

CMO Banana

2003 compensatory aid: the EU helps he who helps himself

As might have been expected, the disappointment of French banana producers matched the hopes that they had placed in a possible increase in compensatory aid for loss of income in 2003. In spite of the repeated requests by French professionals and numerous approaches by the French government to the European Commission, the latter did not give in. Reform of the internal component of the common market organisation (CMO) of bananas is necessary more than ever.

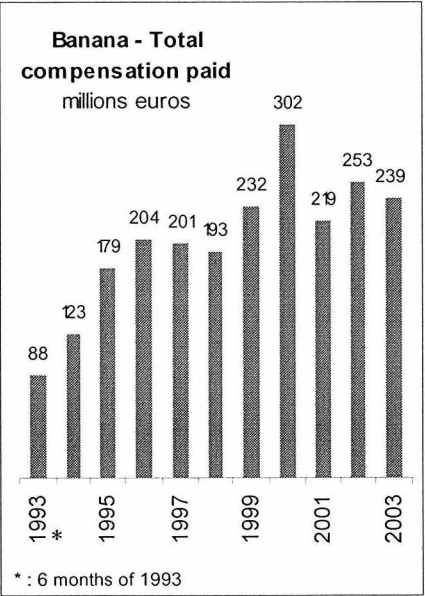
No way. French banana producers hardly got anything at all out of the European authorities. They requested an increase in complementary aid because of the very large differences in average selling price European bananas and fruits from Martinique and Guadeloupe. This year again, the differences result from the good prices fetched by Canary Island bananas; this mechanically increased the average European price. As compensatory aid for loss of income is governed by this figure, the producers selling at prices furthest from the average are penalised. Compensatory aid (excluding complementary aid) for 2003 has been set at EUR 294.60 per t, slightly down on the figure for 2002 (EUR 303.30 per t). The selling price of Canary bananas in 2003 was EUR 114 per t higher than the average European price (EUR 345.70 per t) and that of bananas from the French West Indies was EUR 138 lower.

A battle for complementary aid

European regulations plan the payment of complementary aid if the difference is too great. Portuguese producers have long negotiated a beneficial system that enables them

to make up the difference to a considerable extent (the 1998 'Madeira Clause'). French producers have been obliged to renegotiate the complementary aid calculation every year until 2003 (for the 2002 season). A calculation formula was proposed and accepted in May 2003.

This introduced the principle of graduated complementary aid: the farther the prices obtained by a production region from the community average price, the smaller the compensation. This graduated feature will be accentuated as time goes by with a coefficient falling from 80 to 50% between 2002 and 2004. The figure should have been 65% in 2003. The only exception to the new principle is that it will be 75%. But political pressure was strong. The European Commission, the guardian of budgetary orthodoxy, has nonetheless not departed from what now appears to be a basic principle: this is that European banana producers are requested to find their own solutions to their trade difficulties. European funds will just be a support. Thus, CMO banana is not longer intended to support European producers without counting. But there has not be a complete reversal of direction. The inflexion is both an old one and easy to forecast. The European Commission has long



announced its intentions in small changes. The setting up of the graduated principle and confirmation of its application to 2003 are strong signs of this. Expenditure on compensatory aid is strictly controlled.

The Commission's firmness shows those who still did not believe it that CMO banana is no longer a separate organisation in the European system of aid for agriculture. It no longer benefits from maximum budgetary

1994/2003 — Community bananas sold											
Tonnes	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Guide quantity
Canaries	321 555	369 387	345 943	403 999	437 414	362 188	397 578	420 919	407 343	400 911	420 000
Martinique	151 965	188 073	249 733	277 013	240 499	258 501	271 269	233 716	263 880	243 706	219 000
Guadeloupe	82 165	63 207	60 919	97 734	74 294	83 508	87 592	89 042	95 063	85 517	150 000
Madeira	25 866	34 401	24 203	27 890	30 436	21 770	22 461	20 682	21 903	21 382	50 000
Greece	3 071	3 138	3 807	3 901	3 589	3 336	3 276	2 909	2 433	2 670	15 000
Total	584 622	658 206	684 605	810 537	786 232	729 303	782 176	767 268	790 622	754 216	854 000

attention. French producers find it very difficult to swallow this strictness. They accuse the European Commission of all evils and show how, in its role of management of banana markets, it has gradually marginalised community production on its own market by rash opening to extra-European production. Furthermore, they consider that the incongruities of the system for the calculation of aid should be corrected in the European budget. How is it possible not to listen to this argument when a difference in net income of EUR 200 per t (net income = sales + compensatory aid + supplement) was observed between the Canaries and Martinique in 2003?

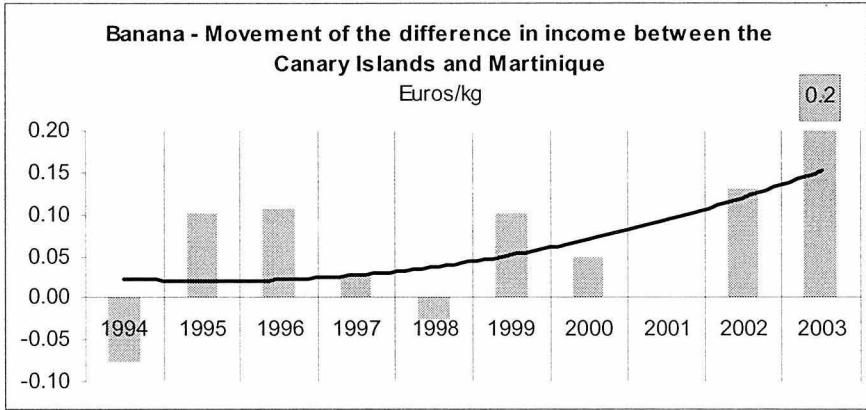
It is true that producers must be very flexible in order to adapt to the new situation in trade and regulations. Although they are not brutal, changes in the banana sector are rapid and irremediable. CMO banana dates back to only 1 July 1993 and the opening to competition has been implicit since that date. We know that Spanish producers reacted very quickly to the opening of markets in 1993. It is true that they started with a very special market situation (the market was entirely closed until 1993) and have maintained their domestic market in a condition that makes French producers green with envy. The efforts that they made in the organisation of sales and in marketing have paid off. Things are much slower and more complex for the French. Producers, especially in Martinique, have been trying to organise themselves for several months (*Fruitrop* 112) and are even considering investing in the promotion of their produce. In their defence, the initial situation was also very different. The French market was not as isolated from the rest of the banana world. From 1993 onwards it has even become a redistribution platform, with transit representing 140% of the country's annual consumption.

Compensatory aid — Balance 1993/2003			
Euros/tonne	Value of EU production	Compensatory aid (excl. supplement)	Flat-rate reference income
6 months of 93	246.0	245.0	491.0
1994	319.3	171.7	491.0
1995	321.3	271.6	592.9
1996	302.4	290.5	592.9
1997	344.8	248.1	592.9
1998	378.3	244.2	622.5
1999	343.4	296.9	640.3
2000	257.4	382.9	640.3
2001	356.7	283.6	640.3
2002	337.0	303.3	640.3
2003	345.7	294.6	640.3

Depression all round

However, even the organisations that display the best performance do not last long when depression invades the markets. Spanish producers have suffered, sometimes even more seriously than the others, from the very poor European banana situation in the first quarter of 2004. The

market and ceaselessly increasing loss of income, European producers—united for once—provided a few lines for the future of the internal part of CMO banana. The pan-European agreement is based on two main principles (*Fruitrop* 112, pages 7 and 8): the guarantee of a high level of support (minimum EUR 302 million, supplementary aid in



European budget must continue to play its role with regard to producers in order to ensure their vital interests. Adjustment and dosage are difficult. Producers always want more aid while European budgetary rigour and other priorities (enlargement of the EU, multilateral trade agreements, etc.) put the European banana market in the background.

Getting out of the vicious circle of an increasingly deregulated European

case of trade difficulties and the authorisation of state aid) and the setting up of a progress contract between the state, the European Commission and producers. Rights and duties for each of the parties concerned are thus included in the text. The European Commission has not yet given its opinion about the proposition. It will doubtless be considered excessive with regard to the sums requested and the exceptions to the rules concerning national aid. But it has an immediate advantage in any case. It shows that leaving the obsolete system of compensatory aid linked to loss of income is possible and even desired by all European producers. This itself is a first victory ■

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Banana — 2003 — Net income by region				
Euros/tonne	Selling price	Aid	Supplement	Net income*
Canaries	459.7	294.6	0	754.3
Greece	447.2	294.6	0	741.8
Madeira	320.6	294.6	0	615.2
Guadeloupe	208.9	294.6	51.9	554.9
Martinique	207.4	294.6	51.5	553.8
EU	345.7		317.1	662.8

* Net income = selling price + compensatory aid + supplement