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Banana sector

1. Background and key issues

There are over 1,000 varieties of bananas being produced, which fall into three main categories: cooking bananas, brewing bananas and dessert bananas. Mostly cooking and brewing bananas are consumed and traded in ACP countries, while the dessert banana, Cavendish, is the predominant variety for international trade. Globally around 21% of recorded banana production is traded internationally, although this is almost certainly an overestimate given the lack of data on non-commercialised banana production.

Although three ACP countries (Uganda, Rwanda and Burundi) are among the top 10 global banana producers, the trade in dessert bananas is dominated by five main exporting countries (accounting for 83% of the recorded global trade) of which none are ACP states. Four multinational companies have dominated the banana trade but this is beginning to change with the rise of refrigerated container ships and direct purchasing

by multiple retailers. This opens up new marketing opportunities and increases the importance of strengthening the way ACP banana supply chains function.

In some ACP countries, rapid urbanisation is increasing the demand for cooking bananas, although regionally and internationally new markets for processed banana products (banana flour and banana chips) are emerging. This is extending new trading opportunities beyond the EU. However, the trade will involve different varieties of bananas and, in the short term, different ACP countries.

Combating plant diseases and sanitary and phytosanitary standards (SPS) control regimes are, however, likely to play an important role in the development of regional trade in bananas and the scope for investment in value-added processing.

In recent years, the ACP has been holding its own on the EU market, with a

higher share of imports from 2009 to 2012 than in the preceding 5 years. The Geneva Banana Trade Agreement (GBTA), the implementation of agreed free trade agreements (FTAs) and new FTAs (e.g. with India) may reverse the trend. This prospect increases the importance of promoting national and regional markets for bananas and developing direct trading links to expanding markets in advanced developing countries. Yet competition in advanced developing countries' markets from better placed third country suppliers is likely to be intense, and may require the development of carefully targeted marketing strategies.

The geographical origin of ACP banana exports continues to evolve, while the outcome of ongoing economic partnership agreement (EPA) negotiations hangs heavily over West and Central African banana exporters.

This provides the context for the deployment of EU banana accompanying measures (BAM) support, under which a range of new commitments were made in 2012–13. Wider EU budget debates, however, cast a shadow over prospects for an extension of the BAM programme.

2. Latest developments

Global market developments

Global production and price trends

In September 2012, heavy rains affected banana exports from Ecuador – the leading global exporter at 30% – which was compounded by an attack of the fungal disease, Black Sigatoka. A production decline of 25%

was projected, with tightening supplies expected to halt the 17% decline in banana prices since March 2012. However, from October to February 2013, banana prices fell a further 3.5%. Despite these declines, prices remained approximately 85% higher than the 10-year average.

The evolving functioning of global banana supply chains

The functioning of banana supply chains is potentially being transformed by the shift from conventional reefer shipping to refrigerated containers. An analysis from the Maersk shipping line maintains that refrigerated containers allow bananas to be kept fresh for up to 50 days. This reportedly supported “smallholder growers in getting their bananas to foreign markets at a higher value than they can achieve domestically and at much lower waste levels” (see *Agritrade* article ‘[Increased use of refrigerated containers opens alternate supply opportunities for banana exporters](#)’, 2 July 2012). In 2009 about a third of all bananas were transported internationally in refrigerated containers – a proportion still on the increase. Despite the questioning of the commercial viability of strategies adopted to promote refrigerated container use, the specialised reefer fleet continues to decline, while the refrigerated container fleet continues to grow.

The new routes to market that are opening up create opportunities for ACP banana suppliers to get closer to their final customers and reposition themselves within banana supply chains. Such is the case particularly for specialist suppliers – e.g. Windward Island fair-trade producers or Dominican Republic (DR) organic banana exporters – who could potentially identify and deal directly with key market outlets. However, these opportunities are equally open to non-ACP banana

exporters. Symptomatic of this was the report in November 2011 of exports of bananas from Panama direct to the biggest Spanish retailer, Mercadona.

EU banana sector developments

Trends in the EU market

An EC assessment from February 2013 states that the average price for EU bananas marketed outside their area of production in 2013 is projected to remain at the 2012 level of €0.65/kg.

According to World Bank Commodity Price Data, in US dollar terms, EU banana prices were lower in 2012 than in 2011, but until July followed the same variable trend in average monthly banana prices as for 2011 (see Table 1). However, from August to October 2012, average EU banana prices rose, contrary to the continued downward trend experienced in 2011. From September until December 2012, EU banana prices were 10–19.5% higher than during the same period in 2011. Average EU banana prices in January/February 2013 were comparable to price levels in January/February 2012, despite press reports indicating reduced supplies would lead to higher prices.

“In 11 months of 2012, EU banana prices were higher than US banana prices”

In all but one month of 2012, EU banana prices in US dollar terms, were higher than US banana prices (between 3.6 and 26.6%), making the EU market relatively more commercially attractive than the US market. However, average EU price data masks wide discrepancies in the banana prices offered on national markets. Banana Link maintained that in Germany “prices in the major [supermarkets chains] have been

Table 1: EU and US banana prices, January 2012 to February 2013 (US\$/tonne)

Year	EU	US	Percentage difference
2012			
January	961.92	849.23	+13.3
February	1,244.55	1,067.86	+16.5
March	1,221.07	1,143.65	+6.8
April	1,257.23	1,029.97	+22.1
May	1,207.12	953.50	+26.6
June	1,049.31	954.19	+10.0
July	850.25	964.52	-11.8
August	984.87	950.74	+3.6
September	1,111.88	964.52	+15.3
October	1,117.33	956.25	+16.8
November	1,067.79	933.52	+14.4
December	1,123.40	943.85	+19.0
Average 2012	1,099.73	943.85	+19.0
2013			
January	1,095.57	928.70	+18.0
February	1,112.42	923.18	+20.4

Source: World Bank Commodity Price Data, March 2013, <http://knoema.com/WBCPD2013Mar>

consistently 25–30% higher than in the UK in 2012” and in France “40–50% higher on average”.

“Average EU price data masks wide discrepancies in the banana prices offered on national markets”

The low banana prices in the UK are attributed to the influence of major supermarkets (see Agritrade article ‘Trends in the UK and European banana markets’, 11 February 2013), which provides little scope for price negotiations. Indeed, according to Banana Link, UK supermarket banana price wars have been “stripping value out of the banana value chain” over the past 10 years.

For ACP producers, the situation on the UK market is compounded by stricter retailer social and environmental standards, the costs of which are carried by the producer. Escalating input costs and stagnant prices mean that ACP producers are facing increasing difficulties in meeting quality standards.

“Escalating input costs and stagnant prices mean ACP producers are facing increasing difficulties in meeting quality standards”

In December 2012, a group of major Fairtrade-certified growers announced that “If there was no price increase in line with rising costs of production and the cost of meeting high Fairtrade

standards, they would be forced to cease selling as Fairtrade.”

This pessimistic view was reinforced by a decline in Windward Island banana exports to less than 60% of those attained in 2010. It was stated that unless UK retailers played a greater role in assisting producers to meet stricter quality standards through more remunerative prices, the future of Windward Island exports to the UK would be bleak.

Prominent leaders from the Caribbean banana farming community therefore joined lobby efforts in June 2012 to encourage the EC to extend the proposed code of practice for food retailers to cover overseas suppliers, including ACP banana exporters (see Agritrade article ‘Sustainability concerns go mainstream in Dutch fruit and vegetable sector’, 29 July 2012).

Meanwhile in Eastern Europe, supermarket own-label banana sales are increasing, raising fears that trends in the UK market could spread to other EU markets. However, annual price negotiations at the end of 2012 suggested that some UK retailers were offering prices closer to those of German supermarkets, raising the question: is the UK banana market “poised to take a quantum leap from value-stripping to value enhancement?”

The impact of the new banana trade agreements

The ACP countries are concerned over the impact on the banana sector of the EU FTA agreements with Andean Pact and Central American countries. In June 2012, the EU and Central American governments signed the Comprehensive Association Agreement, with the trade pillar entering into force at the end of 2012. Meanwhile in November 2012, the WTO process of

enshrining the GBTA in legally binding commitments was completed.

Comparison of the tariffs to be charged on quotas under the new EU FTA agreements and GBTA shows an accelerated rate of tariff reductions under the FTAs, beginning at €5/tonne less than the GBTA tariffs in 2011, increasing to €18 less by 2017 and reaching €39/tonne less by 2020. Given the trigger import volumes established, the tariff reduction savings on bananas resulting from these association agreements, above and beyond those gained under the GBTA, rise from €14,642,500 in 2012 to €71,234,100 in 2017 and €133,250,000 by 2019. Questions arise over what market effects these additional tariff reductions will have, and over the consequences for individual ACP banana exporters (see *Agritrade* article '[Central American and Andean Pact association agreements signed](#)', 12 August 2012).

Concerns about the potential market impact were reflected in the special safeguards for European banana producers inserted into these agreements by the European Parliament during 2012. The special safeguards stipulate the automatic suspension of tariff reductions whenever banana imports rise above a given threshold, and require the EU to report annually on the market effects of these agreements. It also empowers EU members to initiate "pre-emptive surveillance measures" if import surges occur.

Meanwhile in October 2012, the Spanish government began preparing support programmes to compensate EU banana producers "for the damages being caused by multilateral and bilateral agreements". The efforts include the registering of protected geographical designations of origin for a range of European-produced banana varieties.

The overall trend in ACP banana exports

EC statistics posted in June 2012 highlighted the growth in ACP banana exports to the EU since 2005 (increasing by 34% from 763,974 to 1,023,717 tonnes by 2010), and the growth in the ACP share of total EU banana imports (from 19.45 to 22.63%). However, ACP exports fell to 978,541 tonnes in 2011 (21.22%). In contrast, EU imports of dollar bananas (i.e. from Latin American suppliers) rose only 14.6% between 2005 and 2011 (see *Agritrade* article '[EU reviews banana trade amid ACP concerns over preference erosion](#)', 9 July 2012). Provisional figures for 2012 indicated a slight increase in EU banana imports from the ACP (+0.4%) and a 3.3% fall in dollar banana imports.

However, analysis from CIRAD, a French agricultural research centre, suggests that EU banana prices in 2011 were consistent with average price levels over the 2007–10 period. In real terms banana prices fell 0.7% per annum. This needs to be seen against the background of increasing production costs, with the index of banana production costs rising from 100 in 2006 to 126 in 2011.

Despite the overall relatively strong performance since 2005 of ACP banana exports as a whole, two factors are worthy of note:

- the very divergent trends within the ACP group with (taking the DR out of the equation) a decline in ACP banana exports occurring;
- the fact that tariff preferences already agreed for dollar bananas have not yet been fully implemented.

This is a source of concern since countries benefiting from new tariff concessions are seen as having ideal conditions to increase their exports.

"The ACP share of world exports fell from 60.15% in 2004 to 46.88% in 2011"

Looking beyond the EU, the ACP share of world exports fell from 60.15% in 2004 to 47.6% in 2010 and 46.88% in 2011, suggesting growing competition for ACP suppliers on all international markets.

Product differentiation in the banana markets: Fair-trade and organic

Trends in the fair-trade banana sector

A report in 2012 highlighted the resilience of overall fair-trade sales despite the economic recession, with sales volumes increasing 12% in 2011. Across most OECD markets bananas are the most commonly sold fair-trade product, although only accounting for 2% of total bananas traded internationally. The purchasing decisions of multiple retailers are central to the OECD growth of fair-trade sales. For example, Sainsbury's decision in 2007 to convert to 100% fair-trade bananas provided a major boost to sales volumes (see *Agritrade* article '[Fair trade shows resilience in face of economic downturn](#)', 22 September 2012).

Previous detailed analysis has argued that Fairtrade certification has played an important role in supporting farmers in the Windward Islands, Ghana and the DR in building strong collective enterprises and securing decent returns. However, the use of bananas as a loss leader in UK supermarket pricing wars has exerted downward price pressure on Fairtrade suppliers,

by depressing general banana price levels. Complaints emerged in 2012 stating that the costs of complying with stricter standards were not being covered by prices paid to producers, with costs exceeding benefits in some instances (see *Agritrade* article ‘[Trends in the UK and European banana markets](#)’, 11 February 2013).

The 2012 report ‘Monitoring the scope and benefits of Fairtrade’, reported a 7% decline in the volume of reported Fairtrade banana sales in 2010–11. This was attributed to hurricane affected exports from the Windward Islands and the absence of data from important Fairtrade suppliers.

Significantly by 2011 a larger area of Fairtrade-certified land was under banana production in non-ACP countries than in ACP countries (2.66% greater area under cultivation).

“By 2011 a larger area of Fairtrade-certified land was under banana production in non-ACP countries than in ACP countries”

Nevertheless in 2011 the DR remained the leading source of Fairtrade bananas (113,800 tonnes), followed by Colombia (88,900 tonnes), Peru (54,200 tonnes) and Ecuador (47,500 tonnes), with the Windward Islands selling only 8,400 tonnes.

Trends in the organic banana sector

“The forecast for European demand for organic bananas is a continuing increase”

The forecast for European demand for organic bananas is a continuing increase, with a projected increase of 20% per annum over the coming 5 years according to some press reports.

The DR, the leading exporter of organic bananas to the EU, is facing a growing challenge from Peru. Organic production dominates the Peruvian banana sector, accounting for 53% of total Peruvian banana exports to the Dutch market in the first 10 months of 2012. Peruvian organic banana exports to the Netherlands in 2012 reportedly increased 29%, benefiting from the €14/tonne reduction in tariffs since 2010 (a 10% tariff saving). Peruvian exporters of new varieties of organic bananas were reporting prices between double and triple the average price.

In November 2012, the Ireland-based banana trading company Fyffes announced it was looking to significantly expand its purchase of organic bananas from Peru.

The rise of dual certification

To consolidate their position, a number of traditional ACP banana suppliers are promoting dual certification of Fairtrade/organic bananas. Between 2009/10 and 2010/11 the volume of dual certified bananas grew 35%, with the percentage of Fairtrade bananas certified organic increasing from 25 to 39% of total Fairtrade banana sales. However, Peru is also pursuing a strategy of dual certification.

Against this background, CIRAD has sounded a cautious note for ACP strategies aimed at targeting fair-trade and organic market components, noting that the rapid increase in supplies of fair-trade/organic bananas could well weigh down the selling price of these products.

The emergence of private labels and private certification schemes is further compounding the challenges faced in fair-trade market components, since many of these new schemes offer no price guarantees to banana producers.

“Price convergence between organic and conventional bananas is under way”

In addition, a tendency towards price convergence between organic and conventional bananas is seen as being under way.

Developments in Eastern and Southern Africa

Situating the banana sector in East Africa

Three of the world’s top 10 banana producers are in Eastern Africa (Uganda, Rwanda and Burundi), which has the highest per capita consumption of bananas. The region is characterised by a thriving if small-scale intra-regional trade, mainly for cooking bananas. Rwanda imports bananas mainly from Uganda, while Burundi imports from both Tanzania and Rwanda, and the eastern Democratic Republic of Congo (DRC) exports to Rwanda, Burundi and Uganda.

The growing threat from banana plant diseases

Rwandan imports have been growing on the back of increased demand and productivity losses from banana wilt outbreaks. In November 2012, with outbreaks in 23 of the 30 districts, banana wilt was “declared a national threat by the Rwandan Agricultural Board” (RAB). In January 2013, a banana wilt eradication campaign was launched by the RAB in 24 districts countrywide. Similar campaigns were launched in 2012 across the region.

Banana wilt has spread across the region since 2001. In the face of rising demand, disease outbreaks have driven an expansion of intra-regional trade, but this has complicated eradication efforts. There is a need for both

a regional approach to disease control and the building of technical capacities to combat the spread of disease across the region.

“There is a need for a regional approach to banana disease control and the building of technical capacities to combat disease across the region”

Despite initial successful efforts in Uganda, by August 2012 researchers were calling for an intensification of efforts to combat banana wilt, if serious supply shortages were not to emerge. Eradication efforts are inhibited by a reluctance of smallholder farmers to report the disease given the economic losses that are a consequence of eradication efforts. Consideration may need to be given to crop compensation schemes linked to early reporting and targeted training programmes for farmers in disease control measures. This would supplement efforts to map the spread of the disease and provide a solid basis for rolling out the distribution of bacterial wilt resistant banana varieties, which has not yet got under way.

Developments in the processing of bananas

In 2012 progress was reported on initiatives to develop and market processed banana flour products, both government supported and private sector based. In Uganda the Presidential Initiative for Banana Industrial Development (PIBID) has been supporting the development of processed banana flour production, using *matooke* – a type of green banana – under the brand ‘Tooke Flour’. Given the nutritional value of this high fibre and starch content flour, there are regional market opportunities. Studies have shown that “children fed porridge made with the flour in schools gained

more weight than those given maize porridge”. A large-scale processing unit is scheduled to come on stream in 2013. However, there is a need to increase production levels so as to ensure regularity of supply and avoid competition on local markets for this important food security crop.

Given the gluten-free properties of banana flour, substantial overseas export opportunities are seen to exist. Manufacturers of gluten-free products have shown particular interest, with international buyers in Europe, Japan, the United Arab Emirates (UAE) and USA having been identified. Commercial agreements, however, are awaiting completion of the pilot phase of the PIBID supported programmes.

A similar private sector scheme to produce matooke flour in Kenya was also reported in 2012. Banana flour is being produced and distributed through supermarket chains such as Nakumat, Uchumi and Chandarana.

“The market development strategy for banana flour is likely to become an important policy issue”

The market development strategy to be pursued for banana flour is likely to become an important policy issue in East Africa. Should the target market be the food insecure across East Africa or growing overseas markets for specialised food ingredients? Or will it be possible to develop both markets by expanding the commercial use of available production?

The expansion of export oriented production

EC statistics also reveal the emergence of a small volume of banana imports from East African countries (135 tonnes in 2010). This is being supplemented by

increased exports from Mozambique, both from existing exporters in Cabo Delgado Province (from 1,260 tonnes in 2012 to 3,150 tonnes in 2013) and from new investments in Manica Province.

At the end of 2012, press reports announced plans in Somalia to establish an umbrella body for small-scale banana growers, as a prelude to relaunching banana exports, primarily to the UAE and Saudi Arabia. Considerable potential exists for expanding production in the arid and semi-arid lands of both Somalia and Kenya through the use of irrigation.

Developments in Central and West Africa

Trends in ACP exports from West and Central Africa

As in many countries, one of the major problems limiting the expansion of commercial banana production in West and Central Africa is the high post-harvest losses. In Nigeria, for example, up to 40% of the harvested crop can be lost during distribution. Mechanisms for reducing the losses would appear to be a key to developing local and regional markets.

Ghana has been expanding banana exports to the EU market since 2004, rising from 1,788 tonnes in 2004 to 47,065 tonnes in 2011. This increase is likely to continue as investments made following the granting of duty-free, quota-free access under the interim EPAs in 2008 come on stream.

Exports of bananas from Cameroon and Côte d’Ivoire meanwhile have been more or less stable, although on a slightly downward trend. Although the government of Cameroon has set a target of 500,000 tonnes by 2013, in 2011 only 247,210 tonnes were exported, mainly to Europe.

CIRAD analysis notes that the decrease in the real value of banana prices compared to production costs has fallen particularly heavily on West and Central African banana producers.

“The decrease in the real value of banana prices has fallen particularly heavily on West and Central African producers”

Currency movements further complicate the situation, with the decrease in the real value of banana prices in the EU falling particularly heavily on countries whose currencies are linked to the euro and for whom the EU is the sole export destination.

Targeting the regional markets

Banana producers in Côte d’Ivoire are now looking to regional markets such as Burkina Faso, Mali, Senegal and Niger, with regional market development being accorded a high priority given the high net returns that can be obtained on regionally traded bananas. In the face of increased competition on EU markets, this regional focus is likely to increase.

The competitive threat from reduced tariffs access for non-ACP exporters

CIRAD analysis suggests that pending EU banana tariff reductions for non-ACP suppliers are likely to significantly undermine the competitive position of Central and West African banana suppliers. It maintains that “with the customs tariff applied in 2012 (€136 per tonne) and with an exchange rate of US\$1.3 to 1.4 to €1, the competitiveness levels are equivalent in the two zones.” Thereafter tariff reductions significantly undermine the competitive position of African suppliers, as does any increase in the value of the euro against the US dollar. Conversely

any weakening of the euro against the US dollar eases competitive pressures. Therefore considerable uncertainty continues regarding the future competitive position of Central and West African banana exporters.

Uncertainty on regional EPA but stark realities likely to prevail

Uncertainties are heightened by ongoing discussions on a regional economic partnership agreement. While the Ghanaian government has repeatedly reiterated its commitment to concluding an EPA collectively as West Africa, Ghanaian ministers have equally made it clear they will go ahead with signing, ratifying and implementing their bilateral interim EPA, if no regional agreement is concluded before the lapsing of tariff preferences under MAR 1528/2007.

“Any reimposition of import duties would undermine the recent growth in Ghanaian banana exports”

The stark reality faced is that with tariff reductions under way for dollar banana exporters any reimposition of import duties would undermine the recent growth in Ghanaian banana exports (see *Agritrade* article ‘[Decision time approaching for Ghana on the initialled bilateral interim EPA](#)’, 27 December 2011).

Developments in the Caribbean and the Pacific

Trends in banana exports from the Caribbean

In recent years, EU imports of Caribbean bananas have increased, resulting from the strong growth in imports from the DR (101,337 to 326,820 tonnes between 2004 and 2011) and Suriname (19,447 to 62,912 tonnes between 2004

and 2011). Imports from Belize have shown a slight downward trend since 2008, while imports from the Windward Islands fell 89% between 2004 and 2011. The Bahamas and Jamaica meanwhile have halted banana exports to the EU.

The growing importance of organic banana exports

A full 53% of DR banana exports to the EU are certified organic, with a substantial proportion (53,600 tonnes) being dual certified organic/Fairtrade. Dual certification is seen as consolidating the DR’s market base.

However, in June 2012 two German supermarkets withdrew DR organic bananas from sale, having found a molecule (DDAC) in banana skins which was not permitted in organic bananas. Immediate action was taken in the DR to suspend the use of the post-harvest treatment product Biolife, and exports were continued.

Consistently ensuring compliance with EU organic standards and minimising compliance certification costs are two important challenges facing the DR. This suggests the need for a formal ongoing dialogue with the EU authorities on organic standards and compliance requirements.

Two significant threats to the export of organic banana from the DR are apparent: growing competition from Peru, and banana plant disease control challenges.

“DR organic banana exporters are facing growing competition from Peru”

Exports from the main organic banana growing areas of Peru are projected to increase 35% in the next 5 years. The ongoing progressive reduction in

import duties on Peruvian bananas resulting from the EU–Andean Pact FTA and GBTA will, by 2020, see a 48% reduction in duties applied compared to 2010, with a saving of €70/tonne on exports of 101,250 tonnes (a 56% expansion on volumes exported in 2011).

Competition will therefore intensify for DR organic banana exporters, possibly resulting in the need for DR government and stakeholders to look at cheaper ways to access the EU organic markets.

Tackling plant diseases and restructuring challenges

Efforts continue to control and eradicate banana plant diseases, particularly Black Sigatoka, which poses a serious threat to national banana production. This includes replanting programmes involving new varieties that are more disease resistant.

In October 2012, St Lucia announced an extension of existing control efforts with support from the government of Taiwan, while the government of the DR announced the launch of a major 12,124 ha programme to rehabilitate formerly infected land.

Controlling Black Sigatoka is a particular challenge for organic producers given the limited range of anti-fungal treatment products open to organic producers. There is an important commercial dimension to this, since the price paid for organic bananas affects the ability of smallholder producers to purchase the required anti-fungal agents.

In April 2012, extending earlier efforts, the Jamaica government announced plans to introduce new varieties of banana, developed in Honduras, that are more resistant to Black Sigatoka and which are better suited to value-

added banana products. The aim is to produce 120,000 tonnes of the new variety by 2020, with production increasingly centred on banana chips, banana flour and banana beverage flavouring for the local, regional and international markets.

This forms part of wider efforts to reorient Jamaican banana production away from the EU towards the development of a value-added products industry. However, the recurrent hurricane-induced disruption of banana production in Jamaica could undermine the basis for investment in value-added banana processing facilities (see *Agritrade* article ‘[Reorientation of Jamaican banana sector underway](#)’, 28 May 2012).

BAM implementation gets under way with tight deadlines

The replication and distribution of new banana varieties in Jamaica is being managed by the Banana Board, using EU BAM financing. Approval of the programme formed part of a wider rolling out of the BAM programme across the ACP, which included multiannual support strategies and annual action programmes in the final quarter of 2012, mobilising €104.3 million in support for banana sector adjustment measures in the Caribbean. There is now a tight timetable for the implementation of these agreed programmes, with activities needing to be completed by the end of 2014.

The 8 February 2013 EU Council agreement on the 2014–20 budget framework, included a 16% reduction in the proposed allocation to the Development Cooperation Instrument – the financing mechanism for the BAM programme. This would appear to seriously limit prospects for additional BAM funding beyond 2014. Consequently Caribbean governments may

need to consider focusing on extending the implementation time frame under existing allocations to avoid any forfeiture of funds from 1 January 2015.

Moves towards new varieties for value-added processing in the Pacific

In the Pacific under the EU-supported Facilitating Agricultural Commodity Trade project (FACT – now replaced by a second phase of the Increasing Agricultural Commodity Trade [IACT] programme) an initiative has been launched to evaluate the potential of the Blue Java banana variety for production of fruit pulp, for both local and export markets. Blue Java is considered better suited for use in processed products. Export opportunities do exist in Europe, if technical and economic challenges can be overcome.

3. Implications for the ACP

Scope for increased competition on the EU market from new FTAs

If supply chain management issues can be addressed in India, the scope for export growth is considerable. Determining how this could affect ACP banana exporters requires a detailed assessment of:

- the relative attractiveness of EU and alternative non-EU markets to Indian banana exporters;
- ongoing and planned Indian initiatives to overcome constraints on banana exports to the EU;
- the tariff and non-tariff measures on bananas to be included in the final EU–India FTA deal.

Only through such an assessment can concerned ACP governments accurately determine the extent of the competitive threat posed.

Securing equivalency agreements for organic products

Given the active policy being pursued by the Peruvian government to secure an organic equivalency agreement with the EU (and the existing equivalency agreement with India), the DR may need to seek a similar such arrangement. However since it is likely that the EC prioritises negotiations with countries where EU organic exporters have a significant interest, it may require a political initiative on the part of the DR authorities.

Controlling banana diseases: The foundation for value-added processing and regional trade

Containing the spread of banana diseases is a prerequisite for developing the full potential of commercial value-added processing, since any threats to supplies undermines investment mobi-

lisation. Current efforts to control the spread of banana diseases commonly result in intra-regional trade restrictions, which prevent the development of intra-regional supply chains. As the basis for expanded intra-regional trade, the development of processed value-added products would overcome these disease-related constraints on intra-regional supply chains.

Clearly identifying market opportunities for value-added processing

It remains unclear in East Africa which markets will be the primary focus for the development of value-added banana products. If investment in value-added processing is to be promoted with a view to maximising producer returns, careful market analysis will be required, focusing initially on regional market opportunities in view of the freight costs associated with serving overseas markets. Initially this could focus on the local procurement initiatives of major food relief agencies such as the World Food Programme. In addition, in expanding urban centres, high-income consumers are emerging who could well provide a market for

matooke flour-based products, should sound product development and marketing strategies be put in place.

With countries across the ACP pursuing technical innovations to develop commercially viable ways of adding value to bananas, there would appear to be scope for combined applied research initiatives and the sharing of experiences across the ACP. This could constitute an area for aid for trade support.

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About this update

This brief was updated in September 2013 to reflect developments since August 2012. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at <http://agritrade.cta.int/>.



The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP–EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

It does this by providing access to information and knowledge, facilitating policy dialogue and strengthening the capacity of agricultural and rural development institutions and communities in ACP countries.

Technical Centre for Agricultural
and Rural Cooperation (ACP–EU)
PO Box 380
6700 AJ Wageningen
The Netherlands
Tel: +31 (0) 317 467 100
E-mail: cta@cta.int - www.cta.int