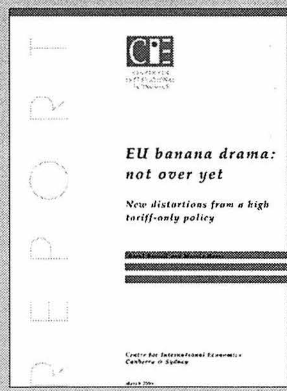
Africa criticised

Extracts from the study by Brent Borrell and Marcia Bauer entitled *EU banana drama: not over yet*.

- It is almost certain (...) that Latin American access will decline for a tariff above EUR 100 a tonne after 2005.
- There is even a 22 per cent chance that Latin American access could decline with a EUR 75 a tonne tariff, particularly if the strong euro prevails.
- African production and exports expand rapidly. (...) Africa would greatly increase its share of the EU market with that level of preference. Indeed they would expand for any level above EUR 75 per tonne.
  African exports doubled under the current preferential arrangements, and that growth will accelerate if the current preference is enlarged.
  With few constraints and competitive costs, Africa could easily more than double production over a six year period and possibly sooner.
  With large increases in producer prices foreign investors are likely to quickly establish large new plantations in Africa — Ivory Coast, Cameroon and several other African ACP banana-producing countries.
- With preferences in excess of EUR 75 per tonne, African banana exports would expand and displace Latin America exports in the EU market. If a EUR 300 per tonne most favoured nation (MFN) tariff were installed, for example, Latin American exports would decline from around 3.0 to 3.2 million tonnes at the end of 2005 for a 25 member European Union to only 1.65 million by 2012 — a 50 per cent decline.
- (...) high tariffs could cause trade values for Latin American exporters to be over USD 1.3 billion a year lower.



A non-event

The declarations and positions adopted by each party seem to mark a new stage in the process of reform of the common market organisation of banana. The various parties concerned are making their positions known. Even if they are not particularly surprising, they have the merit of being public. The scene is being set little by little.

Diagrammatically, four major types of position are emerging, defined according to the following criteria:
- the comparative competitiveness of each origin,
- the current level of protection on the European market,
- the nature of parties involved (trade operators or producer state),
- the trade links between states,
- the relations between national operators and their governments (in both producing and importing countries),
- and finally the market share of each operator in Europe.

The importance awarded to each criterion by the different parties determines their negotiating positions.

But what about the European Commission's position? Faithful to its strategy of emergency negotiation, constrained by European diversity to perform expert weighting of the criteria listed above and, finally, obliged to respect numerous sometimes contradictory international obligations, the Commission has not yet made a statement on the subject.

Compensatory aid called into question

European producers were very thin on the ground during the discussions. It is true that Canary Islanders and French—united for the occasion—had a weighty dossier to work on, that of the reform of compensatory aid for loss of income. The long discussions gave results. Indeed, the two largest European production zones succeeded in defining a joint platform on the reform of the internal component of the CMOB and especially in the subject of income support for European producers (see below). Reform of the support system for producers seems inevitable in all cases. The EU mentioned this in one of its contributions, stating that on the subject of the future of the internal system of aid for community banana production, and in particular compensatory aid following the switch to a tariff-only system, it should be mentioned that the ongoing evaluation should give an opinion on the impact of this aid on producers' incomes and on the effectiveness of this aid since the setting up of common market organisation of banana in 1993. It was added that certain changes to the system could be envisaged in the light of these conclusions.

Soft law

Other more consensual subjects were addressed, in particular via a very well-prepared FAO document on social and environmental certification in the banana sector. Organic sectors and fair trade were examined, together with the various types of certification that have mushroomed during the past few years and that are more or less related to the environmental and social sphere: the FLO (Fair Trade Labelling Organisation) standard, ISO 14001, Eurepgap, the Sustainable Agriculture Network (SAN) and Rain Forest Alliance's sustainable agriculture programme and standard SA 8000 (Social accountability). The study shows that supply of organic bananas is sufficient to cover demand whereas supplies of fair trade bananas already exceed demand.

Pouncing on the opportunity, the Costa Rican delegate stated, as usual, that his country had a long tradition of social and environmental standards. He pointed out that private certification such as Eurepgap is voluntary in essence but soon becomes an obligatory standard if it is required by the large distributors in

Europe. Costa Rica is against what it is agreed to refer to as 'soft law' that is imposed by usage rather than by principles. Eurepgap certification would cause extra expenditure by producers of USD 0.25 to 0.30 USD per box, with no hope of this being passed on in the selling price.

Tropical fruits: lack of information

The atmosphere at the session devoted to tropical fruits was more relaxed. It is true that the problems examined less concerned supply policies set up by the various importers than the trade dynamism generated by private operators.

The delegations frequently deplored the lack of information about the tropical fruits sector. Indeed, outside a few major fruits (pineapple, mango and avocado), the others, considered as minor in terms of international trade (papaya, passion fruit, litchi, etc.), are studied very little. This is why the Tropical Fruit Net (TFN) was set up in 2000 at the preceding session of the Intergovernmental Group (Australia, 2000). Hosted and managed by Malaysia, it does not always plays its role as decision aid for operators in these sectors. Furthermore, it made no contribution to the discussions and did not present a market study.

Pineapple: the 'sweet' trap

Reacting to a detailed presentation of the international pineapple market, the Côte d'Ivoire delegate stressed that the success of MD-2 (or extra sweet) pineapples should not be seen just as a result of varietal innovation. He considered that it was more the success of a transnational company that has organised a very effective production and marketing system centred on a high-quality variety. Growers of 'sweet' type pineapples who are now flooding the market with these fruits may realise this a bit too late.

More generally, the group complained about the lack of reaction by participants. Seeking solutions to add pep to discussions, it was decided to call on sector professionals. The next stage is therefore the Third Session of the Intergovernmental Group to be held at the end of 2005 in Guayaquil (Ecuador) ■

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Reform of common market organisation of banana

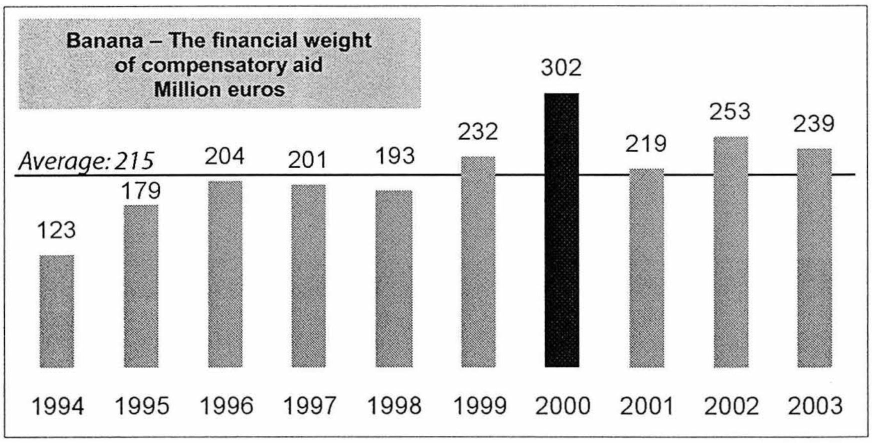
European producers on the same wavelength

In the sidelines of the recent FAO meeting in the Canary Islands devoted to bananas and tropical fruits (March 2004), Spanish and French banana producers came to an agreement on the reform of the income support regime. They propose to set aid at EUR 302 million (with 2000 as reference) to increase the budget according to market uncertainties and, finally, to authorise national aid. A contract for progress records the undertakings of each of the parties (European Commission, member-state and producer).

Banana producers in the two main European production zones have finally reached an agreement on the reform of the internal component of the common market organisation of banana. The dossier is essential for European producers, considered particularly sensitive by the Commission and very complex in general. Furthermore, the reform requires unanimity among European producers and from this point of view it has always been very difficult for the two main parties involved (the French West Indies and the Canary Islands) to see eye to eye. French producers suffer from the present system while their Spanish counterparts have been able to reap all the benefit.

Reform of the internal component

It is reminded that the principle is that the average weighted selling price is calculated for all the community bananas released on the market for a year and then this is compared to the flat-rate reference income, set at EUR 640.30 per tonne. The difference is the compensatory aid to be paid to each producer, whatever his individual selling price. This system does not generate any distortion between the different producers or production zones when the individual income of a Canary, French or Portuguese producer is much the same. And this is where the problem lies because the average selling prices on the French and Canary markets differ considerably. The Canaries have displayed selling prices higher than those of Martinique seven times since 1994. The difference was colossal in 2003. The figures published in mid-April revealed a difference of nearly EUR 240 per tonne! The present system allows the compensation of Spanish producers beyond the flat-rate reference income (extra



compensation). Meanwhile, French producers are markedly under-compensated. It is estimated finally that nearly EUR 100 million in supplementary aid is awarded to Spanish producers (cf. ***FruiTrop*** 92, pages 7 to 9). But this extremely critical reading of the situation must be tempered. Spanish producers knew perfectly well how to use the system that gives a bonus to a producer because he is very competitive (production cost lower than the flat-rate reference income) or sells his produce better on the European markets.

Compensatory aid in 2003

The European Commission published the final figures for compensatory aid for loss of income on Friday 16 April 2004. ***FruiTrop*** will publish a full analysis of these data in the next issue (***FruiTrop*** 113). The key features are shown below.

Banana – European production in 2003	
Production	754 215 tonnes
Value of production	EUR 260.8 million
Reference price	EUR 640.3 per t
Price at production	
EU average	EUR 345.7 per t
Greece	EUR 447.1 per t
Spain	EUR 459.7 per t
Martinique	EUR 207.4 per t
Guadeloupe	EUR 208.9 per t
Portugal	EUR 320.5 per t
Aid	
Aid without supplement	EUR 294.6 per t
Supplement	
Martinique	EUR 51.9 per t
Guadeloupe	EUR 51.5 per t
Total	EUR 239.2 million

In this context, one might wonder why Canary Island producers agreed to call into question such a favourable system. It is doubtless because they understand that the common organisation of the market has come to a crossroads:

- reform of the internal component will follow or accompany that of the external component (enlargement, tariff-only system, etc.);
- the malfunctioning is now obvious;
- the European Commission made a strong hint in 2003 when it took measures for the better supervision and control of expenditure on compensatory aid (***FruiTrop*** 102, pages 9 to 11);
- finally, the precarious balance of the international banana market might one day change the sacred principle of a Spanish market protected from the international situation.

Examination of the agreement enables better understanding of why the French and Spanish positions have converged. The largest common denominator was sought or, more clearly, both parties set their maximum requirements that were then turned into a proposal. The text plans the following:

- setting the aid at the 2000 level (EUR 302 million) and sharing it among the various producer countries;
- indexing the 2000 figure on the movement of the annual average CIF price in each region;
- authorising producer member-states to set up supplementary aid funded from its own budget.

The setting up of a contract for progress between the country concerned, the European Commission and producers is also planned in the agreement. This contract will set five-year objectives and should make it possible (1) to increase the prices obtained on the markets and (2) reduce production costs.

France to help the West Indian banana sector

At the end of March, the French government decided to set up a budget advance of EUR 21 million to support West Indian banana trade professionals currently experiencing a slump. In addition, France is currently pleading in Brussels for the early payment of the balance of compensatory aid for 2003 and the awarding of exceptional supplementary aid to support producers' incomes. This allowance is over and above the 'contract for progress' worth EUR 25 million (over a five-year period) proposed to professionals at the beginning of March. This contract has three lines of approach: restructuring release on the market and marketing (promotion campaign), restructuring production and support for producers (sustainable agriculture) and the implementation of social aid measures for the farms in great difficulty.

This agreement has become a proposal made by all the community producers to the European Commission as the Portuguese and Greeks have joined the movement. There is still quite a way to go before it becomes a European regulation. Whatever its future, it has already met one of its objectives—that of showing that discussion between European producers is possible ■

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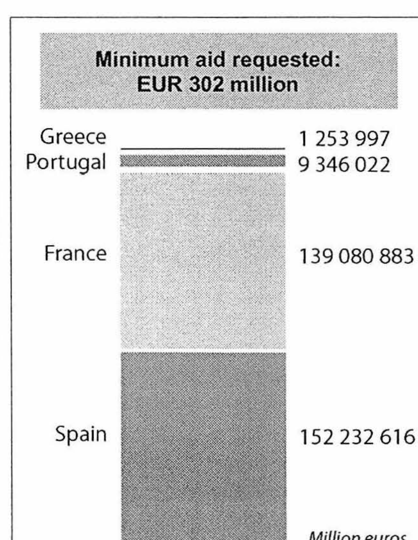

Indicators
March 2004

The main fruits — In shares by total volume and expenditure on fruits for the month in France		
%	Volumes	Expenditure
Apple	27	23
Orange	23	18
Banana	13	12

The trends for the main produce of the month significantly influence the overall situation of the fruit market. A column entitled 'Indicators' discussing these fruits precedes the pages devoted to a selection of exotic and citrus fruits.

Pages
Banana *10*
Avocado *12*
Orange *13*
Grapefruit *14*
Easy peelers *15*
Litchi *16*
Mango *17*

Apple

March 2004 / March 2003			
Price	↗	Vol.	↘

Export business slowed considerably. A significant number of clients ceased to reference French apples, switching to the southern hemisphere crop. The market nevertheless remained balanced as stocks were comparatively small and local demand fairly brisk. Prices remained above average and the difference with preceding seasons even increased.

Orange

March 2004 / March 2003			
Price	↗↗	Vol.	↗↗

The volumes sold and the average price recorded were distinctly above the average for the last few seasons for the second month running. This continued excellent performance is ascribed to Navelate. It confirms the change that this variety has caused in the semi-late season.

Banana

March 2004 / March 2003			
Price	↘	Vol.	↗

Without being exceptional, performance recovered to an acceptable level after an extremely difficult start to the year. Shipments were substantial from the main origins supplying the French market. However, domestic demand was present thanks to attractive retail prices and export business was lively. Prices thus climbed again and approached average but without reaching it.

Notes concerning market appraisal methodology

The statistics on the following pages are estimates of quantities put on the market in France. They are only calculated for the main supplier countries and are drawn up using information on weekly arrivals or market release statements by representative operators. The past figures are kindly provided from the POMONA data base and processed by CIRAD. The figures in the 'Main fruits' section above are provided by the CTIFL, with SECODIP being the source. The data published in the French market pages is provided solely as a guide and CIRAD accepts no responsibility for their accuracy. The illustrations are reproduced with the kind permission of Fabrice Le Bellec (CIRAD-FLHOR).