Title Banana market: Africa obliged to innovate

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Abstract

African bananas need access to the European Union (EU) market, where they account for 11% of banana consumed. Only dessert bananas are shipped from Africa even though it is one of the main cooking banana production zones and the European market imports more than 60,000 tons of this type of fruit each year. Only Uganda is on the list of the five main suppliers, with tiny quantities amounting to approximately 1,000 tons. Practically the whole of the cooking banana/plantain market is supplied by Latin America, with Ecuador and Colombia in the leading positions. As regards dessert banana, Cameroon and Côte d'lvoire long monopolized African exports to the EU Ghana has been a new West African exporting country since 2006. Production, export and transport of banana are strongly concentrated in these three countries. The chains are run by a small number of groups of operators, with strong links to European importer. The three countries have mainly one target i.e. the EU market. So far, the latter has been mare profitable than other nearby markets (the Mediterranean, the Middle East and Africa). Furthermore, African supplier countries still have very preferential ACP access to the EU for the moment. At the end of December 2007, a few days before the deadline, a major crisis was avoided at the last minute when the main ACP exporting countries partially ratified Economic Partnership Agreements (EPAs). These now govern trade relations between the EU and ACP countries. Since 1 January 2008, banana from the latter enter the EU under the 'duty free, quota free' (DFQF) regime. Failing to sign EPAs would have led to the levying of EUR 176 customs/per ton of ACP bananas imported, that is to say an annual EUR 160 million on the basis of 2006 figures. Even the supplier countries considered as being well-positioned in terms of competitiveness such as Cameroon and Côte d'lvoire would only have survived these payments with difficulty. Indeed, the difference in treatments as regards customs tariffs between the dollar supply zone (Ecuador, Colombia, Costa Rica, Panama, etc.) and the ACP zone balances competitiveness levels. Nevertheless, it will be hard for the very notion of preferential treatment to stand up to the wave of market deregulation and especially that of the European banana market. Indeen, this major tariff advantage for ACP suppliers is called into question by producers in the dollar zone. The African sectors are therefore obliged to find a way of improving their competitiveness at the same rate as the seemingly inexorable fall in the customs dues applied to dollar bananas. Productivity is in fact fairly low in the Latin American production zones and even a marginal improvement could change the terms of trade, given the production volume in these zones.

Today, one of Africa’s main advantages over its competitors is its closeness to the European market. Intermediate freight-related costs have increased considerably in recent years and have had a strong impact on the profitability of the dollar banana industries. In all cases, the Africa banana sector must resolutely undertake innovations in both production and on markets in order to remain one of the main suppliers of the EU, the leading international market. Essential for banana, it is also a necessity for other fresh export produce such as pineapple and mango that benefit from the virtuous circle of banana (regular transport, large volumes of freight, trade networks, etc.).