

Common market organisation of banana

Compensatory aid 2000

At EUR301.9 million, the bill for compensatory aid for 2000 is the largest since the establishment of the common market organisation of banana in 1993. This record figure is accounted for by serious degradation of the world banana markets, increasing sensitivity of the European market to international market fluctuations and the considerable increase in the quantities of community bananas marketed.

Running a month behind schedule, the Management Committee approved by a large majority the final amount of compensatory aid for loss of income in 2000. The sum earmarked for supporting community producers' incomes increased by EUR69.4 million in comparison with 1999, reaching EUR301.9 million, or FrF2.51 per kg. This is EUR382.9 per tonne marketed (excluding complementary amounts) and the largest amount of aid ever paid out to community producers in terms of both absolute value and per tonne marketed.

While 1999 was marked by a sharp increase in aid (+ 22% per tonne), the 29% increase in 2000 confirms the worsening of the accounts of community chains.

The poorer earnings from community bananas on a seriously depressed European market broadened the gap between the flat-rate reference income (guaranteed minimum price) and the selling price on the markets. In 2000, Canary Island fruits suffered a decrease of EUR131 per tonne (FrF0.86 per kg).

In addition to this difficult market situation, the volume of community bananas marketed rose by 7% (+ 53 000 tonnes) in comparison with 1999, making it easier to understand the record level of aid. All the production zones (except for Greece) marketed more bananas in 2000 than in 1999. This is the case in particular of the Canary Islands (+ 35 390 tonnes)

and the French West Indies (+ 16 852 tonnes).

An elitist system

Complementary aid is awarded to the production regions in which the average income observed for the year is significantly lower (approximately 10%) than the community average. Guadeloupe and Madeira benefit from a complement in 2000 covering respectively 45 and 75% of the difference in actual selling price in the region and the European average. Martinique, with a 9% difference, does not have a right to this complement. This differentiated treatment of regions finally leads to an identical net income (selling price + aid + complementary aid) for Guadeloupe and Martinique.

Examination of the net income by region (cf. figure on following

page) shows the incongruity of the calculation system. While the flat-rate reference income indicates a production cost of EUR 640.3 per tonne (FrF4.2 per kg), after calculation of the final aid this is covered to 96% for West Indian growers, 104% for Canary Island growers and 134% for Greek growers, who are nonetheless not very numerous. Those in favour of the regionalisation of aid will find arguments for their cause here.

Nevertheless, growers should understand the existing system as one of the ways of drawing the most from their quality bananas and their commercial and marketing policies. The rule is elitist and gives a 'bonus' to growers who sell their produce best because compensation is based on an average selling price. In this context, segmentation and certification policies (produce, production method, etc.) have full justification not only on an

BANANA — 2000 — NET INCOME BY REGION

Euros/tonne F/kg	Selling price	Aid	Supplement	Net income
Greece	472.80 3.10	382.90 2.51	0 0	855.70 5.61
Canaries	283.30 1.86	382.90 2.51	0 0	666.20 4.37
Madeira	213.20 1.40	382.90 2.51	33.20 0.22	629.30 4.13
Guadeloupe	215.10 1.41	382.90 2.51	19.10 0.13	617.10 4.05
Martinique	234.20 1.54	382.90 2.51	0 0	617.10 4.05
EU	257.40 1.69	385.90 2.53		643.30 4.22

Net income = selling price + compensatory aid + supplement

COMPENSATORY AID — BALANCE 1993/2000

Euros/tonne	Value of EU production	Compensatory aid (excl. supplement)	Flat-rate reference income
6 months of 93	297.0	295.9	592.9
94	385.5	207.4	592.9
95	321.3	271.6	592.9
96	302.4	290.5	592.9
97	344.8	248.1	592.9
98	378.3	244.2	622.5
99	343.4	296.9	640.3
00	257.4	382.9	640.3

individual basis to improve the grower's income but on an overall basis to reduce the amount of aid.

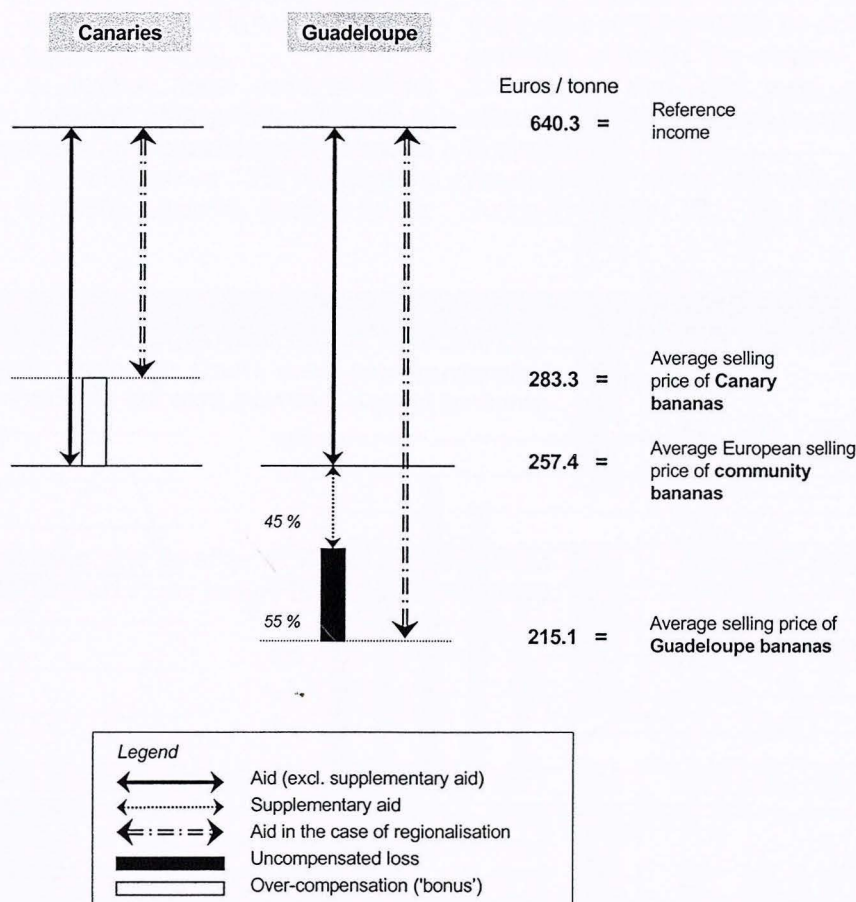
The announcement of the final amount of aid for the year highlights the amount of support to community producers and its impact on the community budget. Some member states point out that EUR302 million represents approximately a fifth of the support funds allocated to the entire fruit and vegetables sector. The scale of the aid is even poorly understood. It represents an average of 150% of the selling price on markets with a peak at 195% for Portugal. It is increasingly difficult to justify the high level of expenditure to European public opinion, even though it has ample legitimacy through the progressive opening of the European market to international competition and the resulting fall in prices.

The only comforting feature is the excellent behaviour of the banana markets since the beginning of 2001. This provides at least short term assurance concerning the future of support for producers' incomes ■

Denis Lœillet, CIRAD-FLHOR
denis.loeillet@cirad.fr

Banana – Compensatory aid for 1999

Comparison of the Canaries and Guadeloupe



Source: Market news service-Cirad-flhor (France)

1994/2000 — COMMUNITY BANANAS SOLD

Tonnes	1994	1995	1996	1997	1998	1999	2000
Canaries	321 555	369 387	345 943	403 999	437 414	362 188	397 578
Martinique	151 965	188 073	249 733	277 013	240 499	258 501	271 269
Guadeloupe	82 165	63 207	60 919	97 734	74 294	83 508	87 592
Madeira	25 866	34 401	24 203	27 890	30 436	21 770	22 461
Greece	3 071	3 138	3 807	3 901	3 589	3 336	3 276
Total	584 622	658 206	684 605	810 537	786 232	729 303	782 176