Country	(Raw) sugarcane	Molasses	Ethyl-Alcohol	Rum	Total
Costa Rica	19,566		32,813	48	2,201,175
Guatemala	65,554	78,880	82,950	1,699	719,804
Honduras	19,724	57,173	-	12	574,534
Nicaragua	27,742	72,077	2,030	824	192,808
Panama (excl. Canal ->1980)	8,505	12	-	1,183	356,778
El Salvador	25,180	101,260	-	-	164,933
Total	166,271	309,401	116,794	3,765	4,210,032

Source: Eurostat, 2015.

Besides, the trade pillar of the Association Agreement between Central America and the EU is now provisionally applied (see box). With this, the Central American parties to the Agreement committed to several Multilateral Labour Standards and Agreements. The Association Agreement implies that all parties to the agreement have the responsibility to ensure that any labour related to products that are exported to the EU is decent and abides by the Fundamental ILO Conventions and the Declaration of the UN Economic and Social Council on Full Employment and Decent Work. This study indicates that compliance with the fundamental ILO Conventions on Freedom of Association and Collective Bargaining is lacking in the sugarcane industries in Nicaragua and Guatemala. Further-

more, working conditions that put workers at risk of contracting a fatal disease like CKDnT cannot be considered decent.

In September 2008, the Nicaraguan government, labour unions, employers and the ILO signed a 'Decent Work Country Program 2008-2011'¹¹⁶, in which enforcement of fundamental ILO Conventions, the improvement of worker social security and occupational safety are among the central objectives. After 2011, Nicaragua seems to have abandoned the programme. Considering the commitments made through the trade pillar of the Association Agreement and the critical situation faced by the workers in the sugarcane industry in Nicaragua, this is highly worrying.



Pablo José Nereo Martínez, president of the 'Comisión en Lucha por la IRC' (Commission for the battle against CKD).

Key recommendations

The working conditions at Nicaragua's and Guatemala's large sugarcane producers are dangerous and require serious improvements, not in the least because they are highly likely to contribute to the contraction of CKDnT by the sugarcane cutters. Urgent action is, therefore, required by all parties involved.

Fairfood, CNV Internationaal and ICAES concentrate their efforts on two different intervention levels:

1. Speaking to and influencing companies that produce and source sugar from the region so that they address the above-mentioned issues;
2. Engaging with the governments involved to ensure that the occupational causes of CKDnT are recognised and that they actively act to prevent this.

Clearly, what the industry is doing to address the issues is not enough. Even though most industry actors have certain general health and safety policies in place, this is insufficient to address the factors linked to CKDnT. Moreover, the lack of freedom of association prevents the workers from being able to claim their labour rights and ensure they are not subjected to the bad labour conditions.

Therefore, Fairfood, ICAES and CNV Internationaal urge the industry players to do the following:

For sugarcane buyers:

- Have in place a global sugarcane supplier code of conduct or similar that applies to all supplier contracts which includes:
 - all applicable domestic and international laws and standards relevant to the issue including, but not limited to, the ILO Conventions on Freedom of Association and Protection of the Right to Organise (87), the Principles of the Right to Organise and to Bargain Collectively (98); and the Right to a Safe and Healthy Work Environment (155);
 - additional explicit protections for physical labourers working in high heat conditions equal or similar to the United States Occupational Safety and Health Agency (OSHA) Guidelines on heat stress (Water.Rest.Shade. program);
 - a clear statement that all rights and requirements of the code apply equally to all workers at the ingenios regardless of whether they are part/full-time, temporary/permanent workers and/or directly employed or subcontracted and;
 - a guarantee that a reduction in the number of hours worked by an employee pursuant to new compliance with the explicit protections for physical labourers (detailed above) will not under any circumstances result in a reduction in the amount of income currently received by that employee and will in no instance be less than the domestic agricultural minimum wage.

- Implement an ongoing credible and effective assurance mechanism to ensure that all global sugarcane primary, secondary and tertiary suppliers are complying with the supplier code of conduct, and therefore all of the new standards included therein. This assurance mechanism should include independent third party audits¹¹⁷;
- Uphold supply chain loyalty and to ensure that the buyers' suppliers commit to supply chain loyalty with respect to producers and producer countries, i.e., continue sourcing from current producers;
- Offer fair and credible compensation to the cost bearers for the extra expenses caused by compliance with each of the key changes described.

For sugarcane producers:

- Have in place health and safety standards as well as responsible sourcing standards or similar that apply to all supplier contracts, which include:
 - all applicable domestic and international laws and standards relevant to the issue including, but not limited to, the ILO Plantations Convention (110), the ILO Conventions on Freedom of Association and Protection of the Right to Organise (87), the Principles of the Right to Organise and to Collective Bargaining Collectively (98); and the Right to a Safe and Healthy Work Environment (155);
 - additional explicit protections for physical labourers working in high heat conditions equal or similar to the United States Occupational Safety and Health Agency (OSHA) Guidelines on heat stress (Water.Rest.Shade. program);
 - a clear statement that all rights and requirements of the health and safety standards and responsible sourcing standards apply equally to all workers at the ingenios regardless of whether they are part/full-time, temporary/permanent workers and/or directly employed or subcontracted;
 - a guarantee that a reduction in the number of hours worked by an employee pursuant to new compliance with the explicit protections for physical labourers (detailed above) will not under any circumstances result in a reduction in the amount of income currently received by that employee and will in no instance be less than the domestic agricultural minimum wage and;
- Implement an ongoing credible and effective assurance mechanism to ensure that all stipulations above are complied with. This assurance mechanism should include independent third party audits, among others¹¹⁸;
- Uphold supply chain loyalty and to ensure that your suppliers commit to supply chain loyalty with respect to producers, i.e., continue sourcing from current producers;
- Offer fair and credible compensation to the cost bearers for the extra expenses caused by compliance with each of the key changes described.

For government actors:For the Board on Trade and Sustainable Development of the Association Agreement:

The Board of Trade and Sustainable Development is monitoring the implementation of the trade-related aspects of the Association Agreement including the sustainable development obligations.

- To thoroughly investigate the concerns outlined in this report and to take the necessary measures to ensure an effective and timely solution for the lack of compliance with the Multilateral Labour Standards and Agreements as contained in article 286 of the Association Agreement in the sugarcane industries in Nicaragua and Guatemala.

For the EU Party to the Association Agreement:

- To request an official consultation with the relevant Central American Parties regarding the concerns related to the enforcement of the Multilateral Labour Standards and Agreements referred to in the Association Agreement in the sugarcane industry in Central America.

For the European Parliament:

- To address these issues with the European Commission and question the implementation and monitoring of the sustainable development obligations as specified in the Association Agreement, in particular with respect to the implementation and enforcement of Multilateral Labour Standards and Agreements in the sugarcane industry in Central American member countries.

For the Nicaraguan and Guatemalan governments:

- To effectively enforce the ratified American Convention on Human Rights, the ratified ILO's Conventions on Freedom of Association and the Right to Organize Convention (n° 087), and the Plantation Convention (n° 110), part 9, article 54 on the right to organise and collective bargaining;
- To effectively enforce the ratified UN Covenant on Economic, Social and Cultural Rights, which requires them to ensure safe and healthy working conditions and a reasonable limitation of working hours;
- To ratify ILO Convention 155 on Occupational Safety and Health and ensure effective implementation and enforcement.

For the Nicaraguan government:

- To renew its commitments to the ILO Decent Work programme and to ensure that the epidemic of CKDnT among sugarcane workers is ended.

Fairfood, ICAES and CNV Internationaal invite all stakeholders to come together in order to identify best practices within the industry and work collaboratively on establishing policies and practices to create positive change.

Only together we can change the lives of those working in the sugarcane industry.



Sugarcane workers in the field in Chichigalpa, Nicaragua.

Endnotes

- All information in this section is based on the reports by CIDIN (2014), which analysed, triangulated and synthesised the results of LIF field research, and ICAES (2015) – unless referenced otherwise. Please find a detailed list with references in the respective reports.
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