A Snapshot of the Banana Trade: Who gets what?

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World banana imports by region

<table>
<thead>
<tr>
<th>Year</th>
<th>EU</th>
<th>USA</th>
<th>Former USSR</th>
<th>Developing Countries</th>
<th>Others</th>
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<tbody>
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<td>2007*</td>
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<td>2008*</td>
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</table>
International Trade policy

EU Banana Market

ACP
- Cotonou
- EPA

WTO
- MFN
- Doha Round

LA
- Association Agreements
- Preference erosion
EU: Banana imports by country of origin

![Graph showing banana imports by country of origin from 1999 to 2008. The countries are Ecuador, Colombia, Costa Rica, Panama, Others, Cote d'Ivoire, Cameroon, Saint Lucia, Jamaica, and Dominican Republic. The graph indicates a general increase in imports over the years.](image-url)
EU: Import from ACP
Ecuador & St.Lucia: Banana export by country of destination

Ecuador banana export by country of destination

St Lucia banana export by country of destination
EU: Banana imports by MFN and ACP countries
EU: Banana imports from ACP - status quo

- Côte d’Ivoire: 24%
- Cameroon: 30%
- Caribbean ACP: 41%
- Ghana: 5%
- Dominican Rep.: 19%
- St Lucia: 4%
- Dominica: 1%
- St Vincent & the Grenadines: 1%
- Belize: 9%
- Suriname: 7%
EU: Banana imports from Latin America – status quo

- Ecuador: 34%
- Colombia: 33%
- Central America: 33%
- Costa Rica: 23%
- Panama: 7%
- Others: 3%
Gradual Tariff reductions

- 2009: €176
- 2010: €148
- 2011: €143
- 2012: €136
- 2013: €132
- 2014: €127
- 2015: €122
- 2016: €117
- 2017: €114

Bilateral Trade Agreements: €75

Gradual tariff reductions

WTO Agreements
- Preference Erosion
- Tropical Products

Banana Accompanying Measures
- Support: € 190 million
- Country specific
ICTSD: Possible Effects I

- Total imports from ACP: 1,784 to 5,668 million t
  - From MFN: 3,109 to 5,558 million t
  - From ACP: 1,784 to 1,095 million t
### Table 4.2
Lower Bound Supply Projections for Different Tariff Scenarios
Based on Adjustment to Literature Consensus

<table>
<thead>
<tr>
<th>Tariff level (€)</th>
<th>fob price(€)</th>
<th>Price reduction</th>
<th>Dominica (1.0)</th>
<th>Grenada (1.3)</th>
<th>St Lucia (1.0)</th>
<th>St Vincent (0.7)</th>
<th>Jamaica (1.3)</th>
<th>Belize (1.0)</th>
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<td>-64.8%</td>
<td>-49.8%</td>
</tr>
</tbody>
</table>

*NERA projections.*
Banana Split: Who gets what?

- Plantation workers 1.5p
- Plantation owner 10p
- International trading company 31p (includes 5p EU tariff)
- Retailer 40p
- Ripener/Distributor 17p
Conventional Chains

Integrated chain

- Grower
- Trading Company
  - Packing
  - Exporting
  - Importation
  - Ripening
  - Distribution
- Retailer

Highly integrated chain

- Retailer
- Fruit company
  - Growing
  - Packing
  - Exporting
  - Importation
  - Ripening
  - Distribution
Integrated fair trade or organic chain

- Growing
- Packing
- Exporting

Grower Group

Specialized Importer
- Imports
- Ripens
- Distributes

Retailer
EU: Share of Grocery Market by Top 5 retailers

90% • Finland
82% • Sweden
81% • Ireland
79% • Austria
70% • Germany
70% • France
Possible Interventions in the value chain

Domain of government, development organisations, private sector membership organisations, workers representative organisations through Social Dialogue

Domain of private sector organisations, individual enterprises, worker’s unions, BDS organisations and service industry through business transactions
Potential economic impact through liberalization

Different impact on Caribbean suppliers:
• Dominican Republic, Belize and Surinam → best placed to sustain the volume of exports
• St Lucia, St Vincent and Dominica → may be able to sustain some level of export, depending on demand and price trends for fair-trade bananas

Decline of recorded value of banana exports by between 6.4% and 45% for Caribbean suppliers

MFN tariff reductions & UK supermarkets’ market power may put pressure on the fair-trade model of price formation
Some Conclusions and Recommendations

The analysis of the changes in the regime leads to the conclusion that there is little prospect of the Caribbean to compensate for a substantial loss of preference if competitiveness is increased. Their lack of comparative advantage against other banana exporters is just too great; several factors contribute to this:

- Differences in terrain, soil quality and climate
- Production is dominated by smallholdings
- Labour costs (being generally middle income countries, the Caribbean income levels are a multiple of those of Ecuador, the lowest cost Latin American producer)
- For some Caribbean countries, transport costs are higher, as generally associated with small island economies
- Development Options for Caribbean Countries
The main options for dealing with a gradual tariff reduction in the Caribbean are:

- Improving the competitiveness of the banana industry
- Substituting banana production
- Improving fair trade
- Diversification
Possible future aid strategies

- Do more competitive banana industries (Suriname, Belize) need additional aid?

- Do countries where dependence on banana exports is relatively low (Jamaica) need additional aid?

- Which is the best strategy for supporting the Windward Islands?

- Should Social and Environmental Impact Assessments (SIA) be conducted for more detailed evidence on the impacts of preference erosion?

- How can social and ecological standards be considered more duly in trade agreements?
Thank you.