



The fool's bargain of West African bananas' producers who have demanded to sign the West Africa-EU EPA

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We know that the main reason for the acceptance by the West Africa's Heads of State to sign the regional EPA with the EU on July 10, 2014 in Accra comes from the pressures of Ivory Coast, and secondarily of Ghana, who risked losing duty free access to the European market mainly for their exports of bananas, of respectively 252,639 tonnes and 42,840 tonnes in 2013.

But the signature's ink had barely dried that the EU signed on July 17 a free-trade agreement with Ecuador, the world's largest banana exporter, with 5.8 million tonnes in 2011. This agreement will reduce tariffs on its exports to the EU of € 132 per tonne currently to € 117, the level obtained by Latin American countries in early 2012 after the conclusion of a free trade agreement with the EU: Colombia, Peru, Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and Panama. Despite their additional cost to export to the EU, Ecuador remained the largest exporter to the EU, with 1,361,000 tonnes in 2013, ahead of Colombia with 1,199,000 tonnes. Ecuador will also benefit from the gradual reduction of customs duties for these "dollar bananas", at 75 € per tonne by 2020.

That is why Eduardo Ledesma, president of the Association of Banana Producers in Ecuador (AEBE) welcomes this "wonderful" and "terribly positive" agreement given the alignment of tariffs on those of Colombia and other non-ACP countries of Latin America¹.

According to a CTA² article in May 2014 *"The concern is that as tariff reductions are progressively extended under existing EU FTA agreements, so the established highly competitive dollar zone will become an increasingly attractive investment location. This poses real challenges for even the most competitive ACP banana exporters, who will face increasing competition for banana sector investment, in a context of growing market concentration and the stripping of value out of some EU banana supply chains as a result of the banana pricing policies of some EU supermarkets"*³, *"given the tendency of some European supermarkets to use bananas as loss leaders to attract customers"*⁴.

However, if some compensation was granted to ACP and EU banana producers to cope with increased competition from these "dollar bananas", they are insufficient because they have not been revalued after the free trade agreements concluded in 2012.

Moreover, the erosion of preferences for ACP bananas is threatened by potential entrants related to the on-going negotiations for other free trade agreements, including with Mercosur (Brazil), India and the Philippines soon. Brazil wants to have a tariff quota at reduced duties of 200,000 tonnes while India, the largest world producer of bananas with 30 million tonnes, has begun to organize for exports. And negotiations are considered for a free trade agreement with the Philippines, the second largest exporter with 2.6 million tonnes in 2012, but with only 700 tonnes exported to the EU in 2013.

Now it is useful to compare the competitiveness of ACP bananas exports of sub-Saharan Africa –

¹ <http://www.freshfruitportal.com/2014/07/17/ecuador-eu-trade-agreement-is-marvelous-says-banana-industry-leader/?country=france>

² The Technical Centre for Agricultural and Rural Cooperation is a joint institution operating under the framework of the Cotonou Agreement between the ACP Group of States and the EU Member States. CTA is funded by the European Union.

³ <http://agritrade.cta.int/en/Agriculture/Produits-de-base/Banane/Les-exportations-de-bananes-de-l-Amerique-centrale-et-du-Sud-vers-l-UE-booste-par-les-accords-de-libre-echange-malgre-une-performance-variable>

⁴ <http://agritrade.cta.int/en/Agriculture/Commodities/Bananas/Banana-sector-mergers-and-acquisitions-from-Suriname-to-leading-traders>

essentially Ivory Coast, Cameroon and Ghana – on the EU market from 2006 to 2013, as reflected in the volumes and CIF prices, both in euros and dollars, in comparison to the main sources of the EU28 bananas imports: Caribbean ACPs, French bananas (Guadeloupe and Martinique), "dollar bananas" from Latin America and from all extra-EU sources.

Origin and CIF prices of EU28 bananas imports from 2006 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013	Moyenne
EU28 bananas imports in tonnes*									
Ivory Coast	221668	189366	216953	229215	244323	224146	224952	252639	225408
Cameroon	250878	221846	279564	249659	243021	237413	214503	250050	243367
Ghana	22531	34278	46233	36763	52632	47418	50932	42840	41703
Caribbean ACPs	395135	397828	376680	443348	485503	473680	492628	515181	447373
All ACPs	890212	843318	919430	958985	1025479	982657	983015	1060710	957851
Martinique+Guadeloupe	188791	160422	215385	262802	296949	265150	246525	283566	239949
Total extra-EU28	4501638	4820685	5018867	4676523	4642519	4762622	4617617	4914163	4744329
Total \$ bananas Lat. Am.	3594224	3963734	4096516	3714811	3615675	3775796	3628869	3848143	3779721
" of which Colombia	995266	1197663	1323394	1249856	1199751	1197596	1167584	1198666	1191222
" of which Costa Rica	844023	980913	907952	758294	782261	851641	776895	849989	843996
" of which Ecuador	1266907	1258013	1431580	1385291	1302820	1418179	1382207	1361040	1350755
CIF prices in euros per tonne									
Ivory Coast	650,7	674,3	723,2	645,8	631,6	567,2	604,6	624,2	638,9
Cameroon	693,5	680,5	683,8	638,8	595,8	629,4	658,2	700,3	660,6
Ghana	583	609,9	643,8	710,5	728,7	704,7	681,5	713	680,3
Caribbean ACPs	556	549,2	546,5	611,2	635,5	617,2	634,1	625,9	600,8
Martinique+Guadeloupe	568,7	602,2	590,3	596,5	556	588,1	631,2	678,1	602,6
Total extra-EU28	574	576,2	598,9	602,9	604,2	602,7	625	611,9	599,5
Total \$ bananas Lat. Am.	561,2	567	590,2	595,1	596,2	599,4	621,6	601,7	591,4
" of which Colombia	609,9	547,3	622,5	634	654,8	647,5	674,5	644,6	629,3
" of which Costa Rica	553,5	587,8	606	605,6	570,6	561,3	599,8	593,6	584,7
" of which Ecuador	528,7	560,2	562,4	563,5	569	588,8	572,2	562,1	563,8
CIF prices in dollars per tonne									
Ivory Coast	817,1	924,1	1063,8	900,7	837,4	789,5	776,8	829,1	864,6
Cameroon	870,8	932,6	1005,7	891	789,9	876,1	845,7	930	895,2
Ghana	732,1	835,9	946,9	991,1	966,1	981	875,6	946,9	922,8
Caribbean ACPs	698,1	752,7	803,8	852,4	842,5	859,2	814,7	831,3	810,5
Martinique+Guadeloupe	714,1	825,3	868,1	831,9	737,1	818,6	811	900,5	814,8
Total extra-EU28	720,7	789,7	880,9	840,9	800,9	839	803	812,7	754
Total \$ bananas Lat. Am.	704,6	777,1	868,1	830	790,4	834,4	798,7	799,1	801,4
" of which Colombia	762,1	750,1	915,6	884,4	868,1	901,3	866,6	856,1	853,4
" of which Costa Rica	695	805,6	891,3	844,7	756,4	781,3	770,6	788,4	792,7
" of which Ecuador	663,8	767,7	827,2	786	754,3	819,6	735,1	746,5	75464,1

Source: Eurostat; * the volumes and CIF prices refer to all bananas, including dried ones and plantains, because Eurostat has changed its trade codes for fresh bananas in 2012. But the difference is insignificant as fresh bananas accounted for 98.3% of all extra-EU imports, on average as in 2013.

Without going into a detailed analysis, it is pointed out that, despite duty free exports to the EU and significant aid granted by the EU to ACP producers of sub-Saharan Africa as well as from the Caribbean – particularly to offset the loss of competitiveness due to reduced tariffs on Latin America's exports until 2012 – their exports to the EU have increased by only 3.4% from 2010 to 2013 against by 6.4% for the Latin America's exports of "dollar bananas". The essential reason lies in the lower CIF prices of dollar bananas than of ACP bananas, be they expressed in euros or in dollars. Undoubtedly there are some quality issues involved, especially for bananas from the Dominican Republic, given the importance of organic bananas. But most important to note is the considerably lower price of bananas from Ecuador which, along with the reduction of tariffs it will receive, will boost its EU market share at the expense of Ivory Coast, Cameroon and Ghana.

The moral of the story is that the blindness of Ivory Coast and Ghana to demand that the West Africa's Heads of State sign the regional EPA will be very costly to the 341 million citizens of West Africa in 2014 – and soon of 516 million in 2030 –, with no real benefit for Ivory Coast and Ghana which will lose EU market share in the medium and long run for their bananas exports and probably also for their exports of pineapple and processed coffee and cocoa.