

AEBE banana congress

Ecuador prey to introspection

The 2008 congress of the Asociación de Exportadores de Banano del Ecuador (AEBE) held from 14 to 16 April in Guayaquil revealed a sector concerned about its future. A great many subjects were addressed: Panama disease race IV, the increase in oil prices, the availability of sea freight capacity, the problem of the Panama Canal, socio-environmental certification and phytosanitary measures, consumer expectations, the problem of the diversification of fruits, etc. It was also an opportunity to see how Ecuador's competitors from Costa Rica and Colombia are pushing the sector in the right direction. Finally, as the subject is an inevitable one, discussions covered the European custom tariff, with good features such as the participation of ACP countries, and less good ones with the presentation of much questioned results of an econometric study of the influence of the customs tariff on the world banana trade.

The annual congress of the Asociación de Exportadores de Banano del Ecuador (AEBE) is a key event in the international banana world. Once again, in spite of a programme weighed down by over-long digressions on the threat of Panama disease (race IV) and initiatives aimed at showing the very intense social responsibility of the Latin American export sectors, this type of meeting demonstrated its interest.

The return of Panama Disease

The AEBE worked on frightening itself or more precisely at revealing the risks weighing on the competitiveness of the banana export chains in Latin America and especially in Ecuador. As regards agronomy, the notorious Panama Disease that decimated the 'Gros Michel' banana variety in the 1960s was highlighted. Race IV, the 'tropical' form of the disease (*Fruitrop* 155 page 34), was described as being extremely dangerous (with the destruction of banana plantations in Asia—in particular in the Philippines, China, Taiwan, etc.) and very mobile (rapid spread in Asia), with no real possibility for treatment after contamination. Prevention is absolutely necessary and involves strict control of movements of germplasm between countries and even between

production zones and the dissemination of sound planting material (certified *in vitro* plants).

Unsurprisingly, the theme of social and environmental certification was addressed once again, showing how the large operators are oh so present in the front line of combat! More interesting talks covered product certification or production process certification (organic, fair trade, ISO, SA, etc.). Close to these subjects, a description of SPS (sanitary and phytosanitary measures) problems in the United States was also extremely clear. The many growers present will have understood that the banana sector does not escape soft law (law applicable not through principles but in the form of commitments) formed by the immense range of private, public, voluntary or obligatory types of certification.

Reefer or not reefer?

Likewise, logistics received broad coverage and was also the occasion for a fine battle between those in favour of specialised reefers and those who prefer containers. They only agreed about one thing and that was that demand for sea freight will continue to grow, with a continued increase in the cost of logistics (ship + fuel). In fact, Ecuador is not very well placed among the major suppliers in the zone as its shipments have to go through the Panama Canal; the cost of this is rocketing and the problem of saturation will not be solved for many years.

This very Ecuadorean concern about future competitiveness has doubtless been fed by the commercial progress made by Philippine banana exporters who have been very successful in China and also in the Arabian peninsula. This has had an almost traumatic effect on the Ecuadorean banana sector that used to seem so untouchable as regards cost price.

It is doubtless for the same reasons that the question of productivity was addressed in excellent presentations by the Costa Rican and Colombian production sectors. Here again, Ecuador showed its lag behind its two main competitors. Talk is now in terms of more than 2 000 export boxes per hectare in Colombia and even 2 600 boxes in Costa Rica. No figure was mentioned for Ecuador but the truth should lie in the region of 1 400 boxes per hectare. This is of little importance for this source whose production potential seems both unlimited and above all displays practically instant flexibility.



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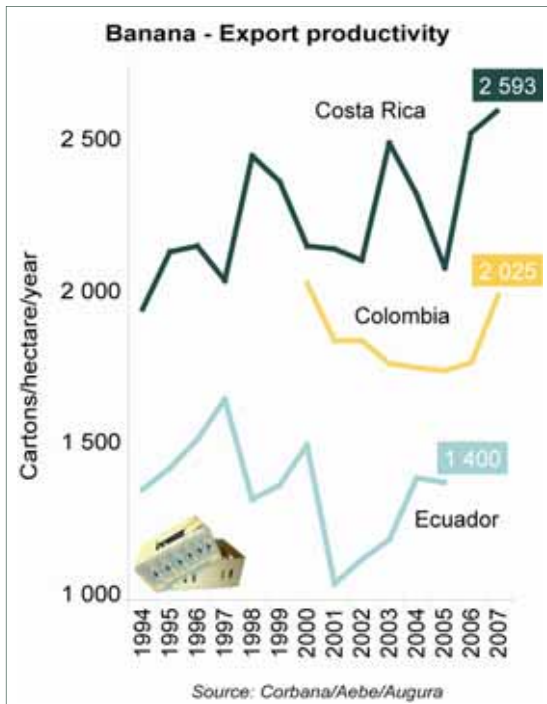
BANANA FROM GUADELOUPE AND MARTINIQUE NOTHING CAN BEAT IT

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This year, AEBE has wished to broaden its scope and depart from the banana model in a few talks. The expectations of European consumers were deciphered. The incursion of the genus *Musa* beyond the frontiers was an opportunity to mention diversification in fruit production and the related market opportunities and constraints.

Fight the good fight... and set out your equations

However, a congress devoted to banana would seem distinctly incomplete without discussion of subjects in economics and international relations about which there is less agreement. The inevitable Ecuadorian ex-ambassador Pinargote, with great experience of warming up audiences, launched the subject with a historico-popular-nationalistic diatribe running through the iniquity and illegality of the European banana regime and its prohibitive cost for the Ecuadorian production sector—some USD175 million. More serious as he was immune from criticism by virtue of sacrosanct scientific

validity, Professor Anania (University of Palermo) rammmed the point home by explaining with a few slides that Latin American producers would go to the wall if the EU customs tariff remained set at EUR176 per tonne, but above all if the ACP suppliers benefit from total duty-free access—as has been the case since 1 January 2007—within the framework of the EPA system. Finally, and in the worst case for dollar suppliers (EPAs maintained and no agreement with the MFNs), ACP producers should ship 80.5% more bananas by 2013 while the MFNs (non-ACP producers) will lose 7.1% of their exports to the EU. In passing, he even announced a modest 45% (!) decrease in community banana supplies as a result of the full decoupling of aid on 1 January 2007. The econometric model spewed its poison and this is not reassuring during a period of intense negotiation on the reduction of the EU customs tariff as it could serve as a reference.

Exactly four years ago, **Fruitrop** reported a similar study proposed by private Australian consultants, *The CIE*, signed by Brent Borrell and Marcia Bauer. Entitled '*EU banana drama: not over yet*', it forecast a European banana world that would be totally different from the one we knew in 2003 if by chance the customs tariff were to top EUR100 or even 75 per tonne. What is interesting about this kind of econometric study is that ex-post verification of the predictions is possible. In 2008, it is difficult to imagine that these authors described our present European banana market, or perhaps it is set in another space-time dimension. Out of pure pleasure and to send Professor Anania back to his beloved desk, we cannot resist quoting a few extracts in the box entitled 'Africa criticised', as we did in **Fruitrop** 112 (May 2004, page 6).

Published in *Fruitrop* No. 112, May 2004 page 6

Africa

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.



ACP-EU: together to defend the customs tariff

The banana trade is not going to be the adjustment variable in international trade negotiations! This is what European and ACP banana producers and their respective governments have wished to make clear—not only to the European Commission but also to the other EU member-states, the Director of WTO and the authorities in Latin American countries. Seeing that the European Union member-states interested in defending a high customs tariff are now in a minority and that the ACP states are rarely invited to participate in negotiations between the EU and the WTO, the French minister of agriculture, Michel Barnier, held a meeting in Paris on 30 April attended by 11 ministers of agriculture and ACP country representatives to put their weight into the debates. They requested :

- that bananas should receive special treatment in the ongoing Doha Round talks, given the particularly high risk of erosion of preferences with regard to this fruit and that banana should under no condition be given the status of 'tropical product';
- an overall agreement putting an end to the dispute at the WTO and setting as soon as possible a definitive customs tariff as close as possible to the present EUR176 per tonne, with a transition period of at least 8 years;
- the stabilisation of the EU import regime on a basis that maintains the balance between the different EU market suppliers and sustained production in all the EU and ACP zones. From this point of view, any further reduction in the customs tariff at the WTO or within the framework of bilateral agreements would harm this balance and could lead the ACP countries to question the interest of continuing negotiations at the WTO.

Original statement on our website:
<http://passionfruit.cirad.fr>, heading 'Banana'

As is traditional, everybody accused the ACP countries and more precisely the African ACPs, of hegemonic intentions. The President of OCAB, Mathias N'Goan Aka of Côte d'Ivoire, came once again to reassure and, figures in hand, to persuade critics that nothing justified making Africa the Gargantua of bananas that they all imagine.

The Italian researcher's pessimistic forecasts did not spoil the good mood of Latin American exporters. As in 2006, production returns were excellent in 2007 and export volumes set new records. This good situation is shown by the investments made in irrigation, plant material, plantings and replantings.

Ecuadorean discontent can be solved by increasing producer prices

However, Latin American operators will not go as far as linking the European tariff-only system at EUR176 per tonne with the healthy situation on the international markets, the gaining of market shares in the EU or increases in returns for producers and exporters. Although Eduardo Ledesma, Director of AEBE said in the conclusion of the forum that Ecuador insisted on a lowering of the European customs tariff in order to prevent African fruits from pouring in massively but not to such an extent as to open the market to other suppliers. Should this statement be seen as Ecuador's return to a qualified position on the lowering of the tariff? Reply expected in a few months.

In any case, this remark is interesting. It makes it possible to address the true driving force behind the comparatively good situation in the banana world since at least as far back as 2005. If 2005 is excepted as it marked the switch from the quota system to a tariff-only regime, the tariff-only years (2006 and 2007) were marked by problems

EU and US banana imports: easing off

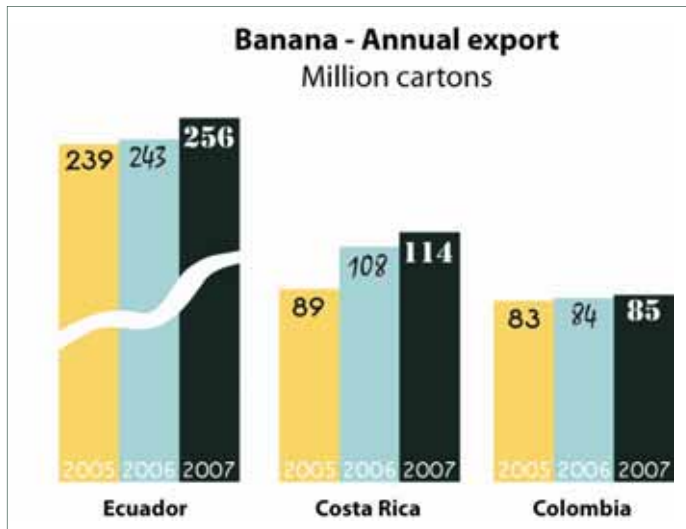
EU-27 reduced its banana imports by 5% in the first two months of 2008 in comparison with 2007, but they were still 5% up on the average for 2005-2007. The preliminary figures for March 2008 confirm this downward trend. The inflection is seen for Colombia (-16%) and Costa Rica (-17%) while shipments from Ecuador increased considerably (+12%). With regard to the ACP countries, the increase in shipments from Africa (+21%) made up for the dip in volumes from the West Indies (-23%). United States imports also slowed with a 2% decrease in the first quarter, resulting mainly from a drastic decrease in shipments from Costa Rica (-25%).

Banana — EU-27 — Imports

	January to February (provisional) - Tonnes					2008 variation in comparison with...			
						Tonnes		%	
	2005	2006	2007	2008	2005-07 average	2007	2005-07 average	2007	2005-07 average
Total, incl.	655 134	678 393	773 414	737 050	702 314	- 36 363	+ 34 737	- 5	+ 5
MFN	548 836	555 756	631 565	596 103	578 719	- 35 462	+ 17 371	- 6	+ 3
ACP, incl.	101 372	116 236	132 656	140 947	116 755	- 901	+ 17 366	- 1	+ 14
ACP Africa	65 572	69 848	76 429	92 514	70 617	+ 16 084	+ 21 897	+ 21	+ 31
ACP others	35 800	46 387	56 227	48 434	46 138	- 16 986	- 4 531	- 26	- 9

Note: MFN, Most Favoured Nation; customs code 08030019 / Source: Eurostat

For a detailed table: <http://passionfruit.cirad.fr>
 see the heading 'Banana'



of supply (resulting from meteorological phenomena) and excellent demand (Russian and US markets). The effects of a liberalised or quota-free European market have never been visible. Other factors have also intervened to disturb the European equation. Only the disastrous period in spring and summer 2006 can be fully related to the change in regulations. It will be remembered that a Guatemalan operator forced his way on to the European market, depressing it for many months. And it was only after financial losses—

reported to be colossal—that the exporter and the European importer put an end to the operation. It is true that with a tax of more than EUR3.20 per box and a plummeting market, their sales accounts could not have been brilliant. What would have happened in a duty-free situation? Ecuador, with a currently introspective manner of addressing its degree of competitiveness, is indeed right to ask the question ■

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