

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 465 final

Brussels, 11 November 1992

Proposal for a  
COUNCIL REGULATION (EEC)

establishing a special system of assistance  
to traditional ACP suppliers of bananas

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(presented by the Commission)

EXPLANATORY MEMORANDUM

I.

The fourth ACP/EEC Convention provides the framework for cooperation between the Community and the 69 African, Caribbean and Pacific countries (ACP). Protocol 5 of the Convention provides that in respect of its banana exports to the Community markets, no ACP State shall 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 at present.

To date, national market organizations have granted traditional ACP suppliers of bananas an outlet for their production on their traditional markets and enabled them to obtain from these markets an adequate income.

The Commission's proposal on the common organization of the market in bananas<sup>(1)</sup> sets the framework for continuing on the Community market the advantages enjoyed by traditional ACP suppliers, in accordance with the Community's commitment set out above.

There is nevertheless a risk that the introduction of the new organization and the adaptation to it could jeopardize the continuing viability of ACP producers.

The majority of ACP banana exporters share the disadvantages associated with the producing regions of the Community such as insularity, size of exploitation, distance from market, etc. They are also in relative terms more dependent on bananas as a foreign exchange earner and as a significant sector of the economy - some of them almost entirely.

A reduced presence on the Community market or a reduced income from this market could have an immediate negative impact on the development prospects of these countries. It is not to be excluded that for certain traditional suppliers a decline in returns from the banana trade could result in serious economic and political instability.

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(1) COM(92) 359 final.

It is essential that the Community has at hand the necessary instruments to avoid the consequences if such a situation should develop.

II. Assistance to improve structures and marketing (technical and financial assistance)

The common organization of the market, as proposed by the Commission, provides traditional ACP suppliers with a guaranteed space in the Community market in a similar way to that provided presently in their traditional markets. However, the structure and nature of the market and the marketing effort needed to exploit that space are different and constitute new elements some of which neither the ACP suppliers nor the operators handling their produce could reasonably foresee as an outcome of the common organization of the market. For example, there will be a new requirement to meet certain quality standards and there will be incentives for operators handling Community bananas to organize and market in a more integrated way. The ACP producers will be in a similar position to Community producers as regards their ability to meet the additional expenditure from market returns alone. It is therefore necessary to make provision for traditional ACP suppliers to be assisted to adapt to the new circumstances.

The advent of the single market in bananas is not in itself an unforeseeable phenomenon and ACP States have been aware for some time that their market situation would change. Several of them have taken measures within normal development programmes to meet the challenges which will face them.

It is proposed that financial assistance additional to that provided for in the Lomé Convention is made available to ACP States who submit programmes designed to assist producers to adapt to new market circumstances. Particular attention will be given to programmes designed to improve quality, to improve marketing and to improve competitiveness. Programmes already begun will not be eligible for retroactive funding but in cases where a programme may have been eligible for funding if submitted after the adoption of the Regulation it will be eligible for additional funds to accelerate its completion.

### III. Income support

The common organization of the market as proposed by the Commission is also designed to ensure that traditional ACP suppliers continue to find an economic return on the Community market comparable to what they can expect at present. However, the risk to traditional ACP suppliers that adjustments in the marketing arrangements of operators will result in a sudden loss of revenue with immediate impact on the capacity of small-scale producers to survive or of the economy of the ACP States to adjust to new challenges, exists.

The effect of such market disturbances on ACP supplies and marketing could be permanent if nothing is done. However, the common organization of the market as proposed by the Commission should allow reaction to such developments and therefore market disturbances of the kind mentioned should only be temporary.

In order to prevent lasting effects from any disturbance of the marketing of ACP bananas, income support should be granted to ACP producers to make up for any shortfall in income directly related to conditions prevailing on the Community market subsequent to the establishment of the common organization of the market. Any such intervention will be temporary and will last only until market mechanisms can reestablish stability in the market.

The calculation of the lost income can be made in the same way as for the calculation proposed for Community producers.

Some ACP States may be eligible for Stabex transfers as a result of a drop in export earnings. Stabex transfers may be triggered by the same set of circumstances which give rise to payment of income support, but are normally based on a broader assessment. Nevertheless, it is not considered appropriate to compensate ACP States cumulatively for foreign exchange losses under the Stabex system and for losses in producers income under an income support system in so far as both arise from the same set of circumstances. It is therefore proposed that income support be complementary to Stabex transfers and that income support shall only be paid in so far as Stabex transfers do not entirely offset the effects of price decreases on the producers' income as provided for in this proposal.

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 113 thereof,

Having regard to the proposal from the Commission<sup>(1)</sup>,

Having regard to the opinion of the European Parliament<sup>(2)</sup>,

Whereas Protocol 5 on bananas to the fourth ACP/EEC Convention provides that, in respect of its banana exports to the Community markets, no ACP State shall 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 at present;

Whereas national market organizations have hitherto granted traditional ACP suppliers of bananas an outlet for their production on their traditional markets and enabled them to obtain from these markets an adequate income;

Whereas the common organization of the market established by Council Regulation (EEC) No ....<sup>(3)</sup> sets the framework for continuing, on the Community market, the advantages enjoyed by traditional ACP suppliers, in accordance with the Community's commitment set out above;

Whereas risks exist nevertheless that the introduction of a new market organization and the need to adapt to it could jeopardize the continuing viability of ACP supplies;

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(1)

(2)

(3) OJ No L

Whereas particular efforts will be needed to adapt to the new market conditions in order to take advantage of the opportunities offered;

Whereas the structure and the nature of the new market and the marketing efforts necessary to maintain a presence on this market represent new elements some of which neither the traditional ACP suppliers nor the operators handling this produce could reasonably foresee;

Whereas technical and financial assistance, additional to that provided for in the fourth ACP/EEC Convention should therefore be provided to carry out programmes designed to assist producers to adapt to new market conditions and in particular to improve quality, to improve marketing and to improve competitiveness;

Whereas the new conditions prevailing on the market may result in temporary market disturbances, particularly in the sectors of the Community market traditionally supplied by the ACP States;

Whereas such disturbances could seriously affect the returns to the ACP from the market and therefore the continued viability of this production;

Whereas financial assistance should therefore be provided to permit the ACP to remain on the market, until such time as the market stabilizes and an economic return from the market can be received;

Whereas income support should be complementary to Stabex transfers triggered by the same set of circumstances;

Whereas it is therefore appropriate to align calculation of income support with the calculation of Stabex transfers,

HAS ADOPTED THIS REGULATION:

#### Article 1

A special system of assistance to traditional ACP suppliers of bananas is hereby established. This assistance may consist of technical and financial assistance and/or of income support.

## Article 2

For the purposes of this Regulation,

- "traditional ACP suppliers" means the ACP States listed in the Annex.
- "bananas" means fresh or dried bananas covered by the code CN 0803, excepting plantains.

## TITLE I - TECHNICAL AND FINANCIAL ASSISTANCE

### Article 3

1. Technical and financial assistance shall be provided to traditional ACP suppliers with a view to helping such suppliers adapt to the new market conditions following the establishment of a common organization of the market in bananas.
2. Technical and financial assistance shall be provided to contribute to the carrying-out of programmes in the banana sector to achieve one or more of the following objectives:
  - to improve quality;
  - to adapt production, distribution or marketing requirements to meet the quality standards provided for in Article 2 of Regulation (EEC) No ...;
  - to establish producers' organizations which have as an objective the improvement of the marketing and competitiveness of their products;
  - to develop a production and/or marketing strategy to meet the requirements of the market in the Community in the light of the common organization of the market in bananas;

- to assist with training, market intelligence, the development of environmentally sound production methods, improving the distribution infrastructure, improving trade and financial services to banana producers and/or improving competitiveness.

3. Assistance may be given to programmes having similar objectives which are currently financed under the Lomé Convention or by the public authorities of the Member States parties to the fourth ACP/EEC Convention where such assistance would result in a more rapid completion of the programme.

#### Article 4

The Commission shall decide on the eligibility of the programme and the level of assistance after consultation with the traditional ACP supplier concerned. It shall also take into account the coherence of the envisaged programme with the general development objectives of the ACP State concerned and its impact on regional cooperation with other banana producers, in particular the Community producers.

### Title II - INCOME SUPPORT

#### Article 5

1. Within the limits indicated in point 1 of Article 15 of Regulation (EEC) No ..., traditional ACP suppliers shall be eligible for income support.
2. Income support shall be paid where the reduction in income drawn from exportation to the Community of bananas complying with the common standards is directly related to conditions prevailing on the market subsequent to the establishment of the common organization of the market in bananas.



## Article 6

1. Income support shall be individually calculated for each traditional ACP supplier on the basis of the quantities exported to the Community during the year of application and the difference between the reference price and the actual price.
  
2. The reference price shall be the average price per tonne of bananas produced in the ACP State concerned and exported to the Community during the six calendar years preceding the entry into force of this Regulation, less the two years with the highest and the lowest figures.

The actual price shall be the average price per tonne of bananas produced in the ACP State concerned and exported to the Community during the year of application.

3. The statistics needed for the calculation of income support are those calculated and published on Community imports by the Statistical Office of the European Communities.
  
4. Before 1 July of each year, the Commission shall determine the income support for the previous year after consultation with the ACP State concerned.
  
5. Exceptionally, and in particular during the first year of application of this Regulation, advances may be paid where there is a significant reduction in the production income compared to that of the previous year or within any given year.

The need for and the level of such advances shall be determined by the Commission after consultation with the ACP State concerned.

Title III - GENERAL PROVISIONS

Article 7

1. Financial commitments made under Title I shall be in addition to any funds available for ACP States under the provisions of the fourth ACP/EEC Convention.
2. Financial commitments made under Title II shall be complementary to funds available under the system guaranteeing the stabilization of export earnings provided for in Articles 186 to 212 of the fourth ACP/EEC Convention. Title II therefore permits payment of income support only in so far as transfers made for identical quantities in accordance with Articles 186 to 212 of the fourth ACP/EEC Convention do not entirely offset the effects of price decreases in the revenues of traditional ACP suppliers.
3. Payments of income support shall be used, in accordance with a framework of mutual obligations to be agreed between the traditional ACP supplier concerned and the Commission in each case, for the benefit of economic operators adversely affected by the loss of income.

Article 8

1. Granting of assistance as defined in Article 1 shall be subject to the designation by the ACP State concerned of a representative organization entitled to act and to receive payments on its behalf within the framework of this Regulation.
2. The representative organizations shall present the following characteristics:
  - be composed entirely or mainly of producers of bananas in one or more traditional ACP suppliers;

- pursue at least two of the following objectives:
    - . improvement of the quality of the produce;
    - . improvement of the quality of distribution and marketing;
    - . improvement of the returns to producers;
    - . improvement of the role of producers in the organization of the banana market.
3. The representative organization designed in accordance with paragraph 2 must be notified to the Commission.

Article 9

As far as necessary, detailed rules for the application of this Regulation shall be determined by the Commission in accordance with the procedure laid down in Article 10.

Article 10

The Commission shall be assisted by a committee of an advisory nature composed of the representatives of the Member States and chaired by the representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft, within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

Article 11

This Regulation shall enter into force on 1 January 1993.

It shall apply until 28 February 1996.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

The President

LIST PROVIDED FOR IN THE FIRST INDENT OF ARTICLE 2

Traditional ACP suppliers of bananas:

Belize

Cameroon

Cape Verde

Dominican Republic

Grenada

Ivory Coast

Jamaica

Saint Lucia

Saint Vincent and the Grenadines

Somalia

Suriname

# Financial Statement

Date :

1. BUDGET HEADING : B7-5023 - Compensation for ACP banana products APPROPRIATIONS : ECU 200 million

2. TITLE : Draft Proposal for a Council Regulation establishing a special system of assistance to traditional ACP suppliers of bananas

3. LEGAL BASIS : Article 113 EEC

4. AIMS : Assistance to traditional ACP banana suppliers to adapt to conditions created by the completion of the Single Market

5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (1992)	FOLLOWING FINANCIAL YEAR (1993)
5.0 EXPENDITURE - CHARGED TO THE EC BUDGET (INTERVENTIONS)	+ ECU 60 million	-	+ ECU 35 million
5.1 REVENUE	-	-	-

	1994	1995	1996
5.0.1 ESTIMATED EXPENDITURE	+ ECU 60 million	+ ECU 60 million	+ ECU 45 million
5.1.1 ESTIMATED REVENUE	-	-	-

5.2 METHOD OF CALCULATION  
See annex

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET ?

NO

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET ?

NO

6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY ?

YES

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY ?

YES

COMMENTS :

The 1993 preliminary draft budget contains no appropriations for this measure.

Annex to the Financial Statement

1. Technical and financial assistance (Article 3)

The objective of this aid is to assist traditional ACP suppliers to adapt to the new market conditions and not to replace normal development aid.

The amount of finance depends on factors such as specific conditions which have yet to be determined and the priority they receive.

Nevertheless the costs of previous expenditure on programmes in the banana sector can serve as a useful guide of the level of expenditure likely to be required. On this basis, an annual cost of ECU 10 million is estimated.

2. Income support (Article 5)

The reference price of traditional ACP bananas calculated in accordance with article 6(2) is ECU 642 per tonne (a).

The average price of bananas in the Community after introduction of the market organisation may be estimated from the CIF price of dollar zone bananas in Belgium, the Netherlands, Ireland and Denmark, the Member States with no special arrangements. This recently stood at ECU 414 per tonne (b).

Once customs duties of 20% have been added, the price on the Community market is therefore  $414 \times 1.2 =$  ECU 497 per tonne.

The income support is the difference between (a) and (b):  
 $642 - 497 =$  ECU 145 per tonne.

Traditional ACP production referred to in Art 5 (1) is 622,000 tonnes.

The maximum cost will be  $622,000 \text{ tonnes} \times \text{ECU } 145 \text{ per tonne} =$  ECU 90.2 million

Income losses set off by Stabex transfers to be deducted in accordance with Article 7 (2) are estimated tentatively at ECU 40 million.

The maximum cost for income support will be  $\text{ECU } 90.2 \text{ million} - \text{ECU } 40 \text{ million} =$  50.2 million.

It is assumed that the advance provided for in Article 6 (5) is paid at the rate of 50%.

3. Summary of expenditure

ECU million (budgetary)

	1993	1994	1995	1996
Technical/financial assistance (Art 3)	10	10	10	10
Income support (Article 5)				
1993	25	25		
1994		25	25	
1995			25	25
1996				10
<b>TOTAL</b>	<b>35</b>	<b>60</b>	<b>60</b>	<b>45</b>



COM(92) 465 final

# DOCUMENTS

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