



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 3/14/2007

**GAIN Report Number:** E47019

## EU-27

### Trade Policy Monitoring

### New EU banana regime

### 2007

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**Report Highlights:**

In December 2006 the European Union published a reform of the banana sector, which came into force in 2007 marketing year.

The European Commission proposed a new Banana Regime to substitute the former aid scheme for banana producers in their territories. The new regime aims to reform completely the European banana sector after the implementation of the new import scheme, which adopted a tariff-only import regime for bananas in response to the banana WTO dispute.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E4]

On December 29, 2006, the European Union published the Council Regulation (EC) [2013/2006](#), which reforms the regime for the banana sector and comes into force in 2007 marketing year.

The European Commission proposed a [new Banana Regime](#) to substitute the former aid scheme for banana producers in EU territories. The new regime aims to reform completely the European banana sector after the implementation of the new import scheme, which adopted a tariff-only import regime for bananas in response to the banana WTO dispute (see GAIN Report [E36022](#)).

## BACKGROUND

The European banana sector produces only sixteen per cent of the EU consumption, and it is supported by €280 million per year. This production is the main agricultural crop of certain outermost regions of France (Guadeloupe, Martinique), Portugal (Azores and Madeira) and Canary Islands (Spain), handicapped by the remoteness, insularity, small size and difficult topography. The rest (a barely 2%) is harvested in Cyprus, Greece and continental Portugal.

The former system (Council Regulation (EEC) No [404/93](#)) consisted of a compensatory aid for loss of income to the banana producers, calculating the difference between a reference price and the world price. This system had a threshold of 867,500 eligible tons, but not a budget ceiling, which meant the budget could be increased without any limit. The producers' organizations (POs) channeled the compensatory aid, limiting the aid to producer members of the POs. The producers' organizations were also provided with a setting-up aid in the beginning years of its constitution. With these incentives, the vast majority of producers became members of producers' organizations.

In order to obtain a sustainable, competitive and market-oriented system, as well as to reach compliance with WTO commitments and stabilize and guarantee the producers' income, in April 2006 the Commission launched a [consultation](#) with three possible reform options. Other issues that the reform took into account were the ACP renewed agreements and the banana liberalization in the [Everything But the Arms](#) agreement. The POSEI option was selected as the most suited to achieve the objectives pursued in this reform.

## BANANA REFORM

The reform of December 2006 gives a different treatment for the outermost regions, known as POSEI (from the French: "Programme d'Options Spécifiques à l'Éloignement et l'Insularité", Specific Options for Remoteness and Insularity Program), and for the rest of the producing regions, which represent few quantities (barely 2% of the production).

The POSEI fund covering the outermost regions predates the banana reform (Council Regulation (EC) No [247/2006](#) of 30 January 2006 laying down specific measures for agriculture in the outermost regions of the Union). The new regulation increases the budgetary allocation for agriculture measures by €338.9 million in a period of four years (2007-2010), in order to progressively include Community support to banana producer in those programs as of January 2007. Each production region can use these funds on different programs adapted to their requirements.

Specific measures for agriculture in the outermost regions of the EU (Council Regulation 247/2006)	Financial year (million EUR)				
	Before	2007	2008	2009	2010 and further
French overseas departments	84.7	126.6	262.6	269.4	273
Azores and Madeira	77.3	77.9	86.6	86.7	86.8
Canary Islands	127.3	127.3	268.4	268.4	268.4
Total	289.3	331.8	617.6	624.5	628.2

The aid to producers from Greece, continental Portugal and Cyprus are shifted from production support to producer support, folding the aid into the Single Payment Scheme (Council Regulation (EC) N° [1782/2003](#)). The ceilings of Portugal and Greece for the Single Payment Scheme will be increased by € 0.1 million and €1.1 million respectively. Cyprus will receive an additional budget of €3.4 million for the progressive implementation of the Single Payment Scheme (SPS) as of 2009.

Year	2007	2008	2009	2010	2011	2012	Subsequent years
Cyprus SPS allocation (€ 000)	1,360	1,700	2,040	2,380	2,720	3,060	3,400

Member States will allocate the amount to each farmer on the basis of objective and non-discriminatory criteria such as the quantity of bananas marketed by that farmer for which compensation for loss of income was paid during a representative period between the 2000 and 2005; the areas on which the bananas were grown; or the amount of compensation for loss of income paid during that period.

The rules for producers' organization have been repealed, keeping some aid during a short-term period for those POs that are already benefiting from this assistance. Nevertheless, the Member States may maintain or adapt these rules during the transit.

Finally, it doesn't seem necessary to keep a separate Management Committee for Bananas. Therefore, the Management Committee for Fresh Fruit and Vegetables should be used instead until a single Management Committee for Fruit and Vegetables will be established with the foreseen Fruit and Vegetable Reform.

A report to the European Parliament and to the Council on the implementation of the POSEI programs is planned for 2009.

### **Tariff-only import regime and the ACP countries**

As of January 1, 2006, the EU adopted a new import tariff for bananas from Most Favored Nations (MFN) at €176 per ton ([Council Regulation 1964/2005](#)). The new import regime includes a duty-free annual import quota of 775,000 tons for ACP bananas. The new regime was a consequence of a long-standing dispute over EU rules for banana imports the United States and Ecuador.

In November 2006, Ecuador requested consultations regarding the consistency of the EC's banana regime under the WTO (WT/DS27/65), in particular the different treatment given to ACP countries and the "autonomous" 176 €/ton tariff, considered too high. Regarding the request of Ecuador, several exporting countries have requested to join consultations as third parties in the dispute. Among these countries are Colombia, Panama, the United State,

Dominica, Cameroon, Jamaica, St. Vincent and the Grenadines, Sta. Lucia or Côte d'Ivoire. The consultation is the first step for requesting the establishment of a panel.

On the other hand, the European Union established in 1999 a Special Framework of Assistance (SFA) in order to help the twelve traditional ACP banana suppliers in coping with the modifications to the trade arrangements, financed by a dedicated budget line. The beneficiaries of the SFA are Belize, Cameroon, Cape Verde, Dominica, Grenada, Ivory Coast, Jamaica, Madagascar, Saint Lucia, Saint Vincent and the Grenadines, Somalia, and Suriname

This framework provides technical and financial support for specific projects presented by the countries concerned, based on a long-term strategy previously agreed with and approved by the Commission. The annual budget has gradually decreased from €44.5 million in 1999 to €30.7 million for 2006, totaling €218 million and providing more support to those countries with a larger competitiveness gap and with a higher share of the banana sector in total GDP. The aim is to improve the competitiveness of traditional ACP banana production, or, if this is no longer feasible, to support diversification. In order to monitor the evolution and effectiveness of this measure, the Commission presents a report every two years. The [last report](#) covers 2005 and 2006 marketing years. The SFA will come to an end in 2008, when the final trade regime for bananas will be covered by the Economic Partnership Agreement, currently under negotiation, between the EC and the ACP.

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