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Banana sector

1. Background and key issues

In most ACP banana producing countries, production is exclusively for national markets, with limited intra-regional trade. Banana production makes a major contribution to food security, particularly in Africa where it is a major food crop for 100 million people. Globally, only around 21% of recorded banana production is traded internationally, although this is almost certainly an overestimate given the lack of data on non-commercialised production.

The EU banana trade is dominated by Latin American suppliers, with 78.8% of EU imports in 2011. ACP suppliers accounted for the remaining 21.2%. EU banana producers now account for between 11.7% and 12.7% of total EU banana consumption, down from 16% in 2004, although following reforms in 2007, EU production began to grow again, so that by 2010 it was 18.9% higher than in 2007.

Under the impact of changes under way on the EU market since 1993, patterns of ACP banana exports have changed dramatically. Between 2005 and 2010 ACP banana exports to the EU market increased by 34% (with the ACP share of imports rising from 19.45 to 22.6%), but trends in individual ACP banana exporting countries have varied considerably. Some ACP exporters have lost market share and even left the EU export trade; others have expanded exports, while new ACP banana exporters have emerged.

However, following the December 2009 Geneva banana trade agreement (GBTA) and recent free-trade area (FTA) agreements concluded with Andean and Central American banana exporting countries, the process of erosion of the value of traditional ACP banana trade preferences has accelerated dramatically. Changes in prospect up to 2020 are likely to pose major challenges to traditional ACP banana exporters, giving added impor-

tance to the EU's banana accompanying measures (BAM) programme, which in December 2011 completed the EU regulatory approval process.

Since 2007, EU and US banana market developments have diverged, with US prices rising and EU prices falling in real terms. This has changed the relative attractiveness of EU and US banana markets to major Latin American suppliers.

While traditionally the international banana trade is dominated by five multinational companies (Dole, Chiquita, Del Monte, Fyffes and Noba), the wider use of 'reefer' (refrigerated) containers is opening up opportunities for direct sourcing of bananas by multiple retailers. While this potentially challenges the dominant position of the big five, it could also enhance the already growing influence of supermarkets within the banana supply chain. This further highlights the importance in the coming period of strengthening the functioning of ACP-EU banana supply chains.

2. Latest developments

Global banana price and trade trends

According to analysis by the French research centre CIRAD, the US spot import price for bananas increased by 5% in 2011 to reach an all-time record level of US\$16.50 per box. This contrasted sharply with the situation on the EU market, where prices were reported as having been in 'free fall', with the EU market responding with far greater sensitivity to developments in the world banana market. With production costs rising, banana suppliers to the EU market found themselves 'squeezed between falling returns and

increasing production costs'. Currency movements further complicate the situation. This price situation saw major exporters favouring the US over the EU market (see *Agritrade* article '[Divergent trends in US and EU banana markets amid evolving supply chains](#)', 24 June 2012).

Significant changes in the shipping of bananas are currently under way. Transport of bananas on traditional reefer vessels, controlled by the vertically integrated banana multinationals,

"Significant changes in the shipping of bananas are currently under way"

is declining at an accelerating rate (capacity fell by 8% between 2000 and 2008 and by 19% between 2000 and 2011). Concomitant with this has been the increased use of 'reefer containers' capable of delivering high-quality bananas to retailers. This is prompting a growing number of EU multiple retailers to explore the direct purchasing of bananas from producers, circumventing the traditional supply chains. Symptomatic of this was the report in November 2011 of the initiation of direct Panamanian exports of bananas to the Spanish supermarket chain Mercadona (see *Agritrade* article '[Increased use of refrigerated containers opens alternate supply opportunities for banana exporters](#)', 2 July 2012).

This transformation in the functioning of banana supply chains, with the opening up of more marketing options, is an indirect consequence of the latest round of EU banana sector reforms introduced since 2006, and potentially presents new opportunities for ACP suppliers to get closer to the final consumer, allowing their strategic repositioning within banana supply chains serving the EU market. However, this

opportunity is equally open to non-ACP banana exporters.

EU banana market trends

Between June and August 2011, EU banana prices collapsed, with bananas 'being sold for as little as US\$1 to US\$3 per 40-lb box'. This was in sharp contrast to the 'extremely good prices'

"Between June and August 2011, EU banana prices collapsed"

reportedly prevailing at the beginning of 2011, when a reduction of between one-third and a half in supplies from countries such as Costa Rica, Ecuador and Cameroon provided strong support to prices. Indeed, on 15 February 2011, banana prices in the UK were reported to be double the level prevailing in February 2010, while elsewhere in the EU prices were reported to be around 25% above the corresponding price levels in 2010 (see *Agritrade* article '[Mozambique to begin banana exports to the EU](#)', 3 April 2011).

The price collapse was attributed to overproduction in Ecuador and the EU's new import-licensing system, which had seen more importers enter the EU banana trade. For example, among non-traditional ACP banana exporters, Ghanaian banana exports to the EU grew from a mere 1,788 tonnes in 2004 to 52,357 tonnes in 2010, while in February 2011 it was announced that Mozambique was to commence exports to the EU (see *Agritrade* article '[Perspectives for ACP banana producers as EU banana market price collapses](#)', 6 September 2011).

The situation also appears to have been affected by: the scale of the economic downturn in certain parts of the EU; the outbreak of E. coli poisoning in May 2011 which impacted on consumer confidence in a range of fresh fruit and vegetables; and the political turmoil in the Middle

East and North Africa, which saw 1 million boxes of Ecuadorian bananas per week looking for a new market. In the context of a more liberalised EU banana import regime these demand factors appear to have proved critical to the EU banana market price collapse.

In 2011, in response to the low prices obtaining on the EU market, Ecuadorian producers introduced supply-management measures aimed at reducing export volumes by between 30 and 40%, with a view to aiding price recovery. By August 2011 it was reported that there were signs of some recovery in EU prices.

October 2011 saw the outbreak of another retailer banana price war in the UK, with, according to *The Grocer* magazine, the ASDA supermarket cutting prices from £0.68 to £0.58/kg. Other supermarkets were expected to follow the ASDA lead. This renewed supermarket banana price war would appear to reinforce the need for the extension of EU policy initiatives on strengthening the functioning of agricultural supply chains to the ACP–EU banana trade.

At the beginning of 2012, banana supplies in the EU were reported to be tight, with prices rising above 2011 levels. Supplies of organic bananas were particularly tight following heavy rains in Ecuador. Production problems were also faced in Costa Rica, where drought conditions saw a 23.6% decline in the volume of exports to EU markets in January and February 2012. These supply problems saw global banana prices one-third higher in February and March 2012 than in 2010.

Implications of the EU's evolving banana regime

As a result of the December 2009 Geneva Agreement on Trade in Bananas (GATB), tariffs on Latin American bananas fell first from €176 to

€148/tonne and subsequently to €143/tonne from 1 January 2011 and €136/tonne from 1 January 2012. In the coming 5 years a step-by-step reduction to €114/tonne is scheduled to occur, while some suppliers which have concluded FTAs with the EU will see the tariff further reduced to €75/tonne from 2020.

According to analysis from both CIRAD and the European Parliament (EP) research department, this is likely to profoundly affect the relative competitiveness of ACP and Latin American banana suppliers, to the detriment of ACP exporters. This will be compounded by any increase in the value

“ACP banana exporters are expected to experience a decline in relative competitiveness”

of the euro against the US dollar (in December 2011 the EC projected first a weakening of the euro and then a gradual strengthening from an average of US\$1.4 to €1 in 2011 to US\$1.5 to €1 in 2020). This is likely to pose further challenges to ACP banana producers. Overall, according to the EP, ACP banana exporters are expected to experience ‘a decline in relative competitiveness’, exporting less to the EU and receiving a lower price for their exports (see *Agritrade* article ‘[Review of the implications of the EU’s evolving banana regime](#)’, 5 July 2011).

The February 2012 CIRAD analysis suggested that West African suppliers could be particularly severely affected, given their exclusive dependence on the EU market and currency links to the euro, if tariff reductions were combined with an appreciation of the euro against the US dollar above US\$1.2 to €1.

This longer-term analysis appears to sit uneasily with recent trends in ACP banana exports (see [Tables 1 and 2](#)).

Between 2005 and 2010 ACP banana exports to the EU grew by 34% to 1,023,717 tonnes, raising the ACP share of total imports from 19.45 to 22.63%. This does not reflect an enhancement of ACP export competitiveness but rather appears to be a product of the contrary price trends in the US and EU markets. This has seen the USA emerge as the preferred destination for Latin American banana operators.

However, tariff reductions enshrined in the December 2009 GATB and recently concluded FTAs with Latin American countries are likely to put growing commercial pressure on ACP banana exports. As a result of duty reductions between 2010 and 2012, tariff savings equivalent to €45,124,800 will be available to Latin American banana exporters from the eight beneficiary countries (this figure is obtained by multiplying the import volume threshold established for each country concerned by the reduction in tariff levels since 2010). This will progressively rise to €204,729,350 by 2019 (see *Agritrade* article ‘[EU reviews banana trade amid ACP concerns over preference erosion](#)’, 9 July 2012).

Combined with the prospect of a major expansion of banana exports from non-traditional suppliers, such as India and Brazil, under new FTA arrangements, this is likely to exert considerable downward price pressures on ACP suppliers.

In March 2012, the European Parliament called for clarification on the application of the safeguard provisions established under the trade agreements with Central American and Andean Pact countries. There was held to be a lack of clarity on how safeguard provisions would be applied in defending the interests of EU banana producers (see *Agritrade* article ‘[MEPs review safeguards on Latin American bananas](#)’, 15 April 2012).

Table 1: Main trends in ACP banana exports to the EU (tonnes)

Year	Dominican Republic	Côte d'Ivoire	Cameroon	Belize	Suriname	Ghana	Windward Islands
2004	101,337	210,760	261,232	80,292	19,447	1,788	79,001
2005	144,683	183,752	252,912	74,189	35,258	4,207	56,950
2006	176,757	221,668	250,840	73,207	45,119	22,321	67,263
2007	206,341	189,366	221,821	62,357	58,788	34,096	51,539
2008	170,581	216,953	279,530	82,149	65,812	45,951	57,768
2009	228,293	229,194	249,628	79,799	57,615	36,486	77,199
2010	303,744	244,313	242,981	78,817	70,437	25,357	30,935
2011	326,820	223,701	234,342	71,064	62,912	47,065	10,987

Source: EC, 'Banana supply in the EU', Table 4, AGRIC C.2, 29 May 2012 http://ec.europa.eu/agriculture/fruit-and-vegetables/product-reports/bananas/statistics/supply_en.pdf

Table 2: ACP banana market share in EU imports and EU production (tonnes)

Year	Total ACP bananas	Total dollar bananas	Total EU imports	Percentage share ACP	EU production
2004	784,633	3,225,849	4,010,482	19.56	758,206
2005	763,974	3,163,475	3,927,448	19.45	648,375
2006	889,216	3,484,477	4,373,693	20.33	641,559
2007	842,959	3,853,046	4,696,005	17.95	554,734
2008	918,902	3,967,920	4,886,821	18.80	567,560
2009	958,902	3,587,501	4,545,827	21.09	608,048
2010	1,023,717	3,500,410	4,524,127	22.63	659,525
2011	976,999	3,625,200	4,602,199	21.23	611,841

Source: EC, 'Banana supply in the EU', table 4, AGRIC C.2, 29 May 2012

More broadly, the ongoing process of EU FTA negotiations could well serve to further erode ACP banana sector trade preferences. The negotiations with India are a particular source of

"The process of EU FTA negotiations could well serve to further erode ACP banana sector trade preferences"

concern given India's status as the world's leading banana producer and the efforts under way to prepare Indian fruit and vegetable producers for exploiting new market opportunities.

Progress in the establishment of the EU BAM programme

On 13 December 2011 the official EU regulation for the implementation of the BAM, initially proposed by the EC on 17 March 2010, was formally adopted by the European Parliament. This delay was a by-product of the new approval procedures set in place under the Lisbon Treaty which require co-decision-making by the European Parliament and the EU Council. On 26 March 2012 the EC announced the indicative country allocations under the BAM (see [Table 3](#)).

In June 2011 the European Parliament called for the BAM programme to 'take notice of the lessons from previous similar schemes' and for support to be concentrated in the most vulnerable Caribbean banana producers (see Box: [Experience of existing EU banana and sugar sector adjustment support](#)). In March 2012, some 21.2% of the available €190 million was allocated to the most vulnerable Caribbean countries (Jamaica, Dominica, St Lucia, St Vincent and the Grenadines).

Table 3: BAM indicative country allocation 2012–2013

	Allocation (€)
Caribbean	
Belize	22,800,000
Dominica	15,270,000
Dominican Republic	16,340,000
Jamaica	4,730,000
St Lucia	10,350,000
St Vincent & Grenadines	9,930,000
Suriname	9,300,000
Africa	
Cameroon	48,290,000
Côte d'Ivoire	44,750,000
Ghana	7,240,000

Source: ACP Secretariat

The EU implementation regulation for the BAM programme allows funds to be used to:

- address 'broader impacts generated by the adaptation process';
- promote 'the economic diversification of banana dependent areas, where such a strategy is viable';
- enhance 'the competitiveness of the banana export sector, where this is sustainable, taking into account the situation of different stakeholders in the chain'.

The January 2012 EC BAM programming guidelines foresaw:

- the adoption, between December 2011 and the end of July 2012, of multiannual support strategies;

- the adoption of individual action fiches between June 2012 and November 2012;

- the signing of financing agreements for specific projects and programmes from November/December 2012.

This represents a very tight time frame for implementation, with 2 years allowed for implementation instead of the envisaged 4 years. The January 2012 EC guidelines called on ACP governments to 'bear in mind that no additional financial assistance specifically for bananas should be expected beyond 2013'.

Against this background the ACP Banana Group has called for greater flexibility in the implementation of the BAM to ensure full utilisation of resources and the issue of future funding to be subject to a joint review, in line with the original GATB understanding.

Growing competition on differentiated banana markets

The development of differentiated banana exports has formed part of the ACP policy response to preference erosion. In the Dominican Republic (DR) this has focused on production and marketing of organic bananas, while Windward Island producers have focused on fair-trade production for the UK market. Fair-trade banana producers are also registered in Ghana, Cameroon and

"Fair-trade bananas account for around 25% of banana sales by UK supermarkets"

Nigeria. Overall fair-trade bananas account for around 25% of banana sales by UK supermarkets, although most fair-trade registered banana producers are in non-ACP countries (76 of 106 certified banana producer organisations).

An IDS review of banana production systems in the Windward Islands highlighted the important role that fair trade plays in building strong collective enterprises, securing decent returns for producers, and balancing 'the dominance of multinational companies and supermarkets in the banana sector'. It found that fair trade helped smallholder producers improve production, access premium markets, accumulate capital for reinvestment and export more

"Intensification of competition is taking place in the organic sub-sector"

directly, thereby securing a greater share of the overall value generated by the banana trade. However the narrowing of the gap between returns to fair trade and conventional producers since 2006 was also noted (see *Agri-trade* article 'Review of the impact of fair-trade bananas', 25 March 2012).

Experience of existing EU banana and sugar sector adjustment support

In May 2011 two discussion papers were published jointly by the European Centre for Development Policy Management (ECDPM) and the Technical Centre for Agricultural and Rural Cooperation (CTA), reviewing targeted EU adjustment support programmes in the Caribbean. These papers highlighted:

- the need for a coherent and integrated approach based on a strategic vision of future trends in the food and agricultural markets;
- the centrality of supporting market-led production and trade adjustments and the constraints faced in working through government structures;
- the need for effective engagement with the private sector to ensure proactive, market-led responses;
- the difficulties faced in getting to grips with the challenges facing smallholder producers, and the importance of strengthening producers' organisations;
- the need for clearly defined rules on what can and cannot be supported, and who can and cannot receive support;
- the need for dedicated financial instruments of support insulated from the normal development aid programming process.

(See Agritrade article '[New banana realities pose challenges for EU and Caribbean island producers](#)', 10 June 2011.)

A similar intensification of competition is under way in the organic sub-sector. In the first quarter of 2011 Peruvian exports of organic bananas grew by 48.3%, taking the organic share of total exports to 37%. It is anticipated that this export growth will continue in the face of the implementation of tariff reductions agreed as part of the recent FTA accord with the EU and growing consumer interest in organic bananas (see Agritrade article '[Growing competition in differentiated product markets](#)', 6 October 2011). Similar efforts to expand organic exports are under way in Ecuador (see Agritrade article '[Organic markets increasingly targeted by Latin American banana exporters](#)', 10 June 2012). A tendency towards price convergence between organic and conventional bananas is already under way; CIRAD maintains that the rapid increase in supplies of fair-trade/organic bananas could well exert a downward pressure on the

selling price of these products. For fair-trade products this is likely to be compounded by the emergence of private labels and certification schemes, which will decrease the market growth potential for conventional fair-trade certified products.

Producers in the Dominican Republic are now following the consumer trend towards 'dual certification' by developing fair-trade/organic banana exports. In June 2011 it was announced that some 400 companies in the Dominican Republic were set to receive fair-trade certification, including a range of banana producers (in May 2012 the Fairtrade Labelling Organization/FLO had 24 fair-trade producer organisations registered in the Dominican Republic).

Elsewhere, in other Latin American banana exporting countries, other product differentiation initiatives are

taking place in the banana sector, with Costa Rica joining Colombia in 2011 in seeking geographical designation of origin for its banana producers (see Agritrade article '[Latin American producers manoeuvre to secure price advantages](#)', 1 March 2011).

Growing concerns over banana disease outbreaks

Both globally and regionally banana disease outbreaks overhang both the development of production and trade in bananas. Globally, fears are increasing that the 'Tropical Race 4' fungal infection 'which has already destroyed acres of crops across Taiwan, Indonesia and Malaysia' could spread to plantations in South and Central America, threatening devastation to the principal Cavendish variety of bananas. This potentially poses a threat to production in the Caribbean.

A more immediate threat, however, is an outbreak of Black Sigatoka disease. In 2011 the government of St Lucia declared that the country was facing 'a national crisis' as a result of the disease. While progress has been made in combating it, in some production zones the situation remains of concern.

In Jamaica, combating Black Sigatoka accounts for up to 25% of production costs. New varieties of bananas which have greater resistance to Black Sigatoka are now being introduced. This is facilitated by the lower production costs associated with the new varieties and their greater suitability for use in production of value-added banana products, which constitutes the new focus for banana sector development in Jamaica (see *Agritrade* article '[Reorientation of Jamaican banana sector under way](#)', 28 May 2012).

Particular challenges are faced in combating Black Sigatoka under organic production systems in the Dominican Republic. In November 2011 it was reported that some 40% of banana production had been lost to Black Sigatoka in the north-west area of the country. This could compound the declining trend in its share of the EU organic market, which has fallen since 2003 from over a half to around a quarter.

In December 2011 in East Africa, which includes Uganda, the world's second largest banana producer, it was reported that banana bacterial wilt disease (BBW) had broken out and was rapidly spreading. While external assistance has been mobilised in combating BBW, farmers are reluctant to report outbreaks, given the subsequent destruction of their plantations. With concern being expressed that cross-border movements of bananas were fuelling the spread of BBW disease, the outbreak carries implications for regional

trade in bananas, and undermines efforts to promote investment in banana-based processing activities (since it threatens the continuity of supply required to serve the processing facilities).

The absence of value-added banana products then further inhibits the development of regional trade in banana products. Getting to grips with effectively combating major banana disease in East Africa is thus critical to the further development of a sector, which in sub-Saharan Africa provides a basic food resource for 100 million people.

Regional developments in ACP banana sectors

Caribbean: contrary trends and conflicting developments

While a number of Caribbean banana producers no longer export to the EU, the growth in exports from the Dominican Republic and Suriname between 2005 and 2010 (which have collectively more than tripled) and relative stability in exports from Belize have seen the total volume of Caribbean banana exports to the EU increase by almost 50%. Exports from the Windward Islands, affected as they have been by hurricanes and now Black Sigatoka, shrank by 61% between 2004 and 2010 and by 86% by 2011, while Jamaica has joined the Bahamas, St Kitts and Grenada in leaving the EU export trade.

In Jamaica efforts are in progress to reorient production towards serving national and regional markets for bananas and banana-based products. In November 2011 a US\$50-million programme to resuscitate banana production was launched with a focus on 'tying farmers to specific processors', so that there is a ready outlet for the expanded production. It is hoped that

by 2020 some 120,000 tonnes of the new varieties of bananas, better suited to value-added processing, will be under production, the focus of the Jamaican government's banana sector strategy. This targets the production of banana chips, flour and juice for both local and export markets.

"In Jamaica efforts are in progress to reorient production towards serving national and regional markets"

The programme for the replication and distribution of the new varieties was launched by the Jamaican Banana Board in August 2011 with support from the EU under the final component of the €42-million banana support programme first launched in 2000. However, it is unclear whether further assistance in support of the government's value-added processing strategy will be forthcoming from the EU, given the reorientation of EC support for banana assistance programmes towards 'economic diversification' and shielding affected communities from 'the negative impact of the downturn of the industry'.

In May 2012, a small US\$180,000 project was announced with the All-Island Banana Growers Association, which was depicted in the local press as a 'precursor to the banana accompanying measures [programme] which is slated to get under way in 2013' (see *Agritrade* article '[Reorientation of Jamaican banana sector under way](#)', 28 May 2012).

In contrast, in the Dominican Republic the intention is to deploy the bulk of BAM programme support to enhancing the competitiveness of the banana sector by increasing yields and improving quality standards.

Since 2000 a €27-million EU-financed programme aimed at both enhancing the competitiveness of the Belize

banana sector and promoting more general rural development has helped to increase yields per hectare by 70%. While exports to the EU grew by 24% between 1999 and 2008 they have since stagnated. In Belize, production disruptions in 2011, resulting from a series of freak storms, adversely affected exports to the UK market and may well influence the short-term financing priorities under the BAM programme.

Overall the situation in the Caribbean banana sector continues to be difficult. A number of countries are developing regional exports but intra-Caribbean competition is intense. In this context regional trade in bananas, while continuing, is not at present seen as offering a realistic alternative to traditional markets in the EU.

Eastern and Southern Africa

In 2010/11 Uganda's production of *matooke* (local bananas) increased by 2.7%, while in neighbouring Kenya banana production was also increasing. This growth was attributed to the huge investments made in the sector. In July 2011, the government of Rwanda announced plans to boost its annual production of commercial varieties of bananas from 800,000 tonnes to 1.6 million tonnes (Rwanda has more than 100 local varieties under production, with these varieties dominating local supply). The aim in Rwanda is to increase average yield from 10 to 17 tonnes per hectare through the introduction of new higher-yielding varieties. A focus is to be on the introduction of 'dessert bananas' for which there is believed to be a huge potential for export and value-added processing. The announcement of these aspirations coincided with a regional symposium to share experiences within banana supply chains across Central and Eastern Africa. These aspirations, however, would appear to depend heavily on

getting to grips with banana diseases which are threatening plantations across the region.

Across Eastern and Southern Africa, developing value-added processing of bananas is seen as critical to the expansion of commercial opportunities in the banana sector. Initiatives are currently under way in Uganda to develop *matooke* flour both as a gluten-free food ingredient and an input to regional nutritional programmes, given its high fibre and high starch content (see *Agritrade* article

"Across Eastern and Southern Africa, developing value-added processing of bananas is seen as critical"

'[Ugandan banana processing initiative to seek international markets](#)', 2 July 2012). In addition, it was announced in April 2012, following a DANIDA-funded project, that Uganda was to start the export of fresh peeled plantain bananas to the USA and certain EU markets. Without the development of new value-added banana products, it is felt that a danger of stagnation hangs over the regional banana sector.

In 2011, Mozambique began banana exports to South Africa and Middle Eastern and European markets, while in 2012 Ethiopia commenced the export of organic bananas to Saudi Arabia, with an estimated 200 tonnes per week scheduled for delivery (see *Agritrade* article '[Mozambique to begin banana exports to the EU](#)', 3 April 2011).

West and Central Africa

In West and Central Africa, consolidating access to the EU market through the finalisation of the negotiations for economic partnership agreements (EPAs) is accorded high priority by banana exporters in Ghana, Côte d'Ivoire and Cameroon. The EC pro-

posal of September 2011 to modify Market Access Regulation No. 1528/2007, which granted duty-free, quota-free access to exporters from countries whose government had

"Consolidating access to the EU market is accorded high priority by exporters in Ghana, Côte d'Ivoire and Cameroon"

initialled an EPA, gave a particular urgency to this issue, with the prospect of duty-free, quota-free access being lost from 1 January 2014 if the EPA process is not completed in time.

In January 2012, the President of the African Pineapples and Bananas Association (APIBANA) urged the Ghanaian government to sign the EPA with the EU, so as to preserve duty-free access to the EU market. He pointed out that in the face of reduced tariffs and associated increased competition from Latin American banana exporters, West and Central African banana exporters could not afford any re-imposition of EU import duties (€176/tonne) (see *Agritrade* article '[Conclusion of EPA process seen as key to African banana exports](#)', 3 March 2012). The concerns expressed in Ghana need to be seen in the context of the emergence of Ghana as a significant non-traditional supplier to the EU.

In 2011 Cameroon exported 231,342 tonnes of bananas to the EU, down by 3.6% on 2010. However the government of Cameroon has aspirations to raise banana exports to 500,000 tonnes, although high transportation costs, public infrastructure constraints, EU tariff liberalisation and currency volatility (particularly any appreciation of the euro against the US dollar) all pose significant challenges to the attainment of this objective.

In 2011 while the Ivorian banana sector was adversely affected by political instability and the subsequent international

export ban, export levels held up surprisingly well, declining by only 8.4%. This followed a 16% increase in average exports to the EU between 2008 and 2010, compared to 2005–07.

Overall, on average between 2008 and 2010, banana exports from these three main West and Central African banana exporters increased by 13.6% compared to the 2005–07 period, despite the changes to the EU import regime that were under way.

Pacific

In September 2011 it was reported that Samoan exports of dried organic bananas were being well received on markets in New Zealand. Currently, only small volumes are exported under

“Samoan exports of dried organic bananas were well received in New Zealand, with scope for expansion and similar Pacific island initiatives”

a joint initiative between Oxfam New Zealand and All Good Organics, with the principal outlet being provided by health food shops and delicatessens. However, with a food chain beginning to show interest, the scope for expansion could be considerable. These kind of initiatives potentially offer scope for the development of value-added banana product exports in a number of Pacific island countries.

3. Implications for the ACP

Strengthening the functioning of banana supply chains

If exports to the EU are to be maintained at current levels in the coming

years it would appear to be necessary that ACP banana exporters should reposition within banana supply chains, most probably through getting closer to the end retailers and adopting quality-based marketing strategies, in order to enhance revenues. The changes taking place in the mode of transportation of bananas could potentially open up new opportunities in this regard.

This will require a multiplicity of initiatives: from support to banana producer organisations, through targeted training to enhance the commercial negotiating capacities of banana producers' organisations, to support for the development of direct commercial contacts between banana producers and retailers with commitments to ethical and sustainable sourcing.

One means whereby ACP banana exporters could address preference erosion would be through more effectively developing ethical and sustainable trade initiatives. Lessons could usefully be drawn from the existing experience of fair-trade banana producers in this regard.

Support for better information systems for ACP banana producers on emerging opportunities in the ethical and sustainable trade components of the EU market may also be required. For example, the launch by the Danish Coop of the Savannah range of African products across its supermarket chain and the June 2012 commitment by Dutch companies to 100% sustainable sourcing of fresh fruit and vegetables by 2020 could both open up new opportunities for ACP banana exporters (see *Agritrade* article '[Sustainability concerns go mainstream in Dutch fruit and vegetable sector](#)', 29 July 2012).

However, ACP banana producer organisations will need to engage with sus-

tainable trade initiatives to ensure that issues of economic sustainability are adequately addressed within the pricing policy adopted by retailers. An extension of the EC-proposed retailer code of practice to overseas suppliers, and collaboration between the EC and ACP governments on strengthening the functioning of international supply chains, could assist in this regard.

Domestically, EU policy measures adopted to strengthen supply chains have included:

- direct financial support to enhance the organisational capacity and negotiating power of primary producers;
- direct financial support to product innovation to broaden the product range and expand commercial possibilities;
- direct financial support to enhancing product quality;
- the establishment of a programme for the identification of 'unfair contractual practices stemming from asymmetries in bargaining power' and monitoring 'potential abuses' and where necessary promotion of the use of 'standard contracts', which meet certain minimum requirements.

This adds up to a substantial agenda for aid-for-trade support under ongoing EU banana support programmes. It would also appear to give rise to a new context for the development of banana exports from non-traditional African exporters such as Ghana, Ethiopia and Mozambique.

Ensuring an effective role for BAM support

Many of the responses to the challenges facing ACP banana exporters are longer term in nature (e.g. repositioning them-

selves within banana supply chains and strengthening the functioning of these supply chains) and could benefit from targeted 'aid for trade' support. However, if BAM programme assistance is to play a role in addressing these challenges then there is a need for greater flexibility in the deployment of support (including through private-sector associations) and an extension of the time frame for the design and implementation of BAM programmes.

Support for dealing with banana diseases

In many regions, effectively combating the spread of banana diseases is critical to the future development of the banana value chains. It is unclear to what extent EU BAM support can be coordinated with other sources of EU funding to enhance and strengthen the effectiveness of EU support in combating the spread of banana diseases. Given that relatively low levels of support can have major commercial implications, consideration could be given to intensifying ACP–EU collaboration in this area. This is particularly important, since establishing effective disease-control regimes can give a major boost to both regional trade and investment in the value-added processing of bananas.

Developing regional markets in Eastern and Southern Africa

None of the banana producers in Eastern and Southern Africa are eligible for BAM programme support. It is therefore far from clear to what extent the relationship with the EU will give rise to support in developing value-added processing and combating banana sector diseases in the region. In this context any banana sector support programmes, unless integrated into ongoing EU-financed national indicative programmes, are likely to be largely financed from non-EU sources.

However, the deployment of food-aid resources could potentially play a role in creating a market for matooke flour in drought-prone regions of Eastern and Southern Africa, given its high nutritional value. Developing structured links between food-aid procurement arrangements and investment in value-added processing of bananas into products of high nutritional value, could establish a solid foundation for commercially viable production of value-added banana products in Eastern and Southern Africa.

Ensuring consultations to avoid 'collateral damage' for ACP exporters

With parliamentary calls being made to strengthen the application of FTA safeguard provisions in defence of EU banana sector interests, there would appear to be a need for the establishment of consultation arrangements with ACP banana exporters in order to avoid the adoption of measures, in response to import surges from Latin American suppliers, which might adversely impact on ACP banana exporters.

Finalising the EPA process for West and Central African banana exporters

For West and Central African banana exporters, avoiding any loss of duty-free access for banana exports to the EU is a major priority. The danger of an early loss of such access has receded, however, as a result of the emerging position in the European Parliament on the EC's September 2011 proposal. This may lead to a deferment of the deadline for completion of EPA negotiations to 1 January 2016 (see *Agritrade* article '[EP calls for more time in EPA negotiations](#)', 22 July 2012), but the governments of the countries concerned will nevertheless need to develop clear strategies for ensuring the retention of duty-free access, given the complexities of regional EPA negotiations in both West and Central Africa.

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About this update

This brief was updated in August 2012 to reflect developments since July 2011. The 2011 publication was based on a fuller briefing published in January 2009, and is available on request. Other publications in this series and additional resources on ACP—EU agriculture and fisheries trade issues can be found online at <http://agritrade.cta.int/>



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