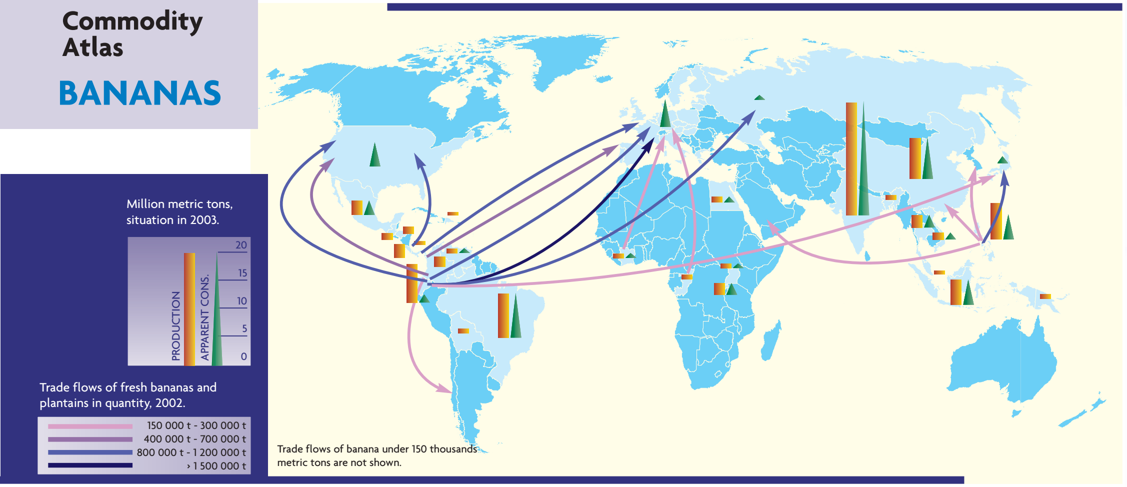


Production, consumption and trade of bananas.

The United Nations SITC (revision 2) defines bananas as banana, plantain, fresh or dried SITC code 057.3.

Bananas are the world's most popular fruit. More than 1,000 varieties of banana exist, with the Cavendish being cultivated mainly for export. Bananas are grown in a 30-degree band north and south of the equator. Not only are they a staple fruit, they are also an internationally tradable strategic commodity: producer countries depend greatly on bananas for export income, while consumer countries have a strong interest in banana production because their multinational companies are involved in fruit trade, or because they have strong historical and economic ties with some producing countries.

On Costa Rican plantations, pesticides are applied from a plane.

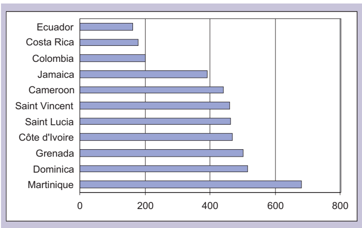
Working conditions on plantations owned by transnational corporations have led several non-governmental organizations to claim various infringements of human rights and workers' rights. Also, depletion of the environment by extensive use of irrigation, pesticides and fertilization has raised concerns about methods of banana production.

Organic and fair trade bananas are aimed at markets that care about social and environmental factors in production. Some North American, European and Japanese consumers are willing to pay a premium for bananas produced using environmentally responsible practices. Increasing demand for such bananas is pushing supermarkets and the banana industry to orient their business more toward environmental and social sustainability.

The specifics of banana production vary from region to region. Latin American plantations require huge infrastructure and technology investments in areas such as transport, agricultural care, irrigation, drainage and packing facilities. Plantations may be as large as 5,000 hectares and are usually operated by transnational or national companies. In Caribbean countries, mainly because of topographical factors, production is carried out by small family farms; thus, it is more labour intensive. In Africa, where the main exporters are Cameroon and Côte d'Ivoire, most of the production is by small farms and is consumed locally. However, bananas for export are grown on plantations.

The large cost variations are caused by the higher productivity of plantations, the lower cost of labour in Ecuador and Costa Rica, and the more difficult growing conditions in the Caribbean.

Production cost of bananas in selected countries, 1997 *(in US$)*



Source: Chambron AC (2000). *Straightening the Bent World of the Banana.* Brussels, European Fair Trade Association.

The EU banana trade regime and the WTO dispute settlement

The creation of the European Single Market in 1993 made it necessary to harmonize the banana import regimes of the EU countries and implement a complex tariff-quota banana import system. This system did not meet exporters' expectations of more liberalized access to the European market, which had two major consequences:

- The EU banana regime was challenged in the World Trade Organization for eight years before an agreement was reached between the European Union and the United States in April 2001.

- The 1990s saw chronic oversupply after expected additional European market shares did not materialize.

The 2001 agreement (a transitional regime that applies until 1 January 2006) provides for three export quotas, which are assigned to specific companies, not by country. It also gives tariff preferences to bananas from ACP countries.

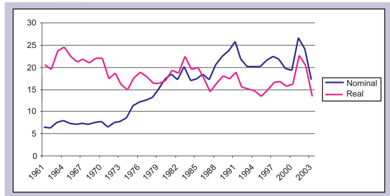
Negotiations on the new banana import regime have already started. Many stakeholders wish to see tariffs differentiated according to social, environmental and economic criteria.

Banana growing is labour intensive; here, it takes two people to cut and carry one "hand" (bunch) of bananas.

Trade and dependence

In the Caribbean countries, banana exports are vitally important. For instance, in the Windward Islands countries, bananas accounted for 40% of total exports in 2000 (in Saint Lucia about 50% of total exports), and 40% of the population depends on banana production and exports. They benefit from trade preferences with the European Union, but the situation may change when the new EU import regime takes effect in 2006. In South America, Ecuador also relies on the banana sector: banana exports represent 5% of GDP and 17% of total exports, and around a tenth of the population depends on the banana industry for its livelihood. The new EU import regime could have a positive effect on Ecuadorian banana exports. In Costa Rica, although bananas represent the number two source of export income, their share declined in the 1990s in favour of coffee and sugar, owing to unfavourable climatic and economic conditions (Hurricane Mitch, combined with oversupply and stiff competition from Ecuador).

Evolution of banana prices
(US cents/lb.)



Note: Real prices are obtained by deflating nominal prices by the unit value index of manufactured good exports (1980=100). Nominal prices are the one of bananas FOB US ports, they can be considered as an approximation of international prices.

Transnational companies

The banana export sector is highly vertically integrated. A handful of transnational companies control production, handling, packaging, ripening, exports (Del Monte owns its own fleet of refrigerated ships) and distribution. In Cameroon, Costa Rica, Côte d'Ivoire and the Philippines, these companies own most of the means of production, while in Ecuador and Colombia they buy bananas from small and medium-size farms. In the latter case, the companies determine the price paid to producers and even control farm management decisions. Because of the fragmentation of the export market, there is no representative international price. Retail prices and prices paid to producers have declined in the long term.

World market shares of banana companies, selected years (percent)

	1966	1972	1980	1992	1995	1997	1999
Chiquita	34	30	29	34	›25	24–25	25
Dole	12	18	21	20	22–23	25–26	25
Del Monte	1	6	15	15	15–16	16	15
Top three	47	54	65	69	62–64	65–67	65
Fyffes	--	--	--	2–3	7–8	6–7	7–8
Noboa	--	--	--	--	12	13	11

To learn more

UNCTAD/INFOCOMM, Market Information in the Commodities Area
www.unctad.org/infocomm

Intergovernmental Group on Bananas and Tropical Fruits
www.fao.org/es/ESC/en/20953/20987/index.html

UNCTAD (2003). Major Development and Recent Trends in International Banana Marketing Structures.
www.unctad.org/infocomm/comm_docs/documents.htm