
Background

Importance of Bananas in EC Fruit Markets

Bananas are one of the most popular fruits in the world in terms of per capita consumption. More are consumed in the USA than any other fruit. In Germany they are second only to apples and in the UK they are now more popular than apples.

More than 90% of world imports go to the developed markets in the northern hemisphere. The biggest of these are the EC (38%) and the USA (33%). Within the EC, Germany is the largest single importer, accounting for 13% of total world imports. Japan is the other main market with 9% of imports.

World imports increased by 28% in the decade between 1980 and 1990, although per capita imports were only half this. The biggest increases have been in Europe and North America: EC up 39%, the rest of Europe up 66% and the USA increasing by 33%.

The NIMEX trade data shows total extra-EC trade in bananas increasing from 1,717,465 tonnes in 1983 to 4,152,271 tonnes in 1992. This is equivalent to an overall increase of 142%, or an average annual increase of 10.4%. The value of imports in ECU has increased by 124%, or an average annual increase of 9.7% over the same period. Data presented in this booklet specifically focuses on the EC markets in the UK, France, Germany, the Netherlands, Belgium, Luxembourg, Italy and Greece. A summary of this data is presented overleaf.

Individual member states' imports in tonnes show considerable variation with Germany, Italy and the UK showing growth of 198%, 165% and 52% respectively over the period 1983-92.

These import figures reflect increased per capita consumption growth in the same countries. Germany, Italy and the UK show increases of 55%, 39% and 43% respectively. The data is presented for each member state in the respective section.

BANANA IMPORTS IN '000 TONNES

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	% INCREASE 1983-1992
GREECE	na	na	na	na	na	13	34	45	38	39	198 a
NETHERLANDS	91	94	112	104	110	130	125	156	147	152	67
DENMARK	23	27	31	37	39	43	49	46	56	50	117
BEL & LUX	70	80	78	91	120	116	155	161	202	295	321
ITALY	282	302	333	294	314	501	381	364	455	746	165
FRANCE	319	386	376	396	392	407	388	414	411	445	39
GERMANY	459	548	587	650	693	703	863	1,169	1,345	1,369	198
UK	280	274	287	314	315	355	352	395	372	425	52

a 1988-1992

SOURCE: EC NIMEX

BANANA IMPORTS IN '000 ECU

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	% INCREASE 1983-1992
GREECE	na	na	na	na	na	4,588	20,544	21,973	18,025	16,632	263 a
NETHERLANDS	42,414	46,458	55,348	45,756	46,135	51,239	47,054	39,090	30,619	13,108	-69
DENMARK	10,853	13,123	15,001	15,908	18,064	18,263	16,306	18,584	22,983	17,493	61
BEL & LUX	33,486	38,820	42,627	40,364	47,792	46,973	55,923	64,589	84,076	107,109	220
ITALY	132,494	148,826	184,258	150,601	153,684	227,302	152,031	162,863	224,824	315,623	138
FRANCE	246,008	255,706	267,259	287,908	283,137	279,638	258,336	302,088	340,424	313,825	28
GERMANY	246,316	305,647	343,281	347,585	376,438	372,408	323,614	562,034	682,644	598,907	143
UK	172,293	183,991	223,162	221,070	210,156	214,697	226,544	248,171	241,159	246,844	43

a 1988-1992

SOURCE: EC NIMEX

The markets in Belgium, Luxembourg and the Netherlands have shown growth in imports and per capita consumption, but at rates lower than Germany, for example. However, imports in these countries have increased significantly, reflecting the importance of these countries as distribution centres rather than end markets. A large proportion of bananas imported into these countries is re-exported to other EC countries and this is reflected in intra-EC trade statistics.

Per capita consumption of bananas in selected EC markets for the last six years is presented below.

Per capita consumption of bananas (kg)

Country	1985	1986	1987	1988	1989	1992
Denmark	6.2	6.8	6.6	6.7	9.7	7.0
France	7.7	8.2	8.0	8.1	8.2	8.5
Germany	9.6	10.0	11.0	12.0	13.0	14.9
Greece	6.1	6.8	6.6	na	na	7.0
Italy	5.4	5.9	6.3	6.6	7.0	7.5
UK	5.7	6.0	6.3	6.8	7.6	8.2
Netherlands	7.2	7.5	8.1	8.6	8.4	9.1
Belgium	7.5	7.5	9.2	8.4	8.3	9.2
EC average	7.0	7.5	7.8	8.2	8.5	9.3
Other Europe	7.5	7.7	7.9	8.3	9.4	9.2

SOURCE: FAO/UNCTAD

Reasons underlying the increases in per capita consumption include:

- Prices have been low in EC countries with access to Dollar bananas.
- Consumer tastes and trends. The move towards healthy eating habits and the decline in the traditional pattern of family meals (ie snacking) combine well with bananas.
- Advertising and promotion (generic and brand specific) have without doubt increased consumption.
- Improvements in the quality and consistency of fruit have stimulated demand.

Historically, there have been four main categories of EC banana importers:

- Member states with traditional arrangements in favour of ACP producers such as Somalia (Italy), Cameroon and Ivory Coast (France), and Windward Islands and Jamaica (the UK);

- Member states with some regional production of bananas such as Spain (Canary Islands), Greece (Crete), France (DOMs of Martinique and Guadeloupe) and Portugal (Madeira);
- Member states with no traditional arrangements such as the Benelux countries, Ireland and Denmark; and
- Germany with no traditional ties and the freedom to import bananas free of duty up to the level of demand from the world market.

Although these historical differences may still affect the nature of demand in the respective states; the over-riding changes will be the result of changes in EC banana policy.

ACP produced bananas have preferential access to the EC market under the terms of a new Council Regulation which came into effect on 1 July, 1993. About 45% of EC banana consumption is covered by domestic, or preferred, producers from France (Overseas Departments), Spain, Portugal, Greece and ACP producers. The remainder of the market is supplied from the South American "Dollar" producers.

The new Council Regulation controls the EC market in bananas in the following ways:

- Imports from the world market are allowed entry up to the level set by a 2 million tonne quota. All bananas entering EC markets within the framework of the quota from the world market are subject to a 100 ECU per tonne levy. Imports of "non-traditional ACP" bananas are to be exempt from this duty.
- Bananas from the world market entering the EC above this quantity will be subject to a levy of 850 ECU per tonne. Non-traditional ACP bananas not covered by the quota will be subject to a duty of 750 ECU per tonne.
- The quota is divided in the following proportions:
 - 65.5% to operators who market bananas from the world market (Dollar and non-traditional bananas).
 - 30% to the operators who market Community and traditional ACP bananas.
 - 3.5% operators who entered the market after 1991 marketing bananas from the world market.

Full details of the Council Regulation are included in Appendix 1.

Impact of the Single European Market on the EC Banana Market

The implications of the new EC regulation for bananas is uncertain as the present regime has only been in operation since July 1993. The EC has to honour previous commitments made under Lomé IV and also has to comply with the General Agreement on Tariffs and Trade (GATT). The Commission believes that these two conditions are met by the current regulation.

It is felt that the implications and effects of the new regime are:

- In total, suppliers of Dollar bananas will now have direct access to an EC quota of only 1.4 million tonnes. Compared to recent imports from these countries of 2.4 million tonnes, this represents a reduction of more than 40%. Major suppliers in Dollar countries are likely to be disadvantaged as a result of the re-distribution of the total quota to ACP importers.
- On the other hand, they will enjoy increased margins due to the restricted supplies, more stable markets, and access to the previously restricted markets. They are also guaranteed a share of an enlarged EC market, if and when this occurs. This could be of particular significance in the case of the EFTA and Scandinavian states where markets have shown considerable growth in the last seven years.
- Shippers of ACP/EC fruit will face lower prices and stiffer competition in their traditional markets. To offset this they will receive 30% of the quota licences for the importation of non-traditional ACP fruit free of duty.
- Provided there is some form of safeguard mechanism to prevent targeted dumping by Dollar shippers this practice is unlikely to occur.
- Consumers in the UK, France and Spain should benefit from lower prices resulting from the increased competition. Quality standards of ACP and EC fruit should benefit from the additional funding provided by the Commission.
- The reduced quota will generally reduce supplies and raise prices. Because the quota will be set (or increased) by the Council, which requires majority voting, increases are likely to be cautious and less rapid. Prices in Germany will be increased (due to the imposition of a Common External Tariff (CET) of 20%) and the limits required by the quota. From discussions with the trade, prices in Germany are now 30% above the level they were prior to the introduction of the new regime.

The GATT banana panel upheld a submission by “Dollar” banana producers that the EC Council Regulation (EC No. 404/93 of 13/2/1993 on the common organisation of the market in bananas) was not legal under GATT. Before final ratification of the Uruguay round of GATT negotiations, the EC agreed to make amendments to its regulation in order to gain acceptance by GATT.

The three main provisional regulation amendments made by the EC in December 1993 were:

- an increase in the tariff quota in two stages:
 - from 2 million tonnes to 2.1 million tonnes in 1994
 - from 2.1 million tonnes in 1994 to 2.2 million tonnes in 1995;
- introduction of country specific quotas; and
- introduction of export certification to cover 70% of exports.

These details were correct at the time of publication of this booklet. However, further negotiation of these agreements may have occurred since then and the reader is advised to verify the current status of the EC regulations.

The House of Commons Agriculture Committee (in the UK Parliament) has attempted to model the implications of the EC regulation. The assumptions used are listed in Appendix 2.

The implications that emerge from this can be summarised as:

- ACP/Commonwealth imports are expected to increase by 17%
- Total Dollar imports are expected to reduced by 6%
- Average market prices are expected to increase by 1.5%
- Average Dollar bananas are expected to increase in price by 7.2%

It should be noted that these figures are averages for the whole of the EC and hide significant changes in individual member states. As mentioned above, German prices have already increased by considerably more than the above estimates. Prices are also assumed to decrease across the board in the UK, France and Spain.

The committee assumes that Dollar producers remain profitable up to an internal EC price of 600 ECU per tonne. This implies that Dollar imports could be increased up to 500,000 tonnes above the quota before becoming unprofitable (due to the increased levels of duty payed on these quantities). Even at this level of imports, Dollar bananas are still cheaper than those from the ACP producers (requiring a price of 665 ECU per tonne to remain in profit). It is this argument that forms the basis for the inclusion of a safeguard mechanism to prevent dumping by Dollar shippers.

Implications and Characteristics of Individual EC Markets

UK

- Increasingly competitive market with falling prices and increasing emphasis on branding and quality. Potential for increased market due to historically high prices and restricted market access. Concentrated market structure in importation, distribution and retail.

GERMANY

- Largest, most demanding market in the EC. Competition is keen, with Dollar producers well established in a sophisticated market dependant on very high quality led by brand promotion and advertising. The market in the east is developing but will initially be price rather than quality dependant. Germany and the Benelux countries are, and will increasingly be, important in the supply and development of markets in Scandinavia and Eastern Europe.

- FRANCE** • Similar market to the UK with potential for growth and market development in terms of quality, increased consumption and branding.
- ITALY** • Market has shown considerable growth in the latter half of the 1980's and continues to have large potential. Introduction of the Single European Market should reduce prices thereby increasing the competitiveness of bananas compared with other fruits. Dollar importers are well established so price and quality competition will be similarly keen.
- GREECE** • Still a developing market after severe restrictions in the early 1980's. Unification of EC tax status will reduce prices. This combined with increasing incomes and a rapidly evolving retail sector provide optimism for future growth.
- BENELUX** • Important import and distribution markets for the north of Europe. National consumption levels have remained below those of Germany despite only marginally higher prices and no quantitative restrictions to imports from the Dollar Zone.
- DENMARK** • Small but sophisticated market with high demands on quality and price. Dollar producers are well established so entry to the market will not be easy. ACP and Commonwealth producers could look to exploit Denmark's close trading links with the other Northern European/Scandinavian markets.

Lomé Convention Protocol on Bananas

The 12 countries of the EC have co-operation conventions with certain countries in Africa, the Caribbean and the Pacific (the ACP states) in order to promote and expedite the economic, cultural and social development of the ACP states.

The most recent convention (the Fourth Lomé Convention) was signed on 15 December 1989 and covers a ten year period. The Fourth Lomé Convention (Lomé IV) includes several protocols concerning various commodities and the preferential access of ACP produce to the EC market. Protocol 5 concerns bananas. In this protocol, the EC and the ACP states agreed to improve the conditions under which ACP bananas are produced and marketed.

The ultimate objective of the protocol is:

“to ensure that no ACP banana exporter shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favourable situation than in the past or at present”.

Protocol 5 on bananas of Lomé IV is presented in full in Appendix 3.