

Banana: Trade issues for the ACP

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About this update

CTA's Executive brief: *Banana: Trade issues for the ACP*, was published in January 2009 and in CTA's *Agritrade: ACP–EU Trade Issues (2009 Compendium)*. This update consists of:

- 1. Background and key issues:** briefly summarising the original executive brief, and where necessary, updating developments related to key issues;
- 2. Latest developments:** reviewing developments that have taken place since the publication of the original executive brief;
- 3. Implications for the ACP:** examining the implications of recent developments for the ACP countries concerned.

The original executive brief (2009) is available on request from: agritrade-mail@cta.int.

1 Background and key issues in the banana sector

In 2008 some 10.5% of bananas consumed in the EU were produced within the EU (Canary Islands, Guadeloupe, Martinique, Madeira, Azores, Algarve, Crete, Lakonia and Cyprus). In 2007 the EU banana regime was reformed and brought into the mainstream of the reformed EU Common Agricultural Policy (CAP) by incorporation of the sector into the single payment scheme. This saw EU direct support to banana producers increase from €280 million to €338 million per annum with payments, according to USDA estimates, rising from 18 euro cents/kg to 33 c/kg.

ACP banana suppliers traditionally enjoyed high margins of tariff preferences under a system of quota-restricted access for both ACP and Latin American banana exporters. From October 2004, this was replaced by a tariff-only system, with the tariff subsequently being reduced from €230/tonne to €176/tonne from 1 January 2006. Despite the maintenance of tariff preferences, while ACP banana exports have expanded, the ACP's share of the EU banana market has declined. In addition, the geographical origin of ACP banana imports into the EU has changed dramatically since 1992. Three major trends can be identified:

- a decline in the share of traditional Caribbean suppliers, falling from 52.3% in 1992 to 12.5% in 2007;
- an increase in African banana exports from 37.4% of the ACP total in 1992 to 60.5% in 2004 (falling back to 48.8% in 2007);
- an increase in exports of bananas from the Dominican Republic and Belize from 9.8% of ACP bananas in 1992 to 32.5% in 2007.

EU responses to the ongoing banana dispute have seen first the abandonment of quota-based management systems and then the progressive erosion of ACP margins of tariff preference. National quotas for individual ACP banana suppliers were replaced by full duty-free and quota-free access for all ACP and LDC banana suppliers (under the interim and full Economic Partnership Agreements [EPAs] from 1 January 2008 and the 'Everything But Arms' [EBA] initiative from 1 January 2007), however these developments took place at the same time as 'substantial increases in production and exports from some of the lower-cost ACP producers', while traditional suppliers have continued to lose market share. This period of change has seen a major downsizing of banana production in traditional ACP banana exporters (notably the Windward Islands and Jamaica). In the case of the Windward Islands, the number of registered banana producers fell from over 24,000 in 1993 to under 5,000, while Jamaica ended exports to Europe in 2009.

Since 1994 the EU has extended a total of €450 million in restructuring assistance to ACP banana exporters. These funds have been used for investments to increase competitiveness and to support diversification, often in the latter case through general transport infrastructure projects. In the smaller island economies, major problems have been faced in committing and disbursing banana-sector restructuring assistance. Strengthening the role of the private sector in the design and implementation of both competitiveness programmes and diversification programmes is seen as an important priority for the future.

Since 2006, Latin American suppliers have continued to increase their share of the EU banana market. Some ACP suppliers have sought in response to target 'luxury-purchase' banana markets (both fair-trade and organic banana markets) as part of their response strategy. According to press reports, targeting fair-trade markets can 'boost revenues by 11 to 12%'. The decision by a number of UK supermarket chains to move over to 100% fair-trade bananas has served to greatly expand market opportunities in this area.

2 Latest developments

2.1 Global developments

2.1.1 Banana consumption, production, trade and prices

Across the globe, bananas are one of the most commonly eaten fruit. Indeed, bananas are the world's fourth most important crop, after rice, wheat and maize, and make a major contribution to food security. However, in most banana producing countries, production is exclusively for the domestic and occasionally regional markets, with only 21% of global production being traded internationally. Only a limited number of banana producing countries are involved in the international trade in bananas. Control of the banana trade is concentrated in the hands of only a limited number of companies, with just five major multinationals (Dole, Del Monte, Chiquita, Fyffes and Noboa) controlling more than 80% of all internationally traded bananas. In recent years, however, the power of the banana multinationals has been eclipsed by the power of the supermarkets in some key EU markets, notably the UK. Three domestic EU territories and some 18 overseas countries are currently engaged in producing bananas for the EU market.

According to FAO, the volume of global banana exports has held up relatively well under the impact of the global economic downturn, with EU consumption down only 4.0%, US consumption down 3.5% and consumption in other developed economies down 3.2%. This has been counter-balanced by a continued growth in banana consumption in developing countries (+2%), largely driven by an increase in Chinese demand. If the global recession bottoms out at the end of 2009, global demand for bananas is projected to increase 7.8% over the course of 2010 (compared to +2% for all tropical fruit).

In the coming period a number of large banana producers (notably India and possibly Brazil, which together grow almost double the volume of bananas currently traded worldwide) could emerge as major banana exporters. In India, 'three state governments, Gujarat, Maharashtra and Kerala, are all actively encouraging farmers to upgrade their technology and enter the export market'. This could have a serious impact on the markets targeted by these new exporters, given the scale of production involved.

In addition, a number of major multinationals in the banana sector are reported in the press as being interested in expanding banana production in Africa. Chiquita has reportedly concluded partnership agreements to invest in export-oriented banana production in Mozambique and Angola, Mozambique was hoping to export as much as 700 tonnes of bananas to European markets in the last quarter of 2009, and Dole has been exporting bananas to the EU from Ghana since 2006. In the case of Mozambique and Angola, this is seen as responding to the full duty-free, quota-free access now available to these countries under the EU's EBA initiative in favour of least developed countries (LDCs). Press reports indicate that Ethiopia is also looking to begin exports of bananas, after receiving technical support from Cameroon. These trends could serve to intensify intra-ACP competition on EU banana markets, regardless of the development of Latin American banana exports or the emergence of non-traditional banana exporters.

Background documentation to the launch of the World Banana Forum shows that in the past three years, 'while import prices for bananas have been relatively high, ... exporter and producer prices have only increased marginally and much less than input prices, putting pressure on small farmers, workers and natural resources'. Overall, 'overproduction ... combined with intense downward pressure on prices from highly competitive retail chains' is generating low returns to producers, and generating growing pressure on suppliers. In addition, 'prices are expected to contract again in the medium term' as temporary disruptions of supply are overcome. There are growing fears that this could lead to a 'race to the bottom' that is 'detrimental to farmers, workers, the environment and eventually the entire economy of the producing countries'.

Alongside these global trends, there is a multiplicity of initiatives under way to promote a major expansion of African banana production, primarily for domestic and regional markets, in response to food security concerns. While this will largely be driven by actions at the local level, including action by African governments as regards setting an appropriate policy framework and addressing capital and infrastructure constraints on the development of local banana production and trade, a number of areas for joint action can be identified.

These include increased research and analysis on the causes and patterns of major banana and plantain diseases, in order to combat disease which, it is projected, could lead to economic losses of around US\$4 billion by 2010 if left unchecked; and an intensified dialogue on the measures needed to promote increased intra-regional trade in bananas.

The shifting pattern of global supply and demand suggests that targeted programmes of trade (marketing) adjustment assistance could potentially play a role in assisting ACP countries to adjust to the new market realities in the post-banana deal marketplace.

2.1.2 Launch of the World Banana Forum

December 2009 saw the launch of the World Banana Forum, which aims at ‘sharing information, ideas and best practices among stakeholders of the banana sector’ on issues such as ‘sustainable production systems, environmental impact, workplace issues and value distribution along the marketing chain’. The Forum brings together ‘banana trade associations, private companies (major banana marketing companies and retailers), civil society and small farmers’ organisations, and government representatives’. The initiative to launch the World Banana Forum was supported by Banana Link, a UK NGO campaigning for a fair and sustainable banana trade, and coordinated by the FAO with the financial assistance of the UK Department for International Development (DFID). Background documents to the process that led to the establishment of the Forum highlighted issues such as: trade union rights; occupational health and safety; environmental concerns; the plight of small farmers; the growing power of supermarkets; the importance of informed consumer choice; the role of voluntary standards; the use of trade policy to promote sustainable banana production (including via the introduction of ‘differentiated tariffs’); and the management structures for the Forum.

The World Banana Forum has adopted a work programme for 2010-11 with a focus on activities that can be achieved in the short run and will benefit a wide range of stakeholders. Thematic working groups have been set up to ‘undertake joint field research on best practices in specific areas where key improvements can be achieved rapidly for more sustainable production and trade’. The working groups will report to the Forum and its secretariat on a regular basis, with the Forum meeting every two years. Banana Link will provide regular updates on developments within the World Banana Forum.

2.2 Resolution of the banana dispute

2.2.1 The banana deal

On 15 December 2009, an agreement was reached which concluded the long-running banana dispute. The agreement reached enjoys the endorsement of the EU, concerned Latin American banana exporters, the US government and, if somewhat reluctantly, the ACP. The agreement consists of three basic components:

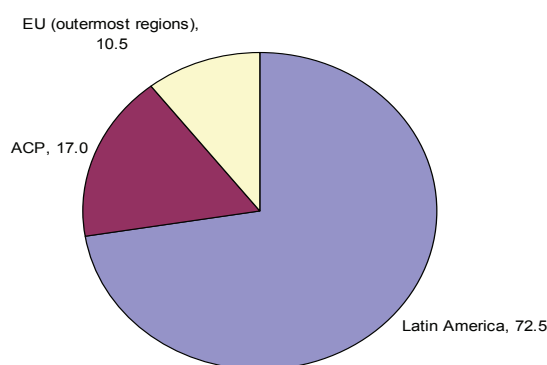
- an agreed schedule of tariff reductions for most-favoured nation (MFN) banana exporters;
- agreement on how to deal with ‘tropical products’ and products subject to ‘preference erosion’ in the wider WTO negotiations;

- a financial package, amounting to €200 million, of assistance to ACP banana exporters, to be known as the Banana Accompanying Measures (BAM) programme.

In terms of the basic tariff reduction package, the EU will cut tariffs from €176/tonne to €114/tonne by 2017 at the earliest. The first tariff cut of €28 per tonne will take place in the first year and will ‘apply retroactively from the date when all parties initialled the agreement’. ‘The tariff will then fall again at the start of each year for seven years in annual instalments (€143, €136, €132, €127, €122, €117, €114), starting on 1 January 2011’. Should there be no agreement in the Doha Round negotiations, then ‘the EU will freeze its cuts for up to two years’. This means that should there be no agreement ‘once the EU cuts its tariffs to €132 per tonne, it will make no further cuts for up to two years, until the end of 2015 at the latest, then from 2016 at the latest, the EU will continue cutting its tariff each year, as agreed ... until the tariff reaches €114 per tonne on 1 January 2019 at the latest’. In addition, ‘once the WTO certifies the EU’s new tariff schedule, Latin American banana-supplying countries will drop all their disputes on bananas with the EU at the WTO, and any claims they made against the EU after new member countries joined the Union, or when the EU changed its banana tariff in 2006’.

Figure 1: Origin of bananas consumed in the EU

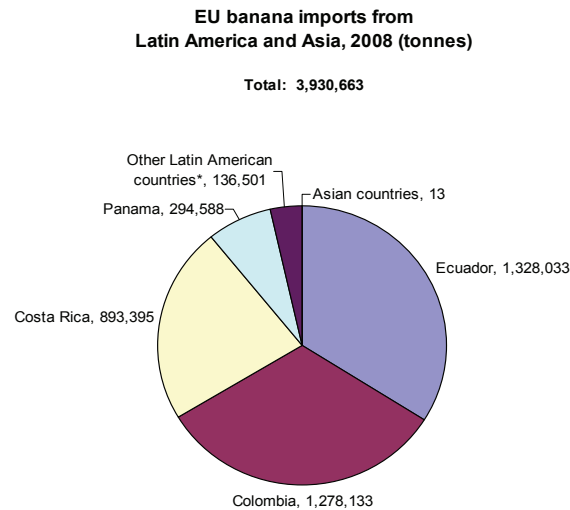
Where bananas consumed in the EU come from -
% share of total market by origin, 2008



Source: EC memorandum, MEMO/10/83, 17 March 2010

In parallel with this basic agreement, the EU, ACP and Latin American countries have agreed on an approach which they will ‘jointly promote’ in the ongoing Doha Development Round negotiations. This will defer tariff cuts in preference-erosion products, and instead ‘the EU, the ACP and countries pushing for faster opening of trade in Tropical Products will present plans for these cuts to the WTO. ‘Only once WTO members conclude the Doha Round will they implement the cuts’.

In terms of the Banana Accompanying Measures (BAM) programme, ‘the European Commission will propose mobilising €200 million from the EU budget to support the main ACP banana-exporting countries to adapt’. This will be in addition to existing assistance extended under the EDF and the €450 million in banana-sector related assistance extended since 1994. However, this programme still awaits EU Council and European Parliament approval. According to the EC, ‘the programme would be country-specific, build on past support and help tackle the deal’s broader consequences’.

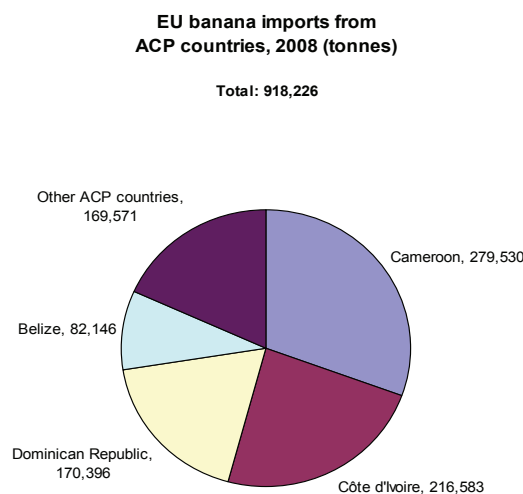
Figure 2: Source of EU banana imports from Latin America and Asia

Source: EC memorandum, MEMO/10/83, 17 March 2010

While the basic deal has been concluded, it still needs to be approved by the competent authorities in each of the countries concerned.

2.2.2 ACP concerns

Traditional ACP banana exporters have been concerned about ‘the serious social, economic and political dislocation that could result’ from the final resolution of the banana dispute. The ACP in March 2009 had argued that the ‘drastic reductions in import duties’ envisaged in the likely banana deal would be ‘practically sounding the death knell for ACP banana exports, for which preferences are of vital importance’. In their press statement of 22 December 2008, the ACP group had ‘rejected any proposals to immediately and drastically reduce the current applied rate of €176/tonne by down-payment and to further reduce the tariff to an unacceptable level after a relatively short implementation period’. The ACP group called on the EU to refrain from ‘taking any steps, including in the framework of the conclusion of new Free-Trade Areas (FTAs) with the MFN countries that might render nugatory the market access secured by the conclusion of EPAs’.

Figure 3: Source of EU banana imports from ACP

Source: EC memorandum, MEMO/10/83, 17 March 2010

According to Renwick Rose of the West Indies Farmers' Association (WINFA), ACP banana exporters remain 'far from happy with the deal'. He described the deal as a 'disastrous blow against not just the banana industry, but economic and social development in general'. He argued that 'those who will suffer most as a result of today's deal are banana farmers and their dependants in the Windward Islands'. This, however, needs to be seen in the context of 'Dominica, St Vincent and St Lucia having lost more than 20,000 of their 25,000 small-scale banana producers' since 1992.

Pre-agreement ACP concerns and demands

The ACP, at their Ministerial meeting of 19 November 2009, adopted a resolution which:

- * reaffirmed 'the serious social, economic and political dislocation that could result from the destruction of the banana industry in ACP countries';
- * reiterated the ACP view that bananas should have 'a separate tariff treatment in the Doha development agenda modalities on agriculture' and should not be subject to treatment as a 'Tropical Product', and that the EU and ACP should 'jointly agree on the modalities for addressing preference-erosion products/tropical products in the agriculture negotiations';
- * stressed that the banana deal should be implemented as an integral part of the Doha Round package;
- * argued that the current EU offer to MFN suppliers exceeded what was necessary to 'fulfil the EC's obligations under Article XXVIII of the General Agreement on Tariffs and Trade (GATT) and for complying with the WTO Appellate Body's ruling';
- * called for the 'implementation of tariff cuts in instalments spread over at least 10 years', a three-year moratorium following the first reduction in the tariff, the allocation of €250 million to the banana accompanying measures programme, with a review of the situation of ACP banana suppliers in 2013 to determine whether additional resources are required.

However, despite a strong 'rearguard action' on the level of tariff reductions to be introduced, ACP expectations as regards EU policy positions increasingly over time came to focus on the level of targeted assistance required to assist ACP producers to enhance their competitiveness and restructure their production and trading activities, and accommodate the new market realities created by any final resolution to the banana dispute. While initially arguing for additional support of €500 million, in the face of an initial EU offer of €100 million in assistance, the final allocation of €200 in additional assistance can be seen as a significant gain (although less than the €250 million the ACP was seeking in November 2009). However, the actual value of this restructuring support will be critically determined by how efficiently and effectively BAM programme support will be deployed. Farmers' leaders from the Windward Islands have insisted that any EU BAM programme support should be 'not only simple and flexible, but that farmers' organisations should have direct access' to the funding available.

In this context, in designing and implementing programmes under the BAM, it would appear important to learn the lessons from existing experiences under previous banana-sector support programmes, the ongoing sugar-protocol accompanying measures programmes and, in the case of the Caribbean, the highly successful Integrated Programme for the Development of the Caribbean Rum Sector.

2.2.3 Possible effects

Press analysis agrees that 'the deal is likely to reduce prices for consumers, increase competition in the banana market and strengthen the hand of low-cost Latin American exporters' on EU banana markets. While EU banana imports overall are projected to increase by 6%, analysis by Giovanni Anania of the University of Calabria, commissioned by ICTSD, suggests that 'this will consist of a 17% increase in imports of bananas from Latin American and a 14% decline in imports of bananas from ACP suppliers'. In addition, it is estimated that prices of bananas from countries like Guatemala 'could drop by as much as 12%'. Assessments of the impact of the

banana deal on ACP banana exporters, commissioned by the ACP, have suggested a revenue loss of €350 million between 2009 and 2016.

However the impact of the agreed deal will not be evenly spread across the ACP. Trends in banana imports to the EU since 1992 suggest that the agreed deal is likely to pose the greatest threat to traditional Caribbean suppliers, most notably the Windward Islands, where exports to the EU since 1992 have either terminated (Grenada) or have declined by between 75 and 86% (see Annex for an overview of trends to the end of 2007). This is despite efforts to shift production to serving differentiated markets – notably, but not exclusively, the fair-trade market.

Despite trying to develop fair-trade production and major efforts at cost reduction, Jamaica initially saw an 80% reduction in exports to the EU before the announcement in 2009 that banana exports to the EU would be terminated. Greater priority is now being given to the development of local markets for value-added banana products. Suriname for its part, after having withdrawn from the trade in 2003 for a period, has successfully restructured production and restored exports to unprecedented heights. However press reports at the beginning of 2010 indicate that prices offered by Dutch importers have been ‘unacceptably low’ for the last two years, despite quality improvements.

Other Caribbean banana exporters would appear to face a less severe threat from the agreed banana deal. The general manager of the Banana Growers’ Association of Belize said that while the deal was ‘not positive news’, its impact on Belize’s ‘fledgling banana industry’ was not expected to be great. This reflects the success that Belize has had in expanding its banana exports (+186% increase in volume between 1992 and 2008). The Dominican Republic has enjoyed similar success, with banana exports to the EU market expanding 342% between 1992 and 2008. More recently producers in the Dominican Republic have been ‘focusing on the production and export of organic bananas, mainly produced on medium- and small-scale farms’.

While Cameroon and Côte d’Ivoire saw their exports to the EU grow substantially between 1992 and 2008 (+153% and +50% respectively), major concerns exist over how their large-scale banana producers are to sustain their competitiveness in the new market context, particularly as major banana sector multinationals start investing in banana plantations in fellow African countries, such as Mozambique and Angola, both of which enjoy full duty-free, quota-free access to the EU market under the EBA initiative. The emergence of new non-traditional African banana exporters is likely to be a growing trend in the coming period. The impact of the banana deal needs therefore to be seen in a context where, despite the strong growth in EU banana imports, ACP suppliers have seen their market share slump to 19% of EU imports (17% of EU consumption).

These overall trends tell only part of the story. In reality the EU banana market is becoming increasingly fragmented, with product differentiation opening up new opportunities for traditional Caribbean suppliers. According to the synthesis report of the multi-stakeholder round table on bananas held in Paris in March 2009, considerable scope now exists for product differentiation in the banana sector. At the global level in 2007 fair-trade, organic and ‘rainforest alliance’ bananas accounted for 14.5% of total global banana exports. In certain European markets this trend is even more pronounced, with organic and fair-trade bananas now accounting for 30% of total UK banana consumption and 60% of Swiss banana consumption.

Table 1: Estimated exports and sales of bananas certified to selected sustainable agriculture standards in 2007

Standard	Estimated global exports (in tonnes)	Estimated percentage share of exports (%)	Estimated sales (US\$ million)
Organic agriculture	310,000 - 330,000	2.2	800
Fair trade	250,000 - 260,000	1.7	450
'Rainforest Alliance'	1,500,000 - 1,700,000	11.0	1,800
Total	2,000,000 - 2,200,000	14.5	2,900 - 3,000

The further development of these consumer trends and their replication elsewhere in the EU could offer opportunities – for Caribbean suppliers in particular – to differentiate their product in ways that enable Caribbean producers to secure substantial price premiums and hence sustain production in the face of price declines for 'bulk', undifferentiated banana exports.

How the banana supply chain functions in the new post-banana settlement context will be an important determining factor of the impact that the banana-dispute settlement deal will have on individual ACP banana exporters. With only five companies controlling 80% of all internationally traded bananas, and supermarket chains in some markets using bananas as a 'loss leader', careful attention will need to be paid to precisely how the banana supply chain functions and whether any anti-competitive practices exist, particularly with regard to abuse of 'dominant market position'. Concern has grown in recent years over the increased commercial power of supermarkets within the banana supply chain. There is considerable volatility in retail prices for bananas, with the outbreak of periodic 'price wars' between major multiple retailers generating considerable price volatility and, in the view of some, 'stripping value from the banana chain'. Press reports stated that banana prices, reduced by 22% in December 2009, rose by 29% in January 2010. The fear is that in the new post-deal market context, this could lead to lower prices being offered for ACP bananas when contracts come up for renewal, resulting in a 'race to the bottom'.

3 Implications for ACP countries

3.1 Reducing costs and combating disease

In terms of cost reduction, if appropriate assistance is provided in the right framework, there would appear to be considerable scope for successfully implementing cost-reduction measures. According to the synthesis report of the multi-stakeholder round table on bananas held in Paris in March 2009, formerly high-cost Caribbean banana producers such as Jamaica and Suriname have successfully implemented programmes of measures that have enabled them to reduce costs. However, in the case of Jamaica this appears to have been insufficient to sustain exports to the EU market. Successful cost reduction is however enabling these Caribbean producers to explore other markets, notably national and regional markets.

Considerable scope would also appear to exist for market diversification in Africa, where there is currently considerable emphasis on promoting greater African banana production for African markets. However sanitary and phytosanitary (SPS) concerns could potentially serve to restrict regional trade in bananas, given the potential economic damage that outbreaks of banana diseases could cause. Against this background, a major research programme to combat the spread of banana and plantain diseases would appear to be a priority for African banana producers, both those involved in the export trade and those producing exclusively for the local market, given the importance of bananas to food security. Funding under the BAM programme could potentially contribute to such an initiative, although other sources of funding would also need to be drawn upon, given the limited number of BAM programme beneficiaries in Africa.

3.2 Differentiated marketing

Efforts have been under way for some time to shift banana production in the Windward Islands over to fair-trade production, with some 3,500 of the remaining 4,000 banana farmers now certified fair-trade producers. The Jamaican government is also encouraging movement in this direction, while banana producers in the Dominican Republic are increasingly trying to focus on organic banana production. However, fully exploiting this market potential is likely to require pump-priming support to provide hard-pressed producers with an incentive to innovate.

Funding under the EU BAM programme could potentially be used to extend support not only to restructuring production to meet multiple standards, but also to defray the costs of certification and verification of compliance. In addition, public funds could also usefully be provided to enhance the marketing of 'differentiated' bananas. However whether the BAM programme will prove flexible enough to provide timely support in these areas remains to be seen. If not, a case exists for using other sources of public funding to pump-prime urgent banana sector adjustments, with BAM programme funding, when it becomes available, being channelled into budgetary support or publicly financed infrastructure programmes. Here important lessons can be drawn from the experience of the Caribbean rum programme with regard to the design and management of production and trade adjustment support programmes. Understanding market trends, how to effectively exploit them and how to sequence change with investments in production and trade adjustments is likely to have an important influence in the ability of ACP producers to adjust to the new post-banana deal realities.

3.3 Addressing supply chain issues

In the banana supply chain a limited number of large companies dominate the distribution and wholesale marketing of bananas. In addition, in the UK, the major market for Caribbean banana exports, the policies of large retailers have a strong influence on the functioning of the banana market. In the last decade the economic power of the supermarkets in the banana supply chain has increased dramatically, with supermarkets reportedly now being the only players in the banana supply chain to consistently make profits from bananas. This is despite the banana 'price wars' in which they periodically engage.

According to press reports, the pricing policies of supermarket chains for bananas are primarily designed to bring consumers through their doors so that they can sell them a variety of other products. This phenomenon has an important impact on the retail price of bananas in the UK. Between 2002 and the end of 2007, UK retail prices of bananas fell by 41%. While prices recovered in 2008, buoyed by the general commodities boom, between November 2008 and November 2009 banana prices fell by 36%, according to the retail journal *The Grocer*, despite an average price decline of only 9.9% for the fruit and vegetable sector as a whole.

While supermarket representatives in the UK claim that these pricing policies have had no impact on the price paid to ACP banana producers, it remains to be seen whether this will continue to be the case in the context of the new banana arrangements, which are expected to promote a 17% increase in Latin American banana exports to the EU market and a 14% contraction in ACP banana exports to the EU market. Given the vast inequalities in market power that exist in the banana supply chain, a strong case would appear to exist for the launching of a joint EU-ACP investigation into the functioning of the banana supply chain. This would be wholly consistent with the EU's recent policy focus on enhancing the functioning of food supply chains serving the EU market.

A collaborative investigation into the functioning of the banana supply chain may even need to look at the scope for a greater role for competition policy in regulating relations within the banana supply chain. In December 2009, the EC issued a 'statement of objection' under EU anti-trust rules 'to a number of companies active in the import and marketing of bananas' concerning their 'alleged participation in a cartel'. According to press reports, these unidentified

companies were in southern Europe, with this action following on from ‘surprise inspections’ carried out by the EC in November 2007. The issuing of the ‘statement of objection’ follows on from actions in 2008 which saw the EC fine banana importers Dole and Del Monte ‘for running a cartel’, while Chiquita ‘escaped fines because it blew the whistle on the illegal price-fixing in northern European nations.

Actions in these areas could usefully be complemented by the launching under the BAM programme of specific initiatives to strengthen the commercial position of banana growers within the various supply chains serving ACP banana exporters. This type of intervention is one of the principal policy tools used by the EU internally in the fruit and vegetable sector in order to try to rebalance power relationships within the supply chain, given the growing commercial power of supermarket chains.

A final supply chain issue that needs to be addressed relates to the increasing role of private standards in regulating access to the market. While these private standards can greatly facilitate product differentiation to the benefit of ACP supplies, it is important that they be developed in such a way as to reduce the additional costs imposed on ACP producers and exporters. EU guidelines on the development and harmonisation of private voluntary standards could play a role in this regard.

3.4 Developing strategies at the global level

Campaigning groups such as Banana Link are looking to the World Banana Forum to ‘provide a long-awaited platform to tackle the various social, environmental and economic issues and improve conditions for workers and small farmers on the ground’. With the erosion of the margins of ACP preferences in the banana sector, ACP governments will need to look carefully at how they can coordinate their engagement with the World Banana Forum, in order to stay on top of the various developments taking place and ensure that ACP interests are protected and promoted.

With a view to promoting better labour and environmental standards in the banana sector, it has been suggested that governments in banana-importing countries should consider introducing a tariff system for bananas that differentiates between bananas based on their production practices. This suggestion has been given increased credence by the opening of a beef quota by the EU designed to resolve the EU-US beef hormone dispute, which uses the characteristics of the production system to determine access to the tariff-rate quota (TRQ). This issue could well be raised in the World Banana Forum. However from an ACP perspective, given the granting of duty-free, quota-free access for bananas under the interim and full EPAs and the EBA initiative, such a scheme would only benefit current MFN suppliers of organic and fair-trade bananas that are already exporting to the EU, to the detriment of those ACP suppliers that target these markets.

One potential initiative of interest is to promote the use of ‘sustainable cost’ pricing as the basis of price formation in banana value chains. This is potentially of significance to ACP suppliers, as the banana deal, along with increased global supplies and retailer price wars, are all likely to put downward pressure on ACP banana prices, even for fair-trade bananas, as competing supermarkets chase ever cheaper fair-trade bananas. The fair-trade certification agency FLO is looking to organise round tables in 2010 designed to promote the idea of ‘sustainable cost’ pricing. ACP banana exporters may well need to engage with these initiatives to ensure that ACP interests are protected.

Annex: Trends in ACP banana exports to the EU market

Table A1: Evolution of Windward Island banana exports to the EU market for selected years (in tonnes)

	St Lucia	St Vincent	Dominica	Grenada	Jamaica	Suriname	Total ACP
1992	122,066	71,320	51,606	6,015	74,827	29,950	680,362
1993	113,303	57,608	52,699	6,720	77,393	28,001	748,617
1994	91,544	32,055	43,117	5,325	76,418	32,739	728,701
1995	101,494	47,673	33,437	4,558	83,824	28,988	766,643
1996	106,670	44,176	39,307	2,007	89,610	27,160	801,596
.....
2001	34,727	30,829	18,062	591	42,985	28,731	727,414
2002	49,313	32,522	17,802	557	40,600	6,557	723,235
2003	32,520	20,919	10,823	448	41,784	787,931
2004	42,874	23,969	12,401	406	28,660	19,277	782,167
2005	28,243	15,895	13,182	0	11,654	35,261	760,025
2006	36,733	17,239	13,591	0	31,866	45,152	881,892
2007	30,497	13,792	7,458	0	18,3722	54,353	804,246

Source: for 1992-1996, 'External Trade of the European Union with the ACP Countries and Overseas Countries and Territories (OCTs) 1992-1996'. For 2001-2007 see

<http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

Table A2: Evolution of other Caribbean banana supplier exports to the EU market for selected years (in tonnes)

	Belize	Dominican Republic	Total ACP
1992	28,494	38,516	680,362
1993	38,516	62,104	748,617
1994	46,980	86,482	728,701
1995	42,033	75,119	766,643
1996	54,109	61,371	801,596
.....
2001	51,609	86,064	727,414
2002	38,178	97,227	723,235
2003	73,806	109,440	787,931
2004	80,292	101,355	782,167
2005	74,189	144,744	760,025
2006	73,207	176,752	881,892
2007	61,175	206,212	804,246

Source: as for Table 2.

Table A3: Evolution of African banana supplier exports to the EU market for selected years (in tonnes)

	Côte d'Ivoire	Cameroon	Somalia	Total ACP
1992	144,356	110,419	181	680,362
1993	161,261	146,901	501	748,617
1994	149,536	158,230	4,634	728,701
1995	160,486	165,294	21,734	766,643
1996	180,827	166,180	25,121	801,596
.....
2001	217,886	215,930	0	727,414
2002	210,727	229,722	0	723,235
2003	205,485	292,706	0	787,931
2004	210,866	262,067	0	782,167
2005	183,495	253,362	0	760,025
2006	227,885	259,476	0	881,892
2007	190,069	222,318	0	804,246

Source: as for Table 2.

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L aunched by CTA (Technical Centre for Agricultural and Rural Cooperation EC-ACP) in 2001, the Agritrade website (<http://agritrade.cta.int>) is devoted to agricultural trade issues in the context of ACP (Africa, Caribbean and Pacific) – EU (European Union) relations. Its main objective is to better equip ACP stakeholders to deal with multilateral (World Trade Organization - WTO) and bilateral (Economic Partnership Agreement – EPA) negotiations. Thus it provides regular and updated information and analysis on technical aspects of the trade negotiations, developments in the CAP and their implications on ACP-EU trade, as well as on major commodities (bananas, cereals, sugar, fisheries, etc).

CTA was created in 1983 in the framework of the Lomé Convention between ACP (Africa, Caribbean, Pacific) and EU (European Union) countries. Since 2000, the Centre has been operating under the ACP-EU Cotonou Agreement. CTA's tasks are to develop and provide services that improve access to ever-changing information for agricultural and rural development, and to strengthen the capacity of ACP countries to produce, acquire, exchange and use information in this area.

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