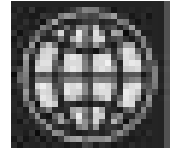




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**BANANA EXPORTS FROM LATIN AMERICA AND  
THE CARIBBEAN;  
THE MARKET, THE EVOLVING POLICY FRAMEWORK AND  
DEVELOPMENT OPTIONS**

**By  
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Presented in the Seminar :  
**“Latin American and the Caribbean in Face of the Furthering Process of  
Multilateral Agricultural Reform”**

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# **Banana Exports from Latin America and the Caribbean; the market, the evolving policy framework and development options**

**Draft by  
ESCR, Commodities and Trade Division  
FAO**

## I. INTRODUCTION

Bananas are produced in more than 120 countries throughout the world, but the bulk of the output is concentrated in a few countries. Furthermore, as only 13 million tonnes enter world trade of the 88 million tonnes of bananas and plantains produced, world banana trade is dominated by a small number of countries of Latin America and the Caribbean, West Africa and, in Asia, the Philippines.

Bananas rank among the most valuable primary agricultural export crops, and first among horticultural products. In 1994-96 the value of world banana trade was US\$5 billion. Global trade in bananas has been increasing steadily during the last decade. Between 1984-86 to 1994-96 the annual growth rate in banana exports was 6.7 percent.

Banana exports provide a major source of earnings in many countries. For example, the share of export earnings from bananas in total merchandise exports averaged around 60 percent for St. Lucia, and export revenues from bananas accounted for 12 percent of that country's GDP during 1994-96. Another example is Costa Rica, where the share of banana export earnings to total trade averaged over 28 percent and where banana export revenues accounted for around 7 percent of the country's GDP during the same period. In addition to export earnings, the banana industry is a major source of income and employment in rural areas in many countries.

Bananas are imported by more than 100 countries, but like production and exports, imports are characterized by a few large markets.

### *The main import markets and their policies*

Three markets (i.e. the United States, the EC and Japan) account for more than two thirds of world banana imports, and therefore it is not surprising that their market performance and policy framework have a particularly large impact on the fortunes of the world banana economy and the many hundreds of thousands of people whose livelihood depend on it.

### *The United States (US)*

The US is the largest banana import market. Banana imports<sup>1</sup> in the US in 1994-96 averaged 3.31 million tonnes. The US market is mainly supplied with bananas originating in Central and South

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<sup>1</sup> Net imports.

America. Banana imports enter the US market practically free of duties and with no quantitative restrictions.

### *The European Community (EC)*

The EC is the second largest market for bananas. Banana imports<sup>2</sup> into the EC (15) in 1994-96 averaged 3.09 million tonnes. The main banana suppliers to the EC market during that period were: Ecuador, Colombia, Costa Rica, Panama, Cameroon, Côte d'Ivoire and Jamaica (in descending order), which together supplied around 75 percent of that market.

Imports of bananas into the EC are governed by Council Regulation (EEC) 404/93, which replaced the various national banana import regimes previously in place in the EC's Member States. However, as I am sure you know, in May of last year a dispute settlement panel under the World Trade Organization (WTO) found that some aspects of the EC banana import regime and its licensing procedures for the importation of bananas were in violation of GATT 1994, the Agreement on Import Licenses Procedures, and the General Agreement on Trade in Services.

The EC has developed an alternative system to conform with WTO regulations, and although there have been claims by some of the complaining parties that that the EC's proposed changes do not go far enough to bring the system into full compliance with WTO rules, the amended system should enter into effect on 1 January 1999.

Despite the imminent changes in the EC banana import policy it may nevertheless be useful to highlight some of the main features of the current system in order to have a better understanding of what the proposed changes entail.

### *The current EC banana import regime*

Under the system currently in place, EC banana imports are divided into three categories: a) traditional imports from 12 (traditional) ACP countries; b) non-traditional imports from ACP countries, which are defined as both any quantities in excess of traditional quantities supplied by traditional ACP countries and any quantities supplied by ACP countries which are not traditional suppliers of the EC; and imports from third (non-ACP) countries.

### *Main quantitative aspects, including country allocations*

The major features of the EC's quantitative measures for banana imports are the following: Imports of bananas from the 12 traditional ACP countries enter duty-free up to a maximum quantity fixed for each ACP country (see Table 1). These allocations collectively amount to 857 700 tonnes. Supplies under this category enter the EC free of duties.

Imports of non-traditional ACP bananas and bananas from third countries are subject to a tariff quota (also referred to by the EC as the "basic tariff quota"), currently of 2.2 million tonnes (net weight). This tariff quota quantity was bound in the EC Uruguay Round Schedule. The tariff quota can be adjusted on the basis of a "supply balance" to be derived from production and consumption forecasts prepared in advance of each year. Since 1995 a volume of 353 000 tonnes has been added to the tariff quota to take

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<sup>2</sup> Net imports excluding domestic supplies.

into account the consumption and supply needs resulting from the accession of Austria, Finland and Sweden to the EC. This additional volume is not bound in the EC schedule. In practice, however, the EC's tariff quota for non-traditional ACP and third-country banana imports was increased to 2 553 000 tonnes.

**Table 1**

<b>Allocations for duty-free banana imports from ACP countries</b>		
<b>Country</b>	<b>Traditional quantities (tonnes)</b>	<b>Non-traditional quantities (tonnes)</b>
Belize	40 000	15 000
Cameroon	155 000	7 500
Cape Verde	4 800	
Côte d'Ivoire	155 000	7 500
Dominica	71 000	
Dominican Republic		55 000
Grenada	14 000	
Jamaica	105 000	
Madagascar	5 900	
Somalia	60 000	
St. Lucia	127 000	
St. Vincent and the Grenadines	82 000	
Suriname	38 000	
"Other" <sup>3</sup>		5 000
<b>Total</b>	<b>857 700</b>	<b>90 000</b>

Of the tariff quota referred to above, 90 000 tonnes are reserved for duty-free entry of non-traditional ACP bananas. This volume is bound in the EC schedule. The EC allocated this import volume largely to specific supplying countries (see Table 1).

As a result of the Banana Framework Agreement (BFA) negotiated with Colombia, Costa Rica, Nicaragua and Venezuela, the EC also allocated in its Schedule specific shares of the bound basic tariff quota, as follows:

**Table 2**

<b>BFA allocation under the "basic" bound tariff quota (2.2 million tonnes) for third-country and non-traditional ACP banana suppliers</b>	
<b>Country</b>	<b>Share</b>
Costa Rica	23.40%
Colombia	21.00%
Nicaragua	3.00%
Venezuela	2.00%
Others	46.51%
Dominican Republic and other ACP countries concerning non-traditional quantities	90 000 tonnes

<sup>3</sup> E.g. Ghana and Kenya

In summary, the EC applies the following tariffs to banana imports:

**Table 3**

<b>EC tariff treatment of banana imports</b>		
<b>Category of banana imports</b>	<b>Source/definition</b>	<b>Tariffs applied</b>
Traditional ACP bananas	Bananas within country-specific quantitative limits totalling 857 700 tonnes established for each of 12 ACP countries	Duty-free
Non-traditional ACP bananas	Either ACP imports above the traditional allocations for the traditional ACP countries or any quantities supplied by ACP countries which are non-traditional suppliers.	Duty-free up to 90 000 tonnes divided into country-specific allocation and an “others ACP countries” category; ECU 637 per tonne for above quota shipments in 1998/99.
Third-country bananas	Imports from any non-ACP source	ECU 75 per tonne up to 2.2 million tonnes as provided in the EC schedule. An additional 353 000 tonnes have been made available since 1995. Country-specific allocations were made to countries party to the Framework Agreement on Bananas (BFA), plus an “others” category; ECU 737 per tonne for out of quota shipments in 1998/99.

*Import licences*

Imports of traditional ACP, non-traditional ACP and third-country bananas are subject to licensing procedures. License applications for **traditional ACP bananas** must state the quantity and the origin and are required to be accompanied by an ACP certificate of origin testifying to the status as traditional ACP bananas. When license applications exceed the indicative quantities of traditional bananas fixed for a particular country of origin, a single reduction coefficient is applied to all applications to reduce them proportionally to the available volume.

Import licences for **third-country and non-traditional ACP bananas** are allocated on the basis of several procedures, including: a) three categories of operators; b) allocation of licenses according to three activity functions; c) export certificate requirements for imports from Costa Rica, Colombia and Nicaragua; and d) a two-round quarterly procedure to administer licence applications.

Under the rules relating to the EC operators category, import licences are distributed among three categories as follows:

**Table 4**

<b>Operator categories under the tariff quota for third-country/non-traditional ACP imports</b>		
<b>Operator category definition</b>	<b>Allocation of import licences allowing the importation of bananas at in-quota rates</b>	<b>Basis of determining operator entitlement</b>
<i>Category A:</i> operators that have marketed third country and/or non-traditional ACP bananas	66.5%	Average quantities of third-country and/or non-traditional ACP bananas marketed in the three most recent years.
<i>Category B:</i> operators that have marketed EC and/or traditional ACP bananas	30.0%	Average quantities of traditional ACP and or EC bananas marketed in the three most recent years
<i>Category C:</i> operators who started marketing bananas other than EC and/or traditional ACP bananas as from 1992 or thereafter (“newcomer category”).	3.5%	Divided pro rata among applicants

Category A and B licenses are transferable (tradable) among operators, including to operators in Category C. Category C licenses are, however, not transferable to Categories A and B. Transferred licenses are taken into account in establishing reference quantities.

The Operator Categories A and B are further subdivided into the following three categories: a) “primary importer” (57 percent); b) “secondary importer or customs clearer” (15 percent); and c) ripener (28 percent).

In addition to the aforementioned types of licences, operators who “include or directly represent” an ACP producer adversely affected by a tropical storm and are thus unable to supply the EC market may be granted “**hurricane licences**”. Hurricane licences are granted on an ad hoc basis and may be used to import bananas from any source. Hurricane import volumes enter in addition to the 2 553 000 tonnes tariff quota and are subject to the third-country (non-ACP) in-quota tariff (ECU 75 per tonne). Bananas imported with hurricane licenses may be counted as reference quantities for future eligibility for Category B licences.

*The forthcoming changes*

As a result of the review carried out by the EC to bring its banana import regime into line with WTO rules, the EC Commission recently adopted a set of changes which will apply to the importation of bananas into the EC from 1 January 1999. These changes are aimed, according to the EC, at: a) safeguarding the advantages traditionally enjoyed on the EC market by 12 ACP suppliers (i.e. Belize, Cameroon, Cape Verde, Côte d’Ivoire, Dominica, Grenada, Madagascar, Jamaica, Somalia, St Lucia, St. Vincent and the Grenadines and Suriname); and b) meeting the EC’s obligations to the World Trade Organisation.

Under the adopted changes, the "basic" tariff quota will be maintained at its current level of 2.2 million tonnes and an additional autonomous tariff quota of 353,000 tonnes will be established. The tariff rates

for imports within these quotas will be ECU 75 per tonne for non-ACP suppliers, while non-traditional ACP imports will enjoy duty-free access.

According to the new EC rules, the maximum quantity for traditional ACP imports would be maintained at the present level of 857,700 tonnes, at zero duty. However, country-specific allocations will no longer be assigned within this category.

The new system calls for individual country shares of the 2 553 000 tonnes overall tariff quota volumes (totalling 90.57 percent) to be allocated to Ecuador (26.17 percent), Costa Rica (25.61 percent), Colombia (23.03 percent) and Panama (15.76 percent). The (9.43 percent) balance will be available for banana imports from other third (non-ACP) countries, and for non-traditional ACP bananas (i.e. bananas originating in ACP countries other than the 12 aforementioned traditional suppliers, or banana imports from these 12 countries in excess of their 857 700 tonnes traditional quota). No country-specific allocations will be given for this portion of the tariff quota.

The management of import licences will be done by taking into account effective imports of traditional operators. The years 1994, 1995 and 1996 are to be used as the initial reference period for determining import rights of individual operators for 1999. Traditional operators will have access to 92 percent of import licences while newcomers would have the right to the remaining 8 percent. The requirements to qualify as a "newcomer" were reinforced in order to avoid speculative requests.

Import rights are to be conferred to importers on the basis of utilised import licences and/or equivalent proof, and would be usable for all origins within the various sub-quotas (i.e. Ecuador, Colombia, Costa Rica, Panama, others, and ACP traditional). Therefore, a licence could be used either for an origin within one of the sub-quotas, or a combination of origins and sub-quotas. However, the license will be delivered for the requested origins and there will not be license transfer possibilities after the license has been issued.

In summary, the main changes are:

- Licence allocation procedure on the basis of effective imports of traditional operators during reference period. Traditional operators are to be allocated 92 percent and newcomers 8 percent of import rights. Import licences can be used to import bananas from any source as long as these fall within the established tariff quotas. This compares to the current system which allocates import rights mainly on the basis of operator categories, and activity functions, and which reserves only 3.5 percent of the tariff quota to "newcomers".
- Unlike the current system, no country-specific allocations for ACP countries, whether in relation to traditional or non-traditional imports.
- Country-specific shares of the 2 553 000 tonnes tariff quota are assigned only to countries with "substantial interest" in supplying the EC (i.e. with an EC market share of at least 10 percent) namely, Ecuador (26.17 percent), Costa Rica (25.61 percent), Colombia (23.03 percent) and Panama (15.76 percent).

## *Japan*

Japan is the world's third largest banana import market. Banana imports in Japan averaged nearly 900 000 tonnes in the 1994-96 period. Because of geographic considerations, the Japanese market has historically been dominated by shipments from the Philippines. However, in recent years Ecuador has played a larger role in supplying this market. Currently, imports from these two origins account for around a 90 percent market share. The balance is composed mainly of imports from China, a small but consistent exporter to Japan, and Indonesia.

Japan, as the United States, has no quantitative restrictions on banana imports. It does, however, apply a seasonal import tariff. The general banana import tariff rate is 50 percent from October to March and 40 percent for the period from April to September. As a result of Uruguay Round commitments, its MFN tariff rates will be gradually lowered to an *ad valorem* rate of 25 percent for imports between October and March, and of 20 percent for imports between April to September. The currently MFN rates applying are 33.4 (October-March) and 26.7 (April-September) percent.

However, practically all banana imports into Japan come through a preferential tariff rate of 20 percent (October to March) and 10 percent (April to September), which is granted to most developing countries (including most banana exporting countries of Latin America and the Caribbean). Imports from least developed countries are granted duty-free access, but are practically non-existent.

## *Other markets*

The remaining third of the world banana market is divided among other developed countries, including Canada (3.7 percent), the countries of eastern Europe (5.1 percent) and the area of the former USSR (5.1 percent), and many developing countries in Africa, Asia and Latin America, which together absorbed nearly 14 percent of global banana trade in 1994-96 and of which China represented the largest (2.4 percent<sup>4</sup>) and fastest growing market.

Banana import regulations and policies in these markets are varied, and range from basically no import restrictions at all, as is the case of Canada, to heavily regulated imports, as is the case in some countries in the Near East and North Africa.

## *Current market situation and outlook*

From the above it can be concluded that, when examining the world banana economy from the demand point of view, the developments in the markets of North America, Europe and Japan would have the most influence in the price outlook for bananas but that other faster growing markets could also influence prices, for example, as they already did in 1997. Thus, taking into account the supply situation in the main banana exporting countries and considering the policy environment and the projected demographic changes and economic performance of the aforementioned markets, it is possible to project likely market performance and identify possible price trends.

When reviewing recent market developments we observe that banana prices in 1997 generally strengthened in the major markets. Possible factors responsible for rising prices included adverse weather conditions, which disrupted supply from some growing areas and import growth in certain

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<sup>4</sup> 3.8 % in 1995-1997.

emerging markets. The growth of import demand in the developing countries, particularly in China, seems to have removed some of the excess supplies looming in the world market and thus supported the price recovery in 1997.

As regards 1998, trade growth has not continued at the same pace. While no major change in recent trends has been experienced in the three largest markets, the demand in the Russian Federation collapsed, and so did prices for this destination. Initially, due to a tight supply situation resulting from drier than normal conditions in some key Central American and Caribbean countries, prices remained relatively high in Europe until late summer, when the competition of a late summer fruit harvest entering the market became more important.

When looking ahead to the immediate future, recent weather disruptions have significantly changed the banana market outlook, at least for the remainder of 1998 and the first half of next year. As you know, hurricane Mitch recently battered two important banana producing countries Guatemala and Honduras, countries which together account for approximately 10 percent of all internationally traded banana supplies. Information on the damage of Mitch to banana production point to serious losses in both countries. While this could result in short-term price strengthening in world markets, as these and other supplying countries recover from the adverse weather disruptions of 1998, supplies could again be plentiful in a market which is experiencing slower growth compared to the recent past. Within that environment import prices could, by late 1999, weaken in major markets, and put downward pressure on exporter revenues and hence on producer prices.

Regarding the longer-term outlook, as you know the Commodities and Trade Division regularly undertakes production and trade projections for the main agricultural commodities, including bananas. We are currently engaged in developing our banana projections to 2005, which will be finalised shortly and will be published in 1999. According to our preliminary assessment (and I would like to highlight the word **preliminary**), world banana trade will continue to grow through 2005, although the rate of growth will be considerably lower than in the last decade. The outlook for increased demand is limited by the already high level of per caput consumption in the United States market, the overall tariff quota for bananas in the EC, and the uncertainty over future rates of expansion in Eastern Europe, the area of the former USSR, and the Chinese market, which shows significant long-term potential but which is constrained in the shorter-term by inadequate infrastructure and insufficient ripening capacity. As a result of the aforementioned conditions, by 2005, banana import prices are projected to decline (in real terms) when compared to the 1993-95 base period.

Banana trade has already tested the WTO Dispute Settlement process. Banana trade may once more become part of multilateral trade negotiations as further trade liberalization may involve not only traditional questions such as a further reduction in tariffs which remain high in a number of markets, but also questions of the relation of preference schemes to multilateral trade liberalization, the rules in tariff quota regimes and the integration of several important and growing banana importing countries into the WTO framework.

## II. DEVELOPMENT ISSUES

Within the above environment, the banana industry in some exporting countries, or certain regions within a particular country, must endeavour to become more efficient in order to remain economically viable.

Given the importance of the banana sector to the economies of banana exporting countries of Latin America and the Caribbean careful consideration must be given to ways and means to achieve this objective.

Although, there is not an apparent single avenue to guarantee the economic viability of the banana industry in a given country, the combination of actions in many key areas may make a significant contribution, and the required difference between surviving and thriving in a market where competition is likely to continue to grow.

With all this in mind, two developments may deserve closer attention, not because they are the only areas which may deserve it, but because perhaps they are currently receiving less than other more traditional areas such as R&D in technology and productivity, market development and information, human capital development, etc. These issues are not equally important to all countries in the region, but nevertheless they are worth examining more carefully.

### *Diversification*

As competitive pressures continue mounting in the world banana economy and banana producers in many exporting countries are likely to face not only increased production costs but also declining real prices, the issue of diversification will not only be an option but a necessity to some banana exporting countries or regions within a country. Therefore, diversification is one of the issues which in our opinion should be studied more carefully with the aim to making adjustments, where needed, as smooth and painless as possible.

Diversification, in a wider sense of the word, is not merely the act of substituting higher value crops for those obtaining lower returns nor is it replacing one export commodity with another. Rather, it would be better described as a process which involves the entire rural community and entails broadening and maintaining income sources of rural households. This process extends from introducing new crops into traditional farming systems to developing off-farm jobs in small-scale rural industries and in the long-run possibly even to the exit of a significant proportion of the rural work force from agriculture (though not necessarily from rural areas) as part of the structural transformation of the economy.

Agricultural diversification in general, and banana diversification in particular, present policy makers with many challenges and opportunities. While policies can influence the environment faced by private decision-makers, economically sustainable diversification ultimately rests upon the management decisions of individual firms.

The lack of clearly defined policy goals could lead to conflicts along the line of efficiency versus equity. This is especially important in the short and medium-term where the timing of benefits transfer is critical. If policy goals do not comprehensively find solutions to short and medium-term adjustments associated with long-term policy goals, the treatment for the short-term problems may well end up endangering the whole process.

At its last session, while considering the issue of diversification and its relevance, the Intergovernmental Group on Bananas noted the considerable difficulties faced in order to be able to implement successful diversification programmes, particularly in countries or parts of countries whose economies were heavily dependent on the crop, and where bananas provided the main source of employment. The Group concluded that the issue of diversification required more attention and requested the Secretariat to further seek for way to assist member countries in their endeavour to pursue this matter.

Every country should have to look into this matter at some point and ponder the need for appropriate action. One thing is for sure, given the importance of the banana sector to many countries, if this action is needed, the sooner that the appropriate steps are undertaken, the more time producers would have to make the adjustment and, hopefully, the less painful this process would turn out to be. This is one of the areas where FAO stands ready to assist its Members if they so wish and request.

### *Product differentiation*

An important recent development in some of the major fresh fruit and vegetable importing countries is the consolidation of well-defined market segments for products produced under environmentally sound and/or socially acceptable conditions. As a result of this development two clearly differentiated market niches have emerged: a) *organic* bananas; and b) *fair trade* bananas. These segments, often referred to as market niches, represent only a small part of total banana trade, but are growing at much faster rate.

*Organic* and *fair trade* products do not enjoy any import preferential treatment as compared to conventionally produced fruit, there being problems in the WTO over discriminating between products in the way that they are produced (the PPM issue). However, product differentiation based on well-defined consumer needs creates the basis for price premiums. *Organic* and *fair trade* bananas have the potential to receive, and are currently receiving, price premiums in many import markets and this is a clear opportunity for those countries which are in a position to supply these potentially lucrative market niches. The main two potential benefits from consumer oriented product differentiation are: a) the potential price premium; and b) securing a special segment of the market.

### *Organic bananas*

*Organic* bananas are those who have been produced through *organic* farming practices aimed at nurturing the ecosystem and attaining sustainable productivity. These practices should normally provide for the control of weeds, pest and diseases through a diverse mixture of mutually dependent life forms, the recycling of animal and vegetal waste, the selection and rotation of crops and the management of water and cultivation practices. Generally speaking, *organic* production methods exclude the use of pesticides, insecticides and fertilizers of chemical origin. Also, for a product to be considered *organic*, it usually needs to be produced in land that has been kept fertilizer-free for at least two years.

The final product of an *organic* production system is not necessarily any different than the final product of a system utilising conventional production practices. What makes the difference is the production process itself which takes into account ecologically sound agricultural practices and the protection of the environment, among others.

The marketing of *organic* products is normally subject to an inspection and certification process accepted in the country where the product will be marketed. The bodies certifying if a product has been grown *organically* in the country of origin normally need to be accredited in the importing country. Most of these certifying bodies are located in the importing countries. The certification process for potential suppliers, including the required time of transition, could be long and costly, averaging about 3 years.

There are no official statistics and little general information on the markets for *organic* products, including bananas. While it is difficult to make an accurate assessment of the market opportunities lying

ahead, it is widely accepted that this segment of the market is currently growing at a rapid pace and is solidifying its presence in some markets, particularly in those of northern Europe and the United States. Countries wishing to explore the opportunities arising from this consumer trend must first become familiar with the regulations of the markets they wish to supply and then assess the cost-benefit of producing and supplying *organic* bananas. Countries or regions within countries where black sigatoka is not a major problem may have an advantage to supply this market niche.

### ***Fair trade* bananas**

The second of these market segments is what it is known in Europe as “*fair trade*” products and in this case fair trade bananas. *Fair trade* products must adhere to both environmental and social guidelines and may, but not necessarily, be simultaneously certified as organic. *Fair trade* products do not currently possess a certification and regulatory framework as developed as those for organic products. Some private labels, however, promoted mainly by non-governmental organizations have been successfully introduced in some markets.

*Fair trade* in bananas require that producers be paid a minimum price, and that long-term cooperation with producers be established, guaranteeing them a certain level of sales and income. *Fair trade* products are normally purchased directly from small farmers, although in the case of bananas, fruit produced by plantations can also be certified. In any case all the trading partners, whether producers, farmer organizations or private plantations must satisfy a number of social and ecological criteria.

Some of the criteria being used for certifying bananas as a *fair trade* product include: a) freedom of trade union membership; b) anti-discrimination and equal pay; c) no forced labour or child labour d) minimum prices (for small independent producers) or wages (for labourers in banana plantations); e) safe and healthy working conditions; f) protection of wooded and wildlife areas; g) prevention of water pollution; h) documentation, checking and reduction of pesticide and artificial fertilizer usage; and i) checking, reduction and composting of waste.

A recent EC-commissioned study revealed that around three quarters of consumers would buy *fair trade* bananas, and that 37 percent of them would be prepared to pay a premium of 10 percent over the retail price paid for traditional bananas. The same study estimated the size of the EC market for *fair trade* bananas at 300 000 or 400 000 tonnes.

The *fair trade* certification and labelling schemes and the price premia they promote and protect, can only survive with consumer confidence in their trustworthiness. Deception and free-rider behaviour could undermine credibility. Consumer goodwill could also erode when a confusing variety of different labels arise. *Fair trade* certification should ideally be done by a neutral and independent organization with the technical capabilities and which would be acceptable to all the banana trading community.

Although *fair trade* is an interesting and appealing concept, it is relatively “new” and undeveloped. Much work is still required to study and analyse all its dimensions and assess all its potential implications. In depth demand studies must be undertaken to quantify the size of potential markets and the potential opportunities and benefits for developing countries. Also, a transparent and multi-lateral framework for developing internationally recognized basic criteria and guidelines for the implementation of certification and monitoring mechanism must be developed.

Again, this is an area where FAO, if so requested by its membership, which includes all major banana exporting and importing countries, could provide valuable technical assistance and a neutral forum.

FAO, as the specialized UN agency for food and agriculture is in a unique position to, in collaboration with other UN Agencies (such as the ILO), and under the auspices of its Intergovernmental Group on Bananas, the only intergovernmental forum specialised on banana trade matters, assist its members and play a role in the development of guidelines and monitoring the implementation of a self-financing world-wide fair trade banana certification and labelling programme. A voluntary and market oriented programme of this nature would be compatible with multilateral trading agreements and could help secure a place in the market for bananas produced under environmentally and socially “friendly” conditions world-wide.

### III. CONCLUSIONS

Production and exports of bananas are extremely important, not only for the macroeconomic well-being of whole nations, but for the livelihood and the food security of hundreds of thousands of people throughout the region, who depend on the sale of the fruit they produce, or on the wages they collect by working in banana plantations to feed their families.

The world banana market has recently undergone considerable changes and will, in all likelihood, be involved in the 1999 process. This will raise several tough questions for negotiations: the scope and pace of further market liberalization and the particular issues for preference-receiving countries; the possible reform of tariff quotas; the thorny question of PPMs and links to the inclusion of environmental issues in future negotiations; the question of labelling and certification. Under this scenario, coupled with projections for world supplies to exceed the level of demand at current price levels and the probability of a decline in real prices, exporting countries need to endeavour to become more efficient and/or to give way to alternative economic activities. This however, for many complex reasons it is easier said than done.

Although the market liberalization trend is clear, as banana trade has a long history with many long-established players with very different strengths and facing many diverse constraints, the process could turn out to be slow. This provides an opportunity to those who need to adjust: the additional time could mean the difference between a smooth transition or economic and social chaos. It also means that we have time to anticipate some of the potential problems and start working on their solution.

A slow process, however does not necessarily mean an easy one. If we ask everyone in this room for their opinion on how to deal with the subject, I would not be surprised if we get as many different opinions as the number of persons in the room. While it is perfectly understandable that every party will endeavour to press for its position, it is necessary that all those involved realize that joining forces to work together on issues of common interest, such as some of the ones we have touched upon today, is for the greater good of the world banana economy.