



## 1. Background and key issues

### 2. Latest developments

Global developments

EU market developments

Issues and trends in banana sector developments in Eastern and Southern Africa

Issues and trends in banana sector developments West and Central Africa

Issues and trends in banana sector developments in the Caribbean and the Pacific

### 3. Implications for the ACP

Assisting ACP producer organisations in exploiting new market opportunities

Mobilising increased support for addressing disease threats in the banana sector

Preparing for reforms to the EU's organic product control regime

Developing fairtrade and organic markets for ACP banana producers

# Banana sector

## 1. Background and key issues

Only three of the top ten global banana producers are involved in the trans-continental banana trade: in the major ACP banana producing countries, production is primarily for domestic food security purposes. For a declining number of ACP countries, bananas remain a significant part of their trade relationship with the EU. However, new market opportunities are being explored for the production of processed and value-added banana products, for national, regional and international markets.

*"In the major ACP banana producing countries, production is primarily for domestic food security purposes"*

Currently in some ACP countries, investment in the development of the commercial production of processed and value-added banana products is held back by uncertainties over local supplies, with competing

demands and the spread of banana diseases into ACP regions.

According to some reports, disease outbreaks threaten a "bananageddon", with FAO outlining in a 2014 report a worst-case scenario of up to 47% reduction in global banana production.

The structure of the global banana trade continues to evolve, with technological and logistical changes facilitating direct sourcing of bananas from producers rather than via traditional banana companies. This opens up opportunities for more targeted, direct marketing of bananas, which would potentially yield better returns to producers. However, these same changes are strengthening the commercial power of multiple retailers in established Organisation for Economic Cooperation and Development (OECD) markets. In response, the traditional banana companies are seeking to reposition themselves, either through

consolidation (e.g. the Chiquita–Fyffes merger) or through diversification into other products (e.g. Del Monte). In this context, independent ACP banana producers may well need assistance in exploiting new opportunities, particularly through the promotion of regulatory changes to strengthen the functioning of banana supply chains.

Although the ACP, as a group, is currently holding its own against competition from non-ACP banana suppliers, this masks widely differing national experiences. The proliferation of EU trade agreements with third countries (especially Latin America) – involving expanded quota-managed access and reduced in-quota tariffs – is continuing to intensify competition for ACP suppliers on the EU market. In time this is likely to squeeze out certain ACP banana suppliers.

Bearing this competition in mind, it would appear essential for established West and Central African banana exporters to avoid any disruption of trade in bananas arising from the pending October 2014 deadline for the conclusion of the (Interim) Economic Partnership Agreement (EPA) process.

Targeting differentiated product markets (organic and fairtrade) and better serving the needs of the final retailer, alongside constant efforts to reduce costs (e.g. by improving transport logistics and reducing costs of certification and official controls on imports into the EU) would seem crucial for continued ACP country participation in EU banana markets.

Promoting common recognition agreements of various standards (organic and fairtrade) across different major export markets (e.g. the EU and the US) could well assist in reducing costs of certification and facilitating the effective exploitation of evolving market opportunities.

## 2. Latest developments

### Global developments

#### Production concerns

The production of bananas globally is facing a major challenge from the spread of a range of banana viral, bacterial and fungal diseases. The UN warns that the spread of banana yellow leaf disease (*Fusarium* wilt, or Panama TR4 disease) poses a serious threat to banana production and exports. This disease has spread from Asia into Africa, with Mozambique, a new ACP exporter, being the latest country to report infection in 2013. Banana bacterial wilt (*Xanthomonas* wilt) and varieties of banana viral infections such as Bunchy Top also affect large areas of Africa's banana growing zones. In the Caribbean, while concerns centre on the spread of the fungal infection Black Sigatoka, fears are increasing over the possible spread of Panama disease to the region. In the Pacific concerns focus on the spread of Blood Bacterial wilt from Indonesia to Papua New Guinea.

*“Production of bananas globally is facing a major challenge from the spread of a range of banana diseases”*

While FAO's worst-case scenario envisages losses of up to 47% of global banana production, scientists managing a banana gene programme at Leuven University have cautioned against alarmist reports of some impending “bananageddon”, maintaining that the problem was “a little overstated by some sections of the media”. Nevertheless, Chiquita's CEO has argued that it would be “prudent to plan for life after Cavendish” (which constitute 95% of

recorded global exports of bananas), given the mounting disease challenges facing this pre-eminent internationally traded banana variety.

#### Demand trends

In June 2013 the website *Fruit-inform* reported stagnation in the global demand for bananas, with high demand levels in Russia and the Ukraine the only bright spot in an otherwise gloomy picture of the global banana trade (see Agritrade article ‘[Russian and Ukrainian demand support banana prices but hold little long-term hope](#)’, 5 August 2013). However, since this analysis, the heightened tension between Russia and the Ukraine seems likely to have dimmed market prospects.

In the case of the EU, reports at the end of November 2013 suggested that since 2008, imports of bananas into Germany have fallen from 1,406,226 tonnes to 1,200,000 tonnes (–15%). Although this primarily affects non-ACP banana suppliers (so-called dollar banana suppliers), it is indicative of demand trends in mature markets in the face of the growing popularity of other convenience fruits.

#### Price trends

Up to mid 2013 global banana prices were at historically low levels, with bananas on average 30% cheaper than previously. According to *Indexmundi.com*, banana prices by May 2013 were 21% below the peak levels of March 2012, and at their lowest level since the end of 2010. After May 2013 prices rose by up to 6% but have since fluctuated considerably, and by May 2014 were only 0.9% above May 2013 price levels.

#### Trade trends

FAO reported that in 2012 the gross volume of internationally traded

bananas reached record levels, despite the flood-affected production in Ecuador (–5.6%), the world's largest banana exporter. FAO reported a growing role for Central American banana producers in the global banana trade, with exports expanding by 22.1% in 2012, compared to a 6.4% decline in South American banana exports. FAO attributed this to the implementation of new trade agreements between the EU and Central American banana producers. However, EU data showed that between 2010 and 2013 imports from the two main Latin American exporters increased by 6.9%, while imports from Central American suppliers increased by 6.2%.

### **The changing structure of the International banana trade**

The structure of the international banana trade is changing: between 2002 and 2013 the share of the top five companies fell from 70 to 44.4%. According to FAO, although “competition among banana producing countries is fierce,” with many struggling to remain competitive, “there are also new opportunities, as the market is no longer dominated by big players – and new buyers are entering the market.” The big banana companies are moving away from plantation ownership and production towards “post-production logistics”. Thus, while Fyffes used to “own plantations in Jamaica, Belize and the Windward Islands”, it has now withdrawn from production and has “switched to purchasing its bananas through contracts with producers” (see *Agritrade* article ‘[FAO review of corporate developments in the international banana trade](#)’, 23 May 2014).

---

*“The structure of the international banana trade is changing”*

---

This trend shifts the burden of risk arising from increasing input costs

and weather-related production disruptions to independent producers, potentially easing the pressure on the big traders that arises from stagnant market prices.

Meanwhile, the increased direct sourcing of bananas by supermarket chains, which has been facilitated by “the establishment of direct container liner services from banana-producing regions to the main destination markets”, has opened up new, potentially more profitable routes to market for banana producers/exporters. Containerisation and associated shipping company services have also served to reduce the costs of entry into the international banana trade.

However, these developments have further strengthened the supermarket chains’ power in the banana trade. According to FAO, a “shift of market power away from the major banana brands towards retailers” has occurred, and has been particularly acute in the UK, where supermarkets account for 40% of all retail sales of bananas.

### **Sustainability schemes in the banana sector**

There are three main sustainability certification schemes in the banana sector: organic; Fairtrade and Rainforest Alliance Certification. Price premiums obtained under these sustainability certification schemes can reach as high as 75% above conventional banana prices, although they vary according to the specific market and supplier. “The highest premiums were reported for organic bananas,” and the lowest for Rainforest Alliance Certification.

However, between 2008 and 2012 the percentage of fairtrade-certified production sold as Fairtrade bananas fell from 62.5 to 60.4%; by 2012 some 238,020 tonnes of fairtrade-certified

bananas were sold as conventional bananas. Similarly, the percentage of certified organic bananas (sold as organic bananas) fell from 65.9 to 62.0%; in 2012 some 298,858 tonnes were sold as conventional bananas.

Only Rainforest Alliance Certified banana production, which takes place within integrated supply chains, was almost entirely sold as Rainforest Alliance Certified products. This production takes place exclusively in non-ACP countries.

Globally the Dominican Republic (DR) has the highest level of Fairtrade-certified sales (35.4% of total fairtrade sales), with the Windward Islands now accounting for only 2.6% of fairtrade sales. This situation could change dramatically, with the International Institute for Environment and Development (IIED) reporting that in 2013 fairtrade banana production capacity in Africa had increased to 600,000 tonnes. This expansion poses major market development challenges if ACP banana producers are not to face the costs of Fairtrade certification without gaining any of the Fairtrade price premiums. Illustrative of the scale of the challenge faced, in 2013, while German Fairtrade banana sales increased by 50%, this only took the total to 32,000 tonnes, just over 5% of the pending anticipated expansion of Fairtrade-certified banana production.

The DR accounts for 81.2% of the recorded certified organic production taking place in 11 ACP countries, and 29% of total global certified organic banana production.

### **Corporate developments in 2013/14**

In March 2014 the two major banana companies, Chiquita and Fyffes, announced plans to merge. Analysts

maintained that this was in response to “[the] fact that there is less and less to be earned in the banana market,” given the tendency of some European supermarkets to use bananas as “loss leaders” to attract customers. The merger is seen as potentially yielding significant cost savings in terms of transport and logistics.

According to FAO, the Fyffes-Chiquita merger is unlikely to “give the new company sufficient market power to exert pressure over the banana market and influence either producer prices or import/wholesale prices” (see Agritrade article ‘[Banana sector mergers and acquisitions, from Suriname to leading traders](#)’, 11 May 2014). However, this does not mean that the merger will not have an impact on ACP–EU banana supply arrangements. Banana Link has warned that the merger could lead to a further concentration of ownership within the international banana trade, while the Fairtrade Foundation has made a commitment to closely watching the impact of the merger.

Banana Link considers that both companies have good reputations in improving working conditions and environmental issues, but that because retailers are taking value out of the banana supply chain, commercial pressure is likely to increase in the coming years unless there is a change in pricing practices in major overseas markets such as the UK.

In January 2014 Univeg purchased a majority shareholding in the state-owned Suriname banana company, Stichting Behoud Banana Sector (SBBS). At the beginning of 2014, Univeg was the largest distribution agent for Chiquita for mainland European markets, in competition with Fyffes. The Chiquita–Fyffes merger is therefore likely to result in Univeg losing the Chiquita distribution contract for those

markets. This will leave Univeg looking for alternative supply sources to serve its established customer base.

While this could open up opportunities for ACP suppliers, it should be noted that in April 2014 Univeg announced a joint venture with the agricultural exporting arm of the Indian conglomerate, Mahindra & Mahindra, which could become a major supplier of bananas to the EU market, depending on the outcome of the EU–India FTA negotiations. Other Indian companies such as INI Farms are also looking to develop banana production for European markets – and have expressed aspirations for India to become a major rival to banana exporters such as the Philippines.

## EU market developments

### The ACP holds its own but with a variable performance

In 2013 ACP banana exporters consolidated their position on the EU market, with export volumes to the EU increasing 7.8% compared to 2012, while non-ACP ‘dollar zone’ bananas increased by only 5.9%. In absolute terms the volume of dollar banana imports increased by 209,107 tonnes compared to an increase of only 76,750 tonnes for ACP bananas. (See Agritrade article ‘[Free-trade agreements boost Latin and Central American banana exports to EU but with variable performance](#)’, 11 May 2014.)

---

*“In 2013 ACP banana exporters consolidated their position on the EU market”*

---

However, since 2010, imports from dollar banana suppliers that have recently concluded FTAs with the EU have grown faster than imports from the ACP (6.6% compared to 5.7%). There has been particularly strong

growth in imports from Peru (+178.1%). Indeed were it not for Colombia’s relatively poor performance and Ecuador’s absence from the Andean Pact–EU FTA, it seems likely that ACP exporters would have been facing greater competition on the EU market. In the coming years competition is likely to intensify as the process of agreed tariff reductions continues and Ecuadorian banana exporters increase pressure on their government to rapidly accede to the EU–Andean Pact trade agreement.

### The debate on banana pricing in the EU and calls for regulatory reforms

In terms of price trends, with the exception of the final third, average wholesale prices for bananas in the EU in 2013 were below price levels in 3 of the preceding 4 years. Throughout most of 2013, MFN-sourced wholesale banana prices were 22 to 25% above ACP banana prices. However, there is considerable variation in the average banana retail prices across the EU, with figures compiled by Banana Link showing French retail prices almost 84% higher than UK prices (see Table 2).

---

*“Imports from dollar banana suppliers that have recently concluded FTAs with the EU have grown faster than imports from the ACP”*

---

In October 2013 Banana Link highlighted how retailer banana price wars had left UK banana prices 37% below prices prevailing in 2001 (£0.68 compared to £1.08/kg). This contrasted with a 4% increase in the retail price of bananas in Italy, a 7% increase in Germany and 10% increase in France between 2001 and 2013. Banana Link expressed concern that banana pricing practice within the UK retail chain may be spreading to other European markets; the Netherlands’ second largest



Table 1: Trends in EU28 imports of bananas since 2010 (tonnes)

Country	2010	2011	2012	2013	% change 10/13
<b>New FTAs</b>					
Colombia	1,166,658	1,143,202	1,136,523	1,159,287	-0.6
Costa Rica	779,987	849,268	774,733	827,538	+6.1
Panama	184,714	161,124	148,832	197,088	+6.7
Peru	51,598	64,646	80,699	143,489	+178.1
Guatemala	3,315	3,002	5,215	13,673	+312.5
Honduras	15,084	17,459	5,749	6,472	-57
Sub total (% total)	2,201,356 (48.2)	2,238,701 (48.1)	2,151,751 (47.4)	2,347,547 (48.6)	+6.6
Total EU import from non-ACP	3,541,760	3,680,171	3,558,221	3,767,328	+6.4
<b>Caribbean ACP</b>					
Dominican Republic	303,655	326,851	294,589	322,658	+6.3
Belize	78,817	71,064	99,288	96,763	+22.8
Surinam	70,437	62,912	83,126	80,956	+14.9
St Lucia	23,154	6,159	12,145	12,367	-46.6
Dominica	3,729	4,066	2,268	1,443	-61.3
St Vincent & Grenadines	4,054	764	710	191	-95.3
<b>West and Central Africa</b>					
Côte d'Ivoire	244,313	224,140	224,944	252,175	+3.2
Ghana	52,357	47,155	50,691	42,612	-18.6
Cameroon	242,981	235,216	213,868	249,239	+2.6
<b>Southern Africa</b>					
Mozambique	36	106	601	563	+1,463.9
Others	134	110	107	118	
Total EU Imports from ACP (% total)	1,023,665 (22.4)	978,540 (21.0)	982,335 (21.6)	1,059,085 (21.9)	+3.5
Total EU imports	4,565,425	4,658,711	4,540,556	4,826,413	+5.7

Source: EC, 'Banana supply in the EU', Table 4, 12 March 2014, [http://ec.europa.eu/agriculture/fruit-and-vegetables/product-reports/bananas/statistics/supply\\_en.pdf](http://ec.europa.eu/agriculture/fruit-and-vegetables/product-reports/bananas/statistics/supply_en.pdf)

Table 2: Bananas: Average retail price in selected EU markets (£/kg)

Country	UK	Holland	Germany	France
Average price	0.68	0.85	0.97	1.25

Source: Banana Link, 'Crisis, what crisis?! UK retail continues to bury its head on banana pricing', 31 October 2013, <http://www.bananalink.org.uk/crisis-what-crisis-uk-retail-continues-bury-its-head-banana-pricing>

retail chain, Jumbo, announced it was to move away from periodic price cuts to maintain the selling price of "its multinational branded fruit at €0.99 (£0.85) per kilo, until further notice". (See *Agri-trade* article '[Unsustainable UK banana pricing policies begin to spread](#)', 22 December 2013.) These price trends need to be considered in the context of banana production costs doubling since 2001.

*"Retailer price wars in the UK are destroying banana value for producers and workers worldwide"*

Banana Link has argued that retailer price wars in the UK are "destroying banana value for producers and workers worldwide". However, with price trends in the UK linked in part to the rise in direct sourcing of bananas by three of the top four UK retail chains, the British Retail Consortium (BRC) is highly critical of this analysis. BRC states that there is no link between in-store promotions and low banana prices, since retailers themselves are carrying the costs of these promotional activities. But analysis of banana import and retail prices undertaken by the Fairtrade Foundation maintained that there is "a clear long-term correlation between retail prices and prices paid in banana producing countries" (see *Agri-trade* article '[Fair-trade Foundation calls for regulatory action to promote more sustainable banana production](#)', 2 June 2014).

Based on this, Banana Link has requested that the UK government make "selling below the cost of purchase" illegal. According to the UK *Guardian* newspaper, this is already the case in "many EU states". Calls for a new regulatory initiative to deal with "a new world where cartels of buyers can force down prices, whatever the sector" were taken up by the Fairtrade Foundation, which urges the EC to:

- investigate retailers' pricing tactics on bananas across Europe to "evaluate the impact of low retail prices on the long-term interests of banana producers and European consumers" and to commit to acting on these findings;
- "promote the creation of an ombudsman similar to the UK Groceries Code Adjudicator in order to regulate buyer power in the retail industry, starting with bananas" (see *Agritrade* article '[Unsustainable UK banana pricing policies begin to spread](#)', 22 December 2013).

---

*"The way that ACP-EU banana supply chains function is of growing importance in ACP-EU banana sector relations"*

---

How the UK banana supply chain functions is significant for a number of ACP banana exporters that export exclusively to the UK market. These include Dominica and St Lucia and – until their exit from the banana export trade – Grenada and Jamaica. In addition in 2012, the UK took 27% of Côte d'Ivoire's banana exports. The consistently low retail prices of bananas in the UK raises the question why these traditional ACP suppliers of bananas to the UK market have not diversified into other EU markets. More generally, the way that ACP-EU banana supply chains function is considered to be of growing importance in ACP-EU banana sector relations.

### Changes in EU organic regulations and trends in trade in organic bananas

In 2013 the EC launched a review of its organic products regime, and proposals for a new regulation were tabled in March 2014. In terms of imports, the EC proposal seeks to simplify the import regime, eliminating exceptions

and increasingly applying common standards. The existing recognition of control bodies is to be "progressively shifted to a compliance regime, meaning that imported products will have to comply with the single set of EU production rules" (see *Agritrade* article '[EC tables new regulation on the organic sector](#)', 11 May 2014), with existing control bodies de facto becoming implementing agents for a common set of EU standards.

The current system of individual authorisation of imports is in the process of being phased out. This will leave two options: the exercise of organic production controls by EU authorised control bodies or the conclusion of equivalency agreements. In the case of controls by EU authorised control bodies, greater emphasis is likely to be placed on supervising and monitoring the activities of these control bodies, with a potential increase in costs for individual enterprises.

---

*"EC organic regulation proposals could prove significant for ACP banana exporters"*

---

These EC proposals could prove significant for ACP banana exporters, most notably those from the Dominican Republic where 60% of banana production for export is certified organic. Any problems faced by ACP producers in gaining access to EU markets for organic bananas would be likely to exacerbate the challenge faced in finding markets for existing organic-certified banana production.

### State of play in the EU banana accompanying measures programme

At the December 2013 session of the ACP Council of Ministers, concerns were expressed at the continued delays

in implementing the EU banana accompanying measures (BAM) programme, which was "undermining the expected effectiveness of these measures". ACP ministers called on the EU to speed up disbursements under the BAM programme by greater use of budgetary support and to "refrain from adopting a definitive position of future support to the ACP banana sector before the results of the implementation of the BAM are known" (see *Agritrade* article '[ACP Ministers call for accelerated and expanded banana assistance programmes](#)', 13 January 2014).

The ACP also urged the EU "to review the situation in the ACP banana sector, given the new risks to competitiveness as represented by the additional trade benefits proposed by the European Commission to third countries" and for closer cooperation between the EC and ACP Secretariat in the development of banana sector programmes and the integrated commodity development programme. ACP ministers further called for a strengthening of ACP consultations and cooperation on banana sector issues, to take it beyond traditional development assistance support. These positions were reiterated at the ACP Council of Ministers' meeting in Nairobi in June 2014.

### Issues and trends in banana sector developments in Eastern and Southern Africa

#### Disease challenges and possible trade implications

In April 2014 the FAO requested increased measures to combat *Fusarium* wilt (also known as Panama disease TR4) after an outbreak had been reported in northern Mozambique in February 2013. Efforts are being made to contain the disease and develop enhanced biosecurity measures to

prevent its spread. East Africa has the highest per capita consumption of bananas in the world.

FAO called for the “implementation of phytosanitary measures to prevent the spread of the disease” and for “preventive measures, including quarantines”, the “prevention of movement of infected soil and planting materials into and out of farms, and disinfection of vehicles”. If rigorously implemented preventive measures could positively impact on the intra-regional trade in bananas.

Meanwhile research continues into improved varieties that are more disease resistant (i.e. resistant not only to *Fusarium* wilt but also to other fungal infections such as Black Sigatoka and viral infections such as Banana Bunchy Top). Programmes for the distribution of improved varieties will then need to be rolled out on an extensive scale. This includes use of biotechnology such as the development of the African Agricultural Technology Fund transgenic varieties. This could carry trade implications, however, bearing in mind divergent policies across the region on the production, consumption and sale of GM crops. It could also meet consumer resistance in some overseas export markets. This suggests a need for a detailed review of the potential trade implications of the application of biotechnology in the banana sector, given the evolving policy debate and context in both the Eastern and Southern African region and major potential markets such as the EU.

#### **Investment in export development and local processing and by product utilisation**

In recent years investment interest has been shown in developing banana

production for export in the lusophone African countries of Mozambique and Angola, with investments established in Mozambique and consistent growth in exports to the EU since 2010. In February 2013 it was announced that Matanuska (a subsidiary of the Rift Valley Corporation), which is leading banana sector investment initiative in Mozambique, had concluded a sale agreement with Dole Fresh Fruit Europe to distribute Matanuska bananas in Africa, Europe and the Middle East. However, the outbreak of banana yellow leaf disease (*Fusarium* wilt) in Mozambique may well set back these efforts to develop export-oriented banana production.

In May 2014 it was reported that Uganda had started exporting fresh *matoke* (or cooking) bananas to largely expatriate East African communities in the United States, the UK and South Africa. The volumes involved are small, and Ugandan banana exports decreased to 126 tonnes in the first quarter of the 2013/14 financial year, from 177 tonnes in the first quarter of 2012/13.

There are also efforts in Kenya to expand export-oriented banana production – half a million farmers belonging to Kirinyaga County’s 86 banana growers’ associations have taken out loans to develop irrigated banana production for export. The growing popularity of commercial banana farming has prompted the Kenyan government to launch a National Banana Development Strategy, which will oversee growth of the industry until 2016. Local authorities in Kenya have even taken initiatives to try to develop banana exports to China.

Ethiopia meanwhile is hoping to develop banana exports to Saudi Arabia while Somalia is looking towards markets in the Gulf States.

Sales to Middle Eastern markets are often a testing ground for exports to the better priced OECD banana markets.

---

*“Initiatives are under way in Uganda to add value to banana products and make commercial use of by-products”*

---

In Uganda in 2013 initiatives were under way to add value to banana products and make commercial use of by-products such as peels and stalks in products ranging from biodegradable bags and briquettes to enriched animal feed, green manure and biogas. It is thought that these could help reduce the current 25% wastage of the banana crop, due to of an absence of commercial marketing opportunities.

#### **Issues and trends in banana sector developments West and Central Africa**

In recent years the export performance of the main West and Central African banana exporters has been affected by political troubles in Côte d’Ivoire and disease outbreaks, such as the Banana Bunchy Top virus spreading out across Central Africa into West Africa. Nevertheless, exports grew by 12% in 2012, recovering to above 2010 levels. This continued into 2013, with exports of bananas from Côte d’Ivoire and Cameroon to the EU market increasing by 12 and 16.5% respectively.

The annual average exports of West and Central African banana exports to the EU from 2010 to 2013 were 4.1% higher than the preceding 4-year annual average, in a context of a small decline in EU average annual imports of 0.67%.

Since June 2014 in West Africa, a major outstanding issue in the banana sector is the finalisation of the EPA process before the 1 October 2014 deadline for the implementation of Interim EPA commitments. For banana exporting countries this now seems to have coalesced around a choice between signing and ratifying their bilateral Interim EPAs or pushing for the conclusion of a regional EPA before the 1 October 2014 deadline. The coalescing of options around these two alternatives would appear to be reducing commercial uncertainties and insulating banana supply contract negotiations from negative price consequences.

EPA-related uncertainties do not appear to have impacted on investment in the banana sector of the main West and Central African banana exporters; in 2013/14 new investments in Côte d'Ivoire and Ghana were announced, which focused on improving the quality and competitiveness of the region's banana exports.

## Issues and trends in banana sector developments in the Caribbean and the Pacific

### Continued decline in Windward Island exports compounded by disease outbreaks

Distinct trends are apparent in the Caribbean ACP's banana trade with the EU. The first is the continued decline in Windward Island banana exports to the EU, which fell a further 59% between 2010 and 2013, following hurricane damage, disease outbreaks and the low prices on the traditional UK market. Low prices in particular make reinvestment in the banana sector commercially marginal, with Fairtrade premiums only partially able to compensate for these wider trends. This is particularly the case since the Fairtrade price, which was conceived as an absolute

minimum, has increasingly been taken as a market reference price.

The challenges faced in getting to grips with banana disease outbreaks only serve to compound problems in this regard. In December 2013 FAO called for increased research and technical support to combat Black Sigatoka disease, warning that in the Caribbean "smallholder banana farmers were unable to shoulder the expense of fighting the disease on their own". In some Caribbean countries the outbreak of the disease was seen as "the last straw that broke the camel's back", with the cumulative effects of repeated hurricanes, changes on the EU banana market and then outbreaks of disease resulting in banana farms being abandoned.

### Growth in exports from Belize and Suriname

The second trend is the growth in exports from Belize and the return of Suriname to export sales, with 22.8% and 14.9% increases in exports to the EU respectively between 2010 and 2013 (despite small declines in exports to the EU in 2013).

---

*"Some Caribbean exporters have been able to diversify away from the troubled UK banana market"*

---

The January 2014 purchase of Suriname's SBBS by Univeg builds on business relationships established between Univeg France and the SBBS during restructuring efforts which commenced with EU support in 2006. It is noteworthy that after the crisis in Suriname's banana sector in 2003, when exports to the EU reached their absolute lowest point, collaboration with Univeg saw a reorientation of exports away from the UK market, initially to France and then to a more

diversified range of mainland EU markets. Although Suriname has exported no bananas to the UK market since 2006, the UK remains the only market for banana exports from Belize.

Some Caribbean exporters have thus been able to diversify away from the troubled UK banana market, while expanding overall exports to the EU (more than doubling between 2005 and 2012). Increased efforts by Univeg "to secure long-term sourcing requirements to optimally service its retail customers" could open up new opportunities for Caribbean banana exporters beyond their traditional supply relationships when trading into Europe (see [Agritrade article 'Banana sector mergers and acquisitions, from Suriname to leading traders'](#), 11 May 2014).

### The continued growth of banana exports from the Dominican Republic

The third trend relates to the continued growth in banana exports from the DR, with a recovery in 2013 from setbacks in 2012. The DR's focus on fairtrade and organic banana exports (often with dual certification) has, in part, insulated the DR from the adverse price trends to the UK market, which takes 60% of DR exports to the EU, evidenced by a continued expansion in DR banana exports to the EU.

---

*"There is continued growth in banana exports from the DR"*

---

The 2014 IIED sustainability review provided a snapshot illustration of the price premiums obtainable by DR organic banana exporters in 2011. This showed producer prices (farm gate) and export prices for organic bananas to be 36.4 and 57.1% higher than conventional banana prices, and 118.2 and 142.9% higher for dual-certified fairtrade/organic bananas.



Two developments in 2013/14 potentially overhang the DR's banana trade with the EU. The first is increasing competition from Peruvian organic banana exports. In 2014, as a result of the presence of pests and diseases and water shortages, total Peruvian organic banana exports are projected to be down by around 16.7% (to 103,833 tonnes compared to 124,600 tonnes in 2013). In the longer term a serious commercial challenge to DR suppliers could be posed, given the 178% expansion in total Peruvian banana exports to the EU, which has taken place since 2010 (increasing from 51,598 tonnes to 143,489 in 2013).

The second issue relates to the EC proposals for a new regulation for organic products. The changes proposed, if adopted, will require increased levels of public sector investment in official organic control bodies. This could best be aimed at securing the conclusion of organic equivalency agreements with the EU. This would potentially offer a more cost-effective system of organic controls and certification for individual enterprises than the alternative system being proposed. This is a major issue in the Dominican Republic, for competing suppliers that already have an FTA with the EU (Costa Rica) or which are in the final stages of FTA negotiations (India), or that already have equivalency agreements in place for their organic certification regimes. Peru is actively seeking an equivalency agreement (see *Agritrade* article '[Government support effective in expanding Dominican Republic banana sector](#)', 23 April 2012).

### **Continuation of restructuring in the Jamaican banana sector**

At the end of October 2013 the final phase of EU assistance to banana adjustments in Jamaica was agreed in the form of a €4.7 million 4-year programme. This forms part of wider government efforts to improve the

competitiveness of the Jamaican banana and plantain industry. The government is looking to expand banana production to 100,000 tonnes over 3 years, up from the current level of 50,000 tonnes. This, however, will still be only half of the 200,000 tonnes exported in 1996. An expanded production will target local markets, both for fresh and value-added banana products.

### **Trends in Pacific production and trade**

Bananas are one of the most widely grown and consumed crops in the Pacific, with considerable diversity in the types of bananas grown on different islands. While bananas were a major export earner for some Pacific Islands until the 1970s (mainly supplying New Zealand), these markets were lost to major transnational banana producers on the basis of their more competitive price and more reliable quality.

---

*"Bananas are one of the most widely grown and consumed crops in the Pacific"*

---

There would appear to be some scope for organic/fairtrade production of bananas for export in the Pacific, if supported by targeted marketing efforts. Fairtrade New Zealand has been encouraging Pacific banana producers to explore this option. However, this is a crowded market, with Ecuador the main current supplier of Fairtrade bananas to New Zealand. Some exports of organic dried banana chunks from Samoa, from the Samoa's Women in Business Cooperative (WIBDI) do, however, take place.

Overall, prospects would appear to exist for sustaining and developing banana production for home consumption (especially for the hotel industry) and local value-added processing for niche markets.

---

## **3. Implications for the ACP**

### **Assisting ACP producer organisations in exploiting new market opportunities**

Given the changes taking place in the global banana market the question arises: what role can individual ACP governments and the ACP as a group play in assisting producers in identifying emerging opportunities and exploiting them?

---

*"What role can ACP governments play in assisting banana producers in identifying emerging opportunities and exploiting them?"*

---

An area for immediate policy consideration is the position of the ACP on calls for the creation of an ombudsman to regulate buyer power in the retail industry, starting with bananas. This raises the wider issue of the need for a concerted ACP initiative to explore with the EC the scope for extending the new policy instruments for strengthening the functioning of EU agricultural supply chains, to ACP-EU agricultural supply chains. The banana sector would appear to provide an ideal starting point in this regard. It would build on ACP ministerial requests for strengthening ACP-EU consultations on banana sector issues and enable the EU to move beyond traditional aid programmes in assisting ACP exporters in adjusting to the changing market realities.

In addition, there could be a role for a pan-ACP programme of support for capacity building for ACP banana producer associations to enhance their capacities to capitalise on emerging market opportunities. This includes

enhancing their abilities to identify new routes to markets that yield improved prices to producers, in the context of changing corporate strategies in the banana sector.

### Mobilising increased support for addressing disease threats in the banana sector

There could be a role for collective ACP initiatives in support of both research into combatting banana diseases and rolling out programmes to combat the spread of banana diseases across the ACP. This would be an obvious priority for the redeployment of any unutilised BAM programme funding but may require flexibility in the programming and disbursement of BAM funding in the final stages of the programme. However, given the need to support such measures in ACP banana producing countries not involved in export-oriented banana production (and hence not eligible

for BAM support), other European Development Fund regional resources would also need to be mobilised. This area also provides scope for any ACP initiative to reach beyond the EU in the mobilisation of development assistance from cooperating partners.

### Preparing for reforms to the EU's organic product control regime

Given the potential cost implications of EU proposals for a new system of organic product controls, ACP governments will need to prepare for the transition. This will require investments in strengthening national ACP organic certification and verification regimes. For banana exporters such as the DR, a case exists for prioritising the conclusion of an organic equivalency agreement, since this could reduce costs of certification at the enterprise level. These savings would be maximised if recognition of the equivalency agreement were extended beyond the

EU to the US. Extending recognition of the equivalence of standards and recognition across partner regions in this way could potentially constitute an important ACP demand around the ongoing EU–US Transatlantic Trade and Investment Partnership negotiations.

### Developing fairtrade and organic markets for ACP banana producers

The low level of sales of certified organic and fair-trade bananas, relative to the level of certified production, suggests that ACP producers of organic and fairtrade bananas could gain substantial benefits by investing in the promotion of demand for fairtrade and organic bananas, and hence sales of certified bananas into these higher-priced market components. Here again this offers scope for the development of new partnerships that reach beyond traditional ACP development cooperation relationships.

#### Main sources

1. *Freshplaza.com*, 'UN warns that banana yellow leaf disease is spreading beyond Asia', 17 April 2014  
<http://www.freshplaza.com/article/120002/UN-warns-that-banana-yellow-leaf-disease-is-spreading-beyond-Asia>
2. *Freshfruitportal.com*, 'Belgian lab a diverse safeguard against "bananageddon"', 9 April 2014  
<http://www.freshfruitportal.com/2014/04/09/belgian-lab-a-diverse-safeguard-against-bananageddon/>
3. *Food Business News*, 'Banana disease concerns Fresh Del Monte', 30 April 2014  
[http://www.foodbusinessnews.net/articles/news\\_home/Financial-Performance/2014/04/Banana\\_disease\\_concerns\\_Fresh.aspx?ID={16694A40-7F50-4731-9F9F-FEACC1C348DF}&cck=1](http://www.foodbusinessnews.net/articles/news_home/Financial-Performance/2014/04/Banana_disease_concerns_Fresh.aspx?ID={16694A40-7F50-4731-9F9F-FEACC1C348DF}&cck=1)
4. *FreshFruitPortal.com*, 'Mahindra signs JV with Univeg', 14 April 2014  
<http://www.freshfruitportal.com/2014/04/14/india-mahindra-signs-jv-with-univeg/>

5. *Agraria.pe*, 'Peru: Organic banana exports down this year', 9 April 2014  
<http://www.freshplaza.com/article/119657/Peru-Organic-banana-exports-down-this-year>
6. FAO, 'Banana market review and banana statistics 2012–13', 2014  
<http://www.fao.org/docrep/019/i3627e/i3627e.pdf>
7. IISD, 'The State of sustainability initiatives review 2014', 2014  
[http://www.iisd.org/pdf/2014/ssi\\_2014.pdf](http://www.iisd.org/pdf/2014/ssi_2014.pdf)
8. FAO, 'FAO urges countries to step up action against destructive banana disease', 14 April 2014  
<http://www.fao.org/news/story/en/item/223409/icode/>
9. *FreshFruitPortal.com*, 'Mozambique Panama disease talks to yield containment report', 30 May 2014  
<http://www.freshfruitportal.com/2014/05/30/mozambique-panama-disease-talks-to-yield-containment-report/>
10. *Agribusiness.co.ug*, 'Uganda starts banana processing and exporting', 11 May 2014  
<http://ea-agribusiness.co.ug/uganda-starts-banana-processing-and-exporting/>
11. *Star Africa*, 'Regional firm seals Mozambique banana production deal', 3 February 2014  
<http://en.starafrica.com/news/regional-firms-seal-mozambique-banana-production-deal.html>
12. *FreshFruitPortal.com*, 'It's "prudent" to plan for life after Cavendish, says Chiquita CEO', 13 May 2014  
<http://www.freshfruitportal.com/2014/05/13/its-prudent-to-plan-for-life-after-cavendish-says-chiquita-ceo/>
13. *FreshFruitPortal.com*, 'INI Farms aims to change perceptions of Indian bananas', 3 June 2014  
<http://www.freshfruitportal.com/2014/06/03/ini-farms-aims-to-change-perceptions-of-indian-bananas/>
14. *Fruchthandel.de*, 'Germany: Fairtrade banana sales up 50%', 13 May 2014  
<http://www.freshplaza.com/article/120754/Germany-Fairtrade-banana-sales-up-50-percent>
15. The Observer (Kampala), 'Uganda: Maize, banana, tea exports drop', 22 April 2014  
[http://www.observer.ug/index.php?option=com\\_content&view=article&id=31387:maize-banana-tea-exports-drop&catid=38:business&Itemid=68](http://www.observer.ug/index.php?option=com_content&view=article&id=31387:maize-banana-tea-exports-drop&catid=38:business&Itemid=68)
16. *AllAfrica.com*, AlertNet, 'In Kenya, farmers abandon coffee for thirsty bananas', 30 March 2014  
<http://allafrica.com/stories/201404010146.html>

17. *Freshplaza.com*, 'Kenya: Agreement signed to export bananas to China', 3 December 2013

<http://www.freshplaza.com/article/115806/Kenya-Agreement-signed-to-export-bananas-to-China>

18. *Agence Ecofin*, 'Côte d'Ivoire: Le gouvernement lance une bananeraie dans le nord du pays', 12 March 2014

<http://www.agenceecofin.com/fruits/1203-18286-cote-d-ivoire-le-gouvernement-lance-une-bananeraie-dans-le-nord-du-pays>

19. *Ghanaweb*, 'Ghana: Investment in banana sector', 9 September 2013

[http://www.freshplaza.com/news\\_detail.asp?id=112939](http://www.freshplaza.com/news_detail.asp?id=112939)

20. FAO, 'Fight against Black Sigatoka must continue to save small Caribbean banana farms', 12 December 2013

<http://www.fao.org/news/story/en/item/210605/icode/>

21. Jamaica Information Service, 'EU praised for support to Jamaica banana industry'

31 October 2013

<http://www.caribbeannewsnow.com/topstory-EU-praised-for-support-to-Jamaica-banana-industry-18381.html>

22. *AllGood*, 'The perfect snack', undated

<http://allgoodorganics.co.nz/organic-dried-banana-chunks/>

23. African Agricultural Technology Foundation, 'Bacterial wilt resistant banana project', undated

<http://www.aatf-africa.org/userfiles/Banana-brief.pdf>

24. *The East African*, 'Regional biosafety policy ready for adoption', 10 May 2014

<http://www.theeastafrican.co.ke/news/Regional-biosafety-policy-ready-for-adoption/-/2558/2310224/-/kclis8z/-/index.html>

25. *Foodnavigator.com*, 'European Commission reaches "political agreement" on GM cultivation proposal', 13 June 2014

<http://www.foodnavigator.com/On-your-radar/GM-food/GM-cultivation-proposal-agreed-in-Europe>

26. *Freshplaza.com*, 'Ivory Coast to produce 21,000 tons of bananas annually', 21 February 2014

<http://www.freshplaza.com/article/118105/Ivory-Coast-to-produce-21,000-tons-of-bananas-annually>

### About this update

This brief was updated in December 2014 to reflect developments since September 2013. 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 international institution of the African, Caribbean and Pacific (ACP) Group of States and the European Union (EU). Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management in ACP countries. It provides access to information and knowledge, facilitates policy dialogue and strengthens the capacity of agricultural and rural development institutions and communities.

CTA operates under the framework of the Cotonou Agreement and is funded by the EU.

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](mailto:cta@cta.int) - [www.cta.int](http://www.cta.int)