European banana market

Competitiveness and diversification on the ACP support plan menu

Ten ACP countries that ship bananas to the European Union should benefit from the third support plan set up by the EU since 1994. Three of the sources are in Africa and seven in Caribbean. The BAM (Banana Accompanying Measures) are to cover the period 2010-2013 with funding of EUR190 million. It takes over from the SFA (Special Framework of Assistance) that ran until the end of 2008. The objectives have never changed, whatever the plan: competitiveness in the banana export sector and diversification.

ACP banana producing countries exporting to the EU have received funding since 1994 to be able to continue to operate in a European market where their privileges are dwindling. The SSA (Special System of Assistance) covered the period 1994 to 1999 with an allocation of EUR 78 million. The Special Framework of Assistance (SFA), with EUR 376 million, took over until 2008 and concerned 12 traditional banana suppliers. Neither the Dominican Republic, that was not an ACP country, nor Ghana, that did not have traditional supplier status, benefited from the plan.

In March 2010, the European Commission published a balance of this decade of support. It shows that the Caribbean countries gained most from the SFA, taking 73% of the budget allocation in comparison with the 23% received by African ACPs. The three Windward Islands concerned (St Lucia, Dominica and St Vincent) shared 175 million euros. In terms of intensity of aid (ratio of aid:volume exported to the EU during the period 1999-2008), the differences are colossal. While Dominica scored EUR 339 per tonne, only EUR 17 per tonne was awarded to Côte d'Ivoire. Average support for Caribbean exporters was EUR 128 per tonne while only EUR 33 was awarded to African sources during the same period. But should one be surprised? No. Because the July 1999 rules setting the procedure for the application of the SFA were comparatively clear as regards allocation, allowing for the differences in competitiveness and the importance of banana production in the country concerned. This was a double whammy for the Caribbean states as their competitiveness was considered to be well short of world standards and banana was often one of the only exports. The imbalance in the sums awarded told the most virtuous ACP countries that they thought they had to be practically in danger of disappearing completely before European support would come to the rescue.

Caribbean ACPs, large consumers of SFA funds

As a direct or indirect effect of aid, exports to the EU from Côte d'Ivoire and Cameroon increased from 353 000 to 497 000 tonnes from 1999 to 2008. Meanwhile, those from the Caribbean ACPs decreased from 283 000 to 206 000 tonnes. Stranger still, by virtue of its special situation (Article 4 of the regulation), Somalia was awarded 4% of the funds (EUR 14 million), although it had not exported a single banana for decades. It would seem that the funds were not allocated to the banana sector alone. In the Windwards and in Jamaica as well, agricultural diversification has become over the years more important than the improvement of competitiveness in the banana sector. Finally, aid devoted to the competiveness of the banana sector formed 48% of total SFA allocations, falling to 42% in 2007 and 37% in 2008. As highlighted by the rapporteurs, the four countries that continued to support the objective (Belize, Cameroon, Côte d'Ivoire and Surinam) maintained or increased the volumes of bananas exported to the EU during the period 2006-2008. The report also stresses the mixed success of diversification, noting that the

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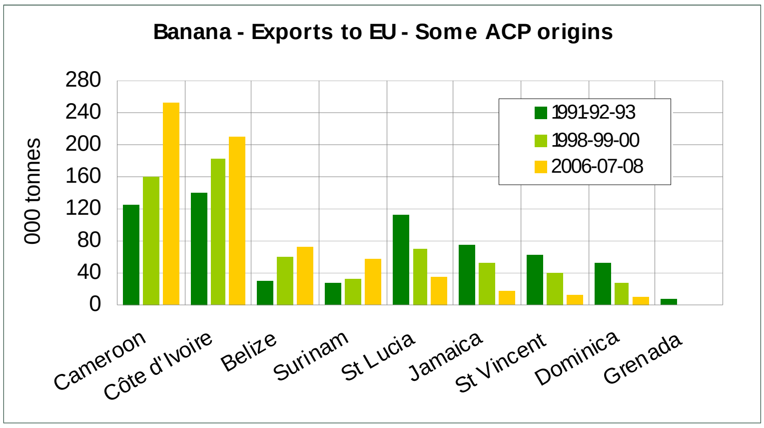
Banana plantations in Belize

Banana — Review of the Special Framework of Assistance for ACP producers — 1999-2008	Allocation (000 euros)	Cumulated volume exported to the EU (000 tonnes)	Allocation (%)	Volume exported to the EU (%)	Level of support (euro/tonne)
St Lucia	71 623	433	19	7	165
Dominica	52 503	155	14	2	339
St Vincent	51 093	245	14	4	209
Cameroon	47 277	2 376	13	36	20
Jamaica	42 625	310	11	5	138
Côte d'Ivoire	34 546	2 046	9	31	17
Belize	27 719	659	7	10	42
Surinam	21 767	333	6	5	65
Somalia	13 698	0	4	0	0
Grenada	5 500	4	1	0	1 375
Cape verde	4 100	0	1	0	0
Madagascar	3 500	1	1	0	3 500
Total, of which	375 951	6 561	100	100	57
Africa	**103 121**	**4 423**	**27**	**67**	**23**
Caribbean	**272 830**	**2 138**	**73**	**33**	**128**

Source: European Commission

programme would have benefited from clearer orientations.

Finally, was the programme effective? The authors do not give a clear opinion on this point. Indicators do not seem to have been fully developed. In any case, only half of the funds had been actually released at the end of 2008 and very large investment programmes (road infrastructure, buildings, etc.) are still being conducted. It is also difficult to give a verdict as to the sustainability of banana exports from these countries. The authors of the review point out that the prospects of lasting competitiveness depend to a considerable degree on first the results of ongoing international trade negotiations and second on the capacity of the countries concerned to achieve further progress in productivity and cost savings. The situation does not seem very promising as regards the first point. The EU-CACM, EU-Andean Pact and even EU-MERCOSUR bilateral agreements have been practically completed, with the setting of the EUR 75 per tonne customs levy on banana imports in 2020 (**FruiTrop** 177, page 20). And competitiveness is a daily battle. Nobody becomes a competitive supplier for life. This is achieved at the cost of investments, reduced expenditure, increased productivity, market diversification, differentiation, etc.



The BAM, the new support plan for ACPs

ACP suppliers fought hard recently for the BAM, a kind of extension of this support programme. It is to have a EUR 190 million budget spread over a four-year period (2010-2013) and has the same objectives as previous plans—competitiveness and diversification. Only ten ACPs will benefit from the BAM: Cameroon, Côte d'Ivoire, Ghana, Belize, Dominica, the Dominican Republic, Jamaica, St Lucia, Saint Vincent and the Grenadines and Surinam. Three main criteria will be used for awarding aid: the volumes of bananas released on the EU market, the importance of banana exports to the EU for the economy of the country and the level of development measured by the UN Human Development Index (HDI). More details will be provided in the regulation of application. National programmes are being drafted in each of the ten eligible countries. However, the notion of competitiveness is not longer addressed using unit import values calculated from Eurostat data (as was the case in the SFA). This is a very controversial point as it was not really known whether declaring a tonne of bananas at above the European price was the sign of a good market position (e.g. for organic or fair-trade fruits) or demonstrated the economic impossibility of matching the lower market price.

The principles have been more or less defined, the budget has been set and the beneficiaries chosen. There remains the question of the prospects of post-2013 funding and also that of fixing the official launching of the plan. As it has from the start, the Commission seems to want to link it with another dossier—no BAM without the ratification of the Geneva Agreements of 15 December 2009, should a grain of sand damage the work of the complex ratification machine. ACP and community producers would seem to be for this caution by the Commission, with insistence on a package negotiation. The EU would thus have avoided lowering its customs tariff twice in six months—once at the multilateral and the second time at the bilateral level ■

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