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**UNITED FRUIT COMPANY ABROAD:
A STUDY OF THE CHANGE IN
LANDHOLDINGS, RELATIONSHIP TO
LABOR FORCE, AND THE
TRANSPORTATION SYSTEM IN AN OLI
PERSPECTIVE**

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PREFACE

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OPPSUMMERING

Mitt prosjekt omhandler i første rekke 1950- og 1960-tallet, men jeg har beveget meg framover og bakover i tid der dette har vært nødvendig. Mitt fokus har vært på landområdene til United Fruit, forholdet til arbeiderne og transportsystemet United Fruit bygde opp, og hva som skjedde med disse på 1950- og 1960-tallet, og om det har en sammenheng med nedgangen til United Fruit som startet på slutten av 1950-tallet. I denne sammenhengen har det vært naturlig å se hvordan situasjonen var før dette, for å ha et sammenligningsgrunnlag. Jeg har sett på disse i forholdet til OLI-teorien til Dunning, som sier at for å utligne de fordelene lokale selskaper har av å kjenne til markeder, lovverk osv., så trenger multinasjonale selskaper fordeler som de lokale selskapene ikke har. Disse blir delt inn i fordeler knyttet til lokasjon, eierskap og internalisering.

Mine resultater viser at de største forandringene skjedde med landområdene. De hadde vært trygge før andre verdenskrig, men etter andre verdenskrig inntok staten en mer aktiv rolle, i tillegg til en økende nasjonalisme. Dette medførte at United Fruit sine landområder ble et mål for flere stater, og selskapet ble utsatt for to ekspropriasjonsforsøk, hvor forsøket på Cuba i 1960 var vellykket. Dermed ble den store fordelene med å eie store landområder kraftig redusert etter andre verdenskrig, og United Fruit solgte unna store mengder landområder.

Også forholdet til arbeiderne endret seg etter andre verdenskrig. Før krigen hadde det vært en lav grad av organisering blant arbeiderne, og bortsett fra noen streiker hadde United Fruit små utfordringer knyttet til arbeiderne. Etter krigen forandret dette seg, med en større grad av organisering. Dette førte til flere store streiker og økt hyppighet i stans i arbeidet som følge av uroligheter blant arbeiderne. Så etter andre verdenskrig møtte United Fruit mye større utfordringer i forhold til arbeiderne.

Transportsystemet til United Fruit gikk igjennom minst forandring. Det var en sammenheng mellom nedgangen i land og nedgang i antall mil med jernbanelinjer, men United Fruit beholdt en mye større del av jernbanen enn de gjorde av landområdene. Når det gjelder flåten til United Fruit, gikk antall skip i selskapets eie ned, men det er sterke indikasjoner på at disse ble erstattet av innleide skip. United Fruit beholdt altså transportsystemet sitt i stor grad, noe som var viktig for å sikre en stabil tilgang til bananer av god kvalitet.

CHAPTER 1

INTRODUCTION

United Fruit Company was a special company. Not so much due to its size¹ or its economic importance to the United States. It became special due to its influence in the countries it operated within, and how it was perceived when it operated, and how it has been perceived in literature and popular opinion. From this my thesis was born, I wanted to investigate United Fruit and its activities in Latin America further and delve beneath its reputation. Based on an own investigation, United Fruit's banana division is constructed, which tries to evaluate United Fruit as an actor mainly from an economical perspective (see more below).

Definitions

In this paper I define Latin America as a concept for the regions of Central America, the Caribbean and South America. Even though most of United Fruit's banana plantations were situated in Central America, they also had plantations in Ecuador and Colombia, a part of South America, and interests in the Caribbean, making a joint concept for the whole region the most efficient.

Reputation and popular opinion of United Fruit

United Fruit had, and still has, a rather poor reputation, especially in Latin America where it became known as “El Pulpo” (The Octopus). The nickname derived from its large influence in many of the countries in which it operated, like an octopus its tentacles penetrated every level of society.

Several authors have portrayed United Fruit and the other powerful fruit companies in their writings. Gabriel Garcia Marquez wrote the book *One Hundred Years of Solitude*, where the climax is based on the events in Cienaga in Colombia during a strike where the military opened fire on a crowd of strikers. Miguel Angel Asturias critiqued United Fruit's exploitation of natives in Guatemala in his so-called *Banana Republic Trilogy* (*Strong Wind*, *Green Pope*, and *The Eyes of the Interred*). In the poem *La United Fruit Co.* from *Canto general*² Pablo

¹ Even though United Fruit's economic scale was large compared to the countries it operated within in Latin America, it was a relatively small American company.

² A translation of the poem can be found at <http://www.abm-enterprises.net/unitedfruit.html> Retrieved April 9, 2009.

Neruda accused United Fruit for abolishing free will, attract dictators and exploit the countries it operated in. These are all authors from Latin America, further showing United Fruit's poor reputation in the region.

Besides a corporate history-section mostly dealing with the period prior to 1899 and after 1970, and a list of some of the ships of the Great White Fleet, the Wikipedia-article³ on United Fruit Company focuses on their misdoings. There is a reputation-section, saying that “The United Fruit Company was frequently accused of bribing government officials in exchange for preferential treatment, exploiting its workers, contributing little by way of taxes to the countries in which it operated, and working ruthlessly to consolidate monopolies.”⁴ In the section about the company's history in Central America, almost half of the text is about the company's part in the toppling of Guatemalan president Jacobo Arbenz in 1954. Finally, there is a section of equal size as the section about the company's history in Central America on the banana massacre in Santa Marta in Colombia in 1928, where United Fruit allegedly was implicated in the Colombian military opening fire on striking banana workers.

The Wikipedia-article affects the reputation and popular opinion on United Fruit, and, especially since Wikipedia tends to be the first source for journalists, students etc., is important to look at in relation with the reputation and popular opinion of United Fruit. Normally Wikipedia would, of course, not be used as a source or literature.

Even though United Fruit today has a poor reputation, and had a poor reputation in Latin America, its reputation in the United States was better. For example; a rather glorified image is portrayed in an article about United Fruit in Fortune in March 1933. And United Fruit had a good reputation overall in the United States, even though the company was not very well known.

Sources

I tried to contact Chiquita (today's United Fruit, after the merger into United Brands together with AMK Corporation in 1970, and in 1990 the name was changed to Chiquita), Unfortunately, however, I never received any answer, and have therefore not been able to work with archival material from the company's own archives. The chance for gaining access to the archives was small, since the company traditionally has been cautious to permit any

³ http://en.wikipedia.org/wiki/United_Fruit_Company Retrieved April 10, 2009.

⁴ http://en.wikipedia.org/wiki/United_Fruit_Company Retrieved April 10, 2009.

access to its archives.

However, since I got access to the United Fruit Company Annual Reports through ZBW (German National Library of Economics)⁵ in Hamburg and Kiel, I have had sources with an official view from the company. Using the annual reports of a company is not without problems, due to the special setting annual reports appear in. It is the company's official view, and a report to its stockholders. It is also important to be aware that the company may want to portray a certain image of itself in its annual reports, which may not be entirely truthful. Even though the annual reports give the company's official view, United Fruit might have had a different view internally, or at least a less unified view internally. Also, with the annual reports being foremost a report to its stockholders, information which may have a negative effect on the company may be withheld or doctored. In other words, you can not expect the annual reports to be a balanced account historically, and it is therefore important to know the context before using the annual reports. It is important to be aware of what validity what is written have, and what is not included in the annual reports. Technical data, like overviews of the fleet, cultivated land etc. are much safer to use. When knowing the context it is possible to locate where there are differences between what is written in the annual reports, and what really happened. To be able to do this, it is necessary to use other sources or literature to confirm or disconfirm claims made by United Fruit in the annual reports.

Also, in Hamburg and Kiel I got access to a wide variety of newspapers and magazines, sorted under United Fruit, giving me further material. According to Knut Kjeldstadli, newspapers are used to find information, attitudes, interesting political cases from the historical period, and to follow the development in cases.⁶ I have mostly used the newspapers, and the magazines, to find historical information, and to confirm or disconfirm claims made by United Fruit in the annual reports. It is important to be aware of political belonging and such when using newspapers and magazines. For example, if a newspaper or magazine have been known to be very positive to investments abroad for American companies, this is important to be aware of when using it, especially with articles that deal with investments abroad for American companies or similar subjects. The arrangement in Kiel with clippings of articles organized by subjects reduces the opportunity to see what context the articles have been written in, if it was an important article in that issue etc. Therefore it is important not to be too categorical when using these clippings as evidence or indications.

⁵ <http://www.zbw.eu/index-e.html> Retrieved May 8, 2009.

⁶ Kjeldstadli, page 165.

There have also been some problems in finding relevant sources. I wanted to compare the landholdings of United Fruit with the total of agricultural land in the countries the company operated in, and this can serve as an example of some of the challenges I had with collecting sources from the countries United Fruit operated in from Norway with a limited budget and limited time. One option was to contact the countries Central Bureau of Statistics, which I did. One problem is that not all of its material has been digitalized and therefore not available for me in Norway. Another problem was that some of the statistical data I wanted had not been collected at all, or had gaps. Another solution was the collection of historical data compiled by B.R. Mitchell; *International Historical Statistics: The Americas 1750-1993*. This collection was very useful regarding the railroads in Latin America, but had some gaps, mainly the lack of data on how much land was used to fruit cultivation, with regards to the total of agricultural land. Since I did not find any data that was usable, I could not make this comparison.

Another one of my sources was *Moody's Stock Survey*, published by Moody's Investor Service⁷. Moody's Investor Service is a provider of independent credit ratings, research and financial information to the capital markets, and was a financial analyst with great influence in the 1950s and 1960s, and a negative evaluation from Moody's could prove fatal to the share prices of a company. Moody's was especially influential in the 1950s because the stock market was dominated by major institutional investors.⁸ So when Moody's made a statement, it was worth paying attention. I obtained this source with the help of Ronald Fark, a very helpful librarian at Brown University Library, who scanned the articles about United Fruit. As with the clippings from ZBW, this did not enable me to study the *Moody's Stock Survey* as a whole.

Literature and research on United Fruit

The most important role of the literature have been to make me able to gain knowledge about United Fruit, and the context with other fruit companies, Latin American history and the eclectic paradigm. The literature has also been important in confirming or disconfirming claims made in the United Fruit's annual reports.

Most of the literature on United Fruit is confined to a geographical area and the period before the Second World War, and the definitive book on United Fruit remains to be written. Peter

⁷ http://www.moodys.com/cust/default_alt.asp Retrieved May 9, 2009.

⁸ Bucheli (2005), page 58.

Chapman makes an attempt with *Bananas: How the United Fruit Company Changed the World*. With his background as correspondent for BBC and the Manchester Guardian based in Mexico and Central America, Chapman delivers a hard critique of United Fruit in this book. However, he stretches his theories about United Fruit too far, and appears to be overly focused on his goal to nail United Fruit to the wall. This can be seen already in the title, United Fruit had a lot of influence in many of the countries it operated in, but did they really change the world? Not to my knowledge. Not to say United Fruit do not deserve much of the critique Chapman delivers, he could, however, be more balanced in his writing.

Two classics in United Fruit literature are *Conquest of the Tropics* by Frederick Upham Adams first published in 1914, and *The Banana Empire* by Charles David Kepner, Jr. and Jay Henry Soothill first published in 1935. Both books attempt to tell the whole story about United Fruit, and though outdated the books still hold some relevance.

As already mentioned, most of the literature on United Fruit are confined to a geographical area. Of these, several are worth mentioning. Marcelo Bucheli has written the history of United Fruit in Colombia in his book *Bananas and Business: The United Fruit Company in Colombia, 1899-2000*. Most of the chapters focus on the relationship to the workers. He has, however, a chapter about United Fruit's changing business strategies in the late 1950s and 1960s, which are of relevance for my thesis, which I will return to later.

In the book *Doing Business with the Dictators: A Political History of United Fruit in Guatemala, 1899-1944*, Paul J. Dosal focuses on the political aspect to United Fruit's operations in Guatemala. He gives a detailed and thorough insight in his book. Also, Diane K. Stanley, a former American diplomat and the daughter of a former United Fruit employee, writes about the period after 1944, as well as the period before 1944, in her book *For the Record: the United Fruit Company's Sixty-six Years in Guatemala*. This book is a defense for United Fruit, and the only one to my knowledge. Stanley claims that historians repeat negative assertions, of which many are untrue or distorted, about United Fruit, creating “black legends” of the company, and not mentioning the significant contribution United Fruit made to Guatemala's human and economic development.⁹ However, Stanley falls into the same trap as Chapman, just in reverse. She becomes too focused on clearing United Fruit of any “black legends”.

⁹ Stanley, pages vi-vii.

Former vice president for public relations in United Fruit, Thomas McCann, wrote about his years with the company in his book *An American Company: The Tragedy of United Fruit*. Personally I have found the chapter about the toppling of Guatemalan president Jacobo Arbenz, and United Fruit's role, especially interesting, because he gives an insiders view of the campaign against the Guatemalan government prior to the toppling of the Guatemalan president Jacobo Arbenz.

Regarding United Fruit's fleet, the book *The Great White Fleet* by John H. Melville has been useful. Melville gives accounts for the different ships in United Fruit's ownership, but has little information about the ships which United Fruit chartered.

I would also like to mention the website of the United Fruit Historical Society at unitedfruit.org.¹⁰ The site is operated by the scholars Marcelo Bucheli and Ian William Read, and has an excellent chronology of United Fruit, as well as biographies of important persons in the history of United Fruit.

In addition to literature about United Fruit, I have also used literature about other fruit companies, Latin American history and the eclectic paradigm.

Julian Roche gives a good introduction to the banana trade in his book *The International Banana Trade*. Here Roche gives an overview of the banana plant, banana production, the largest companies, banana diseases etc., and the book has been very useful regarding the banana industry as a whole.

Regarding other fruit companies, there is not nearly as much literature as there are on United Fruit. Thomas L. Karnes have written *Tropical Enterprise: The Standard Fruit and Steamship Company in Latin America* about Standard Fruit's history, but other than that there are little to be found, at least in English.

Concerning the Latin American history, I have used books with deals with the single country's history, as well as books dealing with more specific themes, such as unionizing and railroads. I would like to make a special mention of Paul E. Bloom's *Railways of Latin America*, which was very useful in gaining an insight in how the railroads in Latin America were organized. Regarding the book dealing with general history of Latin America, there are to many to

¹⁰ <http://www.unitedfruit.org> Retrieved May 6, 2009.

mentions them all, and I would prefer not to point out any of these as significantly better than the others.

Concerning the eclectic paradigm, I used literature from John Dunning and Geoffrey Jones. I have used *Theories and Paradigms of International Business Activity* from Dunning, which is a collection of essays published by him. In addition to this, I have used other essays from him. Regarding Jones, I used his book *Multinationals and Global Capitalism*, which examines the role of entrepreneurs and firms in the creation of the global economy. I have mostly used part I of this book, which deals with frameworks, for a theoretical background on the advantages of the eclectic paradigm.

My project

United Fruit was foremost an integrated banana company, and in order to produce and market bananas there are some things that are necessary. First there is the need for a place to grow the bananas, in other words land. Then, in order to use the land to grow bananas you need workers. After the bananas have been grown, it has to be transported to the market. For United Fruit as an integrated banana company this meant that it had to build their own transportation system, existing mostly of railroads and ships.

This is, of course, a simplification. However, this was the basis for the banana operations of United Fruit. Without land, no bananas. Without workers, no bananas. Without a transportation system, spoiled bananas. In addition to this, skilled leaders, capital, political influence etc. was important as well, and some of these elements merge into the land, workers and infrastructure.

In the minds of many people United Fruit was a very powerful company, especially with respect to Latin America. However, a closer look reveals a relative decline for the company after the Second World War. The task of this thesis is to look for reasons for this decline as far as they are related to United Fruit as a multinational company and its economic engagement in Latin America. Based on economic theory we will look primarily into the problems of land, workers and transportation, which was all vital to United Fruit's banana division, and to the company's success. Thus leaving this question to be answered:

“What happened to the landholdings, relationship to the workers, and transportation system

after the Second World War compared to before the Second World War? And are there any relationship with what happened with the landholdings, relationship to the workers, and transportation system and a loss of the advantages multinational companies need according to the eclectic paradigm?”

To answer my thesis I have divided my analysis into three chapters, one for the land, one for the workers, and one for the transportation system. In the chapter about the land holdings of United Fruit, I also discuss some background issues; the political situation in the countries United Fruit operated, the emergence of the active state, and the danger of expropriation. This means that this chapter becomes a couple of pages longer than it would have if these background issues would have been discussed in its own chapter. I have, however, chosen this structure due to the clarity and flow it brings compared to an extra chapter.

I have included a background chapter, where I will give an account for the banana plant, the importance of the banana division for United Fruit, and the eclectic paradigm. The eclectic paradigm is essential for my analysis, and the importance of the banana division is vital for my demarcation of the thesis. Also, some information about the banana plant is useful.

In chapter 3 I will give a historical account of the development of United Fruit as a company, and of the banana industry. The historical account will start with the origins of United Fruit, and end with today's Chiquita. The history of United Fruit and the banana industry can not be referred to as common knowledge, and therefore it is important with an introduction to this part of history.

In chapter 4 I will investigate the landholdings of United Fruit. I will look at the land as a locational advantage for United Fruit, and will try to account for how the danger of expropriation affected United Fruit when the active state and nationalism emerged after the Second World War, and the landholdings went from being safe investments to a challenge for the company.

In chapter 5 the workers will be investigated. I will try to relate the workers to the eclectic paradigm. I will also look at the importance of the workers to United Fruit, and do a comparison between before and after the Second World War on the labor intensity of the banana division, the strikes and trade unions, and wages and other labor expenses United Fruit had.

Chapter 6 will focus on the infrastructure of United Fruit. It will focus on the railroads and the fleet, and investigate as to what happened to these two after the Second World War. One of the methods I will use to do this is a comparison with the situation before the Second World War. Another method is to look at the internalization of the railroads and the fleet, before and after the Second World War.

I have chosen to focus on the banana division of United Fruit, due to it being the largest and most important division in the company. Also, United Fruit are mostly known as a banana producer and seller. The second largest division in the company was the sugar division. This division was, however, closely tied with Cuba, which is a special case. I will give an account for my demarcation later in chapter 2.

I will focus on the 1950s and 1960s, but with a comparison to the period before the Second World War. United Fruit started to stagnate in the 1950s, and started the 1960s with lower profits than ever before in the history of the company. This period also represent the time when United Fruit started to lose their position as the dominant banana producer and seller. The merger between United Fruit and AMK Corporations in 1970 is a natural dividing line, and a natural place to stop my investigation. Mainly because the role of the banana division changed. From being the most important division in the company, it would now have a less important role.¹¹ I will, however, move outside these decades where it is necessary for my analysis.

I will focus on the operations of United Fruit abroad, more exactly on the operations connected to the banana division in Latin America. I will not look at United Fruit's, or its subsidiaries, operations connected to the banana division elsewhere in the world. I will not look at the marketing of the bananas, nor will I look at the flow of capital between countries or any other factors normally connected with a study of a multinational company.

My project in terms of other research

Most of the research on United Fruit has focused on the period before the Second World War, and has mostly focused on one country or region, where the effect United Fruit had on this country or region have been focused upon. My project focuses on what happened with the

¹¹ United Fruit would operate as a separate unit, as would John Morrell & Co., a meat company. Letter to the shareholders from Eli M. Black and John M. Fox, July 1, 1970.

land, workers, and infrastructure of United Fruit after the Second World War, with a back-view to the period before the Second World War for background and comparison. This is a field which there is done much less research. An exception is Marcelo Bucheli, in his book *The United Fruit Company in Colombia, 1899-2000*, he looks at how the business strategies of United Fruit changed throughout the twentieth century, and especially how United Fruit become a marketing company, and moved away from being a production company, in the late 1950s and early 1960s. He claims that three different sources indicate United Fruit's internal shift from a production company to a marketing company: the relation of current assets and total assets, land ownership, and steamship ownership.¹²

I want to see if there is a connection between United Fruit starting to loose its position as the world's leading banana producer and marketer, and what happened to its land, workers and infrastructure. To help me answer this I will use the eclectic paradigm, with its advantages connected to location, ownership and internalization. To my knowledge, the eclectic paradigm has not been used much in connection with United Fruit. Again Bucheli is an exception, since he to a certain degree uses the eclectic paradigm when characterizing the period before the Second World War as a time of vertical integration,¹³ and the time after the war as time of vertical disintegration.¹⁴

My thesis tries to investigate from the viewpoint of United Fruit. Previously most of the work has been with a focus on how United Fruit affected the countries in which it operated, but little has been done on how the actions in the countries United Fruit operated affected the company. Bucheli have looked at how the political environment shaped United Fruit's strategy after the Second World War, but other than this little has been done in this field.

¹² Bucheli (2005), page 51.

¹³ Vertical integration is a style of management control where a company has control over the whole production chain. United Fruit being an example, since it had control of every step from the cultivation of the bananas to the marketing of them.

¹⁴ Bucheli (2005), pages 50-55.

CHAPTER 2

THE ECLECTIC PARADIGM, BANANA PLANT AND IMPORTANCE OF THE BANANA TO UNITED FRUIT

In this chapter, I will give some information about the importance of the banana for United Fruit, and why I have chosen to focus on the banana division of the company. I will also give some information about the banana plant, and the economic theory of the eclectic paradigm, which I will use in my analysis of United Fruit.

Normally it would have been natural to give an overview over the banana industry and banana diseases in the background chapter as well. However, since United Fruit more or less was the banana industry until its decline in the late 1950s and 1960s, it is more natural to merge it together with the history of United Fruit.

Banana plant

There are two main kinds of bananas, the common banana, also known as desert banana, and the plantain banana, also known as cooking banana. The plantain banana have a more starchy taste than the common banana and cannot be eaten raw, the desert banana has a much sweeter taste and are normally eaten raw. In this master thesis I will concentrate on the desert banana.

Bananas are grown in a tropical climate, between 30 degrees latitude north and south of the Equator, with most of the large commercial production 20 degrees latitude north and south of the Equator on a world basis.¹⁵ The temperature has to be above 20 degrees Celsius, below that and the growth and maturation are slowed down. 26-30 degrees Celsius will give the best result. Enough water is essential to the banana, between 1950 and 2450 mm annually, and irrigation is used on the plantations. Sun light is also essential.¹⁶

There are several challenges with the growth of bananas. The banana is a perishable fruit, and has to be harvested every 7-10 days, all year around. Also, it has to be harvested before maturity, and transported to the shops for sale before the ripening renders the banana unsuitable for sale. All this must be completed within approximately 21 days. This was

¹⁵ 30 degrees latitude north and south of the Equator would mean the southern part of Texas, United States in the north and the southern part of Brazil in the south. 20 degrees latitude north and south of the Equator would mean around the latitude of Mexico City in the north, and the north of Paraguay and south of Bolivia in the south.

¹⁶ Roche, pages 14-15.

foremost a problem in the start of the banana trade, when the loss of the wind could turn a whole shipment of bananas unsellable. Another problem is natural disasters, like hurricanes and droughts. Droughts, or bad growth conditions in general, is always a factor in agricultural production, and therefore not unique for the banana farming. Hurricanes, or tropical storms, have done a lot of damage on banana plantations, and the banana plant is vulnerable for strong winds due to its height. For instance, Elders and Fyffes lost control over their company to United Fruit after damages from a hurricane in 1903, which I will return to later. But the number one problem for banana farming are diseases, the two having wrecked the most havoc being the Sigatoka disease and the Panama disease, both of which I will explore in the next chapter.

The importance of the banana division for United Fruit

Both Boston Fruit Company and Minor C. Keith¹⁷ had their start as banana companies, and when they merged into United Fruit Company in 1899, the bananas was the backbone of the company. It was the banana market they tried to monopolize,¹⁸ and it was the banana production that had their main focus.

United Fruit also produced a fair amount of sugar canes. This production, however, was situated on Cuba, with a small production on Jamaica as well, and more or less vanished with the expropriation after the Cuban revolution. Cuba was in many ways an extreme case. The United States had a larger degree of interest for Cuba than the rest of the region, both economically and especially strategically, due to Cuba's location. This can be seen in the Platt Amendment from 1901, incorporated into the Cuban constitution in 1902. In the Platt Amendment the Cuban government had to consent that the United States could intervene in Cuba, effectively making the American president able to turn Cuba into a United States protectorate, with support from the Cuban constitution.¹⁹ Also, the expropriation after the Cuban Revolution makes it an extreme case, where all the foreign properties were nationalized. United Fruit was, in contrast to in the banana industry where they were the dominating company, just one of several companies in the sugar industry on Cuba. And since the sugar division of United Fruit was so closely tied to Cuba, see table 2.1 where the company output of sugar canes almost vanished after the expropriation on Cuba in 1960, leaving Cuba out of the equation means leaving the sugar canes out of the equation.

¹⁷ Keith started as a railroad builder; however, as a fruit merchant he started with bananas.

¹⁸ According to some historians, will be accounted for later.

¹⁹ Holden & Zolov, pages 81-82.

Other than banana and sugar canes, United Fruit cultivated cocoa, coffee, oranges, oil palm, abaca, coconuts etc. Commonly for them all, they were cultivated in small amounts compared to the banana and sugar canes. Therefore it is more than likely that what affected the banana industry, affected these plants also, thus making a focus on the banana division of United Fruit more practical.

Table 2.1: Acreage of banana, sugar and other crops in acreage.

	Bananas	Sugar	Other
1900	38,463	7,803	8,681
1910	75,477	24,476	9,523
1920	138,290	84,866	61,773
1930	189,165	105,125	53,889
1939	119,821	94,338	56,689
1950	142,197	100,386	86,793
1960	134,593	5,853	56,837

Source: United Fruit Company Annual Reports for 1900, 1910, 1920, 1930, 1939, 1950 and 1960.

The eclectic paradigm

Definitions

There are several theories concerning multinational companies and foreign direct investment (FDI). I will however use the eclectic paradigm. First it can be useful with some definitions of the most important terms.

Dunning defines a multinational company as “an integrated and co-coordinated unit of decision taking, the function of which is to transform, by the process of production, valuable inputs into more valuable inputs. The boundaries of an enterprise extend to where it no longer has control over the use of such inputs, or the assets from which they are derived.”²⁰

Multinational companies are defined by Geoffrey Jones as “...a firm that controls operations or income-generating assets in more than one country.”²¹ Also, it is sometimes suggested that to be defined as a multinational it is required to operate in a minimum number of countries,

²⁰ Dunning (2002), pages 77-78.

²¹ Jones, page 5.

usually five or six, or that a multinational has to be of a certain size. There are however enormous problems with such conditions. Also, a firm that's sole international involvement is exporting goods from its home base are not a multinational.²²

FDI is defined as "An investment in a foreign firm which involves managerial control."²³ There are however problems with the definition of control, and there are no consensus on the minimum equity stake deemed necessary for control of a foreign company. United States and France defines the investment as FDI if 10 % of the equity is owned, while Great Britain and Germany operates with a 20 % limit.²⁴

But why do some companies choose to become a multinational company, while other companies choose to remain inside of the borders of its country? Also, while some industries are dominated by multinationals, other industries are not. The same can be seen in countries; some countries have a lot of multinationals operating within its borders, while other countries do not.

According to the eclectic paradigm a company will become multinational when the company ownership advantages in a particular foreign market, and perceives as in their interest to add value to these ownership advantages themselves instead of selling it to a foreign firm, and if the locational advantages makes it more profitable to exploit its assets in a specific foreign location than at home.²⁵

As for why some industries are dominated by multinationals, and others not, this has to do with the presence or absence of these advantages. For the countries it depends on whether or not the country is capable of offering these advantages to foreign companies or not.

The advantages of the eclectic paradigm

Economic theory requires a special theory in order to explain FDI. In equilibrium-theory FDI should not exist, because when all competitors are equal, sharing the same economic information and assets, any FDI is hampered by the disadvantage of not knowing the indigenous rules, language etc. of the foreign country its active in. Consequently a theory was

²² Jones, page 5.

²³ Jones, page 302.

²⁴ Jones, page 7.

²⁵ Jones, page 12.

searched, explaining some kind of super-advantages which can over-compensate the disadvantages connected to FDI.

An attempt to explaining these super-advantages was the eclectic paradigm (or OLI as it is commonly known as), which was first put forward by John H. Dunning, an economist which researched FDI and multinational companies, at a Nobel Symposium in Stockholm in 1976. The eclectic paradigm is a attempt to explain why companies can compete with local companies in foreign countries, by claiming that if a company is to compete in a foreign country, it needs some advantages that the local companies do not have, in order to overcome the local companies superior knowledge about the local conditions, such as markets, resources, legal and political system, language, and culture. These advantages are divided into three categories: ownership-advantages, locational advantages and internalizing advantages.

Ownership-advantages are internal to the company, and are in some cases referred to as firm-specific-advantages. Ownership-advantages include technological advantages, organizational advantages, in access to finance and the size of the firm. The technological advantages include access to superior technology, knowledge and know-how. Especially in markets where the technology is standardized, an ability to differentiate the product can be a huge advantage for a multinational company. Organizational advantages include superior management and organization techniques, which can arise from superior organizational structures or superior management techniques compared to local rivals. A multinational company has easier access to capital, which is most often cheaper than what a local company can obtain. This can arise from privileged access to capital markets or that the size of the company enables it to borrow cheaply. The size of a firm can be an advantage due to economies of scale²⁶, from which the main advantages are derived from centralizing of management functions, such as research and marketing, which are not available to smaller companies. Also, multinationals can derive ownership-advantages from being a multinational due to the ability to coordinate activities across national boundaries, for example by offering wider opportunities for global sources of input.²⁷

Locational advantages are external from the company, and can be utilized by all companies operating in that location. Locational advantages can be used to explain why a company chooses to locate in a specific location.

²⁶ Economies of scale: These arise when expansion of the scale of production causes total production costs to increase less than proportionately with output. Jones, page 302.

²⁷ Jones, page 8-9.

Three important locational advantages are tariff and nontariff barriers to trade, the nature of the market in the host country, and the distribution of resource concession for companies which is engaged in the exploitation of natural resources.²⁸ Regarding tariff and nontariff barriers to trade, measures that make exporting difficult will encourage local production. For a multinational company that leaves two options, either produce locally or withdraw from the market. As for the nature of the market in a host country, size, income level, growth and stage of development are all important considerations. For example; a high income, large internal market will be an incentive to establish production in that country, especially if measures making it difficult to export to that market are in place as well. Regarding resources, these are often geographically determined. For instance, oil is not found in every country, and therefore a multinational in the oil industry will have to choose from the countries which have oil resources. The same applies to bananas, since the banana need certain climatic conditions, as shown earlier in this chapter, to grow.

A company can choose to either buy a service or product on the market, or to internalize and provide the service or product themselves. Internalization will most likely occur when a market is not in place or functions poorly. Internalization will occur more often when a service or product contains an essential competitive advantage, such as patents, brands and know-how, or when it requires display and after-sale service in foreign markets.²⁹ According to Dunning, multinational companies in export-oriented primary goods sectors, such as United Fruit, internalize in order to avoid disadvantages or capitalize on the advantages of imperfections or disequilibrium in the external mechanisms, the price system and public authority fiat, of resource allocation. However, as long as a market is perfectly competitive, there is no need for internalization. It is when imperfections in the market arises and can be exploited through internalization that the need for internalization arises. The market imperfections can be structural imperfections, which derive directly from the structure of the market, such as high transaction costs or barriers to competition, and cognitive imperfections, being a lack of information about a product or service, or that the product or service is hard or costly to acquire. It is, however, important to be aware of that the company needs to be of a certain size to exploit these imperfections through internalization.³⁰

An example on internalization is the vertical integration. Vertical integration appears when a

²⁸ Jones, pages 9-10.

²⁹ Jones, pages 10-11.

³⁰ Dunning (2002), pages 59-60.

company takes full control over the whole chain, in United Fruit's case from the cultivation of the bananas to the marketing of the bananas. A vertical integration structure gives the company a much larger degree of control, and is especially effective when there is a lack of a functioning market from which the goods or services the company requires can be bought. However, with a functioning market in place, the vertical integration structure immediately becomes a less viable option for the company.

The three different types of advantages are not meant to exclude each other. Both locational and ownership-advantages can be used to explain the same phenomenon. For example can a combination of these be the explanation as to why a company chooses to establish themselves in a specific country. Such a combination can occur if a company wants to grow bananas. First, it has to choose a country which has conditions that support banana growing and has a government that are willing to give the company access to growing bananas there. Are there more than country who meets these standards, factors such as taxes, labor costs etc, can be decisive. These are advantages tied to location, thus being locational advantages all companies can make use of since these advantages are external. However, if a company has a technological advantage that will be best utilized in a certain country, this could have a decisive effect on the outcome, as long as the locational factors are preferable as well. A technological advantage is specific to the company, and is thus an ownership advantage.

Also, the three different types of advantages are strongly influenced by context. It will, for instance, be influenced by the country's economic and political features, the industry in which the company are engaged, characteristics of the individual company, the strategies and objectives for the company etc.³¹ A mining company will act differently than a banking company, and will be tempted by different locational advantages. And the economic and political features will be different in an industrialized and stable European country, than it will in an underdeveloped and unstable African country.

Critique of the eclectic paradigm

There has been some criticism of the eclectic paradigm. It has been called a shopping list of variables, where the claim is that the explanatory variables identified by the paradigm are so numerous that its predictive value is almost zero. It has also been suggested that it is misleading to suggest that the variables which make up the eclectic paradigm are independent

³¹ Dunning (2000), page 164.

of one another, for example that a locational variable might influence a company's ownership advantage. Another critique is that the eclectic paradigm does not allow sufficiently for differences in strategic responses of companies to any given configuration of the OLI variables. In addition, Kiyoshi Kojima claims that internalization and the eclectic paradigm tries to explain the same phenomenon.³²

Why relevant for United Fruit?

The eclectic paradigm is relevant for United Fruit in many areas. The strong degree of internalizing through the vertical integration prior to the Second World War, compared to the disintegration of this structure after the war is one example. Prior to the war, United Fruit found it practical to internalize its operation, all the way from the cultivation of the bananas to the marketing. There were several reasons for this. United Fruit chose to cultivate its own bananas to secure a steady supply of bananas, where the alternative would be to buy bananas from independent farmers. It chose to transport its bananas, mostly by railroad or sea, due to the lack of commercial railroads or sea lanes, and because of the fragility of the banana. After the war, the political situation changed, as did the banana industry. United Fruit kept its trains and ships, but started to buy more and more of the bananas on the open market after 1960. This meant that the company now viewed buying its bananas from other producers, and growing a smaller percentage itself, as a more profitable solution than to internalize the whole process of cultivating bananas.

When choosing where to locate its plantations, locational advantages was decisive for where United Fruit ended up placing its plantation. The banana could not be grown anywhere, it needed certain climatic conditions, and United Fruit preferred to operate in countries where the company enjoyed as much freedom to operate as it pleased as possible. Both these shows that the eclectic paradigm is relevant for United Fruit.

³² Dunning (2001), pages 176-180.

CHAPTER 3

THE HISTORY OF UNITED FRUIT AND THE BANANA INDUSTRY

The banana industry has always, with the exception of the decades before 1900, been dominated by large multinational firms, in particular United Fruit. United Fruit was known as 'El Pulpo', the Octopus, in Latin America, due to its immense influence in the region. United Fruit influenced the host countries politically, socially and not least economically. They also were aggressive against competitors, using their influence to shut them out of markets or production areas, or they would simply absorb them. Only one other large banana company have managed to survive until today, the Standard Fruit and Steamship Company (today's Dole Food Company), and today Dole and Chiquita (today's United Fruit) have about the same share in the banana market. For most of the time the banana trade has been a duopoly, at least after Cuyamel Fruit Company was acquired by United Fruit in 1930 and until Del Monte entered the banana trade around 1970. The reason for this is that banana production is capital intensive and requires large areas of land in different regions, to safeguard against hurricanes, drought etc. United Fruit seized vast amounts of land in the first decades of the 20th Century, making it difficult for other banana companies to acquire enough land.

Origins of the banana trade

For a market to come into being, there have to be a demand and a steady supply, and for the banana market in the United States this happened in the last part of the 20th century. There had been a demand before this. Bananas had been imported to the United States earlier as well, the first mentioning of bananas in United States being in 1804³³, and the bananas that had been imported to the United States had been sold, often in a deteriorated condition. However, the banana did not come into American ports on a regular basis until trans-oceanic shipping with steamships became economic viable about 1870.

Previous to 1900, there was many smaller banana companies. Most of them bought its bananas from local farmers and then sold them in the United States, and some of them had its own plantation(s). However, very few of these small banana companies survived the century. In fact, only 22 out of 114 banana companies survived the century.³⁴ One reason that so few banana companies survived, was that these were small companies, and they did not have a distribution network in the American ports. Instead they had to sell their merchandise on the

³³ Roche, page 28.

³⁴ Robert A. Read in Casson, page 318.

open market. The ports were often flooded with bananas, meaning it was a buyer's market. This made the profit margins smaller for the companies, making it harder for them to survive. Another reason was that the banana was a very perishable fruit, and many shipments of bananas got spoiled before arrival, meaning all invested money was lost. And for the banana companies with a banana plantations getting its crop ruined, for example by a hurricane, meant big losses, especially since the small banana companies did not have plantations in different regions to divide the risk.

Boston Fruit Company and Minor C. Keith – the origin of the United Fruit Company

There are three persons that are especially important for United Fruit's pre-history; Captain Lorenzo Dow Baker, Andrew Preston and Minor Cooper Keith. They all had great influence on what would become United Fruit.

In 1870 Captain Baker bought 160 stems of bananas in Port Antonio, Jamaica. He then sold the bananas in Jersey City ten days later with a good profit. This was the start of what would become United Fruit.

As already mentioned, the banana got spoiled easily, and Baker soon learned that one out of three shipments would go bad. However, the profit margins was so high that this was acceptable. Baker soon teamed up with Preston, who marketed and sold the bananas, and in 1877 Baker established the L. D. Baker Company in Port Antonio.

In 1885 the Boston Fruit Company was established. There was eight other investors besides Baker and Preston, and they invested a total of \$15,000.³⁵ For the first five years there was a consent not to take out any dividends from the company, instead they would invest it in the company. The company invested in plantations and their first boat, the Marmion.

And soon Boston Fruit prospered in a tough line of business, by 1890 Boston Fruit was the most successful banana company in the United States. One of the reasons for this was that Preston assured the sales of the bananas. This was a big advantage, because often the docks was flooded with bananas, and the buyers could wait until the bananas was almost spoiled, and buy them cheap.

³⁵ Stanley, page 25.

Boston Fruit soon started to seek out new markets. They either bought shares in other banana companies, like the Banes Fruit Company, which shipped fruit to New York, or they financed half of the capital for new banana companies.

In 1898 a hurricane swept over Jamaica, where Boston Fruit produced most of their bananas, and destroyed most of their banana crops. This accelerated Boston Fruit's need for a more geographically diversified production of bananas. And here Minor C. Keith was a natural selection.

Keith received his first contract for building a railroad in 1871 in Costa Rica. He had received the contract from his elder brother; Henry Meiggs Keith, who had received it from his uncle; Henry Meiggs. The railroad was supposed to stretch from San José to the port of Limón on the Caribbean coast. The construction of the railroad was much more challenging than they had thought. The working conditions was horrible, and since they did not receive any financial help from the government of Costa Rica, financing also became a problem. Keith planted banana trees by the railroad lines, first to feed the workers, but soon Keith was transporting bananas out with the railroad and selling them, and by 1883 he owned three banana export companies, including the Tropical Trading and Transport Company. By 1890 his railroad lines was almost exclusively transporting bananas. He also bought local produce along the coast of Costa Rica, and with a deal with the Snyder Banana Company of Panama he expanded his business to Colombia.³⁶ Now Keith dominated the banana business in Central America. But in 1899 Keith experienced two financial crises. First Hoadley and Company, a brokerage firm from New York, went bankrupt. Keith had \$1.5 million in drawn bills against the company, which he lost.³⁷ The same year Keith's main distributor of bananas in New Orleans also went bankrupt. Keith was a partner, and lost over \$1 million.³⁸

United Fruit Company – the early years

Since Boston Fruit needed more land, and Keith needed capital, Keith travelled to Boston to meet Preston and Baker. The result of these talks was the United Fruit Company, which was established on March 30, 1899. Of course it were not as simple as Boston Fruit needing land, and Keith needing capital, there where other reasons as well. One crucial desire for the newly founded United Fruit seems to be to gain a monopoly in the market, although this has been

³⁶ At this time Panama was part of Colombia's territory.

³⁷ Bucheli (2005), page 47.

³⁸ Stanley, page 29.

denied by the company. Never the less several historians claims that United Fruit from the beginning planned for a monopoly. Charles David Kepner, jr. and Jay Henry Soothill substantiate this with an argument that United Fruit from the start bought shares in their competitors to achieve stock ownership, and it has been asserted that United Fruit controlled over 80 % of the banana industry, at least in regard to sales and prices.³⁹ Paul J. Dosal also assert this desire for monopoly, a monopoly can exist without eliminating all the competitors, and United Fruit never where the only banana company, but they where powerful enough to determine how much competition they would tolerate.⁴⁰

The reasons already mentioned as to why smaller banana companies did not survive, had become strengths of United Fruit. Andrew Preston assured the sale of the company's merchandise at a good price, which was a great advantage. The transportation system of United Fruit, which would grow considerably through the next 50 years, secured a swift transportation and reduced the amount of spoiled bananas. And United Fruit also had plantations in different regions, dividing the risks for hurricanes, droughts etc. In other words, United Fruit had a solid base from which it would soon spread out and dominate the banana industry.

Looking at the business strategies United Fruit used in this early phase, it is safe to say United Fruit had an aggressive business strategy. There was a distinct dislike of allowing competitors to operate in areas United Fruit themselves operated in. For instance did United Fruit use a strategy where it paid local independent farmers higher prices for their produce than its competitors, and when the competition had withdrawn from the area, United Fruit reduced the prices again.⁴¹ Even though United Fruit suffered a short time loss on this strategy, it had enough profits elsewhere to cover this loss, and when the competition had left it started to make money again. The competitors was smaller than United Fruit, and often did not have its own plantations or the financial muscles to compete against United Fruit in a price war. United Fruit also used their railroads to combat competitors, as I will return to in the chapter about United Fruit's transportation system.

United Fruit also bought shares in competing companies, sometimes gaining control over them, such as the British Elders and Fyffes Ltd. Elders and Fyffes were a British initiative to strengthen the link to their colonies in 1901, but United Fruit seized control over the company

³⁹ Kepner & Soothill, page 47.

⁴⁰ Dosal, page 5

⁴¹ Moberg, page 361.

by 1903 after a hurricane which set Elders and Fyffes back economically, and by 1910 United Fruit had all the shares in Elders and Fyffes.⁴² Elders and Fyffes would become United Fruit's link to Europe. United Fruit also acquired companies in other business sectors than fruit trade, such as Santa Marta Railway Company, Ltd., which operated in Colombia, and Belize Royal Mail and Central American Steamship Company, which operated a small fleet.

From the start it was important for United Fruit to have control over all the aspects of the production of bananas, from planting to marketing. The reason for this structure where to get rid of the uncertainty of importing bananas. With their own crops, United Fruit did not have to rely on local farmers. With their own infrastructure, railroads, ports and ships, they did not have to rely on local railroads⁴³ or commercial sea lanes.⁴⁴ And with a distribution system in the United States, they could sell their product without having to rely on local agents and the ups and downs of the market. A vertical integration structure meant control. And control meant higher earnings. But how did they organise this? United Fruit had massive landholdings in Central America and the Caribbean, where the company grew its produce. But the key to their success here was their infrastructure. With its own railroads the company was assured a smooth flow of its bananas to the ports, which it also owned. The railroads was often the only viable way to get bananas from the plantations fast enough, and could be used to uphold in control in an area, by refusing to transport goods for competitors or charging steep prices for the transportation. Then the company loaded their bananas on to the ships, which it also owned, known as the Great White Fleet. And when the bananas reached the ports in the United States, they was distributed throughout the country by the Fruit Dispatch Company, which had branches in cities all over the United States.

It is also important to be aware of the political circumstances that United Fruit operated under in this period of time. The American influence on Latin America, and especially on Central America and the Caribbean, was substantial. The United States sought to dominate the region militarily, politically and economically. In addition, dictators governed in many Latin American countries in this period, many of which welcomed foreign investments. United Fruit made the most of these circumstances to receive favourable terms from the dictators, and the American influence in the region made its, and other American, investments much safer.

⁴² Kepner & Soothill, page 181

⁴³ Which was often non-existent except for the railroads owned or operated by United Fruit.

⁴⁴ There was few commercial shipping lanes, and due to the fragility of the banana it was not a viable option to use commercial shipping lanes.

And soon United Fruit became a major influence in the countries in which it operated. United Fruit most often created enclave economies,⁴⁵ leaving the workers dependent on the company. The company also did its utmost to retain a good relationship with the local governments, further increasing their influence. Also, United Fruit often became a main contributor to the economy in a country, leaving them in a good bargaining position.

“Sam the Banana Man” and the Cuyamel Fruit Company

In 1932 Samuel Zemurray, known as “Sam the Banana Man” gained control over United Fruit in a hostile take-over, after the United Fruit stock price had declined by almost 90 %. Zemurray turned United Fruit around, firing and replacing many employees, especially in the tropic division, and under his leadership United Fruit once more prospered and the stock rose again. Zemurray had been in the banana business a long time before seizing control over United Fruit. He started his career in Mobile, Alabama, where he bought ripening bananas, who would normally have been thrown away, and sold them, in 1895. Ten years later he travelled to Honduras, where he bought up land for his company, the Cuyamel Fruit Company. He was soon heavily indebted, with interests as high as 50 %, and when J. P. Morgan was negotiating a deal with the Honduran government that would shut Cuyamel Fruit out, Zemurray arranged a coup d'etat in Honduras after failing to convince Secretary of State Philander C. Knox that the deal between Morgan and Honduras would have negative consequences for Cuyamel Fruit. Cuyamel Fruit was also a competitor of United Fruit, and was one of the few companies that dared to challenge United Fruit. Eventually United Fruit bought Cuyamel Fruit in December 1929. Zemurray received 300.000 shares in United Fruit, which made him the largest stockholder, worth \$13.500.000. Zemurray retired from United Fruit in 1951, taking a year of in 1948 when Thomas Cabot was president.⁴⁶

The Second World War

The second world war was a chance to United Fruit to mend their relationship with the government of the United States. In 1937, United Fruit, through the International Railways of Central America (IRCA), gave goods originating in Europe much lower tariffs than goods

⁴⁵ An area which functions economical more or less independent from the rest of the country's economy.

⁴⁶ McCann, pages 18-28, Whitfield (Strange Fruit, The Career of Samuel Zemurray),
<http://www.unitedfruit.org/chron.htm> Retrieved September 18, 2008,
<http://www.unitedfruit.org/zemurray.htm> Retrieved September 18, 2008.

originating in the United States, with Germany under the control of the Nazi's as one of the main beneficiaries. This resulted in a conflict between the United Fruit and the government of the United States. The tariffs did not violate any American laws, and combined with Roosevelt's "Good Neighbour"-policy, this gave them little manoeuvrability. Threats of less diplomatic help for United Fruit did not work, and it was not until Under Secretary of State Sumner Welles threatened to expose the State Department's serious reservations about the company that the United States government made any real progress towards United Fruit. Although this did help, Europeans still received preferential treatment on goods such as cotton textiles and machinery. But with the outbreak of the World War II, the conflict came to a halt.⁴⁷

During the Second World War United Fruit operated, as did other American companies, a fleet of 120 ships after an agreement with the United States War Shipping Administration. The purpose of the agreement was to provide the supplies to the warfare, as well as food and other supplies to the armed forces, leaving the armed forces free to concentrate on the warfare.⁴⁸

After the Second World War

After the Second World War, United Fruit faced a new political arena in Latin America. The American influence was not as strong as before the war, although still strong, since the United States government was concentrating on the rebuilding of Europe and Japan, and the fight against communism. Economic support to Latin America on the other hand was not a priority immediately after the war. Many of the countries in Latin America became more radicalized and more nationalistic after the war, and some dictatorships was removed by democracies, as in Guatemala where Juan José Arévalo had won Guatemala's first free election in 1944. In other words, two important reasons that United Fruit had prospered before the Second World War, the strong American influence and favourable terms from dictators, seemed to be at risk.

Also, dangers such as expropriation, and challenges such as trade unions, also arise after the Second World War. These factors will, however, be handled in later chapters.

Jacobo Arbenz, a part of a group of officers who overthrow the dictator Jorge Ubico, won the second free election in Guatemala, and became president in March 1951. Arbenz wanted to develop Guatemala, and achieve social justice, and agrarian reform was one way of doing

⁴⁷ Dosal, pages 208-219.

⁴⁸ Melville, pages 219-220.

that, and on June 17, 1952 Decree 900 was approved. Decree 900 stipulated that:

“...all uncultivated land in private estates of more than 672 acres would be expropriated; idle land in estates of between 224 and 672 acres would be expropriated only if less than two thirds of the estate was under cultivation; estates of less than 224 acres would not be affected. By contrast, the government-owned Fincas Nacionales would be entirely parcelled out.”⁴⁹

This meant United Fruit lost much of its uncultivated land, and the company reacted by launching a campaign to overthrow Arbenz with the help of the American government. This campaign seemed to be successful. It is, however, disputed on how important this campaign was for the overthrow of Arbenz. This will be investigated further in chapter 4.

With support from CIA, lieutenant-colonel Castillo Armas went into Guatemala from Honduras with only just 200 men June 18, 1954. Together with American propaganda transmitted from Honduras, and no resistance from the Guatemalan military, this is enough to make Arbenz retire as president June 27, and Armas became the new president of Guatemala on July 2.

In 1954, immediately after Jacobo Arbenz had been overthrown in Guatemala, United Fruit was charged for violation of anti-trust legislation. Thomas McCann, former vice president for public relations in United Fruit, claimed in his book that the anti-trust suit was meant to be a slap on the wrist, to divert the attention from the affair in Guatemala, which had become an embarrassment for the United States government.⁵⁰

The judgement came in 1958, and the judgement turned out to be something more than a slap on the wrist. United Fruit had to sell all its shares in IRCA (International Railways of Central America), where it had a lower freight tariff than the competitors, by June 30, 1966. United Fruit also had to create a new banana company, which should operate freely from United Fruit and compete against them.⁵¹

⁴⁹ Gleijeses, page 150.

⁵⁰ McCann, page 62.

⁵¹ Stenersen, pages 53-54.

United Fruit and banana diseases

The two most serious banana diseases was the Sigatoka disease, and the Panama disease.

The Yellow Sigatoka disease came to the American continent in the 1930s, and soon became a problem for the banana companies. It was actually a threat to the continued conduct of the companies, and both United Fruit and Standard Fruit intensified their research. The solution was to spray the banana plants with the Bordeaux mixture, a mixture of copper sulphate and lime. This was effective, but expensive and hazardous for the workers who sprayed the bananas. In Honduras independent small-scale farmers practically disappeared because of the Yellow Sigatoka, and the workers on the spray teams had chronic health problems, especially tuberculosis was widespread.⁵²

The Panama disease was first reported in Australia in 1876, and by the 1950s the disease was a big problem for the banana companies operating in Latin America. Before World War II United Fruit considered the Panama disease as a competitive advantage, because of their ability to relocate the production⁵³, an ability their competitors did not share. Even United Fruit's main competitor Standard Fruit did not have the resources to flood-fallow.

The Panama disease attacked the banana plant and destroyed it, lying dormant in the soil afterwards, which meant the land became useless for banana farming. It was attempted to lay the land flood-fallow⁵⁴, but it was only a partial solution. The cost of this operation was high, and ten years of production in the treated area was necessary to make it a viable solution. However, the Panama disease reappeared in several cases within five or six years, and in one case instantly. United Fruit tried to take advantage of their vast areas of land, and simply move their production to another area. However, with the land reserves becoming depleted, and the costs rising, this was not a viable solution, and by the 1950s United Fruit and the banana industry struggled to keep the Panama disease at bay.

From Gros Michel to Cavendish

Standard Fruit was the only other banana company of some size, but it did not have the finances to flood-fallow, nor the same amount of reserve land as United Fruit. Standard Fruit's

⁵² Soluri, pages 104-116; Roche, page 42

⁵³ Soluri, page 106.

⁵⁴ Laying the plantation under water to kill the disease.

was originally known as the Vaccaro Brothers, and from 1899 the company imported bananas from Honduras to New Orleans. Standard Fruit was United Fruit's main competitor, and though never as big as United Fruit, it had plantations in several Latin American countries. In the 1960s Standard Fruit was acquired by the Castle & Cooke Corporation, which was renamed to Dole Food Company in 1991.

In 1953 Standard Fruit started a long-term program was started to replace the Gros Michel with the Cavendish. The Cavendish-variety was resistant to the Panama disease, but they did not ripen at the same temperature as the Gros Michel, and it was not as tough as Gros Michel and therefore easily got damaged during transport. These problems got solved with reconstruction of the ripening facilities adapted to the Cavendish, and transporting the bananas in cardboard boxes. By 1956 Standard Fruit planted the Cavendish-variety Giant Cavendish in almost all new plantations, but still bought Gros Michel from Guatemala and Ecuador as a backup. But soon the Cavendish-variety phased out Gros Michel. This action saved Standard Fruit, and maybe even the banana industry.⁵⁵ Standard Fruit also increased their market share of the banana trade in this period, from below 20% in 1955 to over 30% in 1964, while United Fruit had a decrease from about 65% to below 50% in the same period.⁵⁶

When replacing the Gros Michel, United Fruit chose Valery, another variety of the Cavendish. In 1963 United Fruit planted nearly 4,400 hectares of Valery bananas and built 29 boxing plants in Honduras, and two years later virtually all of their banana farms in Central America were planted with Cavendish-varieties.⁵⁷

However, by the year 2000 Cavendish-varieties had been attacked and destroyed by the Panama disease, a serious threat since no replacement for the Cavendish-variety existed.⁵⁸

Thomas E. Sunderland and diversification

In 1960, Thomas E. Sunderland became the new president of United Fruit. Sunderland had previously worked as vice president in Standard Oil, and was a lawyer on anti-trust issues and international negotiations. When Sunderland was appointed United Fruit had been through a

⁵⁵ Karnes, pages 282-286.

⁵⁶ Arthur, Houck & Beckford, page 33.

⁵⁷ Soluri, page 183.

⁵⁸ <http://www.plantmanagementnetwork.org/pub/php/management/bananapanama/> Retrieved November 11, 2008.

decade of political problems, and a stock price who had declined from \$7.54 to \$1.39 a share.⁵⁹ In his first letter to the shareholders, Sunderland announced several programs and adjustments to increase profits; the purchases of Ecuadorian bananas should be increased, the planting of Panama Disease-resistant bananas should be continued, becoming a purchaser and marketer of bananas instead of relying on company-grown bananas, and a general diversification into other areas of business.⁶⁰ Even though United Fruit was able to turn around the negative tendency, and started to make a good profit again in the late 1960s, this had more to do with solving the problems in the banana trade, than the diversification program.

From United Fruit to United Brands

On September 24, 1968, Eli M. Black bought 733,200 shares of United Fruit stock for \$41 million. With another 7,1000 shares of stock, Black called United Fruit President John M. Fox and suggested that United Fruit was merged into his own company AMK Corporation.⁶¹ On February 9, 1970, the two companies approved in principle on a consolidation of the two companies.⁶² And on June 29, 1970, a special meeting approved the merger between AMK and United Fruit into United Brands Company. The two operating groups, United Fruit Company Division and John Morrell & Co., would continue to operate as two separate units, with their own headquarters in Boston and Chicago respectively.⁶³

February 3, 1975, Black plunged to his death through his office window on the 44th floor in the Pan Am Building on Manhattan. The financial press speculated that the reason for the suicide was the tough times United Brands had gone through, and The Wall Street Journal described him kindly as a "...man who took more than a casual interest in the business and family affairs of his employees. He wanted to know about his employees' problems and in some cases is know to have made offers of financial or other assistance to those in trouble."⁶⁴ No one seemed to know of the trouble that lay ahead.

In 1974 Honduras had introduced an increase in export taxes for bananas. This was the first increase in 20 years, and the cost fell on the consumers, but still the banana companies felt

⁵⁹ <http://www.unitedfruit.org/sunderland.htm> Retrieved November 9, 2008.

⁶⁰ United Fruit Company Annual Report 1960, "President's Letter to the Shareholders".

⁶¹ "How United Fruit was plucked" in Business Week on February 22, 1969.

⁶² United Fruit Company Annual Report 1969, "President's Letter to the Shareholders".

⁶³ Letter to the Shareholders from Eli M. Black and John M. Fox, dated July 1, 1970.

⁶⁴ "United Brands' Chairman, Eli M. Black, Plunges to His Death in Apparent Suicide" in The Wall Street Journal on February 4, 1975.

indignant. Standard Fruit choose to suspend banana exports from Honduras, but United Brands decided to use bribes. They paid \$1,25 million to a Honduran official as an initial instalment of a \$2,5 million in total. This would save the company \$7,5 million in 1975 alone. However, following an investigation after Black's suicide, this was discovered. In the end, Honduran president Oswaldo López Arellano was ousted from office in 1975, and United Brands plead guilty and received a \$15,000 fine in 1978.⁶⁵ The fine of \$15,000 was minute compared to the savings United Brands made on the bribe, and was in reality an acquittal.

A new competitor

By the time United Fruit had become United Brands, they also had a new competitor, Del Monte. Del Monte acquired the Tampa-based banana company West Indies Fruit Company when United Fruit bought a 6% stake in Del Monte to prepare a take-over bid. This blocked the takeover due to anti-trust legislation. And after buying United Brands last division in Guatemala in 1972, Del Monte became a competitor on the banana market.⁶⁶ By 1980 they had increased their share in the banana world market from 1.1% in 1966 to 15.4%.⁶⁷ Today Fresh Del Monte Produce⁶⁸ are the third largest banana company in the world with about 15% of the banana trade, Dole Food Company (former Standard Fruit) and Chiquita Brands International (former United Fruit/United Brands) being the two largest banana companies with just above 25% of the banana trade each.⁶⁹

This also ended the duopoly United Fruit and Standard Fruit had shared since Cuyamel Fruit was acquired by United Fruit. According to Robert A. Read there are three main factors for this duopoly; internalization, monopolistic power and the economic scale.⁷⁰ The internalization with the vertical integration structure that the Boston Fruit Company introduced gave them an advantage, mostly because of an assured flow of bananas from their plantations to the markets, an advantage which just became larger and more difficult to equalize for new banana companies. The monopolistic power were a factor in several areas, two of which were the large amount of agriculture land especially United Fruit owned, which both bared out competition from using that land, thus making it more difficult to grow

⁶⁵ Schulz & Schulz, pages 42-43; "United Brands Pleads Guilty to Plotting Honduran Bribe; \$15,000 Fine Ends Case" in The Wall Street Journal on July 20, 1978.

⁶⁶ Roche, pages 49 & 137-138.

⁶⁷ <http://www.unctad.org/infocomm/anglais/banana/companies.htm> Retrieved September 29, 2008.

⁶⁸ Del Monte split into two separate corporations in 1989; Del Monte Foods and Del Monte Tropical Fruit, the latter was changed to Fresh Del Monte Produce in 1993.

⁶⁹ <http://www.bananalink.org.uk/content/view/61/21/lang.en> Retrieved September 29, 2008.

⁷⁰ Robert A. Read in Casson, pages 320-321.

bananas in an efficient way and in large enough quantities, and assured that the company always had a steady flow of bananas independent on hurricanes or drought. The large companies could also dump the prizes to deter competing companies to enter a specific market. The banana production is land extensive, and the banana plantations only got larger and larger, which was capital demanding. The output from the banana plantation depended on its size, but also the ability to ship the bananas to the markets, which required transport by sea. And a competitive fleet also were capital demanding. These two factors favoured United Fruit and Standard Fruit, and especially United Fruit which had the largest amount of banana plantations and the largest fleet.

The banana trade has always been dominated by large multinational companies. Julian Roche points out three reasons for this. Firstly, the banana is very perishable, it has to be harvested at least once every 7-10 days, thereafter it is sent all over the world where it has to reach its destination green for ripening. This calls for a large degree of integration in the process from planting to consumption. This, of course, favours companies that can control the different stages, or at least organize them. Secondly, marketing and distribution of bananas calls for large investments, for instance in specialised refrigeration and ventilated vessels for shipping of the bananas. These large investments can only be made by companies of the requisite size, mainly multinational companies. Thirdly, in the producing countries there are no organisations or institutional framework to counterbalance or challenge the influence of these large investment, not even governments suffice. Its enough to look at United Fruit's large influence in the regions were it had plantations for an example.⁷¹

From United Brands to Chiquita

Through his company American Financial Corporation⁷², Carl Lindner seized control over United Brands in 1984. He increased his stake in United Brands from 29.3 % to 45.4 %⁷³, to 55.9 %⁷⁴ and finally to 86 %⁷⁵ and became chairman of United Brands in April 1984.

On March 20, 1990, United Brands changed its name to Chiquita Brands International.

⁷¹ Roche, pages 114-116.

⁷² An American holding company, which today are primarily engaged in property and casualty insurance. <http://www.afginc.com/phoenix.zhtml?c=89330&p=companyOverview> Retrieved November 9, 2008.

⁷³ "Lindner's Stake in United Brands" in Business Week on February 27, 1984.

⁷⁴ "American Financial Raises Stake to 55.9% In United Brands Corp." in The Wall Street Journal on April 17, 1984.

⁷⁵ "United Brands Stake Controlled by Lindner Is Increased to 86%" in The Wall Street Journal on August 14, 1985.

President Keith E. Lindner said that “The name change is intended to increase the company's recognition among shareholders and the business community in general”.⁷⁶ The reason the company choose Chiquita was that it was “The original, and most recognized name, standing for freshness, quality and wholesomeness of fruit throughout the world.”⁷⁷ Chiquita was an old brand name in the banana industry, dating back to the late 1940s and 1950s when United Fruit used the Chiquita name in advertising, but it did not establish a connection between the Chiquita banana and United Fruit until 1964, when they began a major advertising and promotion effort for Chiquita Brand bananas.⁷⁸

The 1990s was a tough decade for Chiquita. After increasing profits since 1985, they had a loss of \$221 million in 1992, and only made a profit in 1995 (\$28 million) and 1997 (\$300,000)⁷⁹ before the company filed for bankruptcy⁸⁰ and Chapter 11 debt restructuring⁸¹ in 2001. According to Cyrus F. Freidheim, Jr., Chairman of Chiquita, this action was a success and had given the company a fresh start, reducing Chiquita's “public debt and accrued interest by more than \$700 million and cut future annual interest expense by about \$60 million.”⁸²

After loosing \$398 million in the three first months of 2002, Chiquita made a profit on \$13 million in the last nine months, and continued to deliver profits until 2006, when they had a loss on \$95 million, which was reduced to \$49 million in 2007.⁸³ So the debt restructuring at least seems to have had a short-time effect. The loss in 2006 where, according to Chiquita, due to “...significant headwinds from higher tariffs and increased competition in the E.U. banana market, U.S. consumer concerns about the safety of fresh spinach, higher industry costs and other competitive pressures.”⁸⁴ In 2007 the result improved, and steps was taken to

⁷⁶ “United Brands to Change Name to Chiquita Brands” in The Wall Street Journal on February 28, 1990.

⁷⁷ Chiquita Brands International Annual Report 1989, “A Message from the Chairman and the President”

⁷⁸ Arthur, Houck & Beckford, pages 40-41.

⁷⁹ Chiquita Brands International Annual Report 1998, “Financial Highlight”, <http://www.chiquita.com/content/98ar/index.html> Retrieved November 10, 2008; Chiquita Brands International Annual Report 2001, “Consolidated Statement of Income”, <http://www.chiquita.com/content/2001annual.pdf> Retrieved November 10, 2008.

⁸⁰ “Banankonzern Chiquita meldet Konkurs an” in Financial Times Deutschland on November 29, 2001.

⁸¹ “Chiquita heads towards Chapter 11” in Financial Times on November 13, 2001. Chapter 11 is “A bankruptcy option in which a trustee is appointed to reorganize the bankrupt firm. Although the existing claims of security holders are likely to be reduced or replaced with different claims, it is expected that the firm will continue operating.” <http://www.financial-dictionary.thefreedictionary.com/Chapter+11,+Title+11,+United+States+Code> Retrieved November 10, 2008.

⁸² Chiquita Brands International Annual Report 2001, “Chairman & Chief Executive Officer's Letter”, <http://www.chiquita.com/content/2001annual.pdf> Retrieved November 10, 2008.

⁸³ Chiquita Brands International Annual Report 2004, “Financial Highlights”, <http://www.chiquita.com/content/2004annual.pdf> Retrieved November 10, 2008; Chiquita Brands International Annual Report 2007, “Consolidated Statements of Income”, <http://www.chiquita.com/content/2007annual.pdf> Retrieved November 10, 2008.

⁸⁴ Chiquita Brands International Annual Report 2006, “Letter from Chairman & CEO”,

combat “...the challenge of ever-increasing costs affecting the industry.”⁸⁵ In other words, Chiquita claims that the losses for 2006 and 2007 are not due to poor performances on their part, but to causes outside its control. As I will show later, this was a common claim regarding poor performances, blaming causes outside its control, especially weather conditions, since it had been a part of the banana industry from the start, and would most likely be fine again next year. However, in 2008 Chiquita had another bad year, with an operating loss on \$281 million.⁸⁶

Fair trade bananas

Fair trade bananas, which are bananas bought directly from the farmers to establish a fair price for the product for the farmers, have been gaining a larger share in the banana market the last couple of years. The first fair trade bananas was sold in the Netherlands in 1998,⁸⁷ even though bananas “being sold under fairer terms of trade”⁸⁸ was available in small independent shops. Fair trade bananas, and other fair trade products, are increasing its market share every year. This can be viewed as an response to an unjust structure in the banana trade, where the domination of the large multinational banana companies have given them a disproportionately amount of power over the farmers.

Summary

United Fruit had its origins in Boston Fruit Company and the companies of Minor C. Keith, and in 1899 these merged into United Fruit. Already from the beginning, United Fruit had a great influence, and claims have been made that the company tried to monopolize the banana trade in these early years. United Fruit delivered good results in this period, but after the Second World War things started to change.

United Fruit was exposed to two expropriation attempts, in Guatemala in 1953, and in Cuba in 1960, where the Cuban attempt succeeded. Banana disease became more of a problem, especially the Panama disease, and when Standard Fruit replaced the Gros Michel banana variety with Cavendish, the company gained a larger percentage of the banana market. United

<http://www.chiquita.com/content/2006annual.pdf> Retrieved November 10, 2008.

⁸⁵ Chiquita Brands International Annual Report 2007, “Letter from Chairman & CEO”, <http://www.chiquita.com/content/2007annual.pdf> Retrieved November 10, 2008.

⁸⁶ Chiquita Brands International Annual Report 2008, “Financial Highlights”, <http://www.chiquita.com/content/2008annual.pdf> Retrieved May 14, 2009.

⁸⁷ Lamb, page 232.

⁸⁸ <http://www.bananalink.org.uk/content/view/87/47/lang.en> Retrieved November 11, 2008.

Fruit also experienced a more challenging political climate, and a larger number of problems with its work force.

Due to these problems United Fruit started getting in serious problems in the late 1950s, and the new president Thomas E. Sunderland started to diversify the company's operations. United Fruit delivered better result in the late 1960s, but was merged with AMK Corporations in 1970, becoming United Brands.

In 1975 Black committed suicide, and an investigation proved after his death that the company had been involved in bribing Honduran president Oswaldo López Arellano to avoid an increased export tax on bananas.

In 1984 Carl Lindner seized control over United Brands through his company American Financial Corporation, and in 1990 the name was change to Chiquita Brands International. The 1990s would prove to be a tough decade for Chiquita, and the problems continued after the year 2000 as well, when Chiquita applied for Chapter 11 debt restructuring in 2001. This seemed to have worked, and the company started to make a profit in the years following 2001.

CHAPTER 4

UNITED FRUIT COMPANY AND ITS LAND

In this chapter I will account for the landholdings of United Fruit. I will focus on the banana division of the company, since that was the most important part of the company, as I have already shown in chapter 2.

Why was the land so important for United Fruit?

Why was the land so important for United Fruit? Obviously, since the company produced bananas, and other fruits, it needed land on which they could have its plantations. Due to hurricanes, droughts etc. United Fruit needed to spread its plantations in several different areas, mostly in Central America. This enabled United Fruit to always have a steady supply of bananas, whereas smaller banana companies were much more vulnerable to weather conditions unfavorable to the banana, since they could not spread their plantations as United Fruit did. Even a company who dared challenge United Fruit⁸⁹, Cuyamel Fruit Company owned by Samuel Zemurray who would later become president of United Fruit, only had plantations in two countries, Honduras and Nicaragua.⁹⁰ Standard Fruit had originally only had plantations in Honduras, but had at different time's divisions in Mexico, Nicaragua, Haiti, Jamaica, Cuba and Panama as well.

Banana diseases, mainly the Panama disease and the Sigatoka disease, meant that United Fruit needed reserve land that was not infected. United Fruit tried to outrun the Panama disease, and opened new plantations in disease-free areas. United Fruit actually considered the Panama disease a competitive advantage, due to the fact that they had the resources and reserve land enough to relocate the production, a possibility the smaller banana companies did not have, due to their financial resources being smaller than those of United Fruit.⁹¹ This meant that United Fruit needed a lot of new land in new areas, on the basis of their strategy of combating the Panama disease. Another method were flood-fallowing,⁹² which also increased United Fruits need for land, since flood-fallowing left the land unproductive in the period of the treatment. Sigatoka disease did not influence United Fruit's need for land in the same way

⁸⁹ Smaller banana companies which challenged United Fruit normally got bought up by United Fruit, or ousted from an area or market. This was eventually the case with Cuyamel Fruit, when the company was bought by United Fruit in December 1929.

⁹⁰ Cuyamel Fruit Company Annual Reports 1923, 1925-1927

⁹¹ Soluri, page 106.

⁹² When flood-fallowing the plantations would be flooded, and the water would kill the disease. It had, however, mixed results.

as Panama disease, since it was combated with the Bordeaux mixture.⁹³

There was also the strategic aspect of acquiring new land, if United Fruit had ownership of an area, its competitors could not use it. There are claims that United Fruit's aim was to monopolize the banana industry. The historian Paul J. Dosal makes this claim based on a conclusion made by the Department of Justice after a review of company documents still not available to independent researcher in 1993 when his book was published: "The purpose and effect of the unification of the business of the Boston Fruit Company and Minor C. Keith and their subsidiaries was to restrain actual or potential competition and to monopolize the banana industry."⁹⁴ Charles David Kepner, Jr. and Jay Henry Soothill made the same claims already in 1935, and substantiated their claims with the fact that United Fruit immediately after its incorporation started to "...tie up its leading competitors through stock ownership, and through agreements concerning the amount of fruit to be exported from the tropics and the prices to be charged in the United States."⁹⁵

However, in both books it emphasized that company officials have denied that United Fruit aimed at monopoly. If these accusations are true, buying land, especially good banana land, to stop competitors from using it would have been very effective.

Another reason was that United Fruit often operated in virgin territory. Since this made it impossible for workers to commute, United Fruit had to house their workers. Furthermore they had to feed them, either through crops and animals or transport supplies to the plantations, and they also had to supply their workers with schools, hospitals, churches, and recreational facilities. In addition to this United Fruit needed land for their infrastructure; tramways, railroads, roads, which connected the plantations to the ports, which also were owned by the company.⁹⁶ This explains why so much improved United Fruit land was not just cultivated areas, but so-called "other",⁹⁷ including all the land United Fruit improved, not for cultivating, but for all the other necessities for making cultivations possible. Also, soil exhaustion from cultivation made crop rotation necessary, which further increased United Fruit's need for land.

⁹³ The Bordeaux mixture was a mixture of copper, sulphate and lime.

⁹⁴ Dosal, page 5.

⁹⁵ Keepner & Soothill, page 35.

⁹⁶ May & Plaza, page 82.

⁹⁷ Land not cultivated was given the term "other" in United Fruit's annual reports.

How did United Fruit come into ownership of its land?

In the early years United Fruit got most of its land through railway concessions, not as banana plantation land grants. Many rulers of the republics in which United Fruit operated, were eager to modernize their transportation infrastructure, and saw United Fruit as a solution, and granted United Fruit generous land concessions in return for promises of railroads which would develop the country. One problem encountered here for United Fruit was the fact that they often clashed with settlers who already lived in the areas or other people that claimed ownership. This could make the situation chaotic at times.⁹⁸ Because of this, at times, chaotic situation, it was important to maintain a good relationship to the local governments, in order to secure their interests and investments. The need for a good relationship with the local government is not unique for United Fruit, since all companies that invest in foreign countries are dependent on a positive minded local government towards the company in order to secure their investments and good working conditions. A positive minded government was clearly a locational advantage for United Fruit, as well as other multinational companies, compared to a negative minded government.

Another way to gain more land were to absorb other banana companies, with two of the biggest acquisitions being Elders & Fyffes and the Cuyamel Fruit Company, which is accounted for in chapter 2. And of course, United Fruit also bought land and received concessions to grow bananas in addition to the other methods.

The land as a locational advantage

The land is clearly a locational advantage, or variable, due to the fact that bananas needed certain conditions to grow, and in Central America, among other places, these conditions occurred. In the United States commercial cultivation of bananas was not viable. It is important to be aware of the fact that United Fruit already had plantations when the company was founded through the merger between Boston Fruit Company and the companies of Minor C. Keith. However, United Fruit continued to expand its business after the merger. In 1900 United Fruit had owned land in Costa Rica, Cuba, Honduras, Jamaica, Colombia⁹⁹ and San Domingo.¹⁰⁰

⁹⁸ Bucheli (2006), http://www.business.uiuc.edu/working_papers/papers/06-0115.pdf February 25, 2009

⁹⁹ At this time Colombia included today's Panamanian territory.

¹⁰⁰ United Fruit Company Annual Report 1900, "Statement Showing the Location and the Acreage of the Company's Fruit, Sugar Cane and Miscellaneous Cultivations, August 31, 1900."

There were several locational advantages tied in with the land, which I will account for here. The most important was that it was possible to grow bananas. Also, factors such as vicinity to the market in the United States, the attitude towards foreign capital from the government and the location of existing plantations decided which of the countries was chosen. The location of existing plantations had two effects here. Firstly, due to hurricanes, droughts and other natural hazards, United Fruit spread out its plantations over a larger area. This meant that if there was a cluster of plantations in one area, it would make sense to place the new plantation somewhere else, to minimize the effect of a natural hazard in that region. Secondly, the location of existing plantations could mean a saving on the costs. For example, if it was possible to use a railroad leading from a plantation on a new plantation, this would mean a substantial saving for United Fruit. The vicinity to the market in the United States was also important. It was possible to grow bananas in other parts of the world as well, but United Fruit chose to grow bananas in Latin America.¹⁰¹ This makes sense, since it is cheaper and faster to transport a product from Central America to the United States, then from Africa or Asia to the United States. The relationship to the government in the land in which United Fruit operated in was important. A good relationship with the government could mean easier access to the best banana land, support against workers etc. A bad relationship with the government could mean support to workers on strike, expropriations etc. Before the Second World War, the relationships to the governments were, overall, favorable for United Fruit. However, after the Second World War, the relationships to the governments became, overall, more challenging. The relationships to the governments will be discussed later.

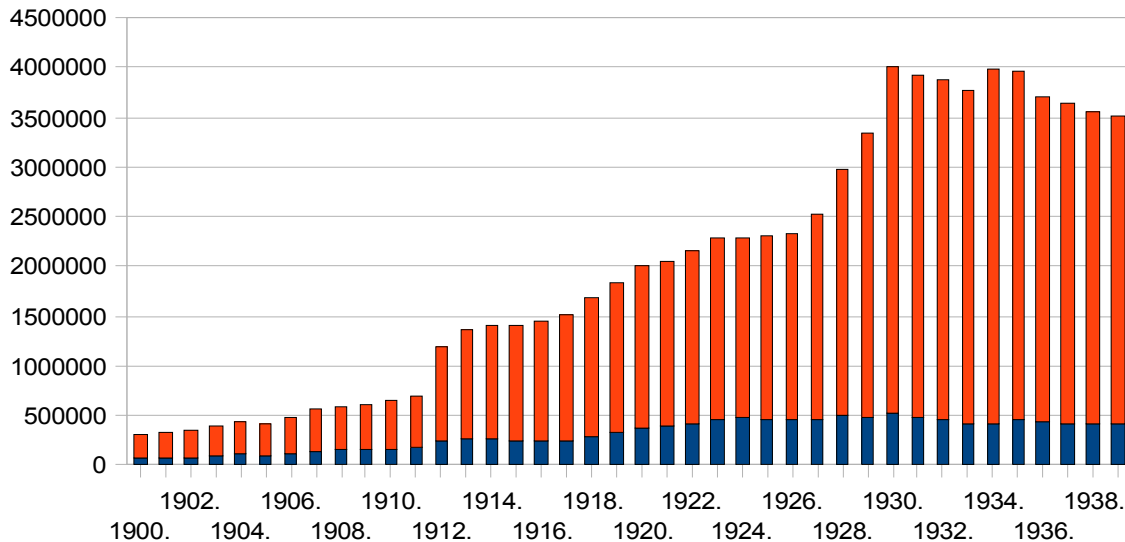
In conclusion, United Fruit would choose to locate in a country or region which made it possible to grow bananas, and had the best combination of the other locational advantages relevant for the company.

How extensive were the land areas?

If we look at total of land, owned and leased, improved and unimproved, we get a view of how much land United Fruit accumulated.

¹⁰¹ United Fruit did have banana cultivation in other parts of the world, for instance on the Canary Islands and in Cameroon through their subsidiary Elders & Fyffes.

Figure 4.1: United Fruit Company total land in acres 1900-1939



Blue: Improved land.

Orange: Unimproved land.

Source: United Fruit Company Annual Report, various years

As we can see from Figure 4.1, United Fruit had a steady increase in total land property from 1900 until the 1930s, with an especially strong increase from 1911 to 1912, and in 1926 to 1930. After this, United Fruit had a small decrease in the last years before the Second World War. The large increase between 1911 and 1912 are mostly due to acquirement of 193,000 acres of unimproved land in Nicaragua, where United Fruit did not have any land previously. Also, United Fruit established themselves in Honduras (28,471 acres), doubled their land in Colombia (from 33,671 acres to 72,302 acres) and Panama (from 45,559 acres to 98,178 acres), and smaller increases in Costa Rica and Guatemala.¹⁰² The increase between 1926 and 1930 are mostly in unimproved acreage. Unfortunately United Fruit's Annual Reports do not have any information as to where its improved land are situated, only the total of unimproved land. The increase from 1929 to 1930, however, seems to be due to the acquiring of Cuyamel Fruit Company in December 1929. Since the merger happened as late as December, it seems as the new land was not recorded until the Annual Report from 1930. This coincides with the increase in banana cultivated lands in Nicaragua and Honduras, where Cuyamel Fruit operated.¹⁰³ The reason as to why the growth in land area did not continue after 1930, can most likely be attributed to the Great Depression in the 1930, when United Fruit ran into

¹⁰² United Fruit Company Annual Report 1912, "Exhibit "C." Comparative Statement of Lands Owned and Leased by the Company on September 1911 and 1912."

¹⁰³ The increase from 1929 to 1930 in the banana land acreage in Nicaragua (from zero to 10,025 acres) and Honduras (from 75,408 acres to 95,300 acres) coincide with the numbers for 1927 for Cuyamel Fruit, if you take into consideration that some changes may have occurred between 1927 and 1929 (6,686 acres in Nicaragua and 19,955 acres in Honduras). United Fruit Company Annual Reports 1929 and 1930, "Statement of Lands and Cultivations" and Cuyamel Fruit Company Annual Report 1927.

problems until Samuel Zemurray became the new president.

Looking at the correlation between improved and unimproved land, there are a much larger increase in the unimproved land. There are several possible explanations for this. Firstly, United Fruit had a strategy in buying land to prevent competitors in obtaining the land areas in this period. Secondly, when the Panama disease hit Central America in the 1920s, United Fruit tried to outrun the disease, opening new plantations in disease free areas. When United Fruit left a plantation, the land became unimproved again, but not sold, resulting in an increase in the company's unimproved land holdings. Also, since United Fruit tried to outrun the disease, they bought new land, thus contributing to the growth of unimproved land in both ends, while the improved land had a more stable and slow development.

If we compare with other banana companies, we see that United Fruit are larger. Cuyamel Fruit Company, who was the third largest¹⁰⁴ banana company before United Fruit acquired them, had a total of 33,810 acres in cultivation in 1925.¹⁰⁵ In comparison, United Fruit had 464,219 acres of improved land,¹⁰⁶ which included pastures and other acreages in 1925.¹⁰⁷

What happened in after the Second World War?

After the Second World War, United Fruit still had vast amounts of land, especially in Central America. Between 1948 and 1952 United Fruit had 19,8 % of the agricultural land devoted to export crops, and 12 % of the total of agricultural land in Costa Rica, the numbers being 5,5 % and 1,6 % in Guatemala and 7,7 % and 3,3 % in Honduras.¹⁰⁸

In the mid-1950s,¹⁰⁹ United Fruit had 2 % of total agricultural land and 4,5 % of all crop lands in Panama.¹¹⁰ In Guatemala United Fruit owned or controlled less than 2 % of Guatemala's land area, and less than 1 % of the agricultural land.¹¹¹ In Ecuador United Fruit owned or

¹⁰⁴ Standard Fruit and Steamship Company was the second largest banana company, I have however not been able to find out how much land Standard Fruit had. Its annual reports would have this information, but I have not been able to study them due to them being located out of my reach.

¹⁰⁵ Cuyamel Fruit Company Annual Report 1925, "To the stockholders"

¹⁰⁶ United Fruit Company Annual Report 1925, "Statement of Lands Owned and Leased"

¹⁰⁷ Other acreage most likely includes pastures, parts of banana plantations not cultivated etc.

¹⁰⁸ Calculated with numbers from United Fruit Company Annual Reports 1948 – 1952 (crops in Costa Rica, Honduras and Guatemala, average for 1948-1952, other cultivated acreage not included) and Brockett, page 55, Table 3.4: Agricultural Land Use: Area Devoted to Food and Export Crops, 1948-52 to 1981-83.

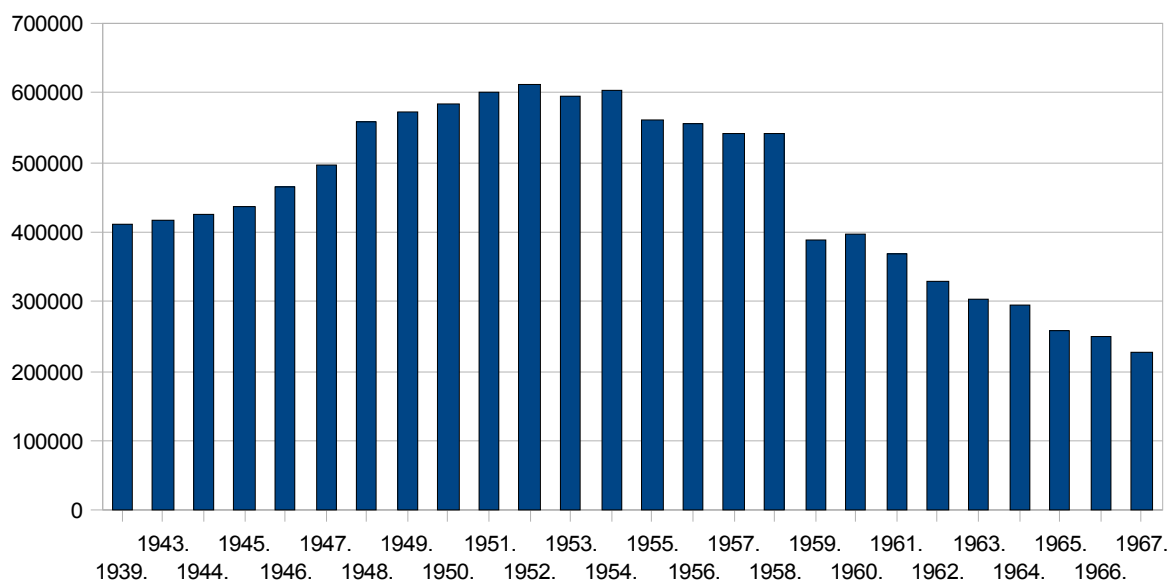
¹⁰⁹ Numbers most likely from 1955.

¹¹⁰ May & Plaza, page 161.

¹¹¹ May & Plaza, page 168-169.

controlled less than one-half of 1 % of total cropland.¹¹² In Colombia United Fruit owned or controlled less than a twenty-fifth of 1 % of all agricultural land.¹¹³

Figure 4.2: United Fruit improved land in acres 1939-1967



Source: United Fruit Company Annual Report, various years.

(No data 1940-1942)

According to Figure 4.2, United Fruit continued to increase its amount of improved land after the Second World War, and stabilized themselves in the 1950s on a level between approximately 550,000 and 600,000 acres. The first big dip came in 1959, when the Cuban government nationalized foreign properties. Even though United Fruit only cultivated sugar canes on Cuba, losing a total of 148,586 acres included pastures and other properties,¹¹⁴ and did not lose any banana land, it affected the company as a whole, which I will account for later in this chapter.

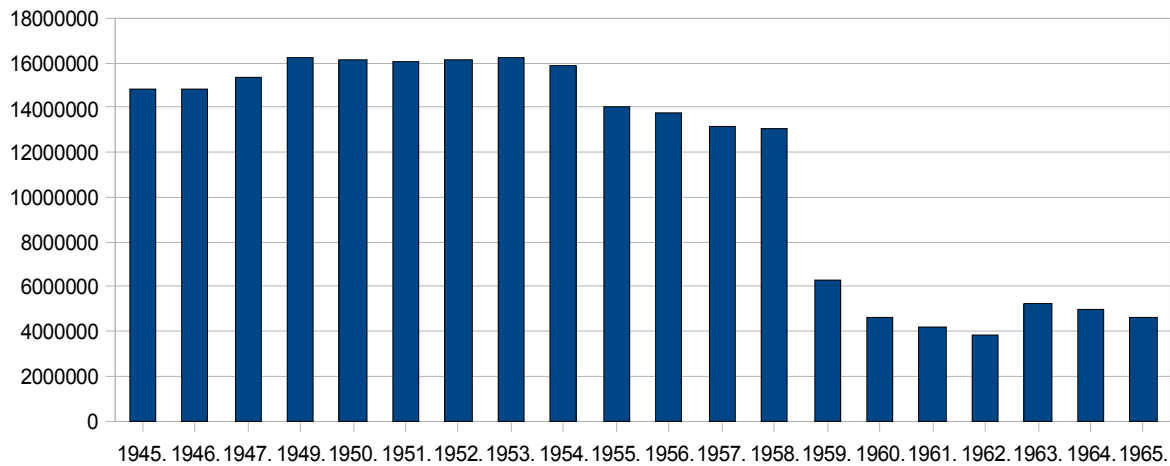
The overall decline after the mid-1950s can be explained by the fact that United Fruit started to cultivate less of its banana themselves. Instead the company relied heavier on buying bananas from others, thus making the need for improved land less. Also, as I will show in this chapter, there was more challenges connected with the landholdings after the Second World War than earlier, mainly the threat of expropriation, which made it less of a viable option to own vast amounts of land.

¹¹² May & Plaza, page 174.

¹¹³ May & Plaza, page 178.

¹¹⁴ 148,586 acres were recorded in United Fruit Company Annual Report 1959, and removed from United Fruit Company Annual Report 1960.

Figure 4.3: United Fruit Company Net Book Value Uncultivated Land 1945-1947/1949-1965 in \$
(Houses and buildings, and cultivated area excluded).



Source: United Fruit Company Annual Reports, various years.

Figure 4.3 shows that from having a net book value over \$14 million, it decreased to about \$4 million in 1965. This is a drastic reduction. The largest reduction is between 1958 and 1959, the year of the Cuban revolution. There is a similar dip in Figure 4.2, but as I will discuss later, the dip in figure 4.3 are much larger. I will discuss the dip in net book value later in this chapter.

A changed political situation after the Second World War.

Active state

After the Second World War a general belief of the need of an active state emerged, which lasted until the 1980s. From taking a passive position, the state now would actuate nation-building projects and take a more active part in the development of the country. In fact, governmental agencies replaced private enterprises in actuating ground-breaking economic activities. Organizations controlled by the state substituted institutions of civil society in many areas, such as labor relations, communications, financial services etc.¹¹⁵

As a multinational enterprise operating in a foreign country, any major change in a country's politic and behavior are of relevance to the company. Prior to the Second World War United Fruit had enjoyed a political climate with a low degree of control performed by the governments. This changed after the Second World War, partly because the state took a more active role in the economic development of the country and, according to Marcelo Bucheli,

¹¹⁵ Guillermo de la Pena in Bethell, page 380.

partly because the alliance with the dictators did not provide the dictators with the economic stability it sought.¹¹⁶ This change, like any other change, meant that United Fruit had to, eventually, change its strategy in accordance with the changes and the new situation in which it operated in. This was not unique for United Fruit, all multinational enterprises have to plan its strategy based on the prevailing conditions under which it operates. It would also mean that the land as a locational advantage would diminish. A political climate with a low degree of control gave United Fruit a larger freedom to act as it pleased than a political climate with a state which was more involved did.

An indication that this affected United Fruit can be seen in the frequency in negotiating operating contracts. An operating contract defined the legal relationship between United Fruit and the local authorities, regarding taxes, labor legislations, crops etc. The operating contracts were important to United Fruit. The operating contracts created a stable working environment with fixed conditions that would allow United Fruit to make plans with a larger degree of certainty for what the future would bring.

United Fruit negotiated operating contracts in 1949 with Honduras and Costa Rica,¹¹⁷ and in 1950 with Panama and the Dominican Republic.¹¹⁸ Renegotiation with Costa Rica took place in 1953,¹¹⁹ and with Honduras in 1955.¹²⁰ This in contrast to the period before the Second World War, when government involvement is seldom mentioned in the annual reports.

This can indicate that the governments became more active and demanding towards United Fruit, and that the governments now wanted to influence its own economical and social development more actively than before, when the countries United Fruit operated in often was controlled by dictators (caudillos). These often regarded foreign capital as a way to progress or to fill their own pockets, and often gave foreign companies a large degree of freedom in its business enterprises. An example of a leader who regarded foreign capital as a way to progress was Rafael Reyes, president in Colombia 1904-1909, which gave favorable tax agreements to foreign companies that invested in infrastructure, and he also gave concessions and land to companies involved in banana export. Reyes thought foreign direct investments

¹¹⁶ Bucheli's claim is that the dictators and United Fruit was only natural allies only as long as United Fruit provided economic stability for the country, and when United Fruit could no longer provide this, the alliance ended. United Fruit first encountered government opposition to their operations in the period immediately after the Second World War, mainly in Guatemala.

http://www.business.uiuc.edu/working_papers/papers/06-0115.pdf Retrieved April 11, 2009.

¹¹⁷ United Fruit Company Annual Report 1949, "The President's Report to the Stockholders".

¹¹⁸ United Fruit Company Annual Report 1950, "The President's Report to the Stockholders".

¹¹⁹ United Fruit Company Annual Report 1953, "The President's Report to the Stockholders".

¹²⁰ United Fruit Company Annual Report 1955, "The President's Report to the Stockholders".

were important for a countries development, inspired by the Mexican president Porfirio Diaz (1876-1880 and 1884-1911) which Reyes was a great admirer of.¹²¹

As already pointed out, a good relationship to the local governments was important, since it made life easier for United Fruit. Can the emergence of the active state be tied together with a diminishing local advantage for United Fruit? Geoffrey Jones, professor of Business Administration, points out that barriers to trade are among the most important locational factors.¹²² But was an active state a barrier to trade? When the norm for United Fruit, in many of the countries it operated in, was more or less the absence of an active state, it would mean that the locational factor had changed. And for United Fruit, to the worse. Of course, how the locational factor changed depended on how the emergence of the active state materialized itself in the different countries. Combined with nationalism, it could make United Fruit's vast land into a target, as in Guatemala and Cuba. However, a locational advantage or factor is only a locational advantage or factor as long as it is different from other countries or regions. For example, a low tax for foreign companies in a country is not a locational advantage if the neighboring countries have an even lower tax. Transferred to United Fruit and the emergence of the active state this meant that the locational advantage would only be weakened if only one or few countries were affected by the active state. However, this was not the case, since the emergence of the active state was a global phenomenon. That meant that the question for United Fruit would not be in which country they would establish a plantation, but if the company should establish a plantation altogether.

One leader who wanted to get more of the revenue United Fruit created, was José Figueres Ferrer¹²³ from Costa Rica, and his and the actions of the Costa Rican government can be used as an example on negotiations of a new operating contract. Figueres talked to Thomas Mann from the American State Department about renegotiating the operating contracts before he was elected in 1953. When queried about renegotiating, however, United Fruit referred to the existing operating contract. When elected, Figueres started negotiating with United Fruit, demanding a 10 % increase in income tax, and expropriation of company holdings in Quepos as payment for back taxes. Figueres did not expect these demands to be fulfilled, it was a negotiating tactic. And United Fruit did not meet these demands, instead the company sought intervention from the U.S. State Department. Initially several State Department personnel

¹²¹ Bucheli (2005), page 89.

¹²² Jones, page 9.

¹²³ José Figueres Ferrer was president of Costa Rica in three periods, 1948-1949 in a transition period, 1953-1958, and 1970-1974.

avored United Fruit. However, with the negotiating drawing out, the context was changing. After the intervention in Guatemala, the United States did not want to be accused for further imperialistic behavior. The State Department chose to urge United Fruit in private to make concessions, at the same time pressuring Figueres to reach a settlement. However, Figueres line of action towards United Fruit impressed members of the U.S. Congress. Senator Fulbright praised the Costa Rican government for “seeking an orderly and agreeable”¹²⁴ settlement with United Fruit. And after a campaign from the Costa Rican government emphasizing that the negotiations with United Fruit was to create a just division of the profits created, and the need for a good relationship with the United States. Assistant secretary of state for inter-American affairs Henry Holland, declared that even though Figueres was a socialist and nationalist, there was no proof that he was a communist. In fact, he had fought communism earlier. Without backing from the State Department, United Fruit became more cooperative in the negotiations. The result of the negotiations was an increase on the tax on earnings from 15 % to 30 %, and United Fruit had to pay custom duties on about half of its imported railway, harbor and irrigation material, accept a new minimum wage law, and turn over three major hospitals, 45 dispensaries and 68 schools. The new operating contract was favorable for Costa Rica, giving them more than \$10 million in net gain each year, according to experts.¹²⁵

The danger of expropriation

After the Second World War, United Fruit faced a new threat due to the changed political arena in Latin America. United States had less influence in the region, and the cold war was at an intense point in time. More of a menace to United Fruit was the increasing nationalism and the emergence of the active state, which increased the threat of expropriation. There are two examples of United Fruit being exposed to actual cases of expropriation, in Guatemala in 1953 and in Cuba in 1960 after the Cuban Revolution.

If there was a real danger of expropriation it would mean a distinct decrease in the land as a locational advantage. With a threat of losing its land, any company would have to rethink its strategy. It would also mean that internalizing, as United Fruit did with its banana production since the company cultivated most of its bananas themselves, would become a less viable option, and instead buying bananas on the open banana market would become a more viable option.

¹²⁴ Longley, page 134.

¹²⁵ Longley, page 131-135.

First try – Guatemala 1953

The events of the expropriation attempt in Guatemala have been accounted for in chapter 3. However, it might be useful to give an account for my view on United Fruit's role in the coup in Guatemala in 1953. In my opinion it is the combination and interaction between the actual actions of United Fruit and the context with McCarthyism and the intense anti-communist suspicion which are interesting here.

Thomas McCann, former vice president of public relation in United Fruit, gives an insight in United Fruits actions regarding the Arbenz administration in chapter 4 of his book *An American Company: The Tragedy of United Fruit*. Edward L. Bernays, one of the fathers of the field of public relations, was assigned the job of convincing the American public and government that Arbenz and his government was communists. His core strategy was to pick the most influential communications media in the United States, and convince them about the red menace from Guatemala. The campaign included, amongst other, so-called fact-finding tour to several Latin American countries, where journalists would gather information, under the guidance and influence of United Fruit of course. Bernays also used his connections, for example in the New York Times. United Fruit also tried to influence senators. For example published United Fruit a book entitled *Report on Guatemala*¹²⁶, which was handed out to every member of the Congress.¹²⁷

In addition to this, United Fruit had close connections with key personnel in the American government. Secretary of State John Foster Dulles had represented United Fruit as a lawyer, his brother Allen Dulles, head of the CIA, had served on United Fruit's board of trustees, John Moors Cabot, the Assistant Secretary of Inter-American Affairs, were a major shareholder, and Ann Whitman, wife of United Fruit's top public relations officer Ed Whitman, were president Eisenhower's private secretary.¹²⁸ In addition to these, United Fruit maintained close relationships with several other government officials. This shows that the company had a line of communication with the American government.

However, the key question is, why did the Eisenhower-administration topple Arbenz?

¹²⁶ A book of such poor quality that the author demanded his name being removed from having anything to do with the book.

¹²⁷ McCann, pages 44-50

¹²⁸ LaFeber, page 120 and Niess, page 149.

Because of United Fruit's campaign, or because of the context with anti-communism and McCarthyism? In my opinion the pivotal point here is the fear of a communist foothold in Guatemala, which the United Fruit campaign focused on, and to claim that the Guatemalan government were under communist influence were a grateful task in the United States in the 1950s when the fear of communism reached a high point. If United Fruit had focused on the fact that their interests in Guatemala were threatened, the Eisenhower administration probably would not have reacted the same way. Two reasons for this are the fact that the United States had become a superpower after the Second World War, and had interests all over the world, in contrast to before the war, when Latin America were their main focus. The rebuilding of Europe was much more important for the United States in this period than United Fruit's interests. Also, in his book *The United States and Latin America: a History of American Diplomacy, 1776-2000* Joseph Smith shows that the main catalyst for American action in Latin America have been when their security has been threatened, and have always been given preference to over economic interests. United Fruit's interests in Guatemala are not without relevance, but in my opinion not the decisive element.

But how did this affect United Fruit? Unfortunately United Fruit do not account for their unimproved land, which was the core of the conflict, in their annual reports after 1939, but according to United Fruit they lost approximately 240,000 acres of land.¹²⁹ Their acreage on improved land in Guatemala fluctuates between 1952 and 1955 (banana land) [other land]:¹³⁰

1952:	79,916 acres	(23,370 acres)	[50,811 acres]
1953:	43,931 acres	(21,163 acres)	[17,164 acres]
1954:	75,389 acres	(19,554 acres)	[49,581 acres]
1955:	51,174 acres	(20,617 acres)	[25,534 acres]

The banana land and other cultivated acreage were stable during these years, but other properties, such as pastures, town sites etc. were not. The reason for these fluctuations is the shifting political conditions in Guatemala at this time, as already accounted for in chapter 2. Jacobo Arbenz and his government expropriated United Fruit land, hence the decrease from 1952 to 1953. But after Arbenz were toppled, the land expropriated from United Fruit were transferred back to the company, and at the same time United Fruit agreed to transfer at least 100,000 acres of land to the Guatemalan government free of cost.¹³¹ This explains the increase

¹²⁹ United Fruit Company Annual Report 1954, "The President's Report to the Stockholders"

¹³⁰ United Fruit Company Annual Reports 1952-1955, "Improved Acreage and Railways Owned and Operated"

¹³¹ United Fruit Company Annual Report 1954, "The President's Report to the Stockholders"

in 1954, and the decrease in 1955. Also, it is worth noticing that the Guatemalan government did not expropriate any cultivated banana land. Therefore United Fruit did not face any immediate threat from the expropriation in having to reduce their production of bananas in Guatemala. However, since the need for crop rotation and the danger of soil exhaustion, United Fruit faced this threat in a longer perspective. Without any reserve land, United Fruit could not expect to keep up their banana production in the long run.

Increased fear of expropriation?

One important question after the expropriation and the following coup in Guatemala, is whether or not this resulted in an increased fear of expropriating? United Fruit do not mention any fear of further expropriation in other countries, instead they will direct new investments and plantations to areas which are more stable, and where its presence are accepted as a valuable contribution.¹³² In other words, the management of United Fruit exercised risk avoidance, in channeling its investments to more secure areas, as all companies would have done. It is worth to mention that this is an official attitude from United Fruit, and internally there might have been other tendencies, but impossible for me to prove. However, fear is irrational, and nothing in the sources at my disposal implies that United Fruit had any irrational fear of expropriation. In Moody's analysis of the United Fruit stock they come to the conclusion, regarding the question of whether the expropriation in Guatemala are indicative of what could happen elsewhere in Latin America, that they doubt that the experience in Guatemala would be repeated, due to the lack of communist influence in the other countries in which United Fruit operate.¹³³ Moody's was more worried about the fact that since United Fruit only have the cultivated land left in Guatemala, the need for crop rotation will eventually led to a reduced output from Guatemala. This can however be counteracted with expansions elsewhere in Latin America, especially since the relations with other Latin American states seemed to be harmonious.¹³⁴

The historian Marcelo Bucheli has another interpretation of Moody's. He claims that Moody's was worried about the broader implications, quoting "This is not a question of immediate crucial importance to the company's earning power. More important is whether Guatemalan events are indicative of what may happen elsewhere in Latin America where United Fruit

¹³² United Fruit Company Annual Report 1953, "The President's Report to the Stockholders"

¹³³ "The Outlook for United Fruit" in Moody's Stock Survey, March 30, 1953, page 561.

¹³⁴ "Outlook for Four Industrials", in Moody's Stock Survey, September 28, 1953, page 272.

operates.”¹³⁵ But Bucheli leaves out the next sentence, where Moody's doubt the Guatemala experience will be repeated, although they point out that some countries might intensify demands for a larger take.¹³⁶ Also, later in 1953 Moody's stated that “Only a sixth of the company's active banana acreage is in Guatemala, however, so that it should be able to recoup elsewhere, especially since relations with other Latin American governments appear harmonious.”¹³⁷ Bucheli's claim that Moody's developed a larger degree of skepticism to United Fruit as an investment stands firm, however, in my opinion he seemed to overestimate Moody's concern for what happened in Guatemala beyond the concern for United Fruit's investments in Guatemala at this point in time.

However, as already mentioned, United Fruit faced a more active state in the 1950s, and Moody's warned of political conditions outside United Fruit's control both before and after the expropriation in Guatemala. In 1952 Moody's warned that United Fruit was “subject only to the ever present twin risks of political and weather uncertainties.”¹³⁸ In other words, political uncertainties were just as uncertain weather conditions, a part of the trade. This is not unique for United Fruit, the risk of changing and uncertain political conditions is a factor for all companies investing in markets abroad. Investments abroad, especially in unstable countries, were a subject for expropriation. According to M.L. Williams, expropriations¹³⁹ were in extensive use in period between 1956 and 1972.¹⁴⁰ However, there was an increase in expropriation in the latter part of this period. For the ten-year period between 1956 and 1966 the number of events of expropriation was (assets affected):¹⁴¹

1956:	5	(\$351,000,000)
1957:	2	(\$103,000,000)
1958:	1	(\$351,000,000)
1959:	3	(\$589,000,000)
1960:	6	(\$1,401,000,000)
1961:	7	(\$318,000,000)
1962:	5	(\$258,000,000)
1963:	8	(\$1,352,000,000)

¹³⁵ Bucheli (2005), page 60.

¹³⁶ “The Outlook for United Fruit”, Moody's Stock Survey, March 30, 1953, page 561.

¹³⁷ “Outlook for Four Industrials”, Moody's Stock Survey, September 28, 1953, page 272

¹³⁸ “High-Grade Stocks – Recent Developments : United Fruit Company Capital Stock”, in Moody's Stock Survey, November 17, 1952, page 157.

¹³⁹ Williams uses the term nationalization as a synonym for expropriation.

¹⁴⁰ Williams, page 267.

¹⁴¹ Williams, page 267.

1964: 10 (\$320,000,000)

1965: 4 (\$434,000,000)

1966: 5 (\$941,000,000)

In events of expropriations 1964 were the highpoint with 10 events, and in assets affected 1960 were the highpoint with \$1,401,000,000. There was a tendency of expropriations in this period. However, what was the situation in Latin America and the countries United Fruit operated in?

The expropriation on Cuba in 1960 is the most famous incident of expropriation in Latin America. However, in the period 1956-1972, there were cases of expropriations in ten different countries in Latin America, the largest being in Chile with \$908,000,000 worth of assets expropriated.¹⁴² The reason that expropriations in neighboring countries might have worried United Fruit, is the theory that expropriations comes in waves, where countries of similar conditions politically and economically, or with similar problems, tends to follow each other's examples.¹⁴³

The key element for the safety of United Fruit's investments was the stability politically in a country, and the governments view on foreign investments. Also, the government's attitude towards the United States was an element, due to the fact that United Fruit could be perceived as a representative for the United States.

These elements varied in the different countries United Fruit operated in. As already shown, the situation in Guatemala led to the expropriations in 1953. However, when Castillo Armas took power, he revoked the agrarian reform laws that Arbenz had introduced, and returned the power and property to the landed patrons and the foreign investors. This should have suited United Fruit fine, with their history of cooperation with dictators. However, the political cost with their involvement in the coup was too high, and they soon started to loose ground, reducing their investments in Guatemala throughout the 1950s and 1960s, before pulling out in 1972.

In Honduras, Ramón Villeda Morales, chosen president by the country's constituent assembly to serve as president and oversee the transition to democracy in 1957, promised long-awaited reforms in Honduras to modernize the country from its underdeveloped state. There was one

¹⁴² Williams, page 265.

¹⁴³ Williams, page 270.

reform that caught United Fruit's eye, the agrarian reform of 1962. It introduced the concept that land had a social use, and that the interest of society might outweigh those of private property. In other words, land that was not used or managed poorly, could be expropriated by the government. Both the oligarchs and fruit companies felt threatened. The United States threatened to revoke aid to Honduras, and United Fruit stopped expanding operations. In the end, Villeda had to work out a new law with United Fruit negotiators, making expropriation of land almost impossible.¹⁴⁴ In Honduras there was a real threat against United Fruit and the other fruit companies, due to the practice with reserve land in the banana industry. However, the threat against private property probably tasted too much of communism for the United States government, and actions was taken against the reform.

Due to the canal zone, which was de facto a United States colony, Panama was historically heavily influenced by the United States. In the 1950s tensions between the Panamanians and the United States started to gain momentum. In 1952 the newly elected president Colonel José Antonio Remón started renegotiating the treaty of 1903, succeeding after three years, and in 1956 questions about the Panamanian sovereignty arose after the Suez-incident the same year. Also, students started protesting against the American presence. For example, in 1957 a group of students planted a Panamanian flag inside the canal zone, to protest against the U.S. imperialism and its effects on Panama.¹⁴⁵ However, even though there was some tension, there was nothing to indicate that the investments of United Fruit were threatened.

In 1948 Costa Rica experienced a civil war which lasted for 44 days. The National Union Party candidate Otilio Ulate had won the presidential election, against the former president from 1940 to 1944, Rafael Ángel Calderón Guardia. However, Calderón accused Ulate for fraud, and managed to annul the result of the election through the Congress, where his party the National Republican Party and the communistic Popular Vanguard Party held a majority. This sparked a civil war, which resulted in José Figueres Ferrer becoming president for 18 months. After an interlude with Ulate as president, Figueres won the election in 1953. Figueres was characterized as a “United Fruit Company President” by the communistic paper *Octubre* after his victory.¹⁴⁶ Figueres would, however, not become just another “United Fruit Company President”. Soon he challenged United Fruit, and succeeding in renegotiating its operating contract in Costa Rica, which is accounted for in earlier in this chapter. Figueres managed to maintain U.S. support while carrying out a nationalistic policy both domestic and

¹⁴⁴ Schulz & Schulz, pages 27-30.

¹⁴⁵ Skidmore & Smith, pages 368-369 & Percy, page 129.

¹⁴⁶ Longley, page 128.

internationally, due to his anti-communist reputation. Figueres' legacy was a well functioning democracy, and Costa Rica has been one of the regions most stable democracies ever since.

The investments seemed to be quite safe for United Fruit, although some threats to their investments surfaced from time to time. However, due to the fact that agriculture as a sector attracted more than its proportionate share of expropriations,¹⁴⁷ and the political instability in the region, this could change very fast, as was the case in Cuba, where the investment had seemed to be safe, when Fidel Castro took power.

Second try - Cuba 1960

The Agrarian Reform Law of May 17, 1959, was Fidel Castro's most radical measure to that date after the Cuban revolution. This law eliminated large estates, it expropriated farmlands over 1000 acres, no foreigners would be allowed to own agricultural land, and expropriated land would be turned over to smaller private holders and cooperatives.¹⁴⁸ This meant that United Fruit's land was expropriated, and they lost all their properties on Cuba, when their operations on Cuba finally ceased under force in August 1960.¹⁴⁹

United Fruit did not cultivate bananas on Cuba, but sugar canes, as already mentioned. But it still had an effect on United Fruit's banana division, which makes the expropriation on Cuba relevant for my thesis. The banana division became even more important than before, which Thomas E. Sunderland, president of United Fruit, emphasized in his letter to the shareholders in 1959, focusing their immediate attention to the production and distribution of bananas.¹⁵⁰ Also, the expropriation on Cuba further decreased the advantage of the land as a locational advantage. As already mentioned, if a company risk losing its land, which United Fruit did on Cuba, it has to rethink its strategy.

If we look at United Fruit's cultivated land, banana plantations had a total of 134,593 acres, with cacao and oil palm totaling 56,837 acres in 1960.¹⁵¹ In the annual report of 1959 United Fruit had recorded 93,138 acres of cultivated land for sugar canes on Cuba.¹⁵² In 1960 United Fruit only had 5,853 acres of sugar canes left on Jamaica.¹⁵³ And even though the sugar

¹⁴⁷ Williams, page 272.

¹⁴⁸ Skidmore & Smith, page 310

¹⁴⁹ United Fruit Company Annual Report 1960, "Review of 1960 Operations – Financial Summary"

¹⁵⁰ United Fruit Company Annual Report 1959, "President's Letter To The Shareholders"

¹⁵¹ United Fruit Company Annual Report 1960, "Improved Acreage and Railways Owned and Operated"

¹⁵² United Fruit Company Annual Report 1959, "Improved Acreage and Railways Owned and Operated"

¹⁵³ United Fruit Company Annual Report 1960, "Improved Acreage and Railways Owned and Operated"

division continued to deliver what United Fruit characterized as a satisfactory level of profits through their subsidiary Revere Sugar Refinery,¹⁵⁴ almost all of their sugar operations had been swept away with Fidel Castro's nationalizing program.

Did the incidents on Cuba trigger a larger fear for expropriation than after Guatemala? United Fruit do not voice their concern that further company land could be expropriated as a result of the incidents on Cuba. However, the company did plan to rely heavier on their Associate Producer program (see chapter 5), becoming a purchaser and merchandiser of fruit, instead of a producer of fruit.¹⁵⁵ This coincides with Bucheli's findings, where he shows how United Fruit changed their strategy from a production company to a marketing company in the late 1950s and 1960s.¹⁵⁶

This meant that United Fruit strayed away from the internalization of the banana cultivation, and relied heavier on the Associate Producers and the open banana market. The most important reason for this was the emergence of the Ecuadorian farmers which made Ecuador the largest banana exporter in the world in the late 1950s. This broke the duopoly United Fruit and Standard Fruit had enjoyed, and for the first time the companies had to considerate a vast amount of bananas being sold on the open market. Since a more or less functioning banana market emerged, the imperfections that United Fruit, and Standard Fruit, had exploited diminished. The imperfections were still there, due to the fact that the bananas from Ecuador generally were of poorer quality than the company-cultivated bananas, but they were smaller and harder to exploit.

Not voicing concern for further expropriation and relying heavier on Associate Producers was the official attitude of United Fruit. Voicing their concern and fear for further expropriation would not send a strong message to stockholders and stock buyers, instead the management presents a solution, to display themselves as dynamic leaders.

As mentioned earlier, United Fruit has a large reduction in net book value on their land between 1958 and 1959. This can be attributed to the expropriation and loss of land on Cuba, as there is a similar reduction in Figure 4.2 in the same period of time. However, the decrease

¹⁵⁴ United Fruit Company Annual Report 1961, "Review of 1961 Operations – Sugar" and United Fruit Annual Report 1962, "1962 In Review - Sugar"

¹⁵⁵ United Fruit Company Annual Report 1960, "President's Letter to the Shareholders"

¹⁵⁶ Bucheli (2005), pages 50-55.

in Figure 4.3 is much larger, from \$13,098,423¹⁵⁷ in 1958 to \$6,280,206¹⁵⁸ in 1959 there is a decrease of 52%, a much larger decrease than the amount of land on Cuba should constitute. Of the improved acreage United Fruit had, 148,586 acres were situated on Cuba, of a total of 537,040 acres in 1959 before the expropriation.¹⁵⁹ That amount to about 28 % of the total of United Fruit cultivated land, and a decrease on over 50% should indicate that over half of all United Fruit uncultivated land were situated on Cuba, or that the land on Cuba were much more valuable than land elsewhere. Half of the land was, as shown, not situated on Cuba, and there is no indication that the land on Cuba was more valuable than elsewhere for United Fruit. In comparison, the decrease for the same period in Figure 4.2 on improved land is 28%, which go together with the actual land size on Cuba. This indicates that United Fruit reduced the recorded value on their lands after the expropriation on Cuba. If so, that indicates that United Fruit no longer considered its land as a competitive advantage, or as safe an investment as earlier. Instead United Fruit might have considered it a target for expropriation for nationalistic governments in Latin America. Especially in combination with the fact that United Fruit planned to rely heavier on independent farmers than before.

Another explanation is that the United Fruit management wrote off more than it had lost, to be able to show a better result next year. Also, in the President's Letter to the Shareholders, United Fruit president Thomas E. Sunderland, who was appointed late in 1959, points out that "During the past twelve months, we have been evolving solutions to problems that have been more than fifteen years in the making."¹⁶⁰ This, together with the large write off, gives an impression of that the new board may be positioning themselves to blame the previous board for the trouble the company had experienced in the previous year, and proving that the new board was a better board by showing a sharp increase and good result the following year. Thus making the new board looking very capable, both in cleaning up the mess of the previous board and leading the company in the right direction.

In his analysis of the United Fruit stock from 1961, John H. Stenersen claimed that large properties owned by foreign corporations always is in danger of being nationalized, especially in Latin America, and that the most serious thing that could happen to United Fruit is losing its plantations without any compensation.¹⁶¹ Further Stenersen claims that only in Costa Rica

¹⁵⁷ United Fruit Company Annual Report 1958, "Fixed Assets"

¹⁵⁸ United Fruit Company Annual Report 1960, "Fixed Assets" - In the 1960 Annual Report the value from Cuban land has been subtracted, value in 1959 Annual Report is \$13,098,423.

¹⁵⁹ United Fruit Company Annual Report 1959, "Improved Acreage and Railways Owned and Operated"

¹⁶⁰ United Fruit Company Annual Report 1960, "President's Letter to the Shareholders".

¹⁶¹ Stenersen, page 29-31.

and Panama could United Fruit's plantations be considered reasonably safe against nationalizing.¹⁶²

Consequences throughout the 1960s

A valid question after the expropriation on Cuba seemed to be whether United Fruit's vast amounts of land had become a strategic disadvantage, as opposed to earlier when it was a strong strategic advantage?

When United Fruit's land holdings increased the most, before 1930, the political setting was different. The United States influence was stronger in the period before the Second World War, after the war communism started to gain more and more influence in the region. The state had, generally, started to take a more active part in its economic development after the Second World War. Did this affect United Fruit's land holdings in a negative way?

It would certainly seem that the land holdings to a greater degree were a target in the 1960s, then it had been earlier. Several governments in Central America had agrarian reforms on their agenda, in Guatemala and Cuba it had materialized itself in expropriation of United Fruit property, and in Honduras an agrarian reform in 1962 had rattled both the United States senate and United Fruit. Also, in the 1960s several of the countries United Fruit operated in initiated land reform programs. Colombia in 1961, Costa Rica, Honduras and Panama in 1963, Ecuador in 1964, and Guatemala as early as in 1955.¹⁶³

The competition from Ecuadorian farmers meant that the practice of clearing virgin territory for banana plantations was unprofitable. This were to a certain degree solved by the Valery banana variety replacing the Gros Michel variety, due to the Cavendish variety's immunity to the Panama disease, and the higher yield it produced. However, since the clearing of new land was too costly, the need for unimproved land went down. This meant that the land holdings, especially the unimproved part of it, became less important. After all, what is the point of having land areas for banana production if it is too expensive to start production on it?

United Fruit attempted to find new ways to make money on its land. In 1958 United Fruit found it advisable to determine whether there was mineral or petroleum deposits on its land, and acquired oil concessions in Panama and Ecuador, with plans for further concessions

¹⁶² Stenersen, page 37.

¹⁶³ Wilkie, page 51.

elsewhere and a long-term program.¹⁶⁴ However, due to excessive supplies of crude oil in the world markets, United Fruit stopped new investments concerning the search for petroleum already in 1960, and was would only finish already started exploration projects and maintain the level of production required by the concessions.¹⁶⁵

The increased focus on buying bananas instead of producing them, also made the land holdings less important. United Fruit's Associate Producers program could be seen as "...an extension of UFC's desire to become a purchaser and merchandiser of fruit, with less emphasis on the operation of agricultural production facilities."¹⁶⁶ Marcelo Bucheli points out that United Fruit's strategy went through a clear change in the late 1950s and 1960s, from being a production company to resembling a marketing company more and more.¹⁶⁷ This change in strategy from producing the bananas themselves, to buying a larger percentage of them,¹⁶⁸ meant that the land holdings would become less important for the total banana output.

However, even though United Fruit had challenges regarding their land they did not have earlier, could it be a disadvantage to own land? At the very least, it could be sold. To call the land holdings of United Fruit a disadvantage for the company is in my opinion wrong. It was, however, more challenges connected to the land then earlier, and its importance to the company was also smaller. It is more correct to say that the strong advantage from owning vast amounts of land had disappeared in the 1960s, and it was time to activate new strategies regarding the land holdings for the company.

Summary

Before the Second World War United Fruit's vast areas of land did not attract much unwanted attention. After the war, this changed. The active state emerged, and especially when combined with nationalism, United Fruit's land could become a target for the government. In Cuba United Fruit lost all of its land and investment when Fidel Castro nationalized foreign properties, in Guatemala United Fruit lost some of its uncultivated land, but after the American-supported toppling of Jacobo Arbenz United Fruit got its land back. In Honduras a proposal to a new law said that a land had social use, and that the interest of society might

¹⁶⁴ United Fruit Company Annual Report 1958, "The President's Report to the Stockholders".

¹⁶⁵ United Fruit Company Annual Report 1960, "Review of 1960 Operations – Petroleum".

¹⁶⁶ Arthur, Houck & Beckford, page 148.

¹⁶⁷ Bucheli (2005), page 54-55.

¹⁶⁸ United Fruit have never produced all the bananas it sold themselves, it have always bought some of it from independent farmers etc.

outweigh those of private property. But after pressure from the United States this law was dramatically changed, and made expropriation almost impossible. In the end, United Fruit only lost land on Cuba, but the company started to sell its land and buying more of the bananas on the open market or from independent farmers, thus decreasing the importance of the land.

Land was clearly a locational factor/advantage, and was therefore useful to put into use. United Fruit had to establish its plantations where it was possible to grow bananas, and together with vicinity to the market in the United States, relationship to the local governments, and the location of existing plantations was all important factors when United Fruit decided where to establish a new plantation.

Regarding the decrease in internalization of the banana cultivation, this was due to the emergence of the Ecuadorian banana farmers, and a more or less functioning banana market emerged, diminishing the imperfections of the market, thus making it harder to exploit.

CHAPTER 5

UNITED FRUIT COMPANY AND ITS LABOR FORCE

Why was the labor force so important to United Fruit?

All companies are dependant on a labor force, and United Fruit was no exception. A more valid question would be why the workers were such an important factor in the equation for a banana company like United Fruit?

The production and growing of bananas were very labor intensive, especially in the first decades of the 20th century, since United Fruit operated in virgin territory and because the cultivation of bananas demanded a considerable labor force. I will, however, return to the labor intensive nature of the banana industry later in this chapter.

United Fruit operated in foreign countries, where the company had its production, which was the basis for its activity, and a conflict with the workers could have had great consequences. Not only for its earnings and relationship with its workers, but also for their relationship with the local authorities. This became more of a factor after the Second World War, with the emergence of the active state and more organized trade unions in Latin America. This is not unique for United Fruit, since all multinational companies are vulnerable when operating in a foreign country, due to being in a foreign environment and sometimes at the mercy of the local government.

With the high number of employees United Fruit employed, and the banana industry demanded, the expenses on wages and other costs, such as housing of the workers and schools for their children, related to the workers became high. With the emergence of Ecuador as an exporter of low cost bananas in the 1950s, this became an important factor, since the Ecuadorian banana industry had far less expenses per banana than United Fruit. I will discuss this in detail later.

The labor force and the eclectic paradigm

Normally would lower wages would be a locational advantage for United Fruit when establishing plantations in Latin America, due to the fact that the wages was lower in Latin America than in the United States. However, since commercial banana cultivation in the

United States was not a viable option, wages become irrelevant as a locational advantage, compared to staying in the United States. This is a good example on how important the context can be for the eclectic paradigm, which coincides with Dunning who claims that the OLI variables and the companies' responses to them are strongly contextual.¹⁶⁹ However, wages would be a locational advantage for work tasks that could be carried out in both the United States and in Latin America, mainly administrative tasks. Also, wages could vary between countries in Latin America, thus being a locational advantage for some of these.

An ownership advantage in relation to its workers would be a superior organization of these due to know-how in the company.¹⁷⁰ United Fruit came from a much more evolved corporate culture, and compared to local industries they were superior in this area. However, United Fruit did not compete with the local industry, but with other banana companies. It is safe to assume that they were better organized than most of the banana companies, but these were never its main competition. Its main competition was Standard Fruit, and it has not been possible for me to find out whether or not United Fruit or Standard Fruit were the best on organization of the workers with my material.

Before the Second World War

Relationship to its labor force

How did United Fruit view its workers? Were they a necessary evil, or its most valued assets? The single workers were probably not very important for United Fruit, since the typical United Fruit worker at the plantations was unskilled and could easily be replaced. What was important to United Fruit was to have a labor force. Without it, the cultivation of bananas would be impossible. Although, United Fruit had a very poor reputation in its relationship with their workers, and a rather poor reputation overall as shown earlier.

Already from the company's origin, with one of the co-founders of the company Minor C. Keith building railroads in Central America, the workers lived and worked under harsh circumstances. These harsh conditions continued under United Fruit since most of the banana plantations were situated in desolate places that were hard to access, due to the lack of infrastructure. Also, these areas were often riddled with diseases, and offered difficult working condition. United Fruit had to build their own infrastructure, and combined with the

¹⁶⁹ Dunning (2000), page 164.

¹⁷⁰ Jones, page 8.

desolate locations in which the plantations were situated, the plantations often evolved into economic enclaves.¹⁷¹ This made the workers very dependent on United Fruit, and in some enclaves United Fruit even paid the workers in tokens or credit slips, which could only be used in company-owned stores.¹⁷² United Fruit also used their connections with the local authorities to gain the upper hand on their workers. For example, United Fruit could cooperate with the authorities to repress or stop strikes, which United Fruit was accused of during the strike in Santa Marta in Colombia in 1928, which I will return to later.

So it would seem that United Fruit did not treat its workers very nicely. And, by all means, United Fruit's poor reputation is not unmerited. But at the same time it is important to be aware of that there are two sides of every story. United Fruit carried out social work programs that the state often did not have the resources or interest in carrying out. Examples of these programs are schools for the children of their workers and hospitals. United Fruit also had an extensive medical program, which, according to Aviva Chomsky, a professor specializing in the history of Latin America, was motivated by a desire to reduce the number of labor hours lost due to sickness, and as a mean to exercise social control through offering the workers the wonders of modern medicine.¹⁷³ Also, United Fruit often paid higher wages than the average in the country or industry, as is not uncommon for multinational companies. The reason as to why United Fruit built schools and hospitals, provided housing etc. was that the company operated in virgin territory where none of this existed, and in order to get workers to move to the plantations, these facilities had to be built.¹⁷⁴ So it was not because of a higher morale conviction that United Fruit built these facilities, it was of necessity. However, even though the motives were those of necessity, the effects could still be positive.

Although enclave economy was the norm for United Fruit, there were exceptions from this norm. In Guatemala, Paul J. Dosal, a Latin American historian, claims that due to the influence of International Railways of Central America (IRCA) throughout the Guatemala, the Guatemalan operations of United Fruit did not qualify as an enclave economy.¹⁷⁵ In contrast, United Fruit usually only built and invested enough to get their bananas and other fruit out of the country. There was also a similar situation in Costa Rica, where United Fruit owned and operated the railroads north in the country where the banana plantations was situated. These railroads gave United Fruit a great deal of influence as I will show in chapter

¹⁷¹ An area which functions economical more or less independent from the rest of the country's economy.

¹⁷² Bucheli, page 126.

¹⁷³ Chomsky, pages 89-90.

¹⁷⁴ May & Plaza, page 82.

¹⁷⁵ Dosal, page 8.

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Judging from United Fruit's Annual Reports prior to the Second World War, the workers was not very high on its list of priorities. The workers are seldom mentioned, except in the normal thanks from the president to the employees. It seems that the workers welfare, working conditions etc. was not a priority for United Fruit in this period. Another reason can be that United Fruit's stockholders have no interest in this, after all annual reports is a report to the stockholders.

Labor intensive

The banana production was very labor intensive in the era before the Second World War, and in the article "*Caribbean Tropics in Commercial Transition*" in an issue of Economic Geography from 1926, the president of United Fruit Victor M. Cutter gave an insight into the production of bananas and the banana industry. First, there was the establishment of a new banana plantation. United Fruit operated in virgin territory, without any roads or railways connecting them to the civilization. They faced an untamed wilderness of trees, palms, vines etc. Drainage ditches had to be dug out, and the underbrush cleared out. The underbrush was removed by workers with machetes. After planting the banana seeds, the area had to be cleared. In northern agriculture you cleared the area before planting, in the tropics it was the other way around. At the same time as the banana plantations was being established, the infrastructure had to be implemented. For instance, housing for employees and tram lines through the plantation and railways had to be built in order to get supplies and materials to the plantation, and bananas away from the plantation to the ports to be sent to the markets. All of these tasks demanded manual labor, and considering United Fruit established a number of plantations in different areas due to diseases, soil exhaustion, hurricanes etc., this required a considerable labor force. Harvesting of the bananas was also done manually, as were the carrying from plantation to trains, and from trains to ships. In order to maintain the quality of the banana, United Fruit needed specialized workers, such as cutting gangs which harvested the crop, and inspectors to ensure the quality and the ripening process of the bananas. Also, because the bananas were not ripe when it was cut from the plants, and had to be ripened on the way to the seller, it was important have fixed schedule for the transportation. This made it important that there were enough workers on each of the checkpoints the banana had to pass through, in order to avoid delays.¹⁷⁶

¹⁷⁶ Delays was a big problem in the earlier days of the banana trade, but mostly due to lack of wind before the steamship was put into commercial use.

Strikes and unions

Before the Second World War, the countries in which United Fruit operated had a low degree of institutionalized organizing in the labor force. Even though there was of a lack of organizing, there were strikes and labor disputes. One important reason for this low degree of organizing was that dictatorships often prevented unions, as was the case in Guatemala under Jorge Ubico, who punished all attempts to organize with imprisonment or death. Whereas liberal governments often allowed unionizing, as in where Colombia the institutionalizing of the organized workers started after 1930 and continued throughout the Second World War, when liberal governments governed. In this period the unions experienced a rapid growth, and had an increasing degree of influence.¹⁷⁷

The low degree of organizing can be perceived as a locational advantage for United Fruit, since it made the labor force easier to control, the salary and other benefits lower etc. This was overall common for the countries in Latin America, and therefore not necessarily what decided on which of the countries in Latin America United Fruit would establish themselves in, more something that would pull them towards the region as a whole.

United Fruit was skeptical to unions. It tried to prevent unionizing among its workers, and tried to keep agitators under surveillance. Two examples of the methods United Fruit used follows. In the case of Henrietta Vinton Davies, the international organizer of the Negro Improvement Association, United Fruit was skeptical to let her come to Costa Rica, due to fear of disturbances among its workers. In a letter from G. P. Chittenden, United Fruit manager for the Limón division and responsible for all southern Central America operations, to Victor M. Cutter, Vice-President of United Fruit, Chittenden outlines their options regarding Davies. Chittenden believes that United Fruit should do everything in their power to prevent Davies from entering Costa Rica, or at least their plantations. He further claims that allowing her to enter Costa Rica are hazardous, due to her ability to create a disturbance, and even though he believes the Costa Rican government can be counted on at a show-down, its best to avoid any trouble by keeping her out of the country.¹⁷⁸ As mentioned, United Fruit tried to keep agitators under surveillance. In the case of the agitator Manuel Calix Herrera, which was labeled as an agitator of the worst type, which was anti-American and writing and

¹⁷⁷ Stoknes, page 49.

¹⁷⁸ Letter from G.P. Chittenden to Victor M. Cutter, December 21, 1919, in Philippe I. Bourgois in Striffler and Moberg, pages 120-121.

preaching communist propaganda, a memo was sent to banana divisions' manager from Arthur A. Pollan, General Manager of the Tropical Banana Divisions, warning them against him, and describing him along with a photograph.¹⁷⁹

However, even though United Fruit seemed to have had an agenda concerning its workers, the official attitude expressed through their annual reports suggests that its workers were not of especially high concern or priority. United Fruit pays a tribute to its workers which participated in the First World War in 1918,¹⁸⁰ and mentions that both labor and materials are expensive on Cuba in 1917,¹⁸¹ other than this there are few mentioning's of the workers.

The same tendency occurs in relation to strikes and labor trouble. There are just three mentioning's prior to the Second World War, whereas one of them are of a boilermaker strike in England causing a delay in the delivering of ships.¹⁸² Of the two that concerns United Fruit workers, one is very general and do not mention where or what the problem difficulties with the labor have been, just that in spite of difficulties with labor and unsettled conditions in some countries they succeeded in planting a larger area than in any other single year of the company's history.¹⁸³ The only time a specific incident is mentioned is in 1928 when a strike occurred in Colombia near Santa Marta between October and December.

This is what United Fruit wrote about the strike:

“From Colombia, shipments of bananas were somewhat below expectations. During November the laborers on the railways and banana farms were prevented from carrying on their usual work by the incitement of agitators and communists. The disturbance was serious and was the inevitable result of the increasing influence of this type of agitation throughout the Caribbean area. The Colombian Government recognized the subversive nature of this uprising and, through the declaration of martial law, order has been restored. It is hoped that conditions will soon return to normal.”¹⁸⁴

The main demand from the workers, was to be recognized and made permanent employees of

¹⁷⁹ Memo from Arthur A. Pollan to Banana Divisions Managers, November 15, 1929, in Philippe I. Bourgois in Striffler and Moberg, pages 138-140.

¹⁸⁰ United Fruit Company Annual Report 1918, “To the stockholders”

¹⁸¹ United Fruit Company Annual Report 1917, “To the stockholders”

¹⁸² United Fruit Company Annual Report 1923, “To the stockholders”

¹⁸³ United Fruit Company Annual Report 1919, “To the stockholders”

¹⁸⁴ United Fruit Company Annual Report 1928, “To the stockholders”

the United Fruit, and the workers had found support in the Colombian constitution and legislation for several of their demands. After a breakdown in the negotiations between United Fruit and USTM (Unión Sindical de Trabajadores del Magdalena), the government sided with United Fruit. Strikebreakers started working for United Fruit, and the trainloads of bananas were protected by the army when it was transported to the port. The workers tried to get the governor to meet them, and he promised to meet them in Ciénaga. At first they were told that the governor and the United Fruit manager Thomas Bradshaw would come and sign an agreement. Later the workers were told they would not show up. This led to unrest among the workers, and the army surrounded them. After a five minute warning to the workers, the military opened fire.¹⁸⁵

Whether or not United Fruit was involved, and how many workers that were killed are two of several questions that have been debated afterwards. Ove Stoknes claims that United Fruit tricked the Colombian government to act through the American embassy and provocations and distortion of information.¹⁸⁶ However, neither Marcelo Bucheli nor David Bushnell makes any mentioning's that the Colombian army opened fire on their command or influence.¹⁸⁷ It seems more than plausible that there was contact between United Fruit and the Colombian government, however, United Fruit's question of guilt would be too extensive to discuss here, nor do I have the necessary sources to do so. However, it would seem that Bucheli and Bushnell both are more reliable than Stoknes, which claims that several United Fruit trucks drove away with dead bodies without any reference to any sources or literature.¹⁸⁸

Regarding the number of killed workers, the numbers vary enormously. Historians have made estimates ranging from 60 to 2,000 dead.¹⁸⁹ Bushnell claims that 75 seem to be the most accurate estimate.¹⁹⁰

There have also been claims that American warships would intervene if the strike had not been stopped. General Cortés Vargas, who gave the order to fire upon the workers, has claimed this. There was communication between the American embassy and the Secretary of

¹⁸⁵ Bucheli (2005), page 125-132.

¹⁸⁶ Stoknes, page 36.

¹⁸⁷ Bushnell, pages 179-180 & Bucheli, pages 118-136.

¹⁸⁸ Stoknes, page 37. It is possible that Stoknes have been influenced by the novel *One Hundred Years of Solitude* by Gabriel Garcia Marquez, where the author describes trainloads of dead workers being transported away to be thrown into the sea, and a cover-up from the Colombian government. The chapter which describes the massacre at Ciénaga has been construed as a documentary before, even though it is a work of fiction. Marquez, pages 250-255.

¹⁸⁹ Bucheli (2005), page 132.

¹⁹⁰ Bushnell, page 180.

State. In a telegram to the Secretary of State on December 6th, the embassy asked for a warship to stand-by near Colombia, due to doubtfulness in trusting the Colombian army for protection.¹⁹¹ However, an reply from Washington the same day states that orders have been given to protect all American property in Colombia, and that the Department do not wish to send a warship to Colombia.¹⁹² If the situation had escalated, the possibility was at hand that the United States government would have sent troops. However, it is most unlikely that it was shooting defenseless banana workers that stopped the United States from sending troops. The Colombian politician Jorge Eliécer Gaitán accused Vargas of inventing the American warship in a speech in September the following year.¹⁹³ However, as Gaitán was part of the political opposition, it is possible he used the event to criticize the government and to increase his own popularity.

The mentioning in the Annual Reports does not mention the massacre of the workers or the fact that United Fruit used strikebreakers. Instead United Fruit claimed that the workers were prevented from carrying out their work due to agitators and communists. United Fruit do write that the disturbance was serious, however, this does not describe the situation accurately, since United Fruit workers was shot. Also, there is no mentioning of the political implications.

This shows that the Annual Reports must be used with caution as a source, since it does not give a complete view of what happened. The question is why it is mentioned at all? Since workers were shot, and the embassy asked for warships to stand by, it is possible that it was too big to keep hidden. My opinion is that it was too serious to keep out of the annual report. United Fruit had to make some mentioning. However, United Fruit tried to keep it general, and focusing on that the Colombian government acted and that the situation would be back to normal soon. United Fruit do not even acknowledge that something happened in December, placing the strike to have occurred in November. The strike started earlier, the final document of demands was presented for United Fruit on October 6, and the strike did not end until December. It is possible that United Fruit place the strike to November, as it was the period when they used strikebreakers, and the workers tried to stop them from working for United Fruit.

Even though United Fruit's annual reports give an impression of peaceful relations between

¹⁹¹ <http://www.icdc.com/~paulwolf/colombia/cotie6dec1928.jpg> Retrieved, April 15, 2009.

¹⁹² <http://www.icdc.com/~paulwolf/colombia/kellogg8dec1928.jpg> Retrieved, April 15, 2009.

¹⁹³ <http://www.icdc.com/~paulwolf/colombia/gaitan5sep1929.htm> Retrieved April 15, 2009.

the company and the workforce, the reality were different. For example there were several large strikes in Honduras, and this can be used as another example of what United Fruit did not mention in its annual reports. The context in Honduras was special, since it became a battlefield for the fruterias (banana companies), United Fruit, Standard Fruit and Cuyamel Fruit. Honduras had very good soil for growing bananas, and became the country in Central America most affected by American corporate culture. With little interference from the local government, the fruterias soon dominated Honduras, which led to unrest.¹⁹⁴ 1913 marked the first serious period of unrest, when the workers were striking for higher wages, which repeated itself in 1917. After two years of brewing discontent due to demands of better living conditions and higher wages, a new strike broke out in 1920 after Raphael Lopez Gutierrez became the new president of Honduras. Further, United Fruit dockworkers were striking in 1923, and farm workers in 1925, and again in 1930 for higher wages. Many of these strikes affected other banana companies and industries as well, and there were strikes that affected Standard Fruit and/or Cuyamel Fruit, and not United Fruit.¹⁹⁵ There are no mentioning's of any labor trouble in Honduras in United Fruit's annual reports.

An opportune question is why there are no mentioning's of labor trouble in Honduras in the annual reports? As already established, there are few mentioning's of the labor force in general. However, there were several strikes in Honduras. Two possible explanations as to why these strikes are not mentioned in the annual reports are that they were not important enough to justify a mentioning, or they were so important that it was important for the company that the stockholders did not find out. Even though there were several strikes in Honduras, there was none like the strike in Santa Marta in 1928 which ended with the massacre of banana workers, or as successful as the general strike in Honduras in 1954, which I will return to later. Since the strikes had little success, it is unlikely that United Fruit deemed it necessary to cover up the strikes. However, at the same time United Fruit probably did not have an interest in mentioning them either, the strikes did not have any large impact on United Fruit's earnings, but why take the risk of mentioning's labor trouble in a small Central American country if it did not have any impact? There was no reason to mentioning anything that could have had an adverse effect on the stock prices.

Higher wages and other labor expenses

As has been observed in many cases with multinational companies, United Fruit often paid

¹⁹⁴ O'Brien, page 80.

¹⁹⁵ O'Brien, pages 93-101.

higher wages than the local businesses and industry. In addition, United Fruit also often provided its workers with hospitals, schools etc. The reason for this was the location of the plantations. The plantations were often situated in desolate areas, forming enclaves. Therefore United Fruit had to house its workers, feed them by cultivating food crops and keeping livestock, provide them with schools, hospitals, churches, and recreational facilities.¹⁹⁶ This was costly for United Fruit. However, as long as they had their dominant position where they to a certain degree regulated the banana themselves, it worked out fine. However, with the loss of influence and lowered profits in the late 1950s, these expenses became clog which United Fruit wanted to dispose themselves off, which I will look at later in this chapter.

What happened after the Second World War?

Active state

As already shown in the previous chapter, the belief of the need of an active state emerged after the Second World War. The operating contracts United Fruit was very important for the company. An indication of just how important these operating contracts were for United Fruit can be seen when the Costa Rican government in 1959 passed a law requiring all employers to pay the workers a year-end bonus. When United Fruit refused to comply with this, a strike, held illegal by court in Costa Rica, broke out. The Costa Rican government paid the workers pending a decision to whether United Fruit had to comply with the law. The year after, in 1960, it was decided that United Fruit did not have to comply with this law.

The reason United Fruit refused this law, was that “...some of the terms of this law were clearly discriminatory and in direct violation of the Company's operating contracts with the Government,...”¹⁹⁷ Further United Fruit claimed that:

“The Company takes pride in complying with all laws in every country where it operates, but as a principle the Company will oppose by every lawful means the application to it of laws that are discriminatory or in conflict with its contracts. Confidence that its contracts will be respected and adequate protection afforded against discriminatory treatment will be a fundamental consideration in determining the areas in which the Company will make future investments or

¹⁹⁶ May & Plaza, page 82.

¹⁹⁷ United Fruit Company Annual Report 1959, “Review of 1959 Operations - Bananas”

commit new funds whether for agricultural or other purposes.”¹⁹⁸

Here United Fruit said that operating contracts for them was above local law in cases where operating contracts and local law clashed, which was a strong statement. United Fruit had a history of prioritizing their own interests above local law, and the threat to withdraw or stop new investments was a tactic that had been used before. This can clearly be perceived as a warning to the Costa Rican government, and other governments in the area, that United Fruit still had other countries where they could invest their money, meaning the benefits reaped from United Fruit investments in the country were not to be considered safe no matter what happened. Even though United Fruit did not have to comply with the law, this threat was more effective earlier in the century. Now it was limited as to where United Fruit could move on, comparing to the earlier days when there were a lot of unused land, not contaminated by plant diseases, and more cooperative governments in Latin America.

Labor intensive

The work related to the banana industry was still labor intensive after the Second World War. There was, however, a larger degree of automatization and machinery used. The clearing of land for a new plantation, and the cleaning of the plantations to prevent the jungle from taking over the plantations, were still done by hand. Generally, however, the use of labor-saving methods had found its way into the banana industry. For example, during harvesting mules or carts were used to transport stems of bananas, instead of men carrying them. The bananas had to be washed due to the treatment it received to combat the Sigatoka disease, which had emerged in the 1930s,¹⁹⁹ and this process was automatized. Also, when loading railroad carriers or ships, facilities such as cranes was used to loading, instead of everything being done manually.²⁰⁰

Strikes and unions

There was a larger degree of organizing in the countries United Fruit operated in after the Second World War, but it was far from smooth sailing for the trade unions. Colombia entered a period of violence, called La Violencia. In Guatemala, where the president Juan José

¹⁹⁸ United Fruit Company Annual Report 1959, “Review of 1959 Operations - Bananas”

¹⁹⁹ To combat the Sigatoka disease the banana plant was sprayed with the Bordeaux mixture, a mixture of copper sulphate and lime.

²⁰⁰ May & Plaza, pages 91-97.

Arévalo had won the first democratic election in 1945, the unions also met opposition. For a short period Arévalo banned the unionizing of peasants and prohibited strikes. The Confederación de Trabajadores de Guatemala (CGTG), the dominant union, fell under communist control. However, after the fall of Jacobo Arbenz, CGTG dissolved, and under Castillo Armas, president in Guatemala 1954-1957, a new wave of organizing started, but without gaining any real influence. In Costa Rica the most important working group was the banana workers, and there was a large degree of unionizing after the Second World War. However, most of the unions that was established, soon dissolved. Union freedom was recognized in the 1946 Constitution in Panama, and in Honduras independent unions were allowed to organize in 1948, and became the regions strongest and largest union after a large strike in 1954, which I will return to later.²⁰¹

The higher degree of organizing would mean a weakening of the locational advantage that the low degree of organizing had formed, due to the reversing of the variables that made it into a locational advantage, such as the labor force being easier to control and lower wages. It was harder to control the work force, demands of higher salaries, contracts etc. In short, it meant a larger challenge concerning the work force. Again this was common for the region, although with some differences. So it could both be something that would decide which country United Fruit would invest or continue to invest in, and something that would pull United Fruit away from the region as a whole.

Judging from the annual reports, the period after the Second World War seemed to be characterized by a larger degree of unrest concerning labor trouble, than the period before the war. When United Fruit points out at two occasions that there had been no work interruptions during the year, in 1950²⁰² and 1955²⁰³, this indicates that labor trouble were considered a real problem, not only internally in the United Fruit management, but also amongst the stockholders since it was mentioned in the annual reports. This emphasizes the larger challenge concerning the work force after the Second World War.

United Fruit also used labor trouble as an explanation as to why they had encountered trouble or had a poorer result than expected. In 1949 labor trouble were used as an explanation, together with weather conditions, as for why expectations in both banana tonnage and sales were not achieved: "Labor trouble in Guatemala interrupted shipments from that country for

²⁰¹ Alba, page 271-285.

²⁰² United Fruit Company Annual Report 1950, "The President's Report to the Stockholders"

²⁰³ United Fruit Company Annual Report 1955, "The President's Report to the Stockholders"

six weeks; labor trouble in Colombia and Costa Rica of shorter duration also resulted in the loss of some fruit from these countries.”²⁰⁴ Emphasizing that the weather conditions were the main reason meant that the conditions would soon be back to normal. Bad weather and its affects was and had been a main reason for loss of crops in the banana industry for many years, and it had not prevented United Fruit from making a profit in the past, signaling that this was just a minor and temporary setback, which was emphasized by the company in the Annual Report. Whereas an emphasis on labor trouble could signal a beginning of a new problem for the banana industry and for the company, which it had not had much trouble with before, and thereby be a problem that possibly would not be solved by the next year, or by the next decade for that matter. Thereby giving an impression of hard times ahead, which probably was not what the stockholders wanted to hear.

However, the labor trouble in Guatemala was not over. In 1951 labor trouble in Guatemala was being used as a reason for not rebuilding plantations damaged by bad weather, normally United Fruit would repair the damages and continue using the plantation.

“At the same time labor costs have been rising sharply. The Company has always paid wages far greater than those paid by others in Guatemala for similar work, and up to the last few years its labor relations have been most satisfactory. During recent years, however, extremists who are not employees of the Company have kept the laborers in a constant state of unrest. The Company has been endeavoring to negotiate a settlement which would provide sufficient stability of costs to warrant the Company in rehabilitating the damaged plantations. These negotiations have not been successful thus far but are continuing.”²⁰⁵

The period between 1944 and 1954 has been known as the October Revolution in Guatemala, and was a time of reforms and labor unrest, and the banana workers were exceptionally well organized and effective in their demands. There was a battle between the workers and United Fruit in this period, with United Fruit trying to maintain its power of the workers, and the workers fighting for reforms. The workers enjoyed some victories. For example, the banana workers was among the first in Guatemala to get contracts, and they got recognition as a single labor force in spite of United Fruit's attempt to divide workers into smaller and more manageable units.²⁰⁶

²⁰⁴ United Fruit Company Annual Report 1949, “The President's Report to the Stockholders”

²⁰⁵ United Fruit Company Annual Report 1951, “The President's Report to the Stockholders”.

²⁰⁶ Cindy Forster in Striffler & Moberg, pages 191-221.

That United Fruit interpreted the situation as agitators and extremists keeping the workers in a constant unrest is conceivable, especially because of the context with United Fruit disliking trade unions and McCarthyism. However, I do not have the archival material necessary to prove whether or not it was agitators or employees of United Fruit who organized the labor unrest, or whether or not United Fruit is exaggerating the problems in Guatemala out of strategic interests without access to internal material.

Moody's also makes a mention of this incident in connection with a 25 % decline in the stock price of United Fruit, and Moody's also indicates that the repairs were not completed, and the deficit of bananas had to be collected elsewhere, but still recommended to hold on to the stock.²⁰⁷ At the time of this analysis the conflict in Guatemala had been solved. Moody's was very influential in this period, and an analysis from Moody's was worth paying attention to for United Fruit. These mentions show that the labor trouble in Guatemala was a problem for United Fruit. The threat to not repair the plantation because of the certain conditions existing in Guatemala was a well-used strategy. United Fruit had on several occasions used the tactic of threatening to withdraw their investments from a country in order to clear the way for their interests or demands. Not so much in plain terms, but more as a latent threat. For example, when United Fruit had investments in British Honduras early in the 20th century, British Honduras economic well-being was tied with the banana trade, at the same time as they were a minority in the banana trade, so the banana companies could easily dispose of their investments there without much consequence, giving them considerable influence over local authorities.²⁰⁸

In the 1954 Annual Report United Fruit made a mention of a general strike in Honduras, and used it as an explanation, in addition to floods, again stressing the point of weather conditions which had been a factor all the time, to a decrease from 8,500,000 banana stems in 1953 to 4,800,000 banana stems the following year.²⁰⁹ This strike was a key strike in Latin America in the 1950s, and proved to be a turning point for the trade unions in Honduras. After the strike the union movement in Honduras was deemed the strongest and largest in the region.²¹⁰ There had been attempts on organizing mining and banana workers from the 1920s, but these attempts had been repressed by both companies and government police, and had little success.

²⁰⁷ "High-Grade Stocks – Recent Developments", in Moody's Stock Survey, November 17, 1952.

²⁰⁸ Moberg, page 364.

²⁰⁹ United Fruit Company Annual Report 1954, "The President's Report to the Stockholders".

²¹⁰ Norsworthy & Barry, page 91.

However, the 1954 strike which started as a strike against United Fruit, spread to the rest of the Honduran society, and shut down 60 % of the Honduran economy. Concerns about the leading role of communists in the strike led to an urge from the president of the American Federation of Labour (AFL), who worked closely with the State Department, to United Fruit to negotiate with the less militant strikers. After key strike leaders were arrested and replaced by more cooperative leaders, United Fruit started negotiations.²¹¹

It may seem strange that AFL went in and supported a fraction of the workers that would suit United Fruit better. One possible explanation is the context with McCarthyism in this period and fear that the communism would gain a foothold in the region, which influenced every aspect of foreign politics in the United States in this period.

One reason that United Fruit was more inclined to give in for the striker's demands, and also demands from governments, was the large investments United Fruit had made, and the difficulties and costs associated with pulling out, according to Constance Orozco.²¹² This argument has some validation. It was easier to get new land in the period before the Second World War, and the relationships to the governments were generally closer then. After the war it was harder to get new land, and the relationship with the governments was no longer as harmonious as earlier. Meaning that if the company wanted to maintain their level of output, it had to find new land somewhere else when pulling out. However, this argument is only valid up to a certain point. With the competition from Ecuador, which I will return to shortly, and shrinking profits, United Fruit changed its strategy from being a producing company to a market company. Even though its investments in a country were lost by pulling out, at least United Fruit would stop losing money. And instead of cultivating its bananas themselves, United Fruit started to buy more bananas from independent farmers and from its Associate Producer program farmers.

Higher wages and other labor expenses

United Fruit lost some of their influence after the Second World War. There were several reasons for this. Some were contextual, as the emergence of the active state and less American influence in the region, and some had to do with the decline of the company.

Even though Standard Fruit obtained a larger share of the banana market with their switch

²¹¹ Norsworthy & Barry, pages 83-84.

²¹² Orozco, page 12.

from the Gros Michel banana to the Cavendish banana, this was not alarming since United Fruit soon made the same switch. It was more alarming when Ecuador emerged as a large banana exporter, a land which United Fruit never had large investments in, playing a “much less conspicuous role than it has in Central America and the Caribbean.”²¹³ The reason this was more alarming, were the way the banana industry were organized in Ecuador. Traditionally, the banana industry was dominated by large banana companies, mainly United Fruit and Standard Fruit, but in Ecuador most of the bananas came from small farms with independent farmers. There were a few larger operations, such as the United Fruit subsidiary Cia. Bananera del Ecuador, but the large increase in the Ecuadorian banana industry happened at the small farms, not in the large plantations. In 1938 Ecuador was only the fourteenth largest banana exporter, with 38.000 tons, but in 1952 they were the largest banana exporter with 423.000 tons, exceeding Honduras.²¹⁴ The largest banana producer was Brazil, but had a large internal market.²¹⁵ Ecuador continued to be the largest banana exporter through the 1950s and 1960s.²¹⁶ By 1959 Ecuador had doubled to 877.000 tons,²¹⁷ and they exceeded 1.000.000 tons in 1964 with 1.070.000 tons.²¹⁸ And since these bananas were mostly grown by independent farmers, these bananas were available to everyone, but according to United Fruit “...of poor quality and generally unacceptable to buyers except at very low prices.”²¹⁹ This resulted in a surplus of bananas produced cheaply. The surpluses of cheap bananas lead to a collapse in the banana market in 1960, leaving United Fruit in a position where they had to consider their strategy thoroughly.

Since Ecuador could produce bananas at a much lower cost than United Fruit and other producers in Central America, the quality could be lower, and they gained an advantage.

²¹³ Parsons, page 213.

²¹⁴ Fruit – A Review of Production and trade relating to fresh, canned, frozen and dried fruit, fruit juices and wine 1954, page 85.

²¹⁵ Stenersen, page 18.

²¹⁶ Fruit – A Review of Production and trade relating to fresh, canned, frozen and dried fruit, fruit juices and wine 1954, page 85, 1961, page 106, 1964, page 111 and 1970, page 149.

²¹⁷ Fruit – A Review of Production and trade relating to fresh, canned, frozen and dried fruit, fruit juices and wine 1961, page 106.

²¹⁸ Fruit – A Review of Production and trade relating to fresh, canned, frozen and dried fruit, fruit juices and wine 1970, page 149.

²¹⁹ United Fruit Annual Report 1956, “The President's Report to the Stockholders”.

Comparative costs of banana production.

Ecuador vs. Central America.

	Ecuador	Central America
Cost of opening a banana plantation (\$/hectare) [1958]	120	2000-3100
Workers/hectare [1964]	0.5	0.60-0.75
Cost of harvested bananas [1958]	1.16 cents	1.98 cents

Source: Bucheli (2005), page 63

The difference in costs in opening a new banana plantation are huge, which meant that an Ecuadorian farmer started to earn money at a much earlier stage than United Fruit. The Ecuadorian farmer started earning money when a hectare had brought him \$120 in income, which was when they had earned enough to cover their investment. Everything after this was money in the pocket, wages and other costs related to the growing of bananas excluded. In comparison, United Fruit did not start to make money before a hectare had earned them at least \$2,000. Also, the expenses on the labor force were lower in Ecuador, ending with a much cheaper banana, if not of the same quality as a United Fruit banana, available to everyone on the open banana market.

The emergence of Ecuador as the largest banana exporter also meant that a more or less functioning banana market emerged, thus making internalization of the banana cultivation less viable, as already shown. This also shows that one of the main points in the eclectic paradigm, that multinational companies need an advantage to establish themselves in a foreign country,²²⁰ is correct. The independent farmers in Ecuador clearly took advantage of knowledge, support from the government etc. The result being that the Ecuadorian farmers could operate at a much lower cost than United Fruit. Suddenly United Fruit lacked the necessary advantage to compete against local farmers, which now could, for example, use existing infrastructure, which United Fruit had to build themselves, making the need for capital larger earlier than it was for the Ecuadorian banana farmers. In a situation like this United Fruit would not have established themselves abroad, but rather bought its bananas on the market. However, United Fruit was already established, so instead United Fruit kept some of their own plantations, but bought more of the bananas on the market and from its Associate Producers.

The main reason that the Ecuadorian banana industry had lower expenditures, according to

²²⁰ Jones, page 8.

United Fruit president Thomas E. Sunderland, was that:

“the local growers were not required to furnish housing, schools, hospitals, the necessary access roads, port facilities, as UFC had to at its own cost on its Central American plantations, the government furnishing these services with government funds. Wages of banana workers in these areas were also far less than UFC paid its workers in other producing countries.”²²¹

Here the expenses related to the workers, which the Ecuadorian farmers did not have, became a disadvantage for United Fruit due to the fact that United Fruit provided them with housing, schools, hospitals etc. In comparison Ecuadorian farmers did not have any of these expenses. If United Fruit were to compete, they had to cut its expenses.

In order to escape these costs, United Fruit started to buy a larger share of their bananas from independent producers. This would get the costs down, since United Fruit could decrease their number of employees, and also did not have to operate schools, hospitals etc. anymore. In addition United Fruit transferred the risk involved in banana growing to the independent producers.

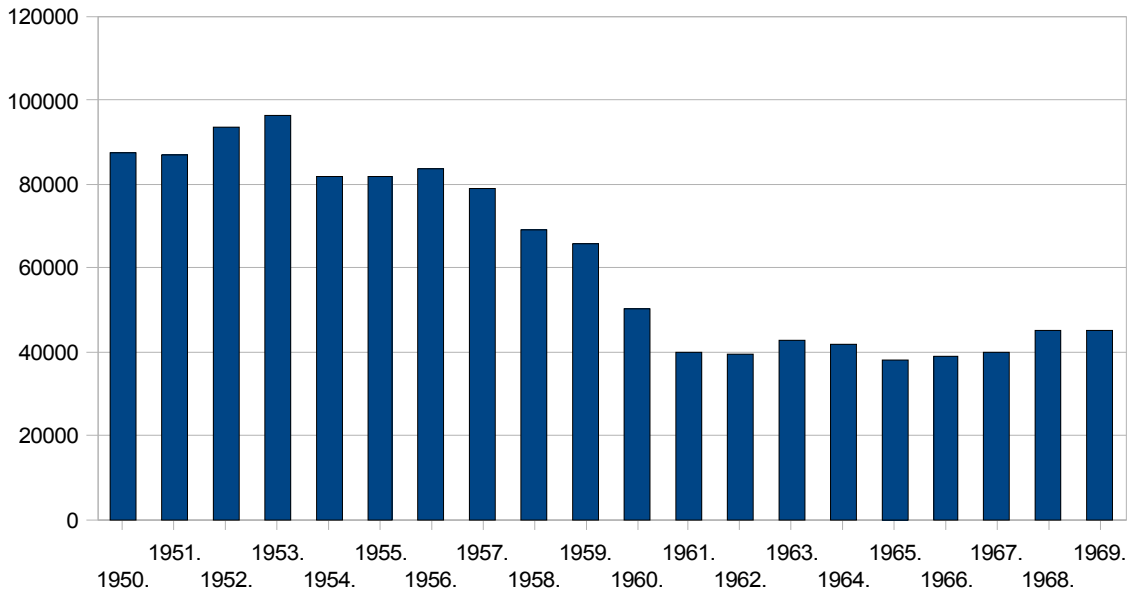
Due to the higher yield from the Valery the productivity in Central America increased enough to counterweight the low cost advantage Ecuador had enjoyed, and by the late 1960s Ecuador had lost its comparative advantage.²²² The export from the Central American countries, now mostly under associate producer's control, increased strongly in the 5-year period between 1964 and 1969. Honduras increased from 338,000 tons of bananas exported in 1964 to 850,000 tons of banana exported in 1969, while the same figures for Costa Rica were from 288,000 tons to 694,000 tons, and for Panama the figures was from 261,000 tons to 589,000 tons. For Ecuador the numbers in the same period was 1,070,000 tons to 1,171,000 tons.²²³

²²¹ Arthur, Houck & Beckford, page 147.

²²² Bucheli (2005), page 66.

²²³ Fruit – A Review of production and trade relating to fresh, canned, frozen and dried fruit, fruit juices and wine, page 112.

Figure 5.1: United Fruit Company Employees in the Tropical Division, 1950-1969



Source: United Fruit Company Annual Reports, various years.

As figure 5.1 shows, when United Fruit started buying more from independent producers, it employed fewer in their tropical division. From 1957 to 1961 its work force in the tropical division were halved, while the employee in other divisions only had a small decrease.²²⁴ With a comparison between the 1950s and 1960s, United Fruit only employed half of the staff in the 1960s, as it had in the 1950s. The reason was that with a smaller output from its own plantations compared to bananas bought on the open market, its need for employees went down. Also, with the introduction of the new Valery banana type, the need for plantation also fell due to the more than doubling in the yield per acre from the Valery compared to the Gros Michel banana, with the Gros Michel yielding 18-22 tons of exportable bananas, the Valery yielded 46-55 tons.²²⁵ The reduction of workers in the tropical division coincides with the reduction in land, see figure 4.2, which is natural since the large majority of the workers in the tropical division worked on plantations.

A problem was to find enough farmers that wanted to grow bananas, with all the uncertainty that came with growing bananas for the banana market compared to work on a banana plantation with a fixed salary. Also, United Fruit wanted their bananas to be of a certain quality. To comply with this, United Fruit implemented the Associate Producer Program. The goal for this program was “...to widen the base of the banana business and to encourage local farmers to participate in growing and cultivation of bananas...”²²⁶ United Fruit wanted to sell

²²⁴ See Appendix 5.

²²⁵ Roche, page 47.

²²⁶ United Fruit Company Annual Report 1962, “1962 In Review – Associate Producers”.

excess land to nationals, which they anticipated would help both the company in reducing their costs, and Latin America in accordance with the objectives of the Alliance for Progress,²²⁷ a program initiated by the American president John F. Kennedy in 1961 to help Latin America and to combat communism in the region.²²⁸ With the Associate Producers program, United Fruit had succeeded in reducing its labor related costs.

However, local trade unions and governments sometimes opposed United Fruit plans to sell its land and thereby stop offering social benefits to the workers. The unions opposed it since local operators had lower pay and benefit scales, and the governments, who often had low budgets and a limited interest in public welfare, was reluctant to assume the cost of operating United Fruit's vast system for maintaining the health and literacy of the work force.²²⁹

Despite some local opposition, United Fruit continued its program to reduce its banana producing costs, closing down plantations that did not deliver desired results and transferring and selling their hospitals, schools, employee housing etc. This program continued through the 1960s, and also after the merger with the AMK Corporation into United Brands in 1970. In 1971 United Brands transferred the hospital and medical facilities at the Almirante, Panama Division, in accordance "...with the Company's policy of turning over to local government agencies as many of the health, education and general welfare services as the countries can administer."²³⁰ Also, in 1972 programs for selling certain company-owned housing units in several tropical divisions was developed, being received, according to United Brands, enthusiastically by the employees.²³¹

Summary

The individual workers were probably not very important for United Fruit, since he was typically an unskilled laborer, and could easily be replaced. What was important was to have a work force, because without a work force, banana cultivation would be impossible.

The cultivation of bananas was traditionally very labor intensive, and still was in the 1950s

²²⁷ United Fruit Company Annual Report 1961, "President's Letter to the Shareholders".

²²⁸ A program United Fruit seemed to be very fond of, at least officially, praising it several times in its annual reports.

²²⁹ "United Fruit Finding Latin Foes Not Eager For It to Sell Lands" in The Wall Street Journal, February 23, 1962.

²³⁰ United Brands Company Annual Report 1971, "United Fruit Company – Bananas".

²³¹ United Brands Company Annual Report 1972, "Banana Group – Bananas".

and 1960s, although some of the operations had been automatized or mechanized. This made the cultivation of bananas less labor intensive than earlier, but it still was a labor intensive industry.

The emergence of trade unions after the Second World War meant that United Fruit had more challenges with its work force than earlier. Especially when combined with governments which was generally less positive to its operations.

It was the other labor expenses, housing, schools etc., which made United Fruit lose ground to Ecuadorian banana farmers. The Ecuadorian banana farmers had much lower expenditures than United Fruit, and United Fruit was forced to change its strategy. From cultivating almost all of its bananas, United Fruit now relied heavier on the market and on its Associate Producers, meaning United Fruit went from a production company to a marketing company.

The locational advantages tied to the workers diminished after the Second World War. However, in this chapter the theories was less useful than in the other two chapters, due to the fact that there was more important locational advantages than the workers, land suitable for banana growing, vicinity to market, and a friendly government. It is not to say that the theory was useless in this chapter, it was however not as useful as in the other two analysis chapters.

CHAPTER 6

UNITED FRUIT COMPANY AND ITS TRANSPORTATION SYSTEM

In this chapter, I will discuss both United Fruit's fleet, commonly referred to as the Great White Fleet, and their railroads. I will not divide them into two chapters, since it is the role of the transportation system of United Fruit I am interested in, its importance to the company and to its banana trade, and how the transportation system changed after the Second World War. Therefore there is no need for two chapters; since it is the entity which they create together I am interested in. Also, it fits with the structure of the previous chapters, and with the thesis as a whole.

Why was the transportation system so important to United Fruit?

The most important factor for the importance of the transportation system lay in the facts that the production and the market were geographically apart, and the lack of commercial or public transportation facilities between the production area and the market.

United Fruit often had its plantations in virgin territory in remote areas, with no access by either roads or railroads. This meant that in order to get the bananas from these areas, United Fruit had to provide their transportation system. In other words, if United Fruit did not provide their own transportation system, its produce would decompose on the plantations. Therefore its transportation system would become very important, without it would have been impossible to operate.

Most often United Fruit built its own ports as well. This was often the best solution due to distance to the plantations, and to the fact that they had to build a railroad allow the way to a port in order to transport the bananas out of the country anyhow, so they could might as well build its own port as well. This also gave them control over the port. Since United Fruit had control over the port, they could delay goods on the line until the competing shipping companies were tired of waiting for the goods, and left port, thus leaving United Fruit ships as the only alternative.²³²

When United Fruit was founded, there was a distinct lack of commercial shipping routes from Latin America to the United States suitable for transporting their bananas. Therefore United

²³² Kepner and Soothill, pages 188-189.

Fruit had its own fleet of refrigerated vessels, nicknamed the Great White Fleet due to the ships being painted white in order to help them keep the right temperature for the ripening process. United Fruit's fleet also transported, in addition to the cargo of the company, other goods, such as passengers and mail. United Fruit often refused to transport goods from competitors, and when it did transport goods for competitors, it most often charged disproportionately large fees from them.

In addition to this, United Fruit's subsidiary Fruit Dispatch Company were responsible for transporting the bananas from United Fruit's main ports in United States, in New Orleans and New York, to other large cities in the United States and Canada. However, the Fruit Dispatch Company will not be discussed, because they operated within the United States and were not influenced in the same way as the operations outside the United States in the 1950s and 1960s.

The fact that United Fruit had full control over the transportation was very important for its success. Company officials has claimed that the transportation were so vital “that their marked success in the trade has been due to methods which were developed for rapid, careful, and dependable transport of the banana.”²³³ Rapid transport were important since the banana were a very perishable fruit, if it did not get to the markets fast enough it would get spoiled. Careful transportation meant that the quality of the fruit was maintained. And dependable transportation meant that it were much easier planning than it would have been if United Fruit had to depend on commercial shipping lanes.

Both the railroads and the Great White Fleet gave United Fruit a large influence, both over competitors and on governments. This influence were used deliberate in some cases, but also had some unintended consequences. An example of a deliberate use can be seen in the case of Atlantic Fruit Company²³⁴ trying to establish themselves in Costa Rica in 1912. Both the local banana farmers and the Costa Rican government welcomed Atlantic Fruit as an alternative to United Fruit in the country's banana market. However, United Fruit owned the railroads in the banana producing northern part of Costa Rica, dating back to the early railroad building days of Minor C. Keith, and simply denied Atlantic Fruit access to the railroads. The railroads were

²³³ English, page 11.

²³⁴ “Formed in 1905 by Joseph Di Giorgio and in 1906 United Fruit Co. purchased a half share in the company, but was later forced to sell it under current anti-trust laws. In 1923 Di Giorgio entered into partnership with the Vaccaro Brothers (Standard Fruit Co.) and formed the Mexican American Fruit & Steamship Co. In 1927 the company name was changed to American Fruit & SS Co. and in 1923 Di Giorgio sold out to Standard Fruit Co.” <http://www.theshipslist.com/ships/lines/afruit.htm> Retrieved October 7, 2008.

the only viable transportation method to get the bananas to the coast, and with their bananas getting spoiled by the railroad tracks, Atlantic Fruit had to give up after only a month.²³⁵

An example of an unintended consequence can be seen on Jamaica. United Fruit controlled the shipping route, both cargo and passengers, from Jamaica to New York, and from Jamaica to England through their subsidiary Elders and Fyffes. This meant, according to Jamaican officials, that the colony was at United Fruit's mercy, putting them at a disadvantage in competing with other tourist resorts.²³⁶

Internalization as a factor

The most useful variable from the OLI-variables is internalization; due to that United Fruit chose to build its own transportation system instead of using the existing. However, due to the lack of commercial shipping lanes, and viable transportation options to transport the bananas from the plantations to the ports, United Fruit had to internalize.

There was a distinct lack of railroads in the countries in which United Fruit operated in early in the 20th century, and the fact that United Fruit operated in virgin territory made the absence even greater. So concerning the internalization of the railroads United Fruit did not have a real choice. If the company wanted to transport its bananas from the plantations, it had to build its own railroad. United Fruit achieved several advantages by internalizing the railroads. For example, the train would leave the station when United Fruit wanted it to, in other words when it was loaded with bananas, instead of having to implement train schedules into the banana ripening process. Another advantage United Fruit achieved in some countries or regions was an ownership advantage related to the possession and exploitation of monopoly power, as was the case when the Atlantic Fruit Company tried to establish themselves in Costa Rica.

There was also a distinct lack of commercial sea lanes which could be used to transport bananas. Due to the fragility and ripening process of the banana, the use of commercial sea lanes was never a viable option. Instead United Fruit had to internalize its fleet. The largest benefit achieved from the internalization of the fleet was that United Fruit did not have to rely on commercial shipping routes, instead the company could plan the transportation of the

²³⁵ Chomsky, pages 69-73.

²³⁶ "United Fruit Company Said To Control Transportation To Jamaica" in Canada-West India Magazine (Montreal), June 1923.

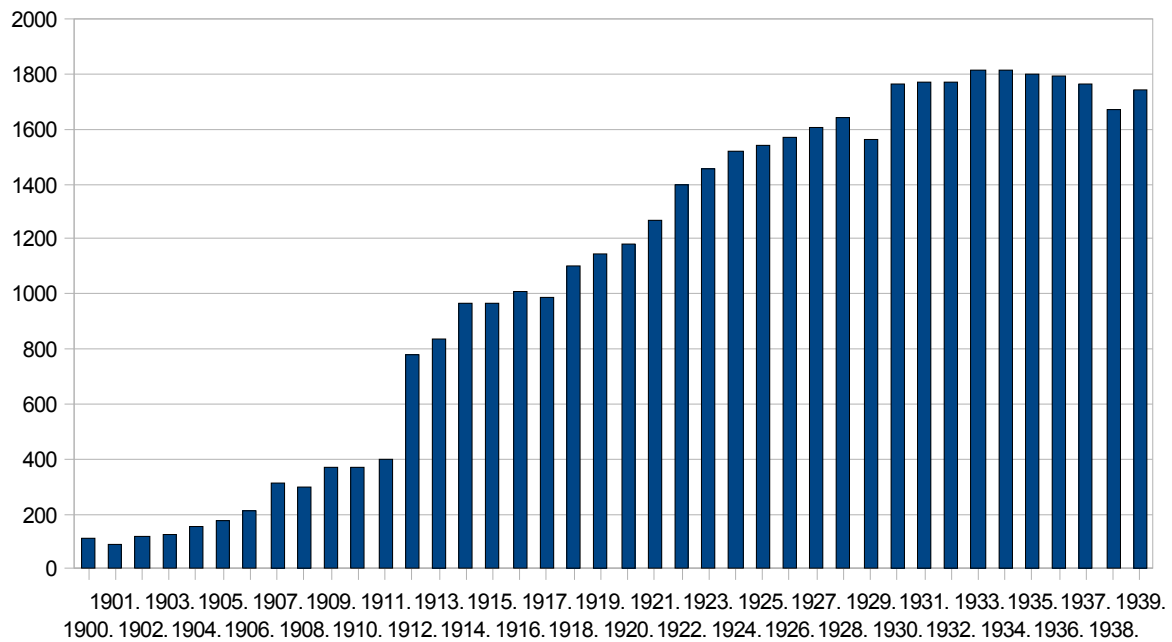
bananas much better. This was vital due to the bananas fragility and ripening process.

As already mentioned, the control over the transportation was a key reason for United Fruit's success, making the internalization of the transportation a success. According to Dunning, internalization is not an option as long as the market functions and is perfectly competitive, however, when an imperfection arises and can be exploited through internalization, internalization becomes an option.²³⁷ There was no functioning market United Fruit could utilize in neither the railroad transportation nor the shipping, which meant there was imperfections which could be exploited by United Fruit by internalization, making the handling of the lack of transportation options in accordance with the eclectic paradigm.

How extensive prior to the Second World War?

Railroads

Figure 6.1: United Fruit Company Railroads owned and operated in miles, 1900-1939



Source: United Fruit Company Annual Reports, various years

As seen in figure 6.1, United Fruit had a steady increase until it stabilized in the 1930s. The large increase between 1911 and 1912 can partly be explained with Northern Railway Co. and Costa Rica Railway, both in Costa Rica, with a combined length of 298.60 miles.²³⁸ However,

²³⁷ Dunning (2002), page 60.

²³⁸ United Fruit Company Annual Report 1912, Exhibit "E": Comparative Statement of Railways Owned or Operated on September 30, 1912 and 1911.

prior to 1912, only the railroads United Fruit owned are accounted for in their annual reports, not the railroads they operated. Therefore, the increase is a technicality due to a change in their practice in their annual reports. Also, the increase in railroad miles owned and operated indicates a further internalizing of the transportation, or at least maintaining the same degree of internalizing as the amount of land increased.

Table 6.1: United Fruit Company Railroads Compared to Total Railroad Line Open,²³⁹ in Miles

	(United Fruit Company / Total Railroad Line Open in Country)				
	1900:	1910:	1920:	1930:	1939:
Colombia	37.73 / 352.94	8.60 / 613.91	11.65 / 836.99	31.04 / 1621.16	147.81 / 2017.59
Costa Rica	33.18 / 241.09	66.29 / 384.63	324.49 / 402.03	333.38 / 413.21	358.28 / 413.21
Cuba	28.50 / 1217.89	98.30 / 2006.41	259.30 / 2712.91	338.54 / 3039.13	332.81 / 3085.11
Guatemala		11.11 / 449.87	63.31 / 613.29	122.36 / 720.17	209.00 / 720.17
Honduras			244.44 / 474.11	668.65 / 906.58	445.29 / 815.86
Jamaica	8.12 / 185.17	17.36 / 185.17	27.88 / 197.60	92.06 / 210.02	30.81 / 210.02
Panama		171.02 / 47.22	251.76 / 98.18	174.30 / 98.18	220.54 / 98.18
San Domingo	4.50 / - -				
Total	112.03 / 1997.09	371.68 / 3687.21	1182.83 / 5335.11	1760.24 / 7008.45	1744.54 / 7360.14

Sources: United Fruit Company Annual Reports, various years & B.R. Mitchell, pages 540-548.

Unfortunately, because of problems in the collecting of the data,²⁴⁰ the numbers is not exact. The numbers will, however, give an impression of the extent of the United Fruit railroads, and is the best one's available to me. Also, since United Fruit had a mixture of private railroad lines and railroad lines open for the public, it would be interesting to compare with other private lines, I have however not been able to find any sources on this for all the countries United Fruit operated in.

Since United Fruit produced sugar canes on Cuba and Jamaica, I will not give an account for the railroads United Fruit had on these islands.

In Costa Rica there is a sharp increase from 1910 to 1920. The reason is not that United Fruit multiplied their railroad length in Costa Rica in this period, but rather that United Fruit did not enter its railroads operated by its subsidiaries The Northern Railway and Costa Rica

²³⁹ Total Railroad Line Open refers to railroad lines open to commercial use for the public, not private lines only open to the owners.

²⁴⁰ Regarding the data from Mitchell: "In principle, industrial lines, which were not open to public traffic, are not included. In practice, this distinction cannot always be made, especially in Central American countries. The main endeavour has been to maintain consistency in the series." Mitchell, page 550. United Fruit had both industrial lines closed for the public, and regular commercial lines open to the public, which means some of their railroads are included in the numbers, and some are not.

Railway into its annual reports, which they do in 1920 and beyond. The Costa Rica Railway was set up by Minor C. Keith, co-founder of United Fruit, to build a railroad line in which Cartago joined the Limon-Rio Sucio Line, in which Keith's company received 99 years ownership from June 1891. The Northern Railway had its origin in a railroad line from Limon to Banana River, which Keith received the concessions to in 1893. After changing hands several times, the railroad line was transferred to Northern Railway in 1901 by United Fruit.²⁴¹

In Panama there had been several privately-owned railroads in the first half of the century, although most of them were abandoned by the Second World War. Of these privately-owned railroads, United Fruit had the longest. Since the privately-owned railroads to transport goods, as in the case of United Fruit bananas from the plantation to the port, and therefore the privately-owned railroads was most likely not open for the public.²⁴² This explains how United Fruit could have more railroads than the total of open line in Panama.

In Honduras the railroads were strongly influenced by the fruterias, and the railroads was principally localized near the banana plantations, meaning that the railroad were relatively unimportant for the country as a whole. This explains the relatively large part of the railroads in Honduras which was in United Fruit's possession. United Fruit had two railroad subsidiaries in Honduras, Tela Railway and Trujillo Railway, with a total 418 miles of railroad in 1941. In comparison, Standard Fruit also had a railroad in Honduras, the Standard Fruit Railway, with 280 miles of railroad lines. While the National Railway of Honduras only had 132 miles of railroad lines.²⁴³ This shows that the fruterias had a strong influence in the Honduran railroad network, which coincides with the strong influence the fruterias had in the Honduran society as a whole.

The relationship between United Fruit and the International Railways of Central America (IRCA), which operated in Guatemala and to some extent in Honduras, has been the object of discussion and accusations of illegal cooperation. It was Minor C. Keith, co-founder of United Fruit, who founded IRCA in 1912, after his company Guatemala Railway Company bought Guatemala's Central Railway. Until 1927,²⁴⁴ United Fruit did not own any stocks in IRCA. Instead, United Fruit controlled the company through a traffic arrangement which guaranteed them rates and services not available to any other banana company. Also, both

²⁴¹ Bloom, page 5.

²⁴² Bloom, page 49-50.

²⁴³ Bloom, page 33.

²⁴⁴ In 1923 United Fruit bought some IRCA stock on the condition that Keith could buy them at cost plus interest, which he did later that year. Dosal, page 63.

Keith and Andrew Preston, co-founder and president of United Fruit, linked the two companies together. Keith held over half of the IRCA stock, and Preston sat on the IRCA's board of directors from 1912 to 1924 and held 7,000 shares of IRCA stock.²⁴⁵

When Keith approached retirement in 1927, he sold his IRCA stocks to a voting trust agreement. This was a move to secure United Fruit control over IRCA after Keith's death or retirement, and the voting trust replaced Keith and ensured United Fruit the control. In addition, United Fruit bought 17.8 % of the IRCA stocks.²⁴⁶ Then in 1937, United Fruit merged with IRCA.²⁴⁷

Due to these circumstances, United Fruit had much more control over the railroads in Guatemala than the numbers in table 6.1 indicates. Since United Fruit did not own IRCA, its railroad lines do not appear in the annual reports of United Fruit, and thus not reflecting the company's influence in the country.

However, Diane K. Stanley claims that IRCA and United Fruit operated as two separate entities. She correctly attacks claims that United Fruit owned IRCA, however, she minimizes the importance of the close bonds between the two companies due to the role of especially Minor C. Keith.²⁴⁸ While Dosal substantiates his claims with supporting sources, Stanley substantiates her claim by a quote from a study Richard Allen LaBarge, an American economist, did about United Fruit, about the IRCA board operating without any influence from United Fruit, except for the United Fruit appointed representative,²⁴⁹ ignoring other ways for United Fruit to control IRCA than ownership, leaving Dosal as the most reliable source of information on this question.

Great White Fleet

United Fruit's fleet, nicknamed the Great White Fleet, was of great importance to the company. It was an integrated and important part of the carefully coordinated operation in getting the bananas from the plantations to the markets. This being especially important concerning bananas, since the banana spoiled so easily. Strategically it was important to have ships owned by the company. This gave United Fruit the opportunity to better plan the

²⁴⁵ Dosal, pages 62-63.

²⁴⁶ Dosal, pages 111-112.

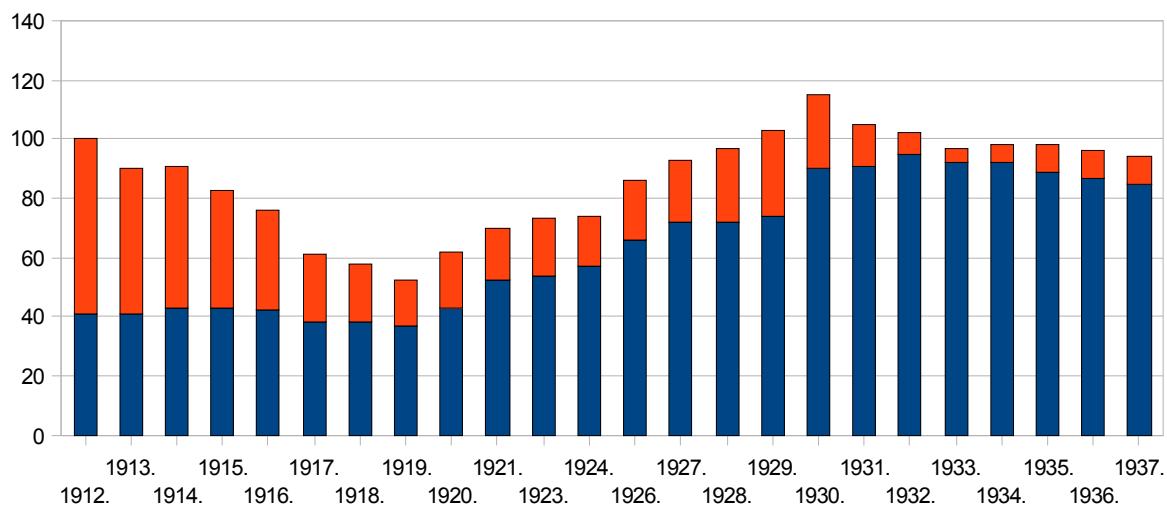
²⁴⁷ <http://www.unitedfruit.org/chron.htm> Retrieved March 25, 2009.

²⁴⁸ Stanley, pages 34-36.

²⁴⁹ Stanley, page 36.

transportation, and they did not have to depend on local shipping lanes, which there was very few of. The Great White Fleet, together with the railroads, was a key element for the success of United Fruit.

Figure 6.2: United Fruit Company Fleet – Owned and Chartered 1912-1937



Blue: Owned. Orange: Chartered. No data 1922 and 1925. In 1919 United Fruit managed and/or operated 11 ships for account of United States Shipping Board, Emergency Fleet Corporation, which is not included in table 2.

Source: United Fruit Company Annual Reports, various years.

The two interesting aspects in figure 6.2 are the decrease in ship after 1912, which I will return to soon, and the correlation between the owned and chartered ships in the fleet. In 1912 there were more chartered ships in the fleet, than those owned by United Fruit. However, in the 1930s chartered ships became a minority. According to John H. Melville, author of *The Great White Fleet*, the practice with chartered ships was discontinued in the early 1940s.²⁵⁰ This can be an explanation to the decreasing numbers of chartered ships during the 1930s, as the discontinuation most likely was the result of an already existing tendency. However, there are strong indications that the practice with chartering was not discontinued, which I will account for later in this chapter.

Comparing United Fruit's fleet to the fleet of Cuyamel Fruit²⁵¹ in 1929 when United Fruit acquired Cuyamel Fruit, United Fruit had 103 ships²⁵² and Cuyamel Fruit had 15 ships.²⁵³ Of these only five ships was refrigerated, and of the ten naturally ventilated ships, only five was

²⁵⁰ Melville, page 249.

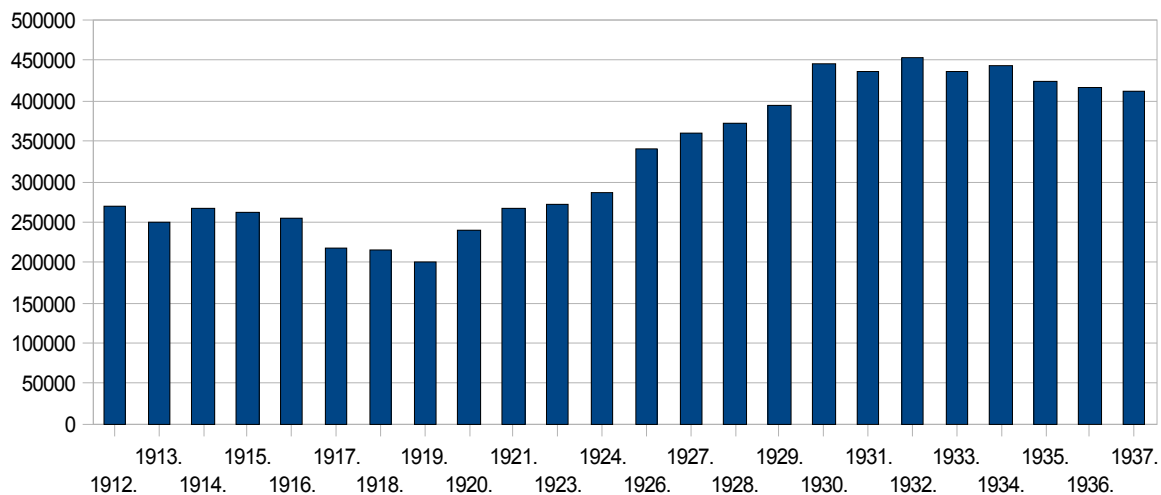
²⁵¹ As previously shown, Cuyamel Fruit was the third largest banana company, and a comparison with Standard Fruit would be natural here. I have, however, no material on Standard Fruit's fleet.

²⁵² United Fruit Company Annual Report 1929, "Statement of Ships".

²⁵³ Melville, page 126.

designed and built especially for banana transport.²⁵⁴ Not only had Cuyamel Fruit a much smaller fleet, 1/3 of it was not even designed and built for banana transportation. It is, however, likely that this would have changed if Cuyamel Fruit had not been acquired by United Fruit, as these ships would probably been phased out by new ships.

Figure 6.3: United Fruit Company Total Tonnage Fleet, Owned and Chartered 1912-1937.



No data for 1922 and 1925. The tonnage for the ships United Fruit managed and/or operated for United States Shipping Board was 24,939.

Source: United Fruit Company Annual Reports, various years.

There is a relatively large decrease in the number of ships in the fleet from 1912 to the lowest level in 1918 and 1919, not reaching the 1912-level before 1929. However, according to figure 6.3 the total tonnage of the fleet is relatively stable in the same period, increasing after the First World War. A likely explanation is that United Fruit ordered larger ships specially fitted for the banana transport, ousting out smaller ships not especially designed for the banana transportation. Since the total tonnage of the fleet shows the freight capacity of the fleet, its the most interesting since it shows United Fruit's ability to transport their goods.

What happened after the Second World War?

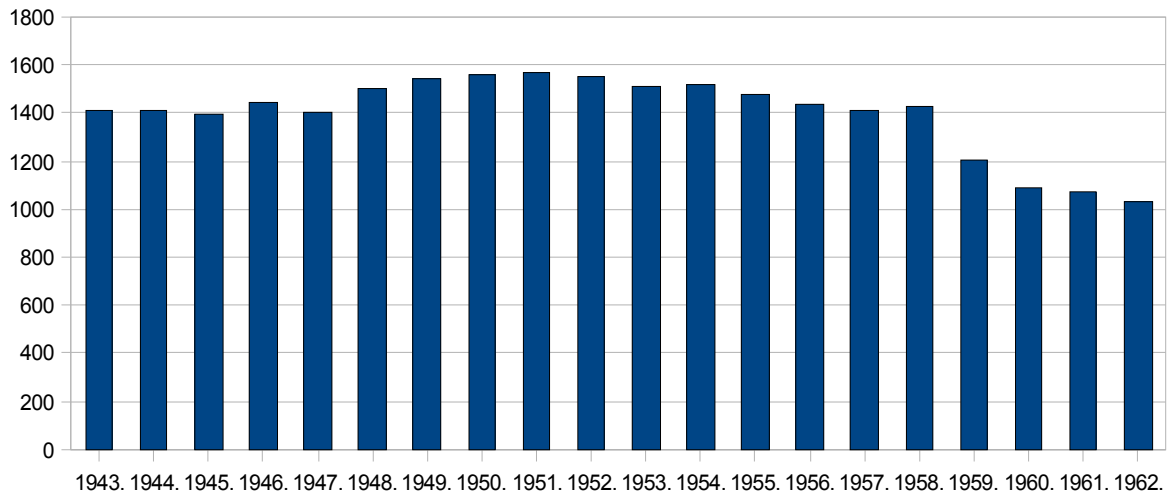
Railroads

Apparently there is no major reduction in railroads after the Second World War, according to figure 6.4. The largest drop came between 1958 and 1959 after the Cuban revolution, when United Fruit lost its entire railroad on Cuba, other than that there are little changes. However,

²⁵⁴ Melville, page 126.

the drop continues after 1962 as well.

Figure 6.4: United Fruit Company Railroads Owned and Operated in Miles, 1943-1962



Source: United Fruit Company Annual Reports, various years.

United Fruit Company Railroads and Tramways Owned and Operated, 1963-1967²⁵⁵

1963: 1197,9 miles

1964: 1133 miles

1965: 985 miles

1966: 951 miles

1967: 900 miles

Since tramways is included from 1963-1967, it can be useful to see how much mileage of tramways United Fruit had in the years prior to 1963.²⁵⁶

1960: 240.55 miles

1961: 290.28 miles

1962: 183.74 miles

Comparing with the reduction in land area, the reduction in railroads seems minor, but there was a reduction, which is interesting when comparing with the strong growth before the Second World War. Why did not the same drastic reduction appear here? One possible explanation is that the land was a much more controversial issue. A railroad takes up a limited

²⁵⁵ United Fruit Company Annual Reports, various years – Between 1963 and 1967 all numbers are included both railroads and tramways, in earlier annual reports these are separated.

²⁵⁶ United Fruit Company Annual Reports 1960 – 1962, “Improved Acreage and Railways Owned and Operated”.

area of space, and can be an asset to a community. Whereas the vast amounts of land United Fruit owned, just lying there unproductive and unimproved, could be put into production or be the source of food for a family.

The fact that the immense growth and expansions United Fruit had experienced before the Second World War had slowed down, and gradually stopped, meant that even though United Fruit still needed their railroads to transport its bananas and other produce to the ports, the increase in railroad length would stop. And with the closing of non-profitable plantations and the increased focus on the Associate Producers, meaning that more of the bananas were bought from independent farmers, the need for new railroads diminished. Most of the railroads United Fruit built were from its plantations to the ports, and when new plantations did not necessarily replace the plantations that closed, the length of United Fruit railroads would decrease. The practice of removing railroads the company no longer needed would also increase this trend.²⁵⁷

What is important to be aware of is the fact that United Fruit kept internalizing its railroads. It was still important to be able to plan the transportation of the bananas, and the governments still did not prioritize to build railroads in the areas United Fruit operated in, which was normally in areas with a low population density. In other words, there was still no functioning market for the transportation of the United Fruit bananas, meaning there was still an imperfection to exploit.

Also, with more of the bananas being bought from Associate Producers and independent farmers, the probability that these was situated near either a company-owned railroad or commercial railroad, or near some other means of transportation, was probably substantial. The farmers had to get their produce out to a buyer, and without some sort of transportation system this would be very difficult, thereby render it probable that the farmers was situated near a transportation system. United Fruit would thereby not be forced to build railroads in order to get their produce to the markets.

So, assuming that United Fruit had no longer the same need to build railroads to get their produce to the markets, combined with the normal phasing out of outdated lines or lines that was not needed any more, it is not unlikely that a decrease as the one United Fruit experienced would occur.

²⁵⁷ Assuming that this practice continued to the 1960s.

Table 6.2: United Fruit Company Railroads Compared to Total Railroad Line Open,²⁵⁸ in Miles

	(United Fruit Company / Total Railroad Line Open in Country)			
	1950:	1955:	1960:	1965: ²⁵⁹
Colombia	41.97 / 2190.95	17.06 / 1902.64	20.80 / 1964.15	-
Costa Rica	329.94 / 413.21	309.86 / 413.21	247.79 / 413.21	314 / 413.21
Cuba	331.56 / 3019.86	327.10 / 3168.37	-	-
Dominican Republic	30.61 / 167.77	34.57 / 167.77	53.32 / 167.77	-
Guatemala	214.32 / 720.17	181.59 / 720.17	184.37 / 720.17	172 / 720.17
Honduras	392.77 / 805.92	382.47 / 803.43	361.85 / 764.29	257 / 639.39
Jamaica	22.81 / 206.92	11.24 / 208.16	1.40 / 205.05	1 / 205.05
Panama	198.95 / 98.18	210.99 / 98.18	220.09 / 98.18	241 / 98.18
Total	1562.93 / 7622.98	1474.88 / 7481.93	1089.62 / 4332.82	985 / 2076

Source: United Fruit Company Annual Reports from 1950, 1955, 1960 and 1965, B.R. Mitchell pages 542-548.

There was also a general decrease in land holdings for United Fruit after the Second World War, see figure 4.2 Can there be found any relation between the tendencies in landholdings and miles of railroads?

Since United Fruit produced sugar canes on Jamaica and Cuba, I will not give an account for the company's railroads on these islands. I will, however, mention that the reason for the disappearance of the United Fruit railroads Cuba is due to the Cuban Revolution.

Many of the same explanations from before the Second World War about the extent of the United Fruit railroad compared to the national railroads are still valid. Panama still had a large degree of private railroads, which the United Fruit railroad is proof of. Also, there had been no building of new railroads open to the public since before 1920. Regarding United Fruit's railroads in Panama, it had an increase. This coincide with an increase in cultivated land in the same period, however, between 1960 and 1965 there was a decrease in cultivated land for United Fruit in Panama.²⁶⁰ At the same time the length of railroads increased.²⁶¹ This could be due to closing down plantations and opening new plantations with a need for an increase in

²⁵⁸ Total Railroad Line Open refers to railroad lines open to commercial use for the public, not private lines only open to the owners.

²⁵⁹ The numbers from United Fruit for 1965 included tramways, these was however of a minor length, except in Costa Rica.

²⁶⁰ An increase from 55,985 acres in 1950 to 71,042 acres in 1960, and a decrease to 50,867 in 1965. United Fruit Company Annual Reports, 1950: "Improved Acreage and Railways Owned and Operated", 1960: "Improved Acreage and Railways Owned and Operated", and 1965: "Improved Acreage and Railways."

²⁶¹ The length of tramways in Panama was 8,85 miles in 1962, indicating that there was an increase, or at the very least a stable length, on the railroads of United Fruit. United Fruit Company Annual Report 1962, "Improved Acreage and Railways Owned and Operated"

railroad length. This seems unlikely, due to the company's focus on reducing the company-produced percentage of the bananas they sold. There could also have been a delay in the relation, meaning that it would take a few years from the landholdings went down, until the railroad length followed.

Also in Costa Rica the situation had not changed much since before the Second World War. United Fruit still owned and operated The Northern Railway and the Costa Rica Railway, and the length of open railroad had not changed since before 1930. The decrease in United Fruit railroad in Costa Rica coincide with the decrease in land in the same period, from 112,117 acres in 1950²⁶² to 91,619 acres in 1965.²⁶³ Less acreage could mean United Fruit needed fewer railroads in the country, and thereby explain the decrease. The increase in railroads between 1960 and 1965 can be attributed to tramways being included for 1965, which had the length of 143.78 miles in 1962.²⁶⁴

Honduras was another country that found themselves in a similar position as before the Second World War. The country was dominated by foreign, mainly American, investors, which controlled the largest railroads in the country.²⁶⁵ United Fruit experienced a decrease in their railroads throughout the 1950s and 1960s. Even though there was an increase between 1950 and 1955²⁶⁶ in cultivated land acreage, there was a decrease as a whole, from 111,581 acres in 1950²⁶⁷ to 77,639 in 1965²⁶⁸. However, the decrease in railroad length was proportional larger than the decrease in land between 1960 and 1965.

In Colombia, United Fruit's railroads went down from 1950 to 1955, stabilizing from 1955 to 1960, and had disappeared by 1965. This coincide with the decrease in land holdings in the same period²⁶⁹, the only divergence being that more than half of the United Fruit railroads, as seen in table 6.2, was disposed off between 1950 and 1955, and the land holdings only decreased with 3,435 acres from 19,930 acres in 1950²⁷⁰ to 16,495 acres in 1955²⁷¹. Even

²⁶² United Fruit Company Annual Report 1950, "Improved Acreage and Railways Owned and Operated".

²⁶³ United Fruit Company Annual Report 1965, "Improved Acreage and Railways".

²⁶⁴ United Fruit Company Annual Report 1962, "Improved Acreage and Railways Owned and Operated".

²⁶⁵ Schulz & Schulz, page 34.

²⁶⁶ From 111,581 acres in 1950 to 124,586 in 1955. United Fruit Company Annual Reports, 1950: "Improved Acreage and Railways Owned and Operated", 1955: "Improved Acreage and Railways Owned and Operated".

²⁶⁷ United Fruit Company Annual Report 1950, "Improved Acreage and Railways Owned and Operated".

²⁶⁸ United Fruit Company Annual Report 1965, "Improved Acreage and Railways".

²⁶⁹ From 19,930 acres in 1950 to 3,230 acres in 1965. However, no cultivation took place in Colombia in 1965. United Fruit Company Annual Reports, 1950: "Improved Acreage and Railways Owned and Operated", 1965: "Improved Acreage and Railways".

²⁷⁰ United Fruit Company Annual Report 1950, "Improved Acreage and Railways Owned and Operated".

²⁷¹ United Fruit Company Annual Report 1955, "Improved Acreage and Railways Owned and Operated".

though United Fruit still had some land holdings in 1965, none of these was used to cultivate anything, meaning there was no need for a railroad to transport any produce. This coincides with United Fruit having no railroads in Colombia in 1965.

Even though Guatemala experienced a decrease from 214.32 miles of railroad in 1950 to 172 miles²⁷² in 1965, the decrease in landholdings are much larger. From 87,309 acres in 1950²⁷³ to 15,111 acres in 1965²⁷⁴. However, due to United Fruit's ownership of IRCA, it is reasonable to assume that a decrease in land holdings would have the effect of a decrease in railroad length, as it is reasonable to assume it would if the railroads was closed off to the public and being used to transport produce from plantations to ports. However, IRCA was a commercial train company, transporting passengers and goods all over Guatemala, and would not be all dependants on transporting United Fruit goods.

The only new country in which United Fruit established railroads in after the Second World War was the Dominican Republic. United Fruit established themselves in the Dominican Republic in 1947²⁷⁵, and since the company was establishing themselves in a new country, this could explain the increase in railroad length in the country, as opposed to most of the other countries in which there was a decrease. However, by 1965 United Fruit no longer had any railroads in the country. This is explained by the withdrawal by United Fruit from the country in the same year.²⁷⁶ Regarding the relation between land holdings and railroad length, the Dominican Republic follows an opposite trend than the other countries. While the railroad length increases from 30.61 miles in 1950 to 53.32 miles in 1960, the land holdings decreases from 13,157 acres of cultivated land in 1950²⁷⁷ to 7,301 acres of cultivated land in 1960²⁷⁸. An explanation could be that since United Fruit was newly established in the country, it envisioned staying there for many years, and therefore building railroads.

For most of the countries, there are a relation between a decrease in landholdings and railroad length. In Costa Rica the decreases in landholdings and railroads follow each other. In

²⁷² Including tramways, which amounted to 9.03 miles in 1962. United Fruit Company Annual Report 1962, "Improved Acreage and Railways Owned and Operated".

²⁷³ United Fruit Company Annual Report 1950, "Improved Acreage and Railways Owned and Operated".

²⁷⁴ United Fruit Company Annual Report 1965, "Improved Acreage and Railways".

²⁷⁵ United Fruit Company Annual Report 1947, "Statement of Improved Acreage Lands and Cultivations". The Dominican Republic appears on this overview for the first time this year.

²⁷⁶ United Fruit Company Annual Report 1964, "Improved Acreage and Railways Owned and Operated" & United Fruit Company Annual Report 1965, "Improved Acreage and Railways". The Dominican Republic appears for the last time on this overview in 1964, and in 1965 there is no mentioning of the country in the overview of improved acreage.

²⁷⁷ United Fruit Company Annual Report 1950, "Improved Acreage and Railways Owned and Operated".

²⁷⁸ United Fruit Company Annual Report 1960, "Improved Acreage and Railways Owned and Operated".

Colombia it is the same case, only that the railroad length had a larger decrease than the landholdings in the period between 1950 and 1955. In Panama and Honduras there are irregularities. In Panama the railroad length increased and the landholdings went down between 1960 and 1965, and in Honduras the landholdings increased and the railroad length went down between 1950 and 1955. Other than this, a decrease in landholdings is followed by a decrease in railroad length in these countries as well. In Guatemala both landholdings and railroad length decreased between 1950 and 1965. However, landholdings went down much more than railroad length. The explanation is that IRCA makes Guatemala to a special case. The Dominican Republic was the only exception from this tendency. There it was opposite, while the landholdings went down, the railroad length went up. A possible explanation to that is that United Fruit was newly established in the country.

When comparing with the degree of internalization, it is easy to claim that the degree of internalization went down since the mileage of railroads went down. It has already been established that the degree of internalization went down regarding the production of bananas in this period. However, there is no need to internalize what you do not have. The degree of internalization do not necessarily relate to the mileage of railroads. United Fruit had fewer and fewer plantations throughout the 1960s, and as long as these were serviced by privately owned railroad lines, the internalization did not go down. However, if these were not serviced by privately owned railroad lines, the internalization would go down. The decrease in railroads compared to the decrease in landholdings do not support any claims of a decrease in internalization in railroads for United Fruit, since the decrease in land holdings are larger than the decrease in miles of railroads.

Great White Fleet

There is no record of the chartered ships in the annual reports after the Second World War, although most years mention that the company has chartered ships. However, in 1947 United Fruit had 7 chartered ships²⁷⁹, 6 chartered ships in 1950²⁸⁰, 20 chartered ships in 1966²⁸¹, and 25 chartered ships in 1967²⁸² and 1968²⁸³. This would indicate that United Fruit had a strategy of charter more of their ships in the 1960s, as there are a decrease in the number of owned ships through the 1950s and 1960s. However, this is not possible to prove with my material of

²⁷⁹ United Fruit Company Annual Report 1947, "To the Stockholders of United Fruit Company".

²⁸⁰ United Fruit Company Annual Report 1950, "Transportation".

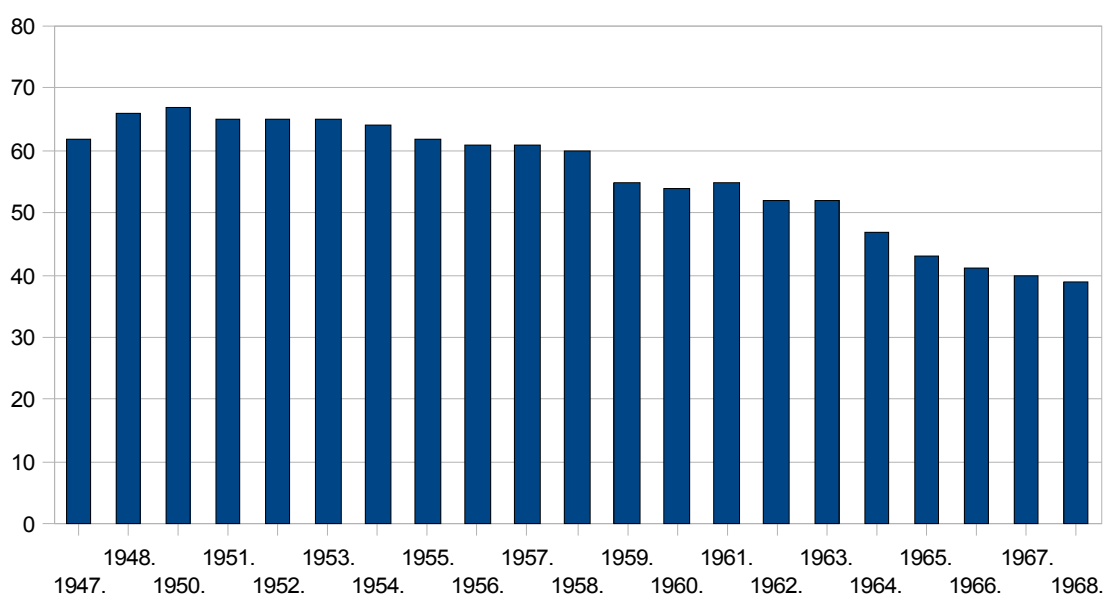
²⁸¹ United Fruit Company Annual Report 1966, "Operations in 1966 – Transportation".

²⁸² United Fruit Company Annual Report 1967, "Operations in 1967 – Transportation".

²⁸³ United Fruit Company Annual Report 1968, "Operations: 1968 / Produce Group – Transportation".

sources. I can, however, speculate. It is possible that the reduction in profits in the first years of the 1960s meant that United Fruit had a more pressing need for liquid assets, than a fleet of ships which the company owned. And as long as United Fruit could charter ships, and use them as it would use its own ships, it was not necessary for the conduct of the company to own the ships themselves. Melville claims that the practice with chartered ships was discontinued in the early 1940s.²⁸⁴ However, during the Second World War, in the period 1942-1945 when United States participated in the war, United Fruit reduced their operations to a minimum because of the presence of German submarines in the Caribbean.²⁸⁵ This can be the explanation as to why United Fruit discontinued the practice in the early 1940s, especially since they resumed to charter ships after the Second World War.

Figure 6.5: United Fruit Company Owned Ships 1947-1948/1950-1968.



Source: United Fruit Company Annual Reports, various years.

Another interesting aspect, is a comparison between figure 6.5 and figure 6.2, where the numbers of owned have decreased from 85 in 1937 to 62 in 1947. This decrease can be explained with the Second World War, where United Fruit lost 33 ships²⁸⁶ (19 in the American fleet and 14 in the British fleet).²⁸⁷

Figure 6.5 also shows a decrease in the number of ships. This can have at least three possible explanations. First, United Fruit might have reduced their output of bananas and other

²⁸⁴ Melville, page 249.

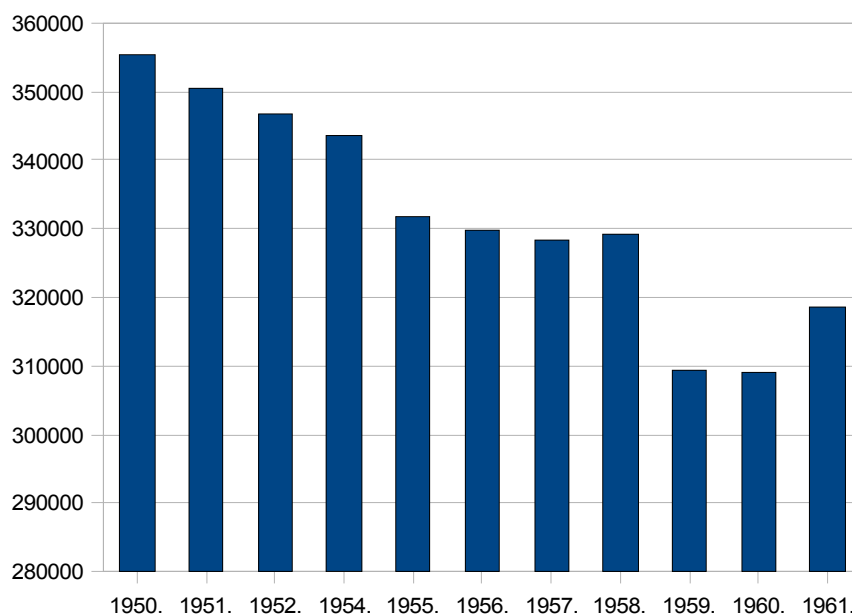
²⁸⁵ <http://www.unitedfruit.org/chron.htm> Retrieved, April 17, 2009.

²⁸⁶ United Fruit Company Annual Report 1948, "Steamship Operation and Activities".

²⁸⁷ Melville operates with 27 ships lost (and 275 officers and men). He, however, refers to the fleet United Fruit operated after the agreement with the United States War Shipping Administration. Melville, page 220.

commodities, this was not the case. Second, United Fruit might have reduced the number of ships it owned, and relied in a larger degree on chartered ships. This, however, I can neither prove nor disprove, as already shown. Third, United Fruit might have replaced older ships with larger and faster ships, reducing the necessary numbers of ships. According to the years which I have the total tonnage of the fleet and a list of all the company-owned ships, it seems unlikely, as shown in figure 6.6.

Figure 6.6: United Fruit Company Fleet Gross Tons, 1950-1952/1954-1961.



Source: United Fruit Company Annual Reports, various years. Calculated by adding the gross tons of all ships listed in “Statement of Ships”.

The gross tonnage of the fleet, as seen in figure 6.6, do not support any claims that United Fruit was replacing their fleet with larger and faster ships. Although some replacements were made, these were within the norm, regarding replacements due to wear and tear, and age.

However, even though United Fruit's fleet had a decrease after the Second World War, it still had a fleet, which is a very important point. That means that United Fruit still saw the fleet as an important part of the company. United Fruit still had to transport their bananas, and due to the fragility of the banana, the use of commercial shipping lanes was not a viable option for the company. Even though United Fruit produced less of its bananas in the 1960s, it still needed the fleet. According to Bucheli, United Fruit needed the fleet to effectively focus on marketing.²⁸⁸ This makes sense, transporting the bananas themselves would be much more effective than to rely on commercial shipping lanes.

²⁸⁸ Bucheli (2005), page 54.

United Fruit still internalized the fleet after the Second World War. This was necessary, even though the company bought more of the bananas from Associate Producers or on the open banana market, due to the fact that the bananas were still fragile and had to be on the market within a set limit of days to avoid the bananas getting spoiled. Whether or not United Fruit started to charter more ships in the 1960s is of less importance, the important thing is that the company still kept its own fleet to transport its bananas. Whether or not United Fruit chose to own or charter the ships can have many explanations, for example that United Fruit needed the liquidity chartering the ships would give them. This indicates that there was still no functioning market for the transportation of its bananas. Such a market is, however, not very likely to ever present itself, due to the nature of the demands of transporting bananas.

Summary

In the period before the Second World War there was an increase in both mileage of railroad and ship tonnage for United Fruit. However, after the war stagnation and decline started. The mileage of railroad went down steadily, with an extra large increase after the expropriation on Cuba after the Cuban Revolution. There was a relation between the decrease in land and in mileage of railroad, which can be seen when comparing the decreases in a specific country, although there were some exceptions due to special circumstances. Regarding the fleet, there was a decrease in the ship tonnage which United Fruit owned, but there was not enough data on chartered ships to see if there was a decrease in the fleet in general.

Internalization as an OLI variable has been very useful regarding the transportation system of United Fruit. There was a large degree of internalizing before the Second World War, which the company kept after the war as well. The decrease of internalization the company experienced in the cultivation of bananas did not occur in the transportation, because, in contrast to the emerging open banana market, no market which could facilitate United Fruit's transportation needs emerged. This meant that the imperfections which United Fruit exploited, was still there.

CHAPTER 7

CONCLUSION

My main conclusion and finding is that during the period of investigation in the period from after the Second World War until United Fruit became United Brands through the merger with AMK Corporations in 1970, United Fruit experienced a decline in the advantages that are necessary for a foreign company to establish themselves in a foreign country. Since United Fruit was already established, this led to a change in its strategy and a decline in new investments. Instead of investing in new plantations etc., and thereby internalizing its banana cultivation, United Fruit started to buy more of the bananas from the market or from its Associate Producers, thus relying less on internalization of its operations. In comparison, a company which was not already established as a multinational company, might have chosen not to invest abroad.

Previous to the Second World War, there were several factors that made internalization of the banana cultivation and marketing a viable option. There was no functioning banana market²⁸⁹, so internalization of the banana cultivation was a reasonable and necessary strategy, since it is when imperfections arises that internalization becomes a viable option, according to the eclectic paradigm. Also, the landholdings was safe due to mostly good relationships with the local governments, and there was a low degree of unionizing among the workers, making them easier to control and fewer stoppages due to problems with the labor force. And when internalizing the banana cultivation, both land and workers are needed. Without these two, there would be no bananas. And the stability in both the landholdings and labor force made the risk much smaller.

Another imperfection was the lack of a commercial transportation system which United Fruit could use to transport its bananas from the plantation to the consumer. This was partly due to the fact that United Fruit's plantations often were situated in remote areas. However, at the time United Fruit established itself in Latin America, there was few railroads, and few commercial shipping lanes. This imperfection meant that United Fruit had to internalize this part of the operation as well.

²⁸⁹ One of the reasons as to why there was no functioning banana market, was that the banana industry functioned as a duopoly, except for the years when Cuyamel Fruit challenged the duopoly, where United Fruit and Standard Fruit was the only two large banana companies, and they were cultivating the bulk of its bananas themselves.

This meant that United Fruit had control over the bananas from the plantations to marketing, through the vertical integration of the company.

After the Second World War a decline in the advantages United Fruit had enjoyed which encouraged them to internalize, started to diminish. This decline was triggered by both economical and political factors. The emergence of Ecuador as a large exporter of low-cost bananas being the economic trigger, and a more challenging relationship with the local governments a political trigger. The emergence of Ecuador as a large low-cost banana exporter meant that a more or less functioning market emerged, from which everyone could buy bananas, as opposed to the duopoly United Fruit and Standard Fruit had enjoyed. Since a banana market, not regulated by the large banana companies, came into being the market-imperfections which had made internalization a viable option was greatly reduced. The reason that United Fruit could not compete on price with the Ecuadorian farmers, despite an enormous advantage in large-scale operation, was related to the extra cost United Fruit had due to its workers. United Fruit had much larger expenses when establishing plantations than the Ecuadorian farmers had, due to the fact that United Fruit provided its workers with schools, hospitals, housing etc. These expenses were not covered by the Ecuadorian farmers, but by the Ecuadorian government. The reason United Fruit built schools, hospitals etc. was that it had traditionally operated in remote areas and virgin territory, meaning that United Fruit had to provide its workers with housing, schools, food etc., since there was none of this in these areas, and the local governments was seldom interested in taking over the expenses connected with these activities.

United Fruit had enjoyed a good relationship with the local government previous to the Second World War, with little interference in its operations from the governments. However, after the Second World War this started to change, due to the emergence of the active state and nationalism. This made the operations more challenging for United Fruit, reducing its advantages connected to the relative freedom from before the Second World War.

With a more challenging political climate, the management of United Fruit had to use resources on this problem. This would take up time and resources which would normally been used to optimize the economical output of the company. With the extra burden United Fruit would find themselves in a situation where its economical output was not optimized due to the political challenges. Therefore the locational advantages connected with the good relationship with the local governments were reduced.

The most important of the important factors to banana cultivation, regarding the diminishing of the advantages and internalization, was the landholdings. United Fruit's vast amount of land had been very important to its dominant position in the banana industry. The land had provided a steady output of bananas, provided United Fruit with influence in the countries it operated within, prevented competitors to establish in regions etc. With the emergence of the active state and increasing nationalism in many Latin American countries, United Fruit started to attract unwanted attention due to its landholdings. United Fruit was exposed to expropriation in both Guatemala in 1953 and Cuba in 1960, and United Fruit lost its land on Cuba. Also, in Honduras a new law proposal made expropriation more likely, but this law never came into being in that form. This meant that United Fruit's landholdings were not as safe as they had used to be, meaning that the advantage of owning its own land diminished.

Furthermore, the emergence of Ecuador as the largest banana exporter in the world removed the imperfections that had made internalization of the banana cultivation a viable option. With the risk expropriation constituted, along with the risks connected with the cultivation of bananas, such as natural hazards and banana diseases, where especially the Panama disease had become a real problem, the advantages with internalization of the cultivation of the bananas diminished, and a reliance on the market to cover the banana need of the company became a more viable strategic solution. This meant that United Fruit developed from a production company into a trading company. It also meant that United Fruit became a less internalized company, outsourcing several operations it had conducted for themselves earlier, while multinational companies normally become more internalized.

With a larger part of the bananas not being company-cultivated, United Fruit did not have the same use for large landholdings, and started to sell its land. This had several effects. United Fruit became a smaller organization, due to a domino effect where a less amount of land meant that the company needed fewer employees, fewer miles of railroads etc. Since United Fruit closed several plantations, it also lost influence in the countries due to a reduced presence.

The decrease in landholdings also affects the other two of my objects of investigation directly. Regarding the workers, their number was greatly reduced in the tropical division. The workers and the land was a parallel case, with fewer and fewer plantations, the need for a workforce also decreased, showing a relation between how much land United Fruit owned,

and how many workers it employed. Also, as shown in chapter 6, there was a direct relation between the decrease of landholdings in a land, and the decrease in railroad mileage. This was also, to a certain degree, a parallel case with the land. With fewer plantations, fewer miles of railroad were needed.

Both the reduction of employees and railroad mileage shows that the landholdings were the most important of the investigated objects. The land was the key factor in the internalization of the banana production for United Fruit. When the landholdings went down, the other two also went down. The reason for that is the direct connection between the land and the workers, with less land and plantations fewer workers was needed, and between the land and the railroad, with less land and plantations fewer miles of railroad was needed.

The correlation between the land and the fleet are harder to decide. There was a decrease in the number of owned ships for United Fruit, however, the chartered ships are not listed in the annual reports. There was a few mentioning's that indicated an increase in the numbers of chartered ships throughout the 1960s, but not enough mentioning's to prove this absolutely.

There was also another important aspect concerning the workers, the increasing degree of unionizing after the Second World War. This lead to more cases of unrest among the workers, as shown in chapter 5. Stable working conditions before the Second World War, with some exceptions, were a locational advantage for United Fruit. However, after the war this locational advantage was reduced due to the increase in work stoppages and unrest among the workers. As already mentioned in chapter 5, a strong indication of the new challenges concerning the workers can be seen by the fact that United Fruit at two occasions points out that there had been no work interruptions during the year in the annual report. In contrast there was very few mentions of anything related to the workers in the annual reports previous to the Second World War.

As already mentioned in the introduction, most of the research on United Fruit has focused on the period before the Second World War, and been constricted to a country or a region where the effects United Fruit have had on these have been focused upon. In my thesis I have turned this around, and tried to present things from United Fruit's point of view, and to a certain degree on how countries and regions affected United Fruit. This has been challenging due to the non-access to company archives, and some question has not been answered.

To my knowledge, no one has done a comparison on the correlation between the reduction in land and the reduction in miles of railroads. I proved that there was a correlation between these two, though with some irregularities.

One element that could be interesting to investigate further, is the connection between the reduction of land and reduction of miles of railroad. I have shown that there is a correlation between those two, with some irregularities. However, several interesting questions arise from my investigation. In Guatemala and Costa Rica United Fruit owned and operated normal commercial railroads. In Guatemala the landholdings went down much more than the railroads. In Costa Rica, however, the reduction in land and railroads followed each other. A comparison between the effects the reduction in banana cultivation, and thereby the amount of landholdings, in the two countries, and the effect it had on the railroads could be interesting. Also, a more thorough investigation of the relation between reduction in land and reduction in miles of railroads would be interesting. Were there other factors that influenced the reduction in railroads besides the reduction of land, and were these consistent in the different countries?

There may have been other factors causing the decline of United Fruit during the period of investigation; factors which in the introduction were excluded from the investigation such as capital supply, distribution and so on. However, what the investigation shows is that there were several factors connected to United Fruit's activities in Latin America which help to understand the remarkable decline of this large and powerful company.

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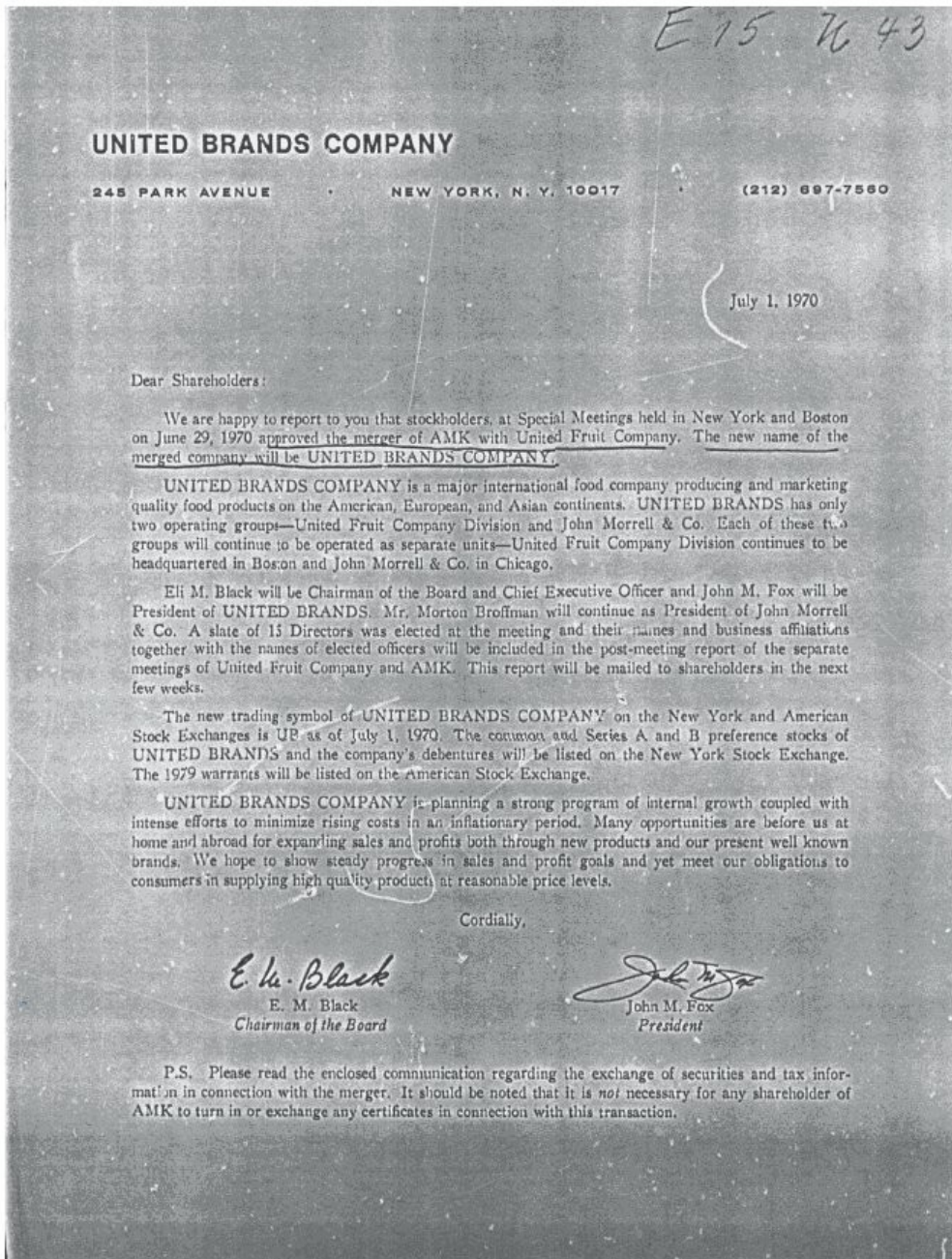
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APPENDIX

APPENDIX 1: UNITED BRANDS COMPANY LETTER TO THE SHAREHOLDERS



**APPENDIX 2: IMPROVED LAND, UNIMPROVED LAND, AND TOTAL LAND
1900-1939**

Year	Improved land	Unimproved land	Total
1900	66294	169907	236201
1901	77055	185370	262425
1902	80069	192331	272400
1903	97609	190568	288177
1904	106331	218558	324889
1905	103642	215671	319313
1906	115940	251032	366972
1907	137598	285464	423062
1908	152876	273125	426001
1909	159373	283584	442957
1910	169054	311793	480847
1911	181719	323105	504824
1912	252207	687405	939612
1913	271737	810917	1082654
1914	276821	841639	1118460
1915	255575	886847	1142422
1916	246679	953771	1200450
1917	245756	1029234	1274990
1918	298430	1093399	1391829
1919	339818	1166135	1505953
1920	377793	1252248	1630041
1921	393284	1265009	1658293
1922	419591	1327185	1746776
1923	459009	1374792	1833801
1924	473679	1333691	1807370
1925	464219	1370234	1834453
1926	452481	1431421	1883902
1927	469982	1575791	2045773
1928	494257	1983028	2477285
1929	484151	2381505	2865656
1930	523034	2959008	3482042
1931	470649	2985738	3456387
1932	450238	2965775	3416013
1933	422520	2927962	3350482
1934	414093	3165180	3579273
1935	450191	3051898	3502089
1936	435661	2837745	3273406
1937	413965	2809292	3223257
1938	408368	2728985	3137353
1939	411171	2688285	3099456

APPENDIX 3: IMPROVED LAND 1943-1967

Year	
	417904
1943	426003
1944	437606
1945	465772
1946	497360
1947	558965
1948	572402
1949	584549
1950	602094
1951	611851
1952	593974
1953	603111
1954	561818
1955	554329
1956	540254
1957	540317
1958	537040
1959	388454
1960	398220
1961	368001
1962	329922
1963	304735
1964	295806
1965	259349
1966	250750
1967	227801

APPENDIX 4: NET BOOK VALUE UNCULTIVATED LAND 1945-1947, 1949-1965

Year	Net Book Value
1945	14830092
1946	14864374
1947	15320104
1949	16254448
1950	16159044
1951	16069823
1952	16176723
1953	16275608
1954	15871122
1955	14031599
1956	13769573
1957	13129438
1958	13088159
1959	6280206
1960	4614757
1961	4190880
1962	3837995
1963	5219000
1964	4962000
1965	4644000

APPENDIX 5: EMPLOYEES 1950-1969

Year	Tropical	Other	Total
1950	87501	10674	98175
1951	86934	10758	97692
1952	93638	10251	103889
1953	96353	10302	106655
1954	81958	10335	92293
1955	81670	11169	92839
1956	83760	11142	94902
1957	78990	11163	90153
1958	68982	10378	79360
1959	65737	10079	75816
1960	50284	9925	60209
1961	39960	10328	50288
1962	39357	9945	49302
1963	42963	9873	52836
1964	42017	10335	52352
1965	38000	10000	48000
1966	39000	10000	49000
1967	40000	9000	49000
1968	45000	13000	58000
1969	45000	14000	59000

Note: Number of employees given in thousands 1965-1969.

APPENDIX 6: RAILROADS OWNED AND OPERATED IN MILES, 1900-1939

Year	Railroads
1900	112,03
1901	90,26
1902	114,32
1903	123,64
1904	153,79
1905	173,65
1906	212,02
1907	315,14
1908	299,59
1909	366,97
1910	370,52
1911	400,98
1912	776,47
1913	833,08
1914	963,64
1915	963,57
1916	1011,06
1917	988,7
1918	1104,37
1919	1147,02
1920	1182,83
1921	1263,81
1922	1398,87
1923	1451,45
1924	1519,18
1925	1541,25
1926	1571,3
1927	1601,87
1928	1642,11
1929	1565,29
1930	1760,24
1931	1772,8
1932	1767,64
1933	1814,26
1934	1813,9
1935	1795,45
1936	1790,3
1937	1760,76
1938	1672,86
1939	1744,54

**APPENDIX 7: FLEET; OWNED, CHARTERED AND TONNAGE
1912-1921, 1923-1924, 1926-1937**

Year	Owned	Chartered	Tonnage
1912	41	59	269868
1913	41	49	248607
1914	43	48	266610
1915	43	40	261624
1916	42	34	253574
1917	38	23	218454
1918	38	20	215567
1919	37	15	201905
1920	43	19	240374
1921	52	18	268018
1923	54	19	273057
1924	57	17	285828
1926	66	20	339500
1927	72	21	361211
1928	72	25	372187
1929	74	29	394962
1930	90	25	445286
1931	91	14	435455
1932	95	7	453549
1933	92	5	435804
1934	92	6	444001
1935	89	9	424778
1936	87	9	416833
1937	85	9	412215

APPENDIX 8: RAILROADS OWNED AND OPERATED IN MILES, 1943-1962

Year	Railroads
1943	1413,09
1944	1407,9
1945	1394,68
1946	1446,07
1947	1405,37
1948	1502,18
1949	1543,01
1950	1562,93
1951	1568,26
1952	1552,51
1953	1514,19
1954	1520,56
1955	1474,88
1956	1433,32
1957	1407,62
1958	1426,05
1959	1203,27
1960	1089,62
1961	1071,84
1962	1033,31

**APPENDIX 9: FLEET; OWNED 1947-1948, 1950-1968, AND TONNAGE 1950-1952,
1954-1961**

Year	Owned
1947	62
1948	66
1950	67
1951	65
1952	65
1953	65
1954	64
1955	62
1956	61
1957	61
1958	60
1959	55
1960	54
1961	55
1962	52
1963	52
1964	47
1965	43
1966	41
1967	40
1968	39

Year	Tonnage
1950	355280
1951	350369
1952	346676
1954	343729
1955	331763
1956	329884
1957	328369
1958	329320
1959	309343
1960	308979
1961	318423