Europe information
Development

Commission
of the European
Communities
Directorate-General
for Information

DE 34

COFFEE, COCOA, BANANAS

X/18/1982

January 1982

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COFFEE

1. INTRODUCTION

Coffee is by far the most valuable of the commodities traded by the developing countries today, bringing in export earnings valued at approximately 10 to 11 billion dollars to Third World coffee producers, including Brazil, Colombia, and at least 32 African, Caribbean and Pacific (ACP) states which are also members of the Lomé Convention. Revenues from coffee exports and estimated to be just second in value to Third World earnings from petroleum, but higher on the list than revenues from developing countries' exports of sugar, cotton, copper or iron ore.

Two main varieties of coffee - arabica and robusta - are grown in the Third World today. Arabica production - representing about 70 % of world production of coffee - is concentrated in Brazil, particularly the Parana province, and Colombia, while robusta coffee is mainly grown in Africa.

2. INTERNATIONAL COFFEE AGREEMENT

International efforts to regulate the volatile world coffee market date back to 1962 when the first international coffee agreement was signed. The agreement was renegotiated in 1968 and extended in 1973 when the European Economic Community became a member, along with all the Member States. The agreements aimed at adapting coffee supplies to estimated world demand by a series of export quotas. In the long term, the agreements hoped to balance world production and consumption of coffee by promoting consumption, introducing production controls and encouraging diversification. Their attempts were, however, unsuccessful. Increased competition between producers, who were reluctant to introduce quotas, however, prevented the attainment of these goals and the agreement was extended in 1973 but without the main economic clauses and export controls.

The current agreement, also based on a system of export quotas, entered into force in 1976 and is scheduled to expire in September 1983, following a decision taken recently by the International Coffee Council, grouping the world's major coffee producing and consuming countries. The export quota system of the accord remained partly inoperational until October 1980, given the relatively high world prices for coffee. This was essentially because of frosts which destroyed 70% of the Brazilian crop. In 1980, however, the agreement's regulatory machinery became operational for the first time, provoked into action by the increase in coffee production, particularly in Latin America and the African States, and the subsequent drop in world coffee prices. The international Coffee Council set the basic export quotas for 1980/81 at 57,4 million bags (each bag is equivalent to 60 kg) or 3,44 million tons in order to keep indicative prices in an agreed price range.

In a decision taken in London on September 25, 1981, the International Coffee Council agreed to continue application of the quotas during the 1981/82 coffee year. The decision was prompted by the fact that prices were below the agreed price range set by the Coffee Council. The export quotas established by the Council total 56 million bags, distributed among the coffee producing countries as follows: (in millions of bags).

COFFEE YEAR 1981/82 - annual quotas - Total: 56 mio bags

Colombian Milds	(total 10,885 mio bags)
Colombia	8,671
Kenya	1,400
Tanzania	814

Other Milds	(total 13,154 mio bags)
Costa Rica	1,314
Dominican Republic	575
Ecuador	1,134
El Salvador	2,325
Guatemala	1,884
Honduras	960
India	960
Mexico	1,909
Nicaragua	698
Papua New Guinea	610
Peru	785

Unwashed Arabicas	(total 16,800 mio bags)
Brazil	15,500
Ethiopia	1,300

Robustas	(total 13,033 mio bags)
Angola	431
Indonesia	2,300
OAMCAF	(6,500)
Cameroon	1,500
Ivory Coast	4,200
Madagascar	800
Uganda	2,602
Zaire	1,200

The export quotas were fixed at 13 million bags for the first 3 months of 1981, with the possibility of a one million bag increase.

The export quotas' adjustment mechanism is linked to a price margin ranging from 115 to 150 cents per lb, with a free zone between 120 to 140 cents per lb. Export quotas are suspended if the price exceeds 150 cents per lb, but are reintroduced if it falls below 135 cents. This mechanism for the 1981/82 coffee year appears to have worked satisfactorily and has managed to stop the downward trend in prices although this has meant a heavy burden for some producers who have to stock the coffee that they are not allowed to sell.

3. WORLD TRADE TRENDS

a) World production

World coffee production in 1979/80 - the latest year for which there are definite statistics - rose by about 3.5% to reach 5.1 million tons, reflecting a good crop year in all producing regions except Central America where output declined by 3%.

The Brazilian crop at 1.3 million tons, recovered further from the adverse effects of the 1975 frost, but was below expectations due to another frost in August 1978.

Output in Colombia rose by nearly 10% and increased slightly in Africa, with higher output in Zaïre and Cameroon offsetting lower production in the Ivory Coast.

Estimates published recently by the United Nations Food and Agriculture Organisation indicate that world coffee production in 1980/81 could total about 4.85 million tons. The slight fall in production is expected to be caused by smaller crops in Brazil, El Salvador and Angola.

b) exports

Exports increased by 13 % during 1979 to reach 3.6 million tons. The increase was due to increased production of mild coffees (Colombia, Kenya, Costa Rica, Ecuador, El Salvador, etc.) rather than any rise in production in Brazil where exports were, in fact, 4% below the 1978 level at 720,000 tons.

Exports from Colombia rose by 30% and from other Latin American countries by 23%, largely because of higher shipments from El Salvador and Mexico.

Exports from Africa and Asia also increased in 1979, reflecting increases in the Ivory Coast and Ethiopia and in Indonesia, respectively.

World exports in 1980 are estimated at 3.7 million tonnes, reflecting the imposition of export quotas under the 1979 International Coffee Agreement.

c) Consumption

Consumption slowly recovered in all major importing countries (mainly the European Community and Japan) in 1979, and together with a build-up of stocks in consuming countries, was reflected in higher imports. At 3.6 million tons, imports were 14% above the previous year. In particular, imports into Japan rose sharply by 71% and those into Western Europe by 19%. Imports into the United States, however, registered a relatively sluggish increase of only 5%, following a 10% decrease in consumption.

Consumption was negatively affected by the price increases in 1977 and late 1979 and imports during the first 9 months of 1980 were running below the level of the previous year.

d) Prices

Prices have fluctuated radically in recent years. In response to the Brazilian frost in July 1975,coffee prices rose to around 190 cents per lb from about 130 cents early in the year. This price level was maintained through the end of 1979 and early 1980, but fell by about 35% between May and September 1980, following indications of a bumper world crop in 1981/82. This prompted the intervention of the quota system and prices after reaching 105 cents per lb at the beginning of September moved up to 124 cents per lb at the beginning of December.

4. COFFEE AND THE EUROPEAN COMMUNITY

In 1975, the European Community overtook the USA and became the world's largest importer of coffee. In 1979, it imported 1.3 million tons of coffee, that is about one-third of total world imports. Germany, with consumption estimated at 6.9 million bags, is still the largest coffee-drinking EEC state. France is close behind with 5.4 million bags, followed by Italy (3.2 million) the Netherlands (2.6 million), the United Kingdom (2.1 million), the Belgium, Luxembourg Economic Union (1.4 million) and Denmark (1 million bags), with Ireland consuming only 50,000 bags, still a long way behind.

The European Community states import more arabica than robusta overall, but varying consumer tastes and established trade patterns have ensured that there are considerable differences between the various Member States. Arabica is more popular in Germany, the Netherlands and Italy and Robusta is more popular in France and the United Kingdom.

a) Community financing for coffee production in ACP States

The European Community has spent some 51,754,000 ECU in aid for coffee production programmes in the ACP coffee-producing countries under the second third and fourth European Development Funds.The projects financed by the EEC are as follows:

COMMUNITY FINANCING FOR COFFEE PRODUCTION

1st EDF: nil

2nd EDF:

Central African Republic	
Equipment and assistance for cooperatives	1 191 000 ECU

3rd EDF:

Madagascar East coast coffee scheme	1 587 000 "
Central African Republic	
Integrated development programme for	
the coffee producing area	5 839 000 "
Total 3rd EDF	7 426 000 "

4th EDF:
Already financed

Central African Republic	
Improvements to family coffee-growing concerns	4 600 000 "
Ethiopia improvements to coffee growing	12 870 000 "
Tanzania Coffee improvement programme	12 677 000 "
Malawi Smallholder coffee development project	2 400 000 "
Cameroon Modernization of family smallholdings	
in Arabica growing areas	7 690 000 "
Liberia Coffee-cocoa project	2 900 000 "
Sub-total	10 590 000 "
Total 4th EDF	43 137 000 "
Grand total	51 754 000 "

Further assistance to coffee improvement projects in the ACP states is expected under the fifth European Development Fund. European aid worth 27.2 million ECU has been earmarked for a project in Ethiopia, and an additional 22.5 million ECU for a coffee improvement programme in Tanzania. Aid is also being considered for projects in the Central African Republic, Jamaica, Liberia, and Madagascar.

b) Stabex

About 39.5% of the Community's transfers to ACP states in 1980 under the system for the stabilisation of export earnings (Stabex) were made to compensate for export earning losses for coffee.

Some 11 million ECU were transferred to Burundi, 968,396 ECU to the Central African Republic, 19 million EUA to the Ivory Coast, 10 million ECU to Kenya, 6 million ECU to Rwanda and another 6 million ECU to Tanzania.

GREEN COFFEE: PRODUCTION AND TRADE

PRODUCTION | EXPORTS

(thousand tons)

	PRODUCTION 1975-77 average	1978	1979 (prelim.)	1980 (forecast)	EXPORTS 1975-77 average	1978	1979
World total	4 203	4 953	5 129	4 964	3 156	3 205	3 609
Brazil	1 087	1 226	1 295	1 200	700	621	562
Colombia	574	696	762	760	389	509	664
Other Lat.Amer.	841	1 260	1 234	1 182	766	795	976
Africa	1 189	1 156	1 184	1 164	1 039	927	1 005
Asia &Oceania	512	615	654	658	262	353	402

VALUE OF EXPORTS

(million U.S.dollars)

	1975-77 average	1978	1979
World total	7 651	10 347	11 225
Brazil	1 775	1 947	1 918
Colombia	1 047	2 012	2 025
Other Lat. America	1 948	2 715	3 157
Africa	2 365	2 738	3 084
Asia and Oceania	516	935	1 041

NET IMPORTS

(thousand tons)

	1975-77 average	1978	1979
World total	3 278	3 193	3 646
Developing countries	166	150	216
Latin America	55	38	34
Africa	78	91	91
Asia and Oceania	33	21	41
Developed countries	3 112	3 043	3 430
United States	1 031	1 036	1 092
EEC	1 175	1 191	1 330
Other western Europe	443	415	495
E. Europe & U.S.S.R.	201	178	200
U.S.S.R.	50	26	40
Australia	27	22	28
Japan	130	102	175
Other developed	105	99	110

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COCOA
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1. INTRODUCTION

Cocoa is one of the most geographically concentrated of commodities. Of the approximatively 1,500,000 tons of cocoa beans produced each year, all but 5% are produced in 15 developing countries, eight of which are African, Caribbean and Pacific (ACP) signatories of the Lomé Convention. Cocoa is used almost exclusively for the production of chocolate, of which 60% is consumed in the United States and the European Economic Community alone.

As with all commodity trade, and particularly for the farmers and industries which directly depend on it, cocoa price levels are crucial. The cocoa market in this respect is problematical, tending since the war to move in seven to eight year cycles of high and low prices. Put simply, high prices tend to encourage investment in cocoa production, but newly planted trees do not produce for several years, and when they do, there is a sudden glut which knocks prices down again, discouraging new planting, which in turn creates shortages and higher prices.

2. INTERNATIONAL COCOA AGREEMENT

The first International Cocoa Agreement entered into force in June 1973, followed by a second agreement signed in October 1975. Members of the second pact included countries which accounted for 95% of exports and 80% of world cocoa imports. Of the major importers, only the United States refused to sign. The purpose of the Agreement was to prevent excessive fluctuations in cocoa prices and to stabilise and increase export earnings from the commodity. More specifically, the aim was to hold the price of cocoa beans within a given range, through the implementation of a system of export quotas and the setting up of a buffer stock. The 250,000 tonsbufferstock was financed by a one cent per pound tax imposed on all exports and imports of cocoa. As prices during the 1970s exceeded the upper limits of the trigger price included in the agreement, the regulatory mechanism did not become operational.

a) 1980 Cocoa agreement

Negotiations for the new International Agreement ended in Geneva on November 19, 1980, following months of discussions between the world's major cocoa producing and consuming countries. The United States and the Ivory Coast, however, refused to sign the final compromise. The lower price range included in the new pact was considered too low to stabilise prices by the Ivory Coast, but too high by the United States.

b) Main elements of new pact

The main features of the new Agreement are as follows:

- the accord is to be implemented during a three-year period;
- it will include the setting up of an international buffer stock of 250,000 tons which could be increased to 350,000 tons if the pact is extended for a two-year period;
- a price range including a minimum price of 100 cents per pound to 160 cents per lb (maximum price), with trigger prices for the implementation of the buffer stock put at 110 and 150 cents per lb.
- a system for the adjustment of intervention prices which would take account

of market conditions and would be linked to the purchase and sale operations of the buffer stock during a certain period;

- complementary measures for the defence of minimum and maximum prices to be decided by the International Cocoa Council, following the exhaustion of the buffer stock.

The financing of the buffer stock is ensured by the transfer to the new agreement of the funds - 230 million dollars - included in the two previous international pacts and the continued application of the one cent per pound levy. The buffer stock can also borrow in case of need from the Common Fund.

c) The European Community and the new cocoa pact

The new agreement was negotiated jointly by the European Community and its Member States, who played a major role in the conclusion of the new pact. The agreement entered into force on August 7, 1981 and the members of the agreement will continue their attempts to persuade the Ivory Coast and the United States to join the international accord.

d) Buffer stock operations begin

The buffer stock of the International Cocoa Agreement began operations for the first time in the first week of October, 1981, in a bid to stop the rapid decline in world cocoa prices, which, at one point fell below 90 cents per lb and to increase prices to the freezone. The buffer stock manager bought up to 60.000 tons of cocoa during the first two weeks of October in an attempt to shore up cocoa prices. The sudden burst of activity has provoked a serious shortage of the Agreement's funds which have to be supplemented by bank loans guaranteed by the cocoa already in stock and by a special deal with the Cocoa producing countries.

3. WORLD TRADE TRENDS

a) Cocoa Production

Cocoa production has been dominated by five countries: Brazil, Cameroon, Ghana, the Ivory Coast and Nigeria, which together account for more than three-quarters of world production. Fifteen countries, eight of them ACP states, account for more than 95% of world production. The main ACP producers are the Ivory Coast (approximately 360,000 tons in 1980), Ghana (280,000 tons), Nigeria (160,000 tons), Cameroon (120,000 tons). Brazil produced some 325,000 tons of cocoa in 1980, making it the second largest producer of cocoa. Total world production in 1980 is estimated at about 1,630,000 tons, that is 9% above the 1978/79 crop. This increase was almost entirely due to an outstanding recovery of West African production, which rose by 17% over the poor output of the previous year. In contrast, production in Latin America dropped, mainly due to a reduced crop in Brazil.

Forecasts of the cocoa crop in 1981/82 published by the International Cocoa Organisation indicated that world production could reach 1,667.000 tons. This total breaks down as follows: Africa (1,025,600 tons), North, Central and South America (551,300 tons) and Asia, Australasia (90,000 tons).

Looking ahead to 1985, the International Cocoa Organisation forecasts that world production will increase at approximately 2.9% per year until the end of the 1981/82 season and then at 5.5% per year until 1984/85. That would give a world figure of 1,872,000 tons by 1985. Although the Organisation forecasts that the Ivory Coast will remain the biggest ACP producer, it is predicted that Brazil will take on the position of world leader by 1983/84. By the mid-1980s the five major ACP producers will be responsible, according to the ICO, for 57% of world production, a drop of 7% over a decade. In the same period, Brazil's production will have risen from 17% of world production to 24%.

b) Cocoa Consumption

World consumption, measured by grindings, increased by about 4% during 1980, reaching 1.49 million tons; a further increase to 1.55 million tons is forecast for 1981 by the Unite Nations Food and Agriculture Organisation. Nevertheless production is expected to exceed consumption for the fourth consecutive year, leading to larger stocks at the end of the year which could reach 734,000 tons, according to FAO. This is expected to lead to an even greater decline in world cocoa prices.

According to statistics published by the ICO, consumption of cocoa in Western Europe could reach 592,300 tons (as against 589,000 tons last year); 195,000 tons for Eastern Europe (compared with 188,200 tons last year); 162,600 tons for Africa (as against 137,000 tons); 563,200 tons for North, Central and South America (as against 549,100 tons) and 101,700 tons for Asia (as against 94,000 tons).

There is little evidence, according to the FAO, that the lower cocoa prices in recent years, have been fully reflected in increased consumption. The main impediments appear to have been unwillingness of manufacturers to absorb more cocoa and to extend their stocks beyond their immediate needs.

c) Exports

A total of 897,000 tons of cocoa were exported by the major producing countries in 1979. Major exporters include Ghana which exported 189,000 tons of cocoa, followed by the Ivory Coast with 171,000 tons and Brazil with 157,000 tons.

Earnings from cocoa exports were highest in Brazil which received 935 million dollars for its exports, followed by Ghana which received 771 million dollars and the Ivory Coast which earned 727 million dollars.

4. COCOA AND THE EUROPEAN COMMUNITY

The European Community is the world's leading importer of cocoa, both in its unprocessed (beans) and processed states (paste, butter and powder). The United States is the biggest single importing country, taking an average of 20% of total production, but the EEC countries together take 50%.

Cocoa processing is also a major industry in the Community, including semi-finished as well as finished products such as confectionery.

a) Community financing for cocoa production in the ACP States.

The European Community financed one cocoa development project in the Ivory Coast under the first three European Development Funds. The Community provided a special loan of 2.4 million ECU, for the establishment of 9,600 ha of village plantations in the south west of the Ivory Coast.

Aid under the fourth European Development Fund went to Zaire which received some 4.98 million ECU for the installation of processing facilities and extensions to the Bulu cocoa plantation (Ubangui).

Liberia also received an EEC grant of 2.9 million ECU for a coffee and cocoa project in Zwedru and Plahn.

Continued European assistance for the Zaïre and Liberian cocoa development projects is expected under the fifth European Development Fund.

b) Stabex

Stabex assistance to the African cocoa producing countries came to about 0.89% of total transfers to the ACP states in 1980. A transfer worth 1.2 million ECU was made to Western Samoa, followed by a second transfer of 410,207 ECU to Vanuatu.

COCOA: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION				EXPORTS (thausand tons)		
	1975-77 average	1978	1979 (prelim.)	1980 (forecast)	1975-77 average	1978	1979
World total	1 455	1 481	1 611	1 630	1 055	1 030	897
Brazil	252	314	294	325	138	134	157
Other Lat.Am.	213	242	238	243	84	77	72
Ghana	330	250	295	280	299	207	189
Ivory Coast	254	312	355	360	174	244	171
Nigeria	194	137	170	160	194	192	125
Cameroon	95	106	123	120	65	65	72
Other Africa	55	51	60	60	51	60	56
Asia and Oceania	62	69	76	82	50	51	55

	GRINDINGS				IMPORTS (thousand tons)		
	1975-77 average	1978	1979 (prelim.)	1980 (forecast)	1975-77 average	1978	1979
World total	1 450	1 387	1 426	1 451	1 116	1 087	1 031
Developing Countries	414	474	511	531	30	26	32
Latin America	238	287	334	337	9	1	3
Asia and Africa	167	175	165	174	14	17	19
Asian CPE	9	12	12	20	7	8	10
Developed Countries	1 036	913	915	920	1 086	1 061	999
EEC	434	436	433	429	466	501	480
Other W-Europe	93	83	82	87	97	89	90
United States	206	163	160	150	217	213	168
E-Europe&USSR	237	180	190	202	237	202	208
Eastern Europe	109	90	70	72	116	99	72
U.S.S.R.	128	90	120	130	121	103	126
Other developed	66	51	50	52	69	56	53

VALUE OF EXPORTS

(million U.S. dollars)

	1975-77 average	1978	1979
World total	2 597	4 448	3 977
Brazil	485	814	935
Ghana	622	947	771
Nigeria	431	645	414
Cameroon	175	293	295
Ivory Coast	414	922	727
Others	470	827	835

BANANAS

1. INTRODUCTION

World production in bananas is dominated by member countries of the Union of Banana Exporting Countries (UPEB), including Colombia, Costa Rica, the Dominican Republic, Guatemala, Honduras, Nicaragua and Panama, Latin American states outside the UPEB, including Ecuador and Brazil and at least eight African, Caribbean and Pacific (ACP) member states of the Lomé Convention, including such Caribbean states as Jamaica, Grenada, St Lucia and St Vincent, Martinique, Guadelup and the African countries such as Cameroon, the Ivory Coast and Somalia. Leading producers in Asia include the Philippines, while bananas are also produced in the Canary Islands and Madeira.

World production of bananas has been traditionally in excess of consumption which has tended to stagnate in recent years. This situation can only be remedied if new markets for bananas can be found or if local consumption in producing countries can be increased; other elements which could reduce the downward pressure on prices would involve the reduction of production and export availability. Although there are possibilities of processing bananas into flour, juice, chips and other products, this is not expected to be anything more than a fringe activity at the present time.

World banana trade has tended to be monopolised by a limited number of multinational companies, the best-known of which is United Brands. The multinationals control all phases of banana production, transport and sales. Their activities have focussed on banana production in the Latin American countries.

2. WORKING TOWARDS AN INTERNATIONAL BANANA AGREEMENT

International discussions on stabilising and developing the world banana market have been held both within the United Nations Food and Agriculture Organisation (FAO) and the United Nations Conference on Trade and Development (UNCTAD). Bananas are, in fact, one of the eighteen major Third World commodities which are included in the Integrated Programme for Commodities by UNCTAD IV at a meeting in Nairobi in 1976.

While discussions within FAO have tended to focus on questions related to price stabilisation, and more specifically, the need to balance offer and demand, UNCTAD debates have concentrated on the possibility of concluding an international banana agreement designed specifically to ensure the development of the world banana market, and improvement in banana quality.

a) FAO discussions

The most recent FAO meeting on bananas dates back to May 1980. Discussions have focussed on the one million tons banana surplus for 1984/85 forecast by FAO, with delegates from the major producing and consuming countries agreeing that such a surplus could have serious repercussions on world banana prices, and on the export earnings of the countries - such as Somalia - which depend exclusively on banana exports for a large share of their export revenues.

Suggestions that export countries could adopt production and export goals designed to improve the world market situation have not met with approval by a

b) UNCTAD TALKS

Given the failure of some banana producing countries to agree on export quotas, discussions within UNCTAD have focussed on the conclusion of an international agreement based on the promotion of research and development measures.

Meeting in Geneva in April last year for the first preparatory meeting on bananas, representatives of the major banana producing and importing countries agreed that priority should be given to the development of an over-all programme for research and development. The projects should be selected so as to benefit both consuming and producing countries, especially the least developed countries and those whose economies are most dependent on bananas.

The projects to be included in the programme are expected to meet the following objectives: increased productivity; improved quality; developemnt of new end-uses; development of fuller uses for by-products; increasing the value of export products; increase in the capacity and technical skill of developing countries to undertake research and development activities, and application of the results of research; contribution to the solution of the problems of medium and small-sized farmers.

Agreement was also reached on the following:

a) The projects should be practical and serve, as regards banana-based economies, the interests of the largest possible number of countries, particularly producing countries;

b) The projects should represent new and/or complementary efforts;

c) The projects should appeal to the maximum number of existing organisations and governmental and intergovernmental facilities and also benefit from the facilities existing in the private research organisations while avoiding any wastage of efforts;

d) The projects should, whenever possible, provide for the diffusion and application of the results of research through, for example, information programmes so that these results can be effectively and efficiently utilised;

e) The projects should offer reasonable prospects for the obtention of positive economic results;

f) The projects should refer to production for commercial purposes.

Discussions on the projects are expected to continue in the early half of 1982.

3. WORLD TRADE TRENDS

a) exports

World exports of bananas in 1979 remained unchanged at 7.1 million tons but in the first half of 1980 were running about 6 % below the level of January - June 1979. In 1980, for the second year in succession, the Caribbean was the centre of a major hurricane and it is estimated that hurricanes David and Allen together have destroyed the equivalent of 800,000 tons of bananas in 1979/80. In view of the short supply situation, prices during 1980 reached record levels. FAO reports, however, that excess supplies are building up rapidly and that notwithstanding the increased volume of world trade during 1981, export returns from bananas could be below 1980 levels.

Exports from member countries of the Union of Banana Exporting Countries (UPEB) increased to 3,355,000 tons in 1979 (as compared with 3,274,000 tons 1978) due mainly to considerably higher shipments from Honduras. Shipments from Ecuador rose slightly to near the 1972 record of 1.4 million tons.

In Asia, exports from the Philippines rose fractionally to equal the 1973 peak and exports from China also increased. By contrast, Caribbean production after three years of recovery, was devasted by Hurricanes David in August 1979, and Allen, one year later.

b) imports

Higher banana imports into North and South America, eastern Europe and the USSR were almost offset in 1979 by lower imports into Western Europe and Japan. Imports into the United States increased by 5 % to a new high of 2.1 million tons, and also imports into Argentina, Chile and Uruguay were larger.

Imports into eastern Europe and the USSR rose by 4 % to 310,000 tons. Western Europe's imports fell by 4 %; the largest decline was in France where reduced Caribbean supplies were only partly offset by higher intake from Latin America. Japanese imports declined for the fourth consecutive year and imports into the Near East and North Africa also declined.

World banana imports in the first six months of 1980 were running below the same period of 1979. Factors causing this decline included short supplies and high prices combined with the negative impact on demand of inflation and economic recession in a number of important markets.

In the North American market banana consumption suffered from large supplies of competing domestic fruit as well as from higher banana prices.

In Western Europe, the largest absolute declines in imports were recorded in the Federal Republic of Germany (20 % in January-June) and Italy (10%) while intake by the United Kingdom and France remained stationary with imports from Latin America compensating for supply shortfalls in the Caribbean.

Imports into Japan during January-August 1980 were 11% below the same period of 1979 and imports into the Near East and North Africa declined further.

c) prices

As a result of supply shortages, prices rose in all major markets from August 1979 onwards. The upward trend continued during 1980. The higher prices meant a 5 % increase in global export earnings for Third World banana producing nations. The price increase was, however, swallowed to some extent by the strong upward trend in production and marketing costs, and the spiralling increase in ocean freight.

d) outlook

The tight supply situation is likely to continue at least until the second half of 1981, according to FAO.

In considering the outlook for bananas beyond mid-1981, FAO experts warn that even greater allowance needs to be made for crop losses caused by weather. It is estimated that between 1970 and 1980 an average of 260,000 tons per year (i.e. 4 % of average export volume) has been removed from the market by adverse weather conditions. Frequently, heavy losses have occurred at a time when the market was in chronic surplus or entering surplus, as in 1974, 1978 and 1979, and market equilibrium has been fortuitously restored, albeit at a high cost to the affected countries through the loss of current revenue and the heavy burden of rehabilitation.

4. BANANAS AND THE EUROPEAN COMMUNITY

The European Community is the second largest importer of bananas. In 1979, EEC banana imports totalled 1,955,000 tons compared with 2,140,000 tons imported by the United States. Major suppliers of bananas to the EEC include the Latin American States (about 60% of the market), followed by exports from the ACP states and the Community's overseas countries and territories.

While imports from the ACP countries are granted duty-free access to the European market, banana imports from third countries are subject to a 20% tariff. This tariff is not, however, applied on imports of bananas into Germany. The ACP banana exporters have the closest links with the so-called preferential markets - France, the United Kingdom and Italy - where their banana exports are given priority over third country exports.

a) The Banana Protocol

Protocol No 4 of the second Lomé Convention deals in detail with the possibility of improving conditions under which ACP states' bananas are produced and marketed. The main features of the protocol are as follows:

- "as regards its exports of bananas to the markets of the Community, no ACP state will be placed, as regards access to its traditional markets and its advantages on those markets, in a less favourable situation than in the past or present";
- "each of the ACP states concerned and the Community will confer together in order to determine the measures to be implemented to improve conditions for the production and marketing of bananas". The Protocol makes it clear that the measures will be designed to enable the ACP States, particularly Somalia, "to become more competitive both on their traditional markets, and on the other markets of the Community. Measures will be implemented at all stages from production to consumption and will cover: improvement of production, harvesting, handling and internal transport conditions and trade promotion.
- the setting up of a permanent joint group with the specific task of monitoring the application of the Protocol.

b) situation in different Member States

-<u>West Germany</u> is the largest consumer of bananas in the European Community, importing 603,000 tons of bananas in 1979, and 617,000 tons in 1978. Under the terms of the German Banana Protocol annexed to the Treaty of Rome, Germany has a special and privileged position as regards its consumption requirements, i.e. it is allowed to import bananas originating in Latin America countries duty free. The quota given to Germany under this protocol is the subject of annual discussion both with other Member States and interested ACP suppliers who are keen to penetrate what they see as a relatively closed market.

-<u>France</u> is the second largest importer of bananas in the EEC, taking in 441,000 tons in 1979, and 500,000 tons in 1978. A large share of these imports is taken in by supplies from French departments Guadeloupe and Martinique. The French have a national market organisation which ensures that two-thirds of its requirements are generally allocated to the overseas departments and the remaining one-third to the Ivory-Coast, Cameroon and Madagascar, all, of course, with duty-free access. In the event of a shortfall from these sources, France obtains additional supplies from third countries which are subject to the 20% Community tariff.

- Italy imported some 328,000 tons of bananas in 1979, and 347,000 tons in 1978. The Italian market is supplied mainly by imports from Latin America, Somalia, Martinique and Suriname. A specific quota has been earmarked for third countries, while exports from the ACP States have unrestricted - and duty-free - entry.

-The United Kingdom imported about 305,000 tons of bananas in 1979 and 311,000 tons in 1978. The British market has been supplied traditionally from Commonwealth sources, notably Jamaica and the four windward islands, but since the signing of Lomé Convention all other ACP countries have free access to it. Nevertheless traditional and other ACP suppliers are unable to fulfill the requirements and Latin American banana producers make up the shortfall.

-Benelux, Ireland, Denmark and Greece
These Member States are grouped together because they all import bananas from Latin America and their imports are all subject to the 20% Community tariff.

c) EEC aid

European aid to banana development programmes in the ACP states has focussed on the following countries:
-Senegal: 820,000 ECU for the elaboration of a study on banana development in Casamance, followed by 2.1 million in aid for a post evaluation study. Aid was given by the second European Development Fund.
- Jamaica: 3.4 million ECU for banana development;
- Gabon: 1.7 million ECU for the development of fruit and subsistence farming.

d) Stabex

Some 6.35% of Stabex funds (8.6 million EUA) were transferred to the ACP states by the European Community in 1980. The beneficiary countries included:
- Cape Verde: 214,764 ECU
- Dominica: 2.5 million ECU
- Jamaica: 3.2 million ECU
- St Lucia: 1.3 million ECU
- Somalia: 1.4 million ECU

BANANAS: WORLD TRADE

EXPORTS

	1975-77 average	1978	1979
	(...thousand tons...)		
World total	6 565	7 190	7 144
Developing countries	6 212	6 774	6 723
UPEB countries	2 946	3 274	3 355
Colombia	469	592	580
Costa Rica	1 012	955	965
Dominican Republic	23	12	5
Guatemala	253	249	236
Honduras	559	712	887
Nicaragua	120	130	110
Panama	510	624	572
Other Central and South America	1 444	1 558	1 591
Brazil	117	132	135
Ecuador	1 275	1 363	1 386
Others	52	63	70
Caribbean	487	580	399
Guadeloupe	108	133	91
Martinique	201	243	143
Jamaica	77	78	69
Grenada	20	15	12
Dominica	29	32)	
St. Lucia	31	50)	84
St. Vincent	21	29)	
Asia and Oceania	875	910	925
Philippines	809	834	840
Others	66	76	85
Africa	327	344	325
Cameroon	79	83	80
Ivory Coast	115	140	118
Somalia	69	57	65
Others	64	64	62
Asian CPE	133	108	128
China	127	100	120
Others	6	8	8
Developed countries	353	416	421
Israel	1	1	1
Portugal (Madeira)	30	40	40
Spain (Canary Isl.)	322	375	380

IMPORTS

	1975-77 average	1978	1979
	(...thousand tons...)		
World total	6 392	6 884	6 909
Developing countries	516	547	578
Argentina	98	112	142
Chile	41	56	80
Iran	99	50	20
Morocco	26	12	1
Saudi Arabia	50	65	85
Syria	31	67	70
Asian CPE	10	10	10
China	10	10	10
Others (2)	161	175	160
Developed countries	5 876	6 337	6 331
Western Europe	2 660	2 923	2 807
EEC	1 894	1 063	1 955
Belgium-Luxembourg	88	95	91
Denmark	33	38	36
France	479	500	441
Germany, F.R.	562	617	603
Ireland	21	23	25
Italy	292	347	328
Netherlands	115	132	126
United Kingdom	304	311	305
Other western Europe	766	860	852
Canada	227	236	249
United States	1 848	2 037	2 140
Japan	847	804	790
New Zealand	36	38	35
Eastern Europe & USSR	258	299	310
USSR	32	45	50
Eastern Europe	226	254	260
Czechoslovakia	62	67	70
German Dem. Rep.	113	120	120
Others	51	67	70

OTHER PUBLICATIONS RELATED TO 'DEVELOPMENT'

Other EEC publications about the Community's relations with the Third World can be obtained from the following address:

Commission of the European Communities
Directorate-General for Information
Publications distribution service, Room 2/84
Rue de la Loi, 200
B - 1049 Brussels (Belgium)

1. DOSSIERS

- The European Community and the Third World, Brussels, September 1977
- Europe and the Third World
  A study on interdependence (by M. Noelke)
- Europe - Third World : The challenge of Interdependence (M. Noelke)
  Edition 1980
- Lomé II - Special edition from the 'Courier' n° 58

2. "INFORMATION SERIES" AND "EUROPE INFORMATION"

(generally all Community languages)

- The European Community and the Textile-Agreements
  special edition (June 1978)
- The European Community and the Arab World n° 169/79
- Europe-Third World: Rural Development
- Solar Energy: A new area of ACP-EEC Cooperation
- The EEC and the developing countries: Outside the Lome Convention and the Southern Mediterranean
- Community Wine Imports
- Lomé II - Analysis chapter by chapter of the EEC-ACP Convention
- The development of trade between the European Community and the Arab League Countries
- Implications for the Southern Mediterranean countries of the second enlargement of the European Community (R. Taylor)
- Implications of the second enlargement for the Mediterranean and "ACP" policies of the European Community (E. Guth)
- The Question of Commodities in the North-South Dialogue
- Photovoltaic Energy as a Development Aid
- Tanzania - EEC Relations
- New forms of energies - facts and fictions
- The EEC and the Caribbean
- The European Community and Southern Africa
- Kenya - European Communities Cooperation