

Common market organisa

Strong increase in compensatory aid in 1999

Aid for 1999 is to total €232.4 million against €193 million in 1998. This strong increase is explained by a rise in the level of this aid, the depressed market and the payment of supplementary aid to three out of the five production regions.

For the first time since the CMO banana came into force on 1 July 1993, the compensation paid to European banana producers for loss of income will exceed €230 million (for 1999). The precise figure is €232.4 million, €39.4 million more than for 1998.

Three factors contribute to the increase:

1. The flat-rate reference income (average European production cost) was increased in 1998 and then 1999 to €640.3 per tonne.
2. Poorer sales of community bananas on a European market that was strongly depressed in 1999 increased the gap between the reference value and the effective sales price.
3. Three production regions out of five are to receive supplementary aid.

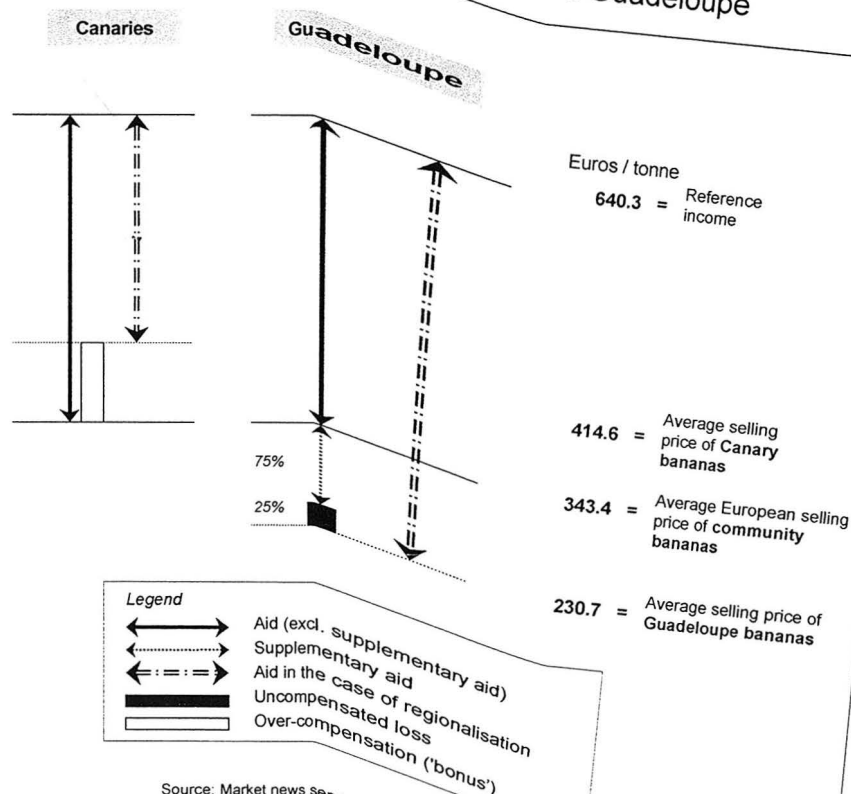
The situation is all the more worrying as the volume of community bananas sold (729 303 tonnes) was much smaller than the maximum for which compensation may be paid (854 000 tonnes) and than the 1998 figure (- 56 929 tonnes). Decrease in community supplies was confirmed in the Canary Islands (- 75 226 tonnes), Madeira (- 8 666 tonnes) and Greece (- 253 tonnes). In contrast, the figures were better than those of 1998 in Martinique (+ 18 002 tonnes) and Guadeloupe (+ 9 214 tonnes).

Aid for 1999 is €296.9 per tonne, an increase of 22 percent in comparison with 1998. Supplementary aid was awarded to three production regions (Martinique, Guadeloupe and Madeira), covering 50 to 75 percent of the difference between the selling price by region and the average European price.

BANANA — 1999 — NET INCOME PER REGION			
€/tonne	Selling price	Aid	Supplement
Greece	516.4	296.9	0
Canaries	414.6	296.9	0
Madeira	276.8	296.9	0
Guadeloupe	230.7	296.9	49.9
Martinique	283.5	296.9	84.5
Net income = selling price + compensatory aid + supplement		296.9	29.9

BANANA – COMPENSATORY AID FOR 1999

Comparison of the Canaries and Guadeloupe



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

COMPENSATORY AID — BALANCE 1993/1999

€/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

The method used for the calculation of this aid (using an average European marketing price) is responsible for this injustice. The situation will provide arguments for those in favour of the regionalisation of the calculation of aid. This proposal has been rejected in advance by the Canary Island producers who sell their produce better and who, thanks to the system, receive greater compensation than their effective

losses. Thus, the Canaries have received a 'bonus' (from €12 to €71 per t) 5 times since 1993. In contrast, growers in Madeira sell their bananas less well than the European average and the aid received only partially covers their losses.

Close watch on the régime

Beyond discussions of the calculation method, producers must be vigilant with regard to the continuation of the system of aid. Strong community budgetary constraints form threat to the amount of aid rather than the principle. The risk is especially great as, in terms of the ratio between the aid and the effective sales price, this aid is considerable. Summits were attained in this domain for 1999 with aid totalling more than 165 % of the actual selling price in certain regions ●

Denis Loeillet, Cirad-flhor
denis.loeillet@cirad.fr

1994/1999 — COMMUNITY BANANAS SOLD

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



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Information and registration details:

fax (33) 4 67 61 71 47

email bpa@cirad.fr

internet www.cirad.fr/publications/revues/fruitrop/fruitrop.html

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