

# Common market organisation of banana

## Compensatory aid: a boost for French producers

Approved unanimously by the 25 members of the EU, compensatory aid for 2004 has been set at EUR 281 per tonne. The complement awarded to producers in Martinique and Guadeloupe is EUR 78.20 and EUR 81.80 per tonne. In spite of the complement, the differences in incomes between European production regions remain very substantial. Spanish producers' incomes peak at EUR 718 per tonne whereas that of growers in Guadeloupe is EUR 613 per tonne. A reform of the support system is still on the agenda.

French producers had warned the French and European authorities. Their immediate future would depend on the European Commission's decision with regard to 2004 compensatory aid and, more precisely, the complementary aid awarded to European producers in difficulty. The moment of truth was thus set for 19 April 2005. On the Commission's proposal, the Management Committee voted unanimously to award aid covering 75% of the difference between the average selling price of European bananas and that of bananas from Martinique or Guadeloupe. Producers had concentrated their efforts on achieving their aim. Two French ministers went to Brussels to describe the critical situation of French banana producers to the Commission. Their voices were heard.

### Madeira clause for everybody

There has been a derogation for the second year running to the famous rule of degressive aid devised by the Commission for calculating 2002 aid (*Fruitrop* 102, May 2003, pages 9 to 11). One can even talk in terms of the suspension of the measure this year. Indeed, the rule has been replaced by

the pure and simple application of the 'Madeira clause' negotiated by Portugal in 1998. When the selling price of Madeira bananas is 11% lower than the average European price, producers are awarded 75% of the difference. Thus only Martinique and Guadeloupe benefit this year, with the awarding of EUR 78.2 and EUR 81.8 per tonne as a complement over and above aid of EUR 281 per tonne.

Madeira producers will not receive the complement as their selling price is much the same as the average European selling price. Cyprus, the last comer, is in the same position. Spain and Greece are still good pupils and draw the average price upward once again. This is the case in particular for Spanish producers who display shameless health with selling prices 21% higher than the European average. With a net income (selling price + compensatory aid) of EUR 718 per tonne, they exceed once again the flat-rate reference income (EUR 640.30 per tonne), the key standard for the system of support for producers. Whereas the next income of French producers (including the complement, see table below) has difficulty in attaining 96% of the flat-rate reference income, that of Spanish producers reaches 112%.

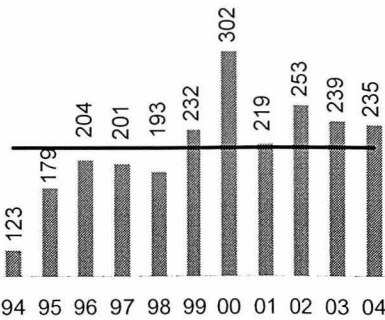
Fingers are pointed once again at the method used to calculate the aid. Indeed, it makes it possible to compensate losses that are not observed as whatever the selling price in a region, aid is calculated in relation with the average European selling price. But in such a system—often described as elitist—the producers who sell their fruits less well are penalised. This double punishment has been criticised by French producers for years.

The balance sheet for the system is staggering. Since 1994, over-compensation has attained EUR 175 million for the Canary Islands and

### EUR 235.10 million

A total of EUR 235.10 million will be paid to community producers for a sales volume of 750 910 tonnes. The total is comparatively stable in comparison with 2003 (EUR 239.20 million for 754 215 tonnes) and still above the average for 1994-2003 that amounts to EUR 215 million.

Banana  
Compensatory aid  
millions of euros



Banana — 2004 — Net income by region

Euros/tonne	Selling price	Aid	Supplement	Net income*
Canaries	436.6	281.0	0	717.6
Greece	372.1	281.0	0	653.1
Cyprus	339.5	281.0	0	620.5
Madeira	349.3	281.0	0	630.3
Martinique	255.1	281.0	78.2	614.3
Guadeloupe	250.2	281.0	81.8	613.0
EU average	359.3		313.1	672.4

\* Net income = selling price + compensatory aid + supplement

## Compensatory aid — Balance 1993/2004

Euros/tonne	Value of EU production	Compensatory aid (excl. supplement)	Flat-rate reference income
6 months of 1993	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
2004	359.3	281.0	640.3

under-compensation EUR 105 million for French and Portuguese producers.

## Necessary reform

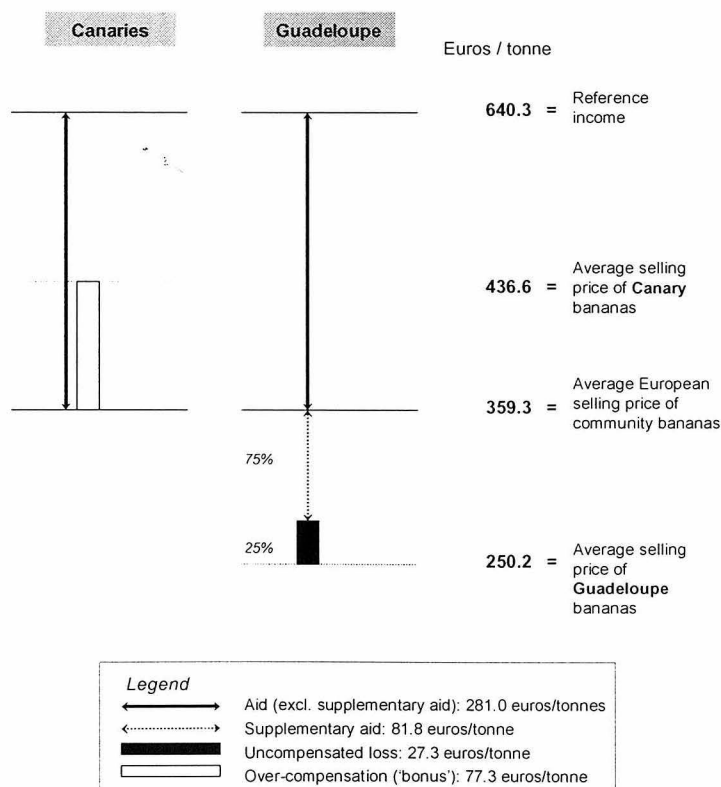
A substantial budget, an unfair method of calculation and aid that is partly unforeseeable (especially complementary aid) are encouraging producers and the European authorities to propose a reform of the system. The initiative was taken by the producers themselves who, with fine unanimity, signed the Madeira agreement (9 September 2004) proposing a new aid regime for community bananas. The agreement proposes fixed annual European aid, variable aid in case of market degradation and payment on condition that national aid is awarded.

The proposal is in the Commission's hands. Its opinion will doubtless depend on the evolution of the other major reform of the common market organisation of banana, that of the supply regime currently awaiting WTO arbitration ■

Denis Loeillet, CIRAD  
denis.loeillet@cirad.fr

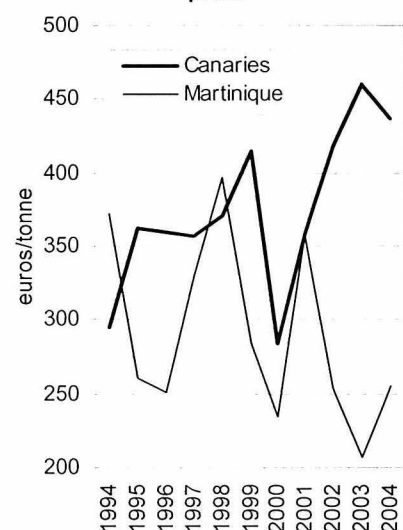
### Banana – Compensatory aid for 2004

#### Comparison of the Canaries and Guadeloupe



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

### Banana - Community selling price



## 1994/2004 — Community bananas sold

Tonnes	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Guide quantity
Canaries	321 555	369 387	345 943	403 999	437 414	362 188	397 578	420 919	407 343	400 911	418 407	420 000
Martinique	151 965	188 073	249 733	277 013	240 499	258 501	271 269	233 716	263 880	243 706	246 199	219 000
Guadeloupe	82 165	63 207	60 919	97 734	74 294	83 508	87 592	89 042	95 063	85 517	59 071	150 000
Madeire	25 866	34 401	24 203	27 890	30 436	21 770	22 461	20 682	21 903	21 382	21 161	50 000
Greece	3 071	3 138	3 807	3 901	3 589	3 336	3 276	2 909	2 433	2 670	2 869	15 000
Cyprus*	-	-	-	-	-	-	-	-	-	-	3 203	13 500
<b>Total</b>	<b>584 622</b>	<b>658 206</b>	<b>684 605</b>	<b>810 537</b>	<b>786 232</b>	<b>729 303</b>	<b>782 176</b>	<b>767 268</b>	<b>790 622</b>	<b>754 186</b>	<b>750 910</b>	<b>867 500</b>

\* Cyprus: from May to December 2004