

CMO Banana

The challenge of enlargement in 2004

The two determinant deadlines for the reform of common organisation of the market of banana (CMOB) are approaching. The quota system should be replaced by a tariff-only system in 2006. Meanwhile CMOB must allow for the enlargement of the EU, with a further ten countries in 2004, while respecting undertakings made to the ACP countries and the World Trade Organisation.

Since July 1993, the supplying of the European banana market has been based on the strict regulation of imports and rules common to all the member-countries. Reformed on the occasion of the first enlargement of the EU and conformity with WTO decisions, it must be changed again to allow for the arrival of ten new members.

Negotiations will cover three main themes between now and January 2004: evaluation of the consumption volume in these states, the awarding of import rights to operators and the distribution of these volumes between the type of origin.

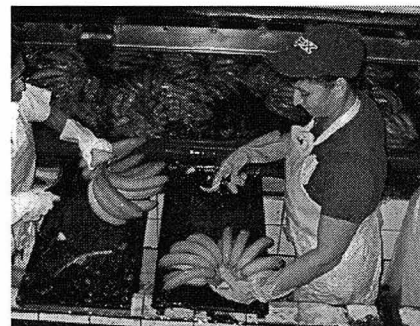
A 640 000-tonne market!

Enlargement will increase the number of EU consumers by 65 million. Banana is the second

most imported fruit in Eastern European countries after citrus and per capita consumption is comparable to that in Western Europe and sometimes higher. None of the countries concerned has a banana production zone, except for Cyprus.

The net imports of the candidate countries total an average of 640 000 tonnes per year, representing nearly 16% of the total supplies of EU-15. Poland alone imports 49% of these volumes, followed by the Czech Republic (18%), Hungary (13%), Slovakia (9%) and Slovenia (5%). The imports by the Baltic countries (Latvia, Estonia and Lithuania) form about 10% of the total banana imports of the candidate countries, headed by Lithuania (5%).

The countries in Central and Eastern Europe are traditionally



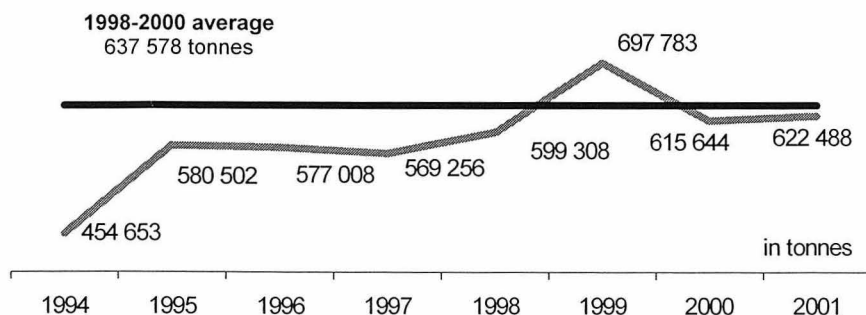
dollar banana importers. Ecuador supplies most of the fruits consumed. Poland and the Czech Republic receive more than 50% of their supplies from Ecuador, 26% from Colombia and 13% from Costa Rica.

ACP banana imports are very limited and come mainly from Cameroon and Côte d'Ivoire. They form 5 to 9% of total imports in Slovenia, the Czech Republic and Hungary. They form less than 1% of imports in the other countries.

As compensatory aid for loss of income to European producers is paid on condition that the fruits are marketed within the EU, it is not in the interest of any of the latter to supply the Eastern European markets today.

In most of the countries, the bananas arrive directly with no transit via another country. This is the case in Poland, the Czech Republic, Estonia, Slovakia and Slovenia. The phenomenon is partially explained by the presence of large ports such as Gdansk and Gdynia in Poland and Koper in Slovenia.

Banana - Net imports of the ten candidate countries



Note: 2001 partially estimated from 2000 / Source: national customs authorities, FAO

In contrast, more than 90% of the volumes imported by Hungary arrive from Germany. The situation is the same in Lithuania and Latvia for 80% of the total volume, although the percentage is tending to decrease.

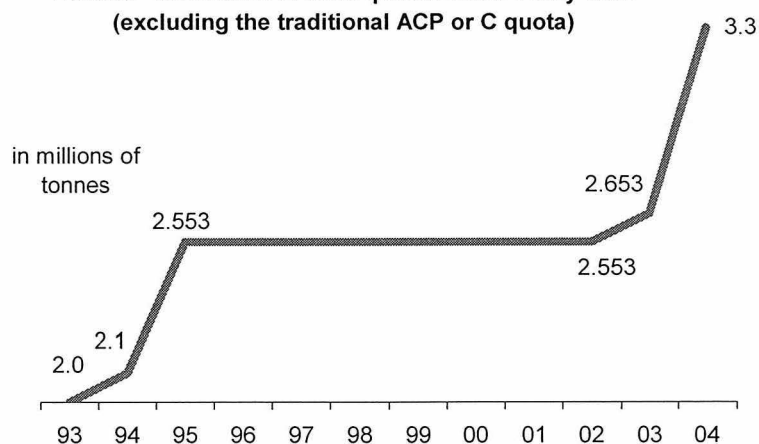
The rest of the chain is handled by certain national and international importers who have increased the number of subsidiaries in the zone to cover the importing and distribution of bananas.

The main ports playing an important role in the supplying of bananas are St Petersburg in Russia, Hamburg in Germany and Antwerp in Belgium.

Enlargement in 2004— history repeating itself

After the European Summit in Copenhagen in December this year, the European Commission, member-states and candidates will have to decide on the membership procedures. Common positions have been defined and will serve as the basis for discussions.

**Banana - Movement of tariff quotas since 1 July 1993
(excluding the traditional ACP or C quota)**



What volumes?

The Commission must evaluate the volumes taken by these different markets. If 1998-2000 is confirmed as the reference period, the net imports calculated from customs declarations would give a reference volume of 640 000 tonnes.

As during the 1995 enlargement, the risk is one of over-estimating this consumption figure, in particular by counting twice the volumes arriving in Germany and re-exported to the candidate countries. The incoherence of certain customs data supplied by

the candidate countries gives an idea of the difficulties of the coming negotiations.

This problem is aggravated by the long common frontiers of these countries and Germany, the hub of the banana trade in Europe. Over-evaluation would result in market imbalance resulting from the awarding of rights to import more fruits than required for actual consumption.

There is a risk of destabilisation of the European market and, as a result, of the collapse of banana prices. One of the direct effects would be a substantial increase in

CANDIDATE COUNTRY BANANA IMPORTS										
Tonnes	1994	1995	1996	1997	1998	1999	2000	2001	1998/2000 Average	1999/2001 Average
Poland	176 313	244 518	255 612	269 289	301 482	347 420	281 318	290 000	310 073	306 246
Czech Rep.	110 869	153 408	143 754	129 480	114 794	130 039	104 364	100 221	116 399	111 541
Hungary	75 369	66 854	35 842	56 843	78 894	92 042	81 629	76 100	84 188	83 257
Slovakia	*53 325	74 055	80 916	66 169	60 437	61 583	47 343	*41 057	56 454	49 994
Slovenia	*25 227	31 288	29 619	30 284	25 352	28 398	*47 648	<u>47 648</u>	33 799	41 231
Lithuania	*22 200	*68 300	*53 082	*47 275	23 954	28 141	*39 739	<u>39 739</u>	30 611	35 873
Latvia	*14 013	17 118	16 999	8 127	16 246	19 506	*19 507	<u>19 507</u>	18 420	19 507
Estonia	*4 611	6 657	5 465	10 739	11 944	13 031	*11 192	<u>11 192</u>	12 056	11 805
Malta	4 356	6 649	6 745	6 937	6 920	6 819	7 457	<u>7 457</u>	7 065	7 244
Cyprus	0	0	0	0	0	0	735	<u>735</u>	245	490
Total	486 283	668 847	628 035	625 143	640 024	726 979	640 932	633 656	669 311	667 189
Re-exports	31 630	88 344	51 026	55 887	40 716	29 196	25 288	11 168	31 733	21 884
Net imports	454 653	580 502	577 008	569 256	599 308	697 783	615 644	622 488	637 578	645 305

Sources: national customs authorities, FAO for figures marked with an asterisk. Underlined figures for 2001 are carried over from 2000.

the financial support allocated to community producers. This situation is all the more difficult as the EU is in favour of a reduction in CAP-related expenditure.

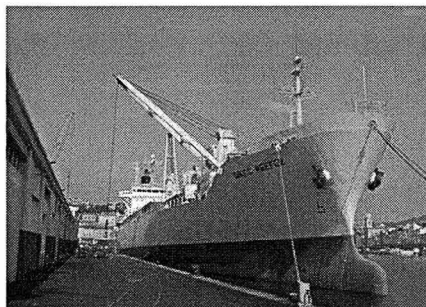
Who will be the operators?

This is doubtless the most complicated subject and many questions remain unanswered so far. What will be the historical reference period chosen? What will become of the national operators who purchase supplies from other EU operators? Who will be considered as primary operators? Might there be a risk in counting quantities twice? Careful checking will be necessary in all cases.

Which origins?

If reference is made to the method used for the 1995 enlargement—the creation of a separate tariff

quota for dollar bananas alone—the coming enlargement should lead to a fresh increase in the dollar quota. This would be justified by the present import structure in the candidate



countries as their supplies are shipped almost solely from dollar origins. Such a decision would lead to conflict. The ACP countries might once again find themselves refused the possibility of participation in the growth of banana consumption in Europe.

Certain signs thus lead to imagining that the ACP countries will be kept out of the game. The

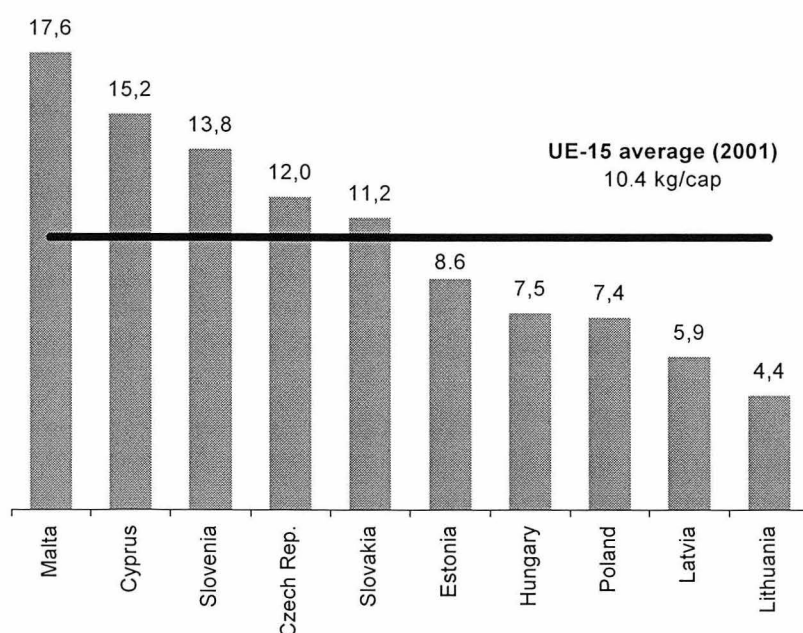
C quota (ACP) already lost 100 000 tonnes in 2002 to the benefit of the B quota (third country origins) on the pretext that it was not fully used.

However, the volumes involved are so large (nearly double those of 1995) that the ACP countries might have a hope—although a very small one—of being invited to the feast.

History thus seems to repeat itself. The same questions as those asked concerning the enlargement of Europe from 12 to 15 members are asked today. However, if the same replies were to be given, the ACP producers would be marginalised on a European market in which consumption is increasing ■

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Banana – Consumption per capita
Average for 1997-1999



Calculation: import - export + production = kg per person
Source: national customs authorities

Weighting of voices
at the European Council

European banana producers
marginalised

