■ Frozen concentrated orange juice

Brazil - Frozen concentrated orange juice exports			
000 tonnes	Seasons		
	04/05	03/04	02/03
July	101.7	73.2	74.2
August	129.4	136.4	111.6
Sept.	126.9	164.1	98.4
Oct.	122.0	121.6	116.1
Nov.	102.5	52.3	81.0
Dec.		209.1	104.9
Jan.		77.6	121.6
Feb.		40.9	44.9
March		122.4	100.2
April		135.2	100.6
May		121.9	84.1
June		95.3	39.4
July to Nov.	582.5	547.6	481.3
Total	-	**1 350**	**1 077**

Source: Abecitrus

USA - Frozen concentrated orange juice - 000 tonnes			
October to September	03-04	04-05	Delta %
Imports	**179.0**	**255.1**	+ 43
Brazil	124.5	195.2	+ 57
Caribbean	44.5	44.5	0
Mexico	6.6	12.1	+ 82
Others	3.4	3.4	0
Exports	**99.8**	**83.7**	- 16
Canada	45.9	38.6	- 16
Europe	32.2	28.2	- 13
Japan	5.6	4.0	- 29
Others	16.1	12.9	- 20

Source: FDOC

■ Cashew nut prices

USD/pound FOB Cochin/ Tuticorin	Week 50/2004	Week 51/2004
W180	3.00	3.00
W210	2.70-2.75	2.70-2.75
W240	2.50-2.55	2.50-2.55
W320	2.40-2.50	2.40-2.50
W450	2.30	2.30
SW320	2.25-2.30	2.25-2.30
SW360	2.20-2.25	2.20-2.25
SSW	2.00-2.05	2.00-2.05
FS	2.25-2.30	2.25-2.30
FB	2.20-2.25	2.20-2.25
LWP	1.75-1.80	1.75-1.80
SS	2.10-2.15	2.10-2.15
SB	2.10-2.15	2.10-2.15
SP	1.50-1.55	1.50-1.55

Source: CommodityIndia.com

WORLD

■ **The price of fruit juices and pulps in Europe.** A selection of prices published at regular intervals by the Market News Service of the United Nations International Trade Centre in Geneva (mns@intracen.org).

EU juice and pulp prices for certain origins — December 2004				
Type of juice		Price ($US/t)	Origin	Observations
Orange	Frozen concentrate 66° Brix	600 local sales 800-850 c&f EU	Brazil	Prices improved after the hurricanes that hit the Caribbean and Florida. Stocks cover demand, which is still good for NFC juice.
Grapefruit	Concentrate, 58° Brix -red	2 300-2 600 c&f EU	Florida	Hurricane damage to the crops in Florida and Cuba sent prices up. The coming estimate of the Florida crop in February should give the market a little more information on real losses and on the value of stocks currently held.
	Concentrate, 58° Brix -red	1 750-1 850 fca EU dup	Cuba	
	Concentrate 58° Brix – pink/red	1 600 fca EU dup	Argentina	
Lemon	Concentrate, 400 gpl	850-900 fca EU dup	Argentina	Sluggish market. The season is over in Argentina and stocks are low.
Guava	Aseptic single juice - pink	650-700 fca EU	Brazil	Stable market. South Africa suffers from an unfavourable USD:rand exchange rate.
	Concentrate, 20° Brix - white	850 cfr EU dup	India	
Banana	Aseptic pulp 24° Brix	475-525 fca EU	Ecuador	The impact of the increase in sea freight and packing prices is considerable on this produce with small value-added. Supply still exceeds demand.
Papaya	Concentrate 20° Brix - red: • aseptic • frozen	950-980 fot EU dup 1 025-1 075 cfr EU	India Brazil	Stable market. Little variation in supply and demand.
Pineapple	Frozen concentrate 60° Brix	1 250-1 380 fca EU	Thailand	Thailand announces a return to normal after three years of decreasing supplies. The situation is the same in Indonesia and South Africa. Uncertainty with regard to the potential in the Philippines after the hurricane. The expected decrease in price has still not occurred.
	Aseptic concentrate 60° Brix	1 250-1 350 c&f EU		
	Single juice	550-650 fca dp		
Passion fruit	Concentrate 50°Brix	2 650-2 700 c&f EU	Ecuador	Market awaiting crop forecasts in Ecuador. Increasingly strong competition from Peru, Brazil and Colombia.
Mango	Aseptic purée - 14° Brix - Totapuri	850-875 fot EU dup	India	Limited supplies of Alphonso, which finished the season with high prices. Demand was transferred to the variety Totapuri. Mexico (Tommy Atkins) completed supplies.
	Concentrate - 28° Brix - Totapuri	950-975 fot EU dup		
	Aseptic purée - 16° Brix - Kesar	1 250-1 275 fot EU dup		
Acerola	Concentrate - 20° Brix	1 750 fob	Brazil	Supply matches demand. The harvest runs from October to May.

Note: fot: free on truck (excl. duty) / fca: free carrier / cfr: cost and freight (excl. duty) / dp: duty paid

Source: Market News Service for bulk-packed fruit juices - Europe

Reform of CMO Banana

What if the truth were elsewhere?

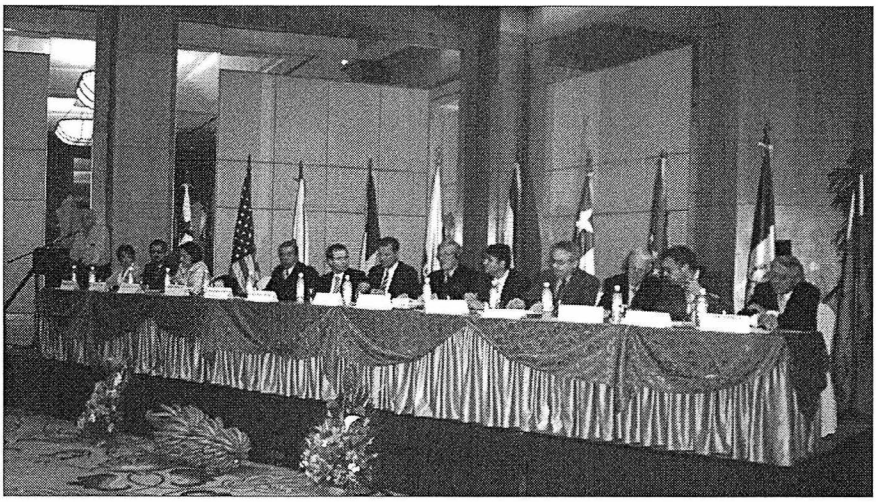
Pascal Lamy pulled a real coup. The shock caused by his statement on the future of the common market organisation of banana (CMOB) resulted in many people taking positions. The Guayaquil seminar held by the Ecuadorean Banana Exporters' Association (AEBE) on 29 and 30 November 2004 was an opportunity for governments and trade operators to discuss the subject. Three approaches vied with each other: the status quo or continuation of the existing system, the fastest possible switch to a tariff system combined with duty of less than 75 euros per tonne or a midway solution consisting of a decrease in duty in the medium term. The different systems are often evaluated and validated from a price gap viewpoint. And what if the truth were elsewhere? For example in close knowledge of the trade mechanisms and behaviours on a market which, if suddenly liberalised, would break completely with the rules of operation generated by our old quota regime and on which our way of thinking is based.

Scheduled several months in advance, the second international seminar in Guayaquil (Ecuador, November 2004) took place a few weeks after the proposal made by Pascal Lamy, the former European Commissioner. This consisted of applying the Euro-American and Euro-Ecuadorean accord of 2001 from 1 January 2006 and then levying duty of 230 euros per tonne on banana imports from third countries.

Ideally positioned in the calendar of negotiations on the future CMOB, the meeting was attended by all producer countries, trade operators and institutional decision makers in the banana world, with the exception of African producer-exporter countries. Proof of the importance of the event is the fact that the European Commission sent a senior official of the Directorate General for Trade specially to attend it.

The background in short

The context of the ongoing discussions is as follows. Everything began in April 2001. The EU, through Pascal Lamy, signed an agreement with the US and Ecuador. The accord was intended to settle once and for all the conflict that had poisoned trade relations between the EU and a great number of countries since 1993. Set out in two stages, it changed the CMOB first in July 2001 and then more radically for 1 January 2006 at the latest. On the latter date, a tariff-only system should replace the quota system whose main lines date back to July 1993.



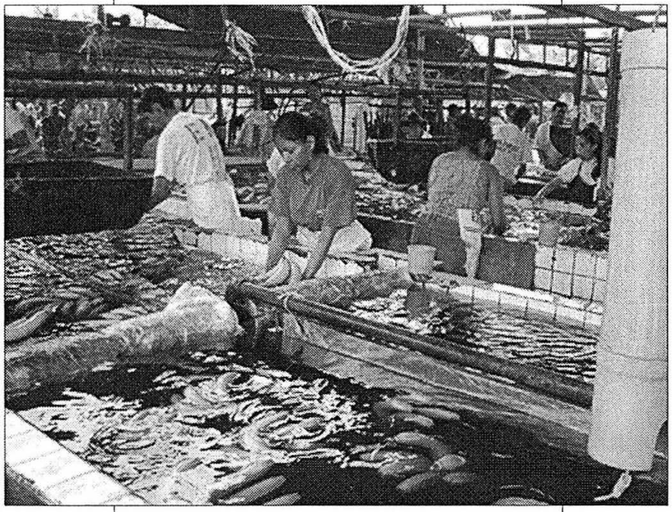
Although the accord unambiguously sets the deadline for the change, it is pretty vague about the duty to be applied. This is why as the last reform of the CMOB approaches a host of positions are taken, studies are published, official announcements are made and there is much political gesturing.

The tour de force will consist of setting a tariff that is acceptable to market suppliers, achieving a consensus that satisfies European Union member-states, establishing a synthesis between the positions of the various large international operators and respecting the market shares of the various origins. Given the difficulty that all this represents, everybody is talking in terms of wager, of squaring the circle, of bet or challenge rather than negotiations.

Negotiation calendar	
12-02-2005	End of the negotiation period.
+ 10 days 22-02-2005	EU informs the parties concerned about the new system proposed.
+ 60 days 23-04-2005	Request for arbitration if considered by parties not to be in conformity.
+ 10 days 3-05-2005	Choice of an arbitrator by the parties.
+ 30 days 23-05-2005	If there is no consensus on an arbitrator, WTO will choose.
+ 90 days 21-08-2005	Arbitrator's opinion on the compatibility of the new system.
+ 10 days 31-08-2005	EU opens negotiations between parties if there is incompatibility.
+ 30 days 30-09-2005	If negotiations blocked, the arbitrator signifies the end of the banana waiver.
30-09-2005	End of consultations.
1-01-2006	Tariff only system comes into force.

Hue and cry against Africa

The easiest thing for the speakers present was to go for African production. Côte d'Ivoire and Cameroon were severely attacked. Considered as practically unlimited, African production and export capacity frightens adversaries. It is an old argument and repeated on every possible occasion. Fingers were also pointed at the Caribbean ACP countries, that were represented at the meeting. Even though the increase in the market share of the African ACP countries is not the reason for the decreased presence of West Indian bananas on the EU market, criticism was levelled at the best performing ACP countries. Waving a red rag, the Chiquita group even let it be understood that Africa has 7 million tonnes of bananas ready to flood the international market!



CMOB under outside influence

It is true that the reform is fundamental for the small world of bananas. There is talk of reforming a market of more than 450 million consumers with among the highest levels of purchasing power in the world. However, one of the great modifications of the reform is that it does not only concern banana. Indeed, factors other than the functioning of the banana market alone now weight on negotiations. As was very rightly reminded by the European Commission representative, the fate of the European banana trade hangs on the results of at least six sets of international negotiations (Cancun-Doha, the economic partnership agreement with the ACP countries, free trade zone with the Andean Pact countries, the repercussions of the recent enlargement of the EU, etc.). It will therefore be difficult to find an individual solution that would cover banana alone. Advantages awarded to one group of countries—the ACP countries for example—must necessarily be accompanied by compensation for the others. The agreement on maintaining the ACP derogation obtained at the international meeting in Doha was only possible with support from Latin American banana producer-exporter countries, but also that of Thailand, which produces tuna! Indeed, it obtained a few advantages in the fisheries sector in exchange for its support. That is how international negotiations go.

One of the only ways out of such an imbroglio (with the main parties involved having different interests and pressure from internal factors) could well be to postpone the decision. It would be a good reason for the Latin American states to construct a sacred union.

This would boil down to simplifying the present positions of the parties to the extreme as we are at the very beginning of negotiations. This means first showing determination and not presenting real proposals.

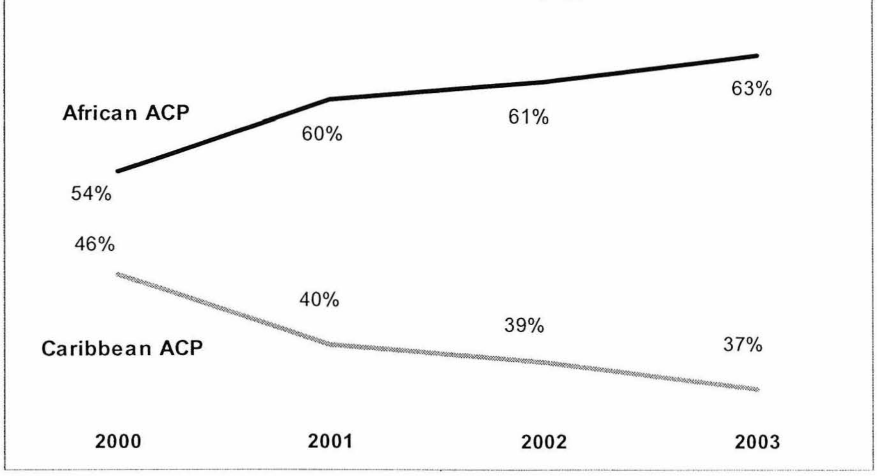
However, accepting long, uncertain discussions carries the risk of making the quota system last. This system is abundantly criticised by many operators, supplier states and European governments.

Almost everybody agrees

It would nevertheless be wrong to think that a consensus postponing undertakings in the April 2001 compromise could emerge immediately. Among the Latin American countries, only Costa Rica has officially opted for maintaining the present regime. Colombia, Panama, Guatemala and even Ecuador call for a tariff of less than 75 euros per tonne. The ACP banana producer countries are just as divided on the subject. Starting with the principle that a high tariff would be sufficient to regulate the market, the Caribbean ACP states would be ready to request the setting of a very high tariff (estimated at over 275 euros per tonne). However, they are sure that they cannot obtain this and would probably opt for the status quo.

In contrast, Cameroon and Côte d'Ivoire, the two main African exporters in the ACP group of countries, reject the idea of a possible continuation of the quota system. They subscribe to the same school of thought as the Caribbean ACP countries (a high tariff regulates the

Banana - EU-15 - Market shares by type of ACP



Noboa: an attempt at a consensus

Starting with the principle that EU undertakings are multiple, irrevocable and often incompatible, that it is unlikely to be able to obtain duty at 75 euros per tonne and that the date 1 January 2006 is not a constraint, Vlaemminck & Partners, Noboa's advisers, put forward a synthesis that has the merit of covering the entire problematics.

It proposes a two-stage CMOB reform:

1. The prolonging of the present system to leave time to negotiate a lowering of the tariff applied to bananas outside the quota. The present tariff is 680 euros per tonne for third countries with a preferential rate of 300 euros per tonne for ACP countries. The aim is that of reaching 75 euros per tonne at the end of this phase, the same rate applied to the A, B and additional quotas. A tariff system is thus established in practice by the end of the phase.
2. In the second phase the tariff is reduced gradually from 75 to 0 euros per tonne, meaning total liberalisation of the European market.

Various grey areas remain to be clarified: the status of ACP imports in the A, B, and additional quota throughout Phase 1, the length and intensity of the period of reduction of tariffs and the interest of the ACP quota when a tariff system at 75 euros per tonne (with unlimited quantity) is installed.

Noboa presents its proposal as a scheme that makes it possible to restore part of the system in force in the EU before 1993. For Germany, this is unlimited access to the world market and for the EU the maintaining of preferential relations with ACP producer countries. After a long period of transition (that started in 1993), it gives identical treatment to all developing, ACP and Latin American countries. Finally, the proposal is claimed to be compatible with the different negotiation processes in which Europe and bananas are involved.

CMOB REFORM - A NOBOA PROPOSAL

Quantity allocated	Quota	Current regime ACP	Current regime $	CMOB reform First stage (3) ACP	CMOB reform First stage (3) $	CMOB reform Second stage ACP	CMOB reform Second stage $
Limited	Quota A+B+AQ*	0 €/t	75 €/t	0 €/t	75 €/t	0 €/t	(3)
	Quota C	0 €/t	impossible	0 €/t	impossible	0 €/t	(3)
Unlimited	Out of quota	380 €/t	680 €/t	Target: 0 €/t	Target: 75 €/t (1)	Target: 0 €/t	Target: 0 €/t (2)

Note:
* additional quantities
(1)The customs duty will gradually decrease to €75.
(2) The customs duty will gradually decrease to €0.
(3) The system quota disappears at the end of stage 1 because the duty on outsite quota goods is the same as that on the quota. This is already a tariff only system.
Source: after the communication by Noboa at the meeting in Guayaquil (November 2004) / Presentation: *FruiTrop* - Cirad

market) and would be tempted to request the application of a customs tariff of over 220 euros per tonne, as is shown in their own study of competitiveness (OCAB-ASSOBACAM joint press release of 24 April 2004).

This rejection of the status quo is explained by the fact that it is currently made impossible for them to release part of their bananas on the EU market because of power held by European operators—Fyffes in particular—that are totally foreign to their sector. By rejecting the status quo, they refuse to continue to 'rent' import certificates currently in the hands of Fyffes and others. These operators obtained the certificates during periods where large quantities were exported to the European Union from the West Indies. These origins have lost substantial market shares in recent years and their historical trade operators hold substantial quantities of import rights that no longer correspond to their traditional banana volumes. African producers are in precisely the opposite position and are obliged to obtain certificates from these operators.

The schism between trade operators

The split between trade operators is now clear. Chiquita and Fyffes are for the status quo and Dole and Del Monte insist on a switch to a tariff system. Whereas the positions of certain countries may seem surprising or confused, this is not the case of trade operators. The line of fracture between those in favour of the quota system and defenders of the tariff system matches the amount of European import certificates held. Chiquita is in an excellent position for A and B quotas and the additional quota for new member states and Fyffes is well supplied with C certificates.

These more or less established rights result from the calculation methods used for the distribution of import certificates among European operators. We have just seen the case of Fyffes, which holds a large quantity of ACP import certificates. The motivations underlying Chiquita's position are not the same. The April 2001 agreement that plans the allocation of 83% of the quantity of Latin American bananas to traditional operators, former A category operators, on the basis of a very old reference period (1994-1996) which was in turn calculated from pre-1993 trading history, validates the pre-CMOB trading positions for each of them. Chiquita is therefore awarded very large quantities of rights (***FruiTrop*** **80**, pages 5 and 6, May 2001).

Dole and Del Monte are highly motivated

Less well served and above all little rewarded for their strategy of openness to ACP zones, especially in Africa, from 1993 onwards, Dole and Del Monte consider that they would be able to gain greater market shares than the amount of certificates currently received allows them. They wish to regain in trade what they lost in gambling on the future. Especially as one of them will have its allocation of certificates reduced in 2006 when its licence transfer contract with a large European operator terminates.

This negotiating position is related to the capacity of the two companies to demonstrate trade advantages or dominant positions in sectors as varied as assuring upstream supplies, the ability to call on large sea transport capacity and the development of a dense pan-European distribution and ripening network.

Ensuring upstream supplies is a minor question. Present production capacity levels considerably exceed what the market can handle. For example, the production potential in Ecuador is much greater than the quantities exported. Production potential exists that could be mobilised very rapidly. Gains in productivity could also contribute on a more long term basis. A simple calculation shows that Ecuador could in a few months market a further several hundred tonnes by simply adjusting productivity by a few

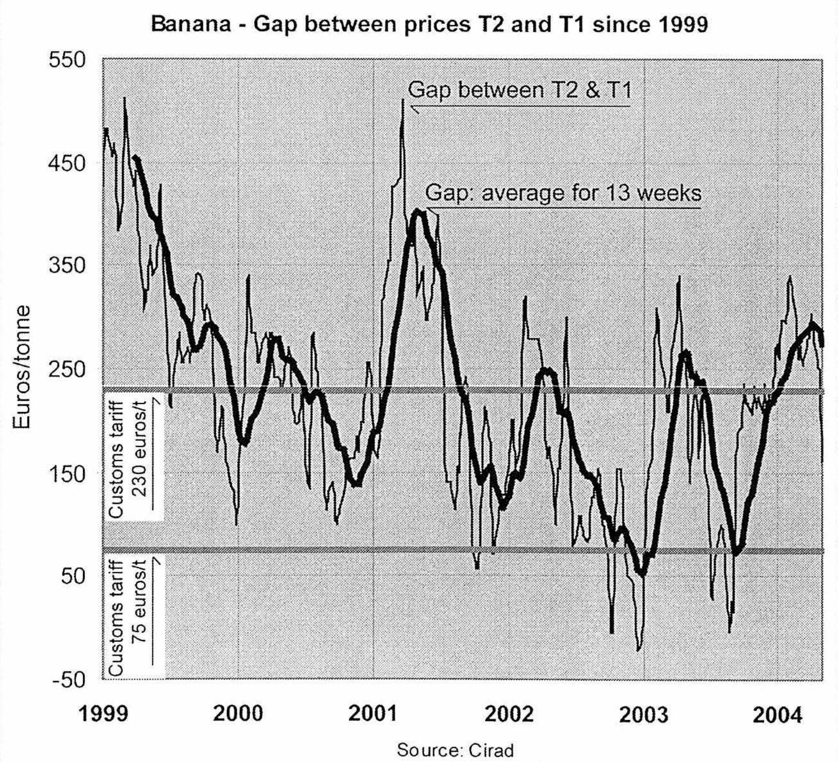
Price gap: the big deal

The Guayaquil seminar at the end of November turned into a true remedial class for those who had not yet understood how WTO would like the EU to change the quota effects into tariffs. Almost all the speakers—and there were many—explained the method and demonstrated the extreme variability of the results obtained according to the data used. Dole's adviser Bernard O'Connor excelled in this exercise once again. In a very convincing talk, he showed how the figures used by the European Commission to determine the famous 230 euros per tonne could be called into question. Colombia, via Uniban, also pointed a finger at the poverty of the data used.

Given this avalanche of criticism, ***FruiTrop***, through its Market News Service, wishes to shed a little light on the situation. The graph below shows the movement over a period of more than five years of what could be considered as a customs tariff calculated on a weekly basis. Using WTO 'price gap' terminology, the external price is represented by T1 (price on the international market) and the internal price is represented by T2 (price in the EU). The graph shows the gap (thin line) between price T1 (former Eastern Europe) and price T2 (EU). An average (dark line) is calculated for 13 weeks (a quarter). Finally, the level proposed by the EU (230 euros) and the present customs tariff (75 euros) are shown.

This work is the preliminary outline of a study that could be performed using figures known and shared by everybody in the sector. For the moment, weighting by the weekly volumes released is lacking, but even incomplete this work holds several lessons:

- it is unrealistic to calculate a customs tariff by erasing both inter and intra-annual variations that are very substantial (***FruiTrop*** **107**, pages 5 to 8, December 2003);
- whether Brent Borrel likes it or not, the quota effect has only very rarely (end of 2002) led to a customs tariff calculated at less than 75 euros per tonne;
- the differences are particularly great, running from more than 400 to less than 100 euros per tonne.



Source: Cirad

percent (number of boxes packed per bunch produced).

With regard to the pan-European distribution network, it is observed that a decade of CMOB and two community enlargements have resulted in the forming of groups that are geographically very ramified and that possess ripening capacity with an excellent technical level.

He who controls freight controls the market!

The third and most difficult sine qua non is the ability to mobilise sea freight capacity on a medium and long term basis. The communication on the development of world reefer transport given at the Guayaquil seminar confirmed that transport problematics are essential to all market analysis and will remain so for several years. In a market that is very tight with regard to transport capacity (see box), the operators that own fleets of reefers or who have signed medium or long-term contracts with ship-owners have an advantage over their competitors. Sea transport appears as the main key to the international banana market. An analysis of the facilities by large banana corporation would shed considerable light from this point of view.

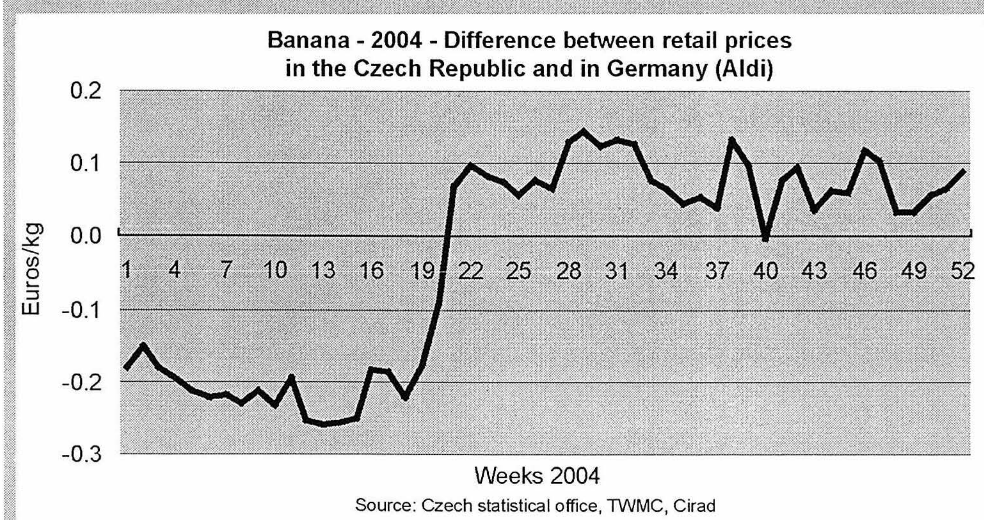
With regard to determination, the mere fact that Del Monte has broken its legendary silence and is even working alongside Dole is a sign of the desire to push the tariff-only solution ahead. In a completely different area, it is interesting to see that these two transnational corporations are directly or indirectly involved in the ACP production zones, in Cameroon or Côte d'Ivoire. The switch to a tariff system would seem to be in the interest of the two firms, of producer-exporters and African states.

Czech Republic: enlargement is expensive!

The joining of the EU by 10 new member states (NMS) in May 2004 was the occasion for the European Commission to take hold once again of the reins of the European banana market. Too frequently accused of causing imbalance by allowing quotas to swell, the Commission has been congratulated unanimously for the great caution displayed by deciding to award an additional quota (460 000 tonnes) to meet demand in the NMS. While everybody forecast a disastrous 2004, import prices firmed after the enlargement of the EU and even spectacularly in the last weeks of 2004.

The good behaviour of prices is excellent news for all operators, although not for consumers, especially in eastern Europe. Indeed, if the 65 million newcomers judge their accession to the EU in terms of the effect on the retail price of bananas, they cannot think much of it. The retail prices recorded in the Czech Republic, that can be considered to be fairly representative of the prices in the NMS, are very high. They are even higher than those of German discount chains even though standards of living are radically different.

Either the phenomenon is collateral damage caused by enlargement and will be settled in the coming months by better movement of quantities within Europe and a rapid decompartmentalisation of markets, or the phenomenon will last and provide grist to the mill of those in favour of a system with a customs tariff of less than 75 euros per tonne. The territorial limits of certificates (customs clearance of 450 000 tonnes in the NMS only), the concentration of most of the certificates in the hands of just a few operators, trading behaviour enhancing a certain drying up of supplies, etc. are responsible for the present situation to varying degrees. Wait for the next instalment!



Interests differ radically in the setting of tariff levels. The two transnationals would like these to be as low as possible while ACP producers would like them to be as high as possible.

Noboa or the art of consensus

In order to complete the analysis of several trade operators, it is interesting to examine Noboa's original statements. It simply presented a synthesis of the positions of those for and against the status quo. For this, it suggested the staggered change from the quota system to a tariff system by means of a scheduled lowering of tariffs applied to over-quota quantities. This would result finally in the application of the same tariffs to the different origins, total exemption for everybody. Noboa's consultants consider that this is the only way to reconcile the strongly differing interests of ACP and Latin American origins (see box).

European producers shoulder to shoulder

Let us now change focus and examine the positions of EU producers. Although they were represented, they were not invited to specify their position at the Guayaquil seminar. However, numerous written documents and statements define their position. European producers first wished for the most rapid a switch as possible to a tariff system with duty at 295 euros per tonne. The most recent studies commissioned by the public and private sectors in the Canary Islands (July and September 2004) mention a tariff of between 252 and 272 euros per tonne. The switch to a tariff system as soon as possible is no longer proposed. In contrast, it is requested that a quota should be applied to imports from ACP countries and that this should be spread between African and Caribbean producers. Like the Latin American, community producers award great importance to the mastery of what is considered to be substantial African production potential.

Consumers invite themselves to the debate

The European consumer has been the last to arrive at the negotiations. His bursting into the banana question is a major event. When the community banana regime was being drafted in 1992, Germany tried to highlight the swingeing increases in retail prices of from 28% to 42% according to the source and the region of Germany (***FruiTrop* 14**, pages 15 and 16, May 1995). At the time, consumers served as a pretext for German opponents to the import certificates system (the rule on the twinning of ACP, community and Latin American origins). The polemic quietened somewhat when the effect sought—a true European single market—led slowly to a fall in average prices at both import and retail stages.

Consumers returned to the forefront in 2004 by way of Sweden and the new member-states (NMS). A document released by the Swedish government at the end of September and that received strong support from the NMS showed the extent to which European consumers bear the consequences of restrictions on banana imports. Sweden explains how the way in which the European market is managed (quotas and import certificates) is economically ineffective for the producers to be protected (community and the weakest ACP countries). Furthermore, it has a damping effect on European consumption. The switch to 75 euros per tonne and the abolition of import quotas would lead to a 35% fall in banana prices at all stages of marketing and a 25% increase in consumption (see box).

The demonstration is rapid and not particularly fine. Nothing is said about the impact of the fall in the European price on producers' incomes, including

Reform of the CMOB – Estimate of the distribution of European Council voting rights according to the position of each member state

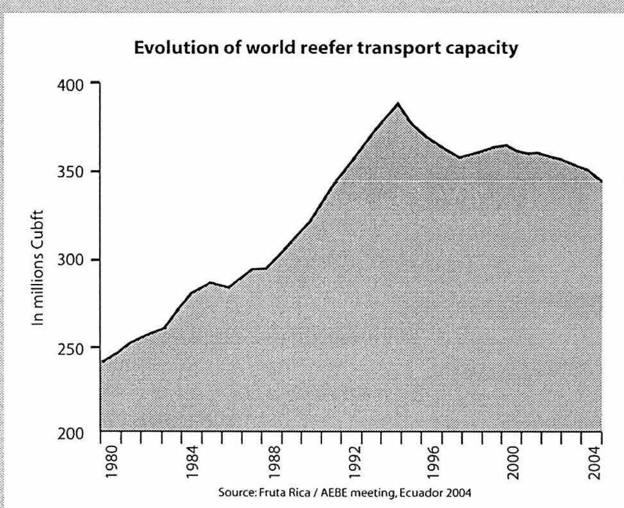
Member state	Votes	In case of tariff system, favourable for a tariff that is:		
		high	less than EUR75	0
Germany	29			29
UK	29	29		
France	29	29		
Italy	29			
Spain	27	27		
Poland	27		27	27
Netherlands	13		13	13
Greece	12	12		
Czech Rep.	12		12	12
Belgium	12		12	12
Hungary	12		12	12
Portugal	12	12		
Sweden	10		10	10
Austria	10			
Slovakia	7		7	7
Denmark	7		7	7
Finland	7		7	7
Ireland	7	7		
Lithuania	7		7	7
Latvia	4		4	4
Slovenia	4			
Estonia	4			
Cyprus	4	4		
Luxembourg	4			
Malta	3		3	3
Total	**321**	**120**	**121**	**150**
In %	**100**	**37**	**38**	**47**

Note: Shaded member state = position still undefined / Various sources

The key to the banana market: sea transport

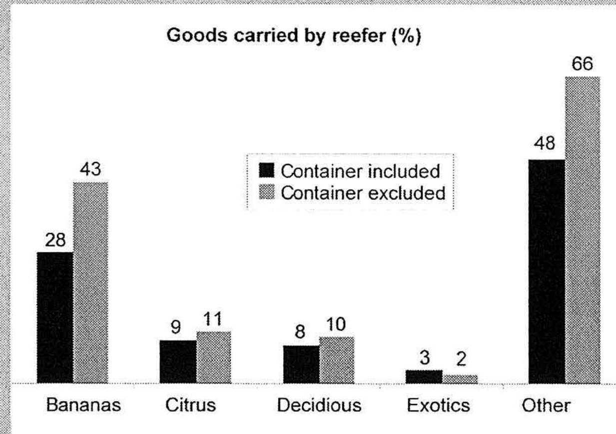
Ecuadorean professionals belonging to AEBE were not mistaken when they scheduled a talk on the international reefer shipping market. In a very brilliant contribution, the director of the company Fruta Rica explained the mechanics of this market and its short and medium term development.

The reefer fleet is estimated to total 1 200 vessels with total capacity of 335 million cbft. Seatrade is the world's leading reefer operator. It has consolidated this position over the past 3 to 5 years and has a fleet of more than 135 reefer ships. Far behind comes Lavinia (about 80 ships), ReeferShip (about 50), LauritzenCool (about 50), Star Reefer (about 30) and United Reefer (about 30). This classification does not exclude the fact that certain small or medium-sized operators occupy very specialised market segments or geographical zones. The policy today consists above all of breaking old ships rather than upgrading them since particularly high prices are obtained for scrapping. The fleet is getting old. A large proportion of the vessels are more than 25 years old, with the average being 19 years.



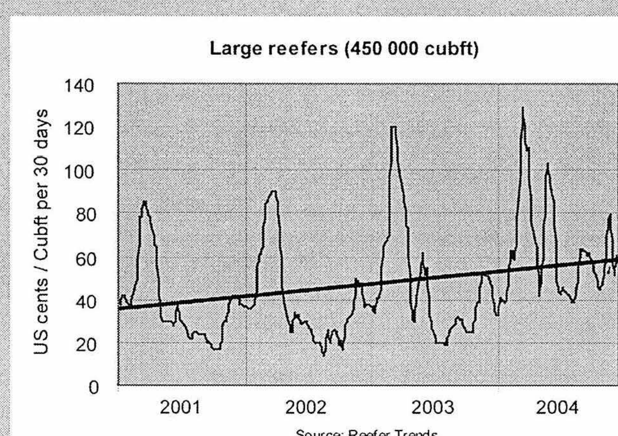
Demand for reefer shipping totals some 55 million tonnes. Half of this is carried by conventional reefer ships and the other half by container ships. The two main markets are Europe and North America. Asia is displaying the strongest growth rates. Bananas, stone fruits, citrus, fish, meat and dairy products form most of the volumes carried. The demand for reefer transport depends on many factors such as variations in exchange rates, the economic situation, consumer behaviour and also weather conditions. From 1997 to 2000, the economic situation (Russian and Asian slumps) and climatic phenomena (hurricane Mitch, El Niño) reduced demand for refrigerated transport. The recent economic recovery and strong demand in Russia and Asia are now increasing demand for transport.

The last decade has been marked by considerable fragmentation of demand for sea freight. The deregulation policies that have affected the fruit sectors in Israel, South Africa and New Zealand have brought numerous individual operators on to the world market; these are often small but have specific requirements. The banana sector has escaped this change because the sector is dominated by large transnational groups. The emerging of world distribution groups and their impact on food sectors have also changed the situation. Demand is tending towards regular sea transport services.



World reefer transport capacity has decreased in recent years, falling from more than 400 million to 350 million cbft in a decade. The explosive mixture of increased demand and decreasing transport capacity has pushed up freight prices. Full season prices in 2003 were the highest for seven years. Spot market prices (for large and small vessels) were 20 to 25% higher than in 2002. The upward trend continued or even increased in 2004. Everything seems to indicate that it will be confirmed in 2005. Freight prices are already being negotiated at levels 20% higher than those commonly charged in 2004.

Between now and 2010, sector professionals expect a 25% increase in marine refrigerated transport requirements. The building of new ships has been very limited in the past few years. Today, this represents less than 1% of total freight capacity. The currently high freight prices will encourage professionals to order new ships. We'll see the first effects on world supply at the end of 2007!



Reform of the CMOB: the Swedish profession of faith

The Swedish study does not mince its words. The CMOB is an inefficient system and too complex in the light of the small number of producers that it is supposed to help, most of whom will never be competitive. The extra cost for European consumers is 1.15 thousand million euros per stage of 100 euros of tariff. The switch to a tariff system at 75 euros per tonne and hence the disappearance of the quota rent estimated at 200 euros per tonne would lead to a 35% decrease in retail prices. Given the strong sensitivity of consumption to any price variation (elasticity set at 0.7), this could increase by 25%, that is to say 1.15 million tonnes. Strongly criticising the amount of aid paid to European producers (average 8 800 euros per hectare with peaks of 13 000 euros), the authors propose a reform of the support policy like that applied in the tobacco sector. The decoupling of aid is recommended by means of aid per hectare or per holding rather than according to the quantity marketed. Other good reasons for changing the import regime and the support mode for European production are highlighted and especially the effect that market liberalisation would have on the community budget. According to FAO, a switch to a tariff system at 75 euros per tonne would mean a 20% decrease in the import price and, as a direct result, an increase of 53.2 million euros in the amount paid out to European producers in the form of compensatory aid for loss of income. This extra expenditure is compared to the thousand million euros that would be saved by European consumers.

The Swedish profession of faith could not keep silent about what it considers to be the quasi-scandal of African production, which is much more competitive than that of the Caribbean ACP producers and certain Latin American producers! It condescends to provide aid for the Caribbean ACP producers via European tools that already exist (technical and financial aid) but finds that consumers pay a lot to support production that seems to be condemned, although the report does not use such direct terms. Finally, Sweden justifies its request for a tariff at 75 euros per tonne (at the highest) by the results obtained by Brent Borrel: *EU banana drama: not over yet*. Using the WTO price gap evaluation method, he determines the tariff whose effect would be similar to that of the present quota system. This comes out at 64 euros per tonne, that is to say less than the present tariff applied to imports from third countries, excepting ACP states. As the cherry on the cake, Sweden requests the immediate coming into force of the tariff system.

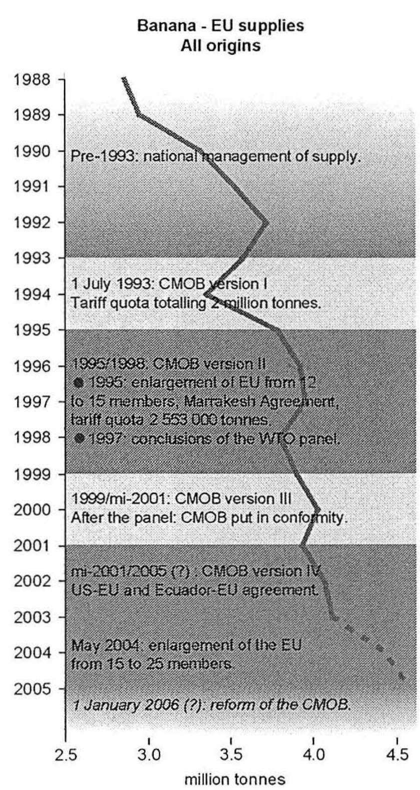
the most competitive of the latter. The study does not take into account the very structure of the market and works on an 'everything else being equal' basis. It starts with the principle that any reduction of tariff or quota will mechanically serve entirely to benefit consumers, without affecting the price paid to producers.

The position taken is of great interest in that it reveals the rebalancing of the forces around the table at the European Council.

We should now think in consumer terms and less of producers. A producer in a developing country must be competitive or leave the market. A community producer receives direct support and also disappears from the market to leave free play to the law of supply and demand. This point of view is strongly supported by the NMS. It is true that the facts have proved them right since the enlargement of the EU. The historical national operators have almost all be bought by the transnational corporations and retail prices have shot up. The case of the Czech Republic is a clear example. Whereas purchasing power is still far from EU-15 standards, the retail price of bananas can be 10 centimes per kg higher than those of German discount stores ! (see box)

And what if we were wrong?

All the stakeholders defined their own positions using the present functioning of the European market as the basis. This system has been entirely



Source: Eurostat / Cirad

modelled for more than a decade by a rigid trade regime consisting of a strict quota system with the placing of import rights in a very limited number of hands, quotas awarded by groups of origins, strong support for European production, quarterly management of supply, etc.

However, all the studies skip the fact that we apply to the situation today the market structures of a liberalised world with no quotas and no limiting tariffs. What is proposed by certain Latin American producers, transnational corporations or European governments forms a fundamental break with the current market mechanism. It should never be considered that the market will continue to function after the break as if the 'all else being equal' principle much loved by economists could have force of law. Numerous Latin American producer-exporters and European importers fear—officially or unofficially—a liberalisation of the European market, whatever the level of tariffs, whose top range has already been set by Pascal Lamy. This would doubtless result in a flood of bananas on the market, whatever the price. The fresh fruit and vegetables sector is dotted with operators who thought that they could do better than their competitors but just pushed the market a little further downwards. As banana supplies display a substantial surplus, conditions of access to sea transport are practically the only thing that can limit the ambitions of any entrepreneur. It is true that a degree of self-regulation could develop, but how many operators or even sectors would disappear before this happened? The Caribbean ACP delegate addressed the subject by talking quite rightly of destructive competition.

One oligopoly may hide another

Furthermore, what about the behaviour of the large retail chains? What if liberalisation just resulted in the replacement of one oligopoly by another? The purchasing power of the large chains is well known and the suppliers of the British market are the sad witnesses of this. The price war between the different supermarket chains in the UK, led by Asda, weighs heavily on the financial results of the Caribbean ACP sectors but without increasing consumption. The Banana Group is even beginning to feel concern and a certain inflection of this policy of extreme lowering of prices of bananas seems to be appearing (***FruiTrop* 117**, page 2, November 2004).

Bananas and development

The CMOB generates passions, doubtless because it raises important development questions. At a time when development must be sustainable or fair, the banana reveals the split personality of our western societies. The economic development of the southern countries is a strong, oft-repeated objective. But it is difficult to transfer this undertaking in the field as each nation has the best reasons for putting forward its own exception. Some defend the interests of their companies while others have an imperious need to ensure the economic viability of European sectors that provide jobs and stability in economically fragile zones. Some protect their consumers. Finally, producer countries defend a product that is essential for their economies. Bananas alone form a whole development problematics.

In the face of this mountain of contradictions, miscellaneous divergent international undertakings and frequently conflicting economic interests, we wait impatiently for the analysis and conclusions of the report ordered from an Italian consultancy firm by the European Commission. The report is to draw up a synthesis of a decade of the functioning of the European banana market. Will it be a balance, a will or a burial certificate? We will have the answer in 2005 ■

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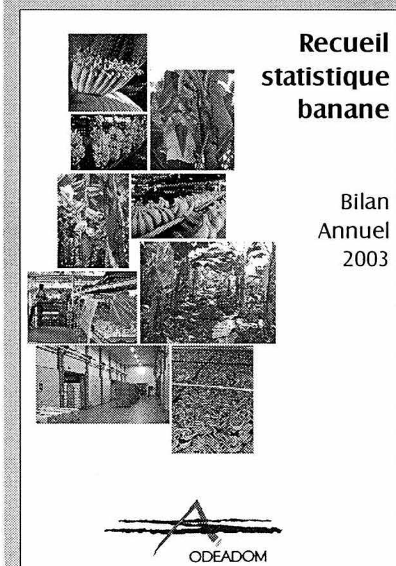
The 2003 Banana Statistics Yearbook (*Annuaire statistique banane 2003* – in French) has been published

Distributed by *Office de développement de l'économie agricole des départements d'outre-mer* (ODEADOM) and published by the CIRAD-FLHOR Market News Service, this 38-page publication provides banana production, import, export and consumption statistics. It contains in particular very detailed information on European imports, community production, prices at all stages and consumption in France.

Information from
odeadom@odeadom.fr



Reform of the CMOB Current negotiating positions	Tariff system Low duty	Status quo	Tariff system High duty
Producer states	Panama Guatemala Colombia	Caribbean ACP Costa Rica	African ACP European producers
Firms	Dole Del Monte	Chiquita Fyffes	
Member states	NMS Sweden		France, Spain, Portugal, Greece, Cyprus, Ireland