



**EUROPEAN COMMISSION**  
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**NOTE TO MR JERZY PLEWA**  
**DIRECTOR-GENERAL DG AGRI**

**Subject:           Stabilisation mechanism for bananas - Overview on imports from Latin American countries (Central America, Peru, Colombia and Ecuador)**

This note aims at informing you about the state of play of imports of bananas from Latin American countries and at seeking your opinion on the position to be taken by the Commission in the coming weeks when Peru reaches the trigger volume established under the stabilisation mechanism for bananas.

**1.    ISSUE AT STAKE**

The trigger volumes for Peru, for this year of implementation of the Agreement, is set at 93 750 tonnes. On 16 August 2017, the imported volumes reached 80% of this year's volume. It is most likely that Peru will exceed its trigger volume in October. This would be the fifth year in a row as it also happened in October 2016, October 2015, November 2014, and November 2013, always towards the end of the respective year.

**2.    BACKGROUND**

A stabilisation mechanism for bananas has been introduced by the 2012 Free Trade Agreement between the European Union and Colombia and Peru and by the EU-Central America Association Agreement, which entered into force on 1 December 2013. They foresee specific increasing trigger volumes for each country with a descending import duty. The stabilisation mechanisms are applicable until the end of 2019, date on which the import duty will be set permanently at 75€/t. The temporary suspension of the preferential duty is not meant to be automatic: once imports reach the trigger volumes set, both agreements specify that it may be applied.

Regulations (EU) No 19/2013<sup>1</sup> and (EU) No 20/2013<sup>2</sup> implement the bilateral safeguard clause and the stabilisation mechanisms for bananas of respectively the Trade Agreement

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<sup>1</sup> Regulation (EU) No 19/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part – OJ L 17, 19.01.2013, p.2.

with Colombia and Peru and the Association Agreement with Central America. Regulation 19/2013 was amended in January 2017 following the entry into force of the agreement with Ecuador, to allow for the effective implementation of the banana stabilisation mechanism also in relation to Ecuador.<sup>3</sup>

Pursuant to Articles 15(2) of these Regulations, once a defined trigger volume is exceeded for imports of fresh bananas<sup>4</sup> from one of the partner countries, the Commission shall adopt an implementing act by which it may either temporarily suspend the preferential customs duty applied to imports of bananas from this country, or determine that such suspension is not appropriate.

The criterion for deciding to suspend the preferential duty or not, as set out in Articles 15(3) of the said Regulations, is whether or not the EU market is at risk of destabilisation. This paragraph establishes that the decision takes into consideration the impact of the imports concerned on the situation of the EU market for bananas. The examination concerns the following factors: effect of the imports concerned on the EU price level, development of imports from other sources, overall stability of the EU market.

Prior to the European Parliament's consent to these Regulations, it was agreed that the possible suspension would not be automatic (otherwise it would have been in breach of the Agreements negotiated), but a consequence of an analysis on the impact on the EU market. The suspension would be in any case limited to three months and not be applicable after 31 December of each calendar year.

In the five years since the entry into force of the Trade Agreements, Nicaragua, Peru and Guatemala have reached the trigger volumes for a given calendar year and in every occasion it has been determined that the suspension was not appropriate. The way the stabilisation mechanism works spurred some criticism, notably on its non-automaticity, which implies that the established trigger volumes may be reached by a country during a given calendar year but the Commission decided not to take action, i.e. not suspending the trade preferences granted, if the EU banana market is not disrupted by that surge of imports.

Since the trilogue discussion in December 2016 that led to the amendment of Regulation 19/2013, the Commission services have enacted different measures: DG TAXUD imports surveillance webpage now includes an ad-hoc reference to bananas with detailed information on imports on a weekly basis. Furthermore, the Commission systematically informs the European Parliament (INTA Committee) when 80% trigger levels are reached.

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<sup>2</sup> Regulation (EU) No 20/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Agreement establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other – OJ L 17, 19.01.2013, p.13, recently modified by Regulation (UE) No 2017/540 of the European Parliament and of the Council of 15 March 2017 - OJ L 88, 31.3.2017, p. 1.

<sup>3</sup> Regulation (UE) No 2017/540 of the European Parliament and of the Council of 15 March 2017 - OJ L 88, 31.3.2017, p. 1.

<sup>4</sup> CN heading 08039010

This year, Nicaragua and Guatemala have already overshoot their trigger levels, on 2 May and 3 August respectively. Nicaragua exceeded its trigger volume for the second year in a row and quite early in the year while Guatemala did so for the third consecutive year.

On 20 June 2017, the Commission already decided that the suspension of the preferential customs duty on bananas originating in Nicaragua was not appropriate<sup>5</sup>. However, considering the early overshooting by Nicaragua, Commission Implementing Decision (EU) 2017/1104 indicated (recital 8) that the Commission services will continue to closely monitor banana imports and adapt measures if appropriate.

The decision not to suspend the preferential duties for Nicaragua triggered the reaction of stakeholders, in particular EURODOM and Canary Islands (see Ares(2017)3740116).

The Commission will take a similar position (no suspension of the preferential customs duty) with regard to the recent overshoot by Guatemala, a minor player in the Latin American region, of its trigger volume<sup>6</sup>.

### 3. EVALUATION OF CONDITIONS BASED ON REG. 19/2013

Unit AGRI G.2 has analysed the situation of the banana market in the EU, for imports and for domestic production. This analysis is available in *Annex I*.

The following elements can be highlighted:

- cumulative imports of fresh bananas from Nicaragua, Guatemala and Peru represented **only 6.28 % of the total imports** of fresh bananas into the European Union in the period January-August 2017<sup>7</sup>;
- average wholesale prices of yellow bananas produced in the EU follow their seasonal trend;
- there is no indication that the stability of the EU market has been disturbed by the imports of fresh bananas from Nicaragua, Guatemala and Peru above their defined annual trigger import volumes;
- Central American countries other than Guatemala and Nicaragua are far below their trigger volumes and the total trigger volumes of "Central America" will probably not be reached in 2017;
- Ecuador and Colombia, the biggest banana exporters of Latin America, only reached 48% and 52% respectively of their trigger levels;
- as requested by Regulation 19/2013, there is no threat of serious deterioration nor a serious deterioration for producers in the outermost regions of the EU.

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<sup>5</sup> Commission Implementing Decision (EU) 217/1104 of 20 June 2017, determining that a temporary suspension of the preferential customs duty pursuant to Article 15 of Regulation (EU) No 20/2013 is not appropriate for imports of bananas originating in Nicaragua, OJ L 158 p. 49.

<sup>6</sup> DG TRADE ISC/2017/06465 on the COMMISSION IMPLEMENTING DECISION (EU) determining that a temporary suspension of the preferential customs duty pursuant to Article 15 of Regulation (EU) No 20/2013 is not appropriate for imports of bananas originating in Guatemala.

<sup>7</sup> TAXUD Surveillance data on banana imports.

At this stage and considering the current volumes, the trigger volume for Peru, as those of Guatemala and Nicaragua, are considered as not likely, on their own, to have a negative impact on the total EU market.

#### **4. PROPOSED DECISION AND SUGGESTED COURSE OF ACTION**

Taking the above into account, it is proposed that the preferential duty on imports of bananas from Peru is not suspended in 2017.

It should be highlighted that the banana imports, even under the stabilisation mechanism, remains a sensitive issue (see reactions referred to in section 2). Therefore, it is most likely that the upcoming Commission Decisions not to suspend the preferential duties on imports of bananas from Guatemala and Peru, as well as not to take similar measures for Nicaragua, will be closely analysed. The proactive exchange of information with both the EP and the Council should however help easing criticism received during past years on the way the mechanism works, since both Institutions are now more involved in how and when this Decision on suspension is taken.

Maria Angeles BENITEZ SALAS

Enclosure:           Market analysis by Unit AGRI G.2

c.c.:                 J. Clarke, J. Schaps, Article 4.1(b)-privacy

## ANNEX 1

### **Detailed analysis of EU banana market: trigger volumes on 30 August 2017**

#### **1. Legal basis**

References:

Reg. n° 19/2013 implementing bilateral safeguard clause and stabilisation mechanism for bananas of the Trade Agreement between EU and Colombia, Peru and Ecuador.

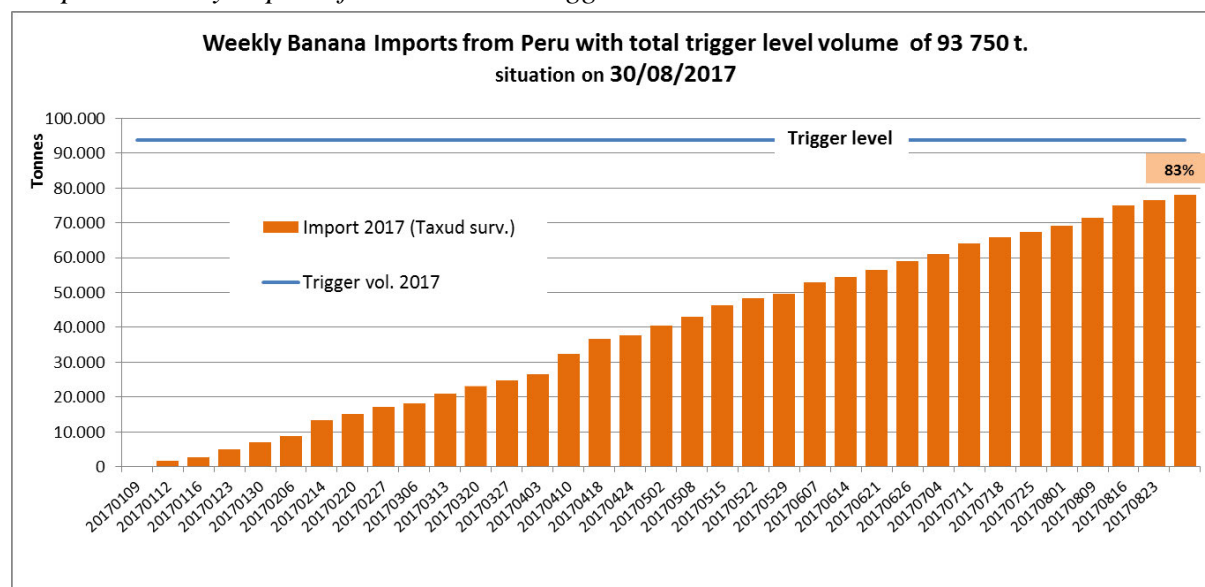
Reg. n° 20/2013 implementing bilateral safeguard clause and stabilisation mechanism for bananas of the Trade Agreement between EU and Central America (of 29/06/2012).

#### **2. Trigger volumes and import of bananas originating from Peru and other countries under stabilisation mechanism in 2017**

Trigger volume for Peru for 2017 is set at 93 750 tonnes. The 80% of the trigger volume (75.000 tonnes) was exceeded by Peru on 16 August.

As in previous years the total of all trigger volumes under stabilisation mechanism is very unlikely to be reached in 2017. Central American countries other than Guatemala and Nicaragua are far below their trigger volumes. The same goes for Ecuador and Columbia. To date Guatemala, Nicaragua and Peru exceeded or are close to exceeding their trigger volumes and it has to be noted that their trigger levels and imports are very low compared to other countries under stabilisation mechanism (see Tab. 1 and Graph 2).

*Graph 1. Weekly imports from Peru and trigger volume in 2017.*



Source: TAXUD surveillance.

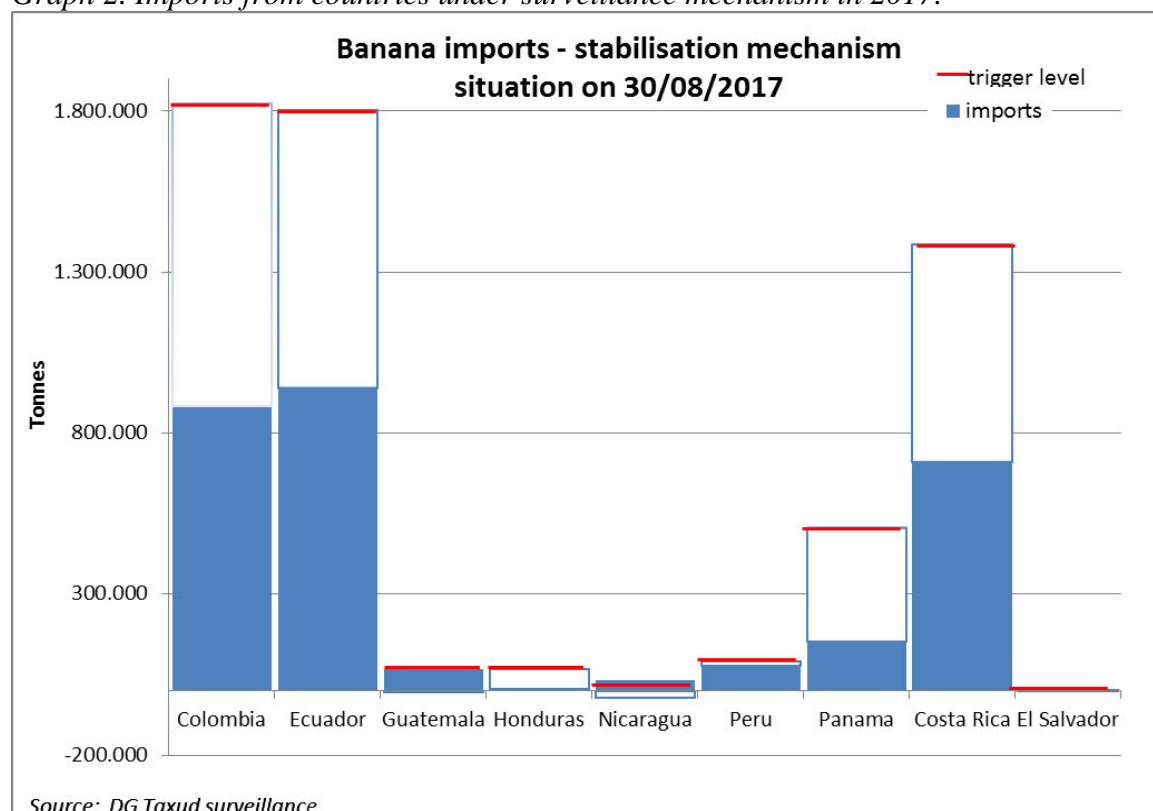
Tab.1. Summary table with trigger volumes and imports, situation on 30/08/2017.

Country of Origin	Trigger volume for 2017 (tonnes)	80% of trigger volume	Import volumes (TAXUD surveil. )	Quantities available before trigger vol.	Ratio import/ trigger vol.	Comments
Peru	93.750	75.000	78.128	15.622	83%	80% of the trigger volume reached on 16/08/2017
Colombia	1.822.500	1.458.000	881.420	941.080	48%	
Guatemala	67.500	54.000	69.592	-2.092	103%	trigger volume reached on 23/08/2017
Nicaragua	13.500	10.800	32.564	-19.064	241%	trigger volume reached on 02/05/2017
Ecuador	1.801.788	1.441.430	939.267	862.521	52%	
<a href="#">Central America[1]</a>	2.041.200	1.632.960	973.832	1.067.368	48%	
All origins	5.759.238	4.607.390	2.872.647	2.886.591	50%	

[1] Central America Agreement includes: Costa Rica, Panama, Honduras, Guatemala, Nicaragua, El Salvador.

Source: TAXUD surveillance.

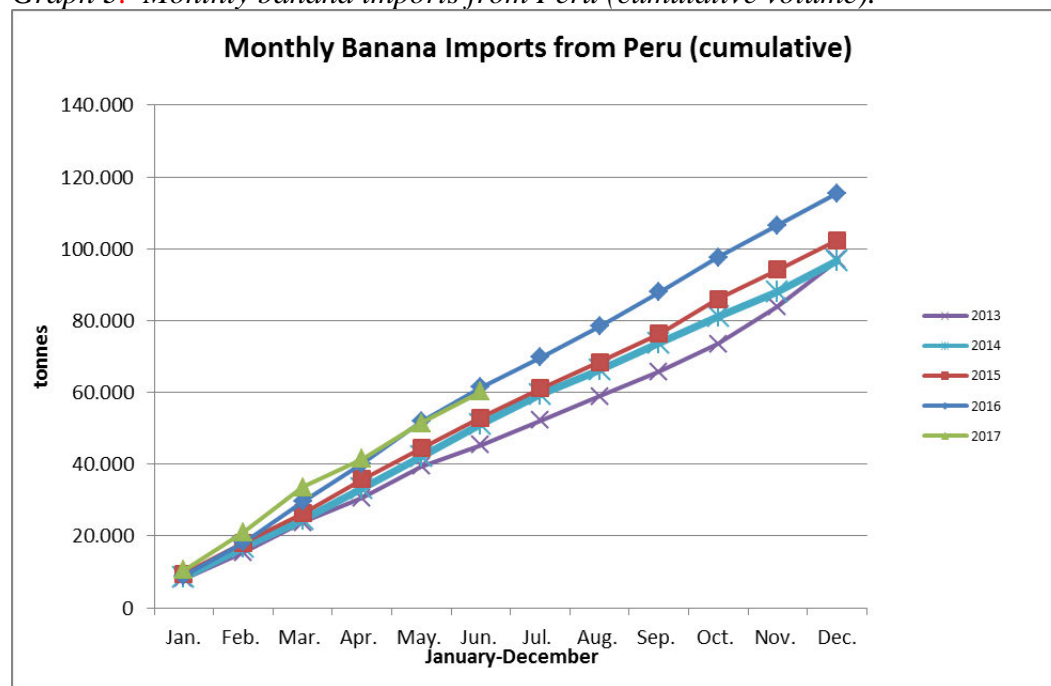
Graph 2. Imports from countries under surveillance mechanism in 2017.



According to Eurostat data from January to June 2017 the cumulative quantity of fresh yellow banana imported from Peru was almost identical to respective imports in 2016 (see graph 3).

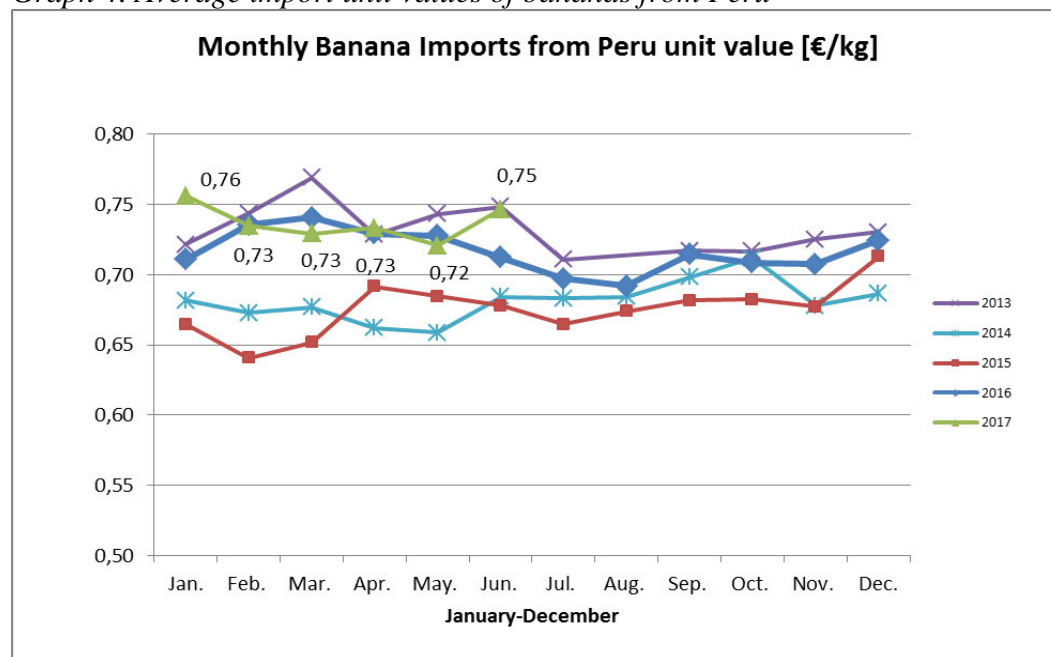
The imports unit value was around 720-760 euro/tonne, well above the average unit value for bananas from Latin America (640-660 euro/tonne).

*Graph 3. Monthly banana imports from Peru (cumulative volume).*



Source: Eurostat, Comext

*Graph 4. Average import unit values of bananas from Peru*



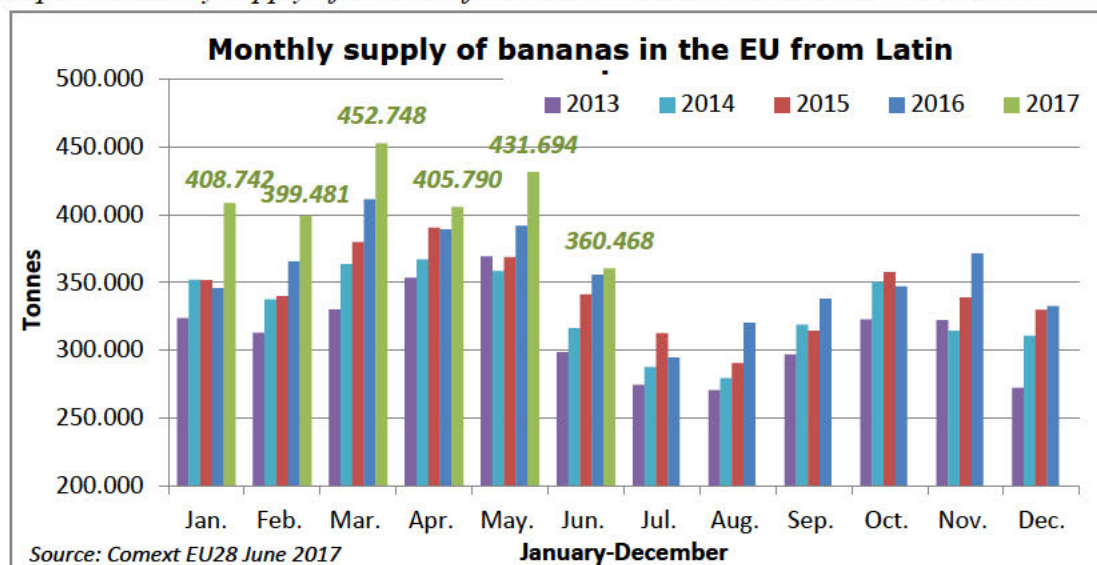
Source: Eurostat, Comext

### 3. Market Supply of bananas from Latin America in 2017

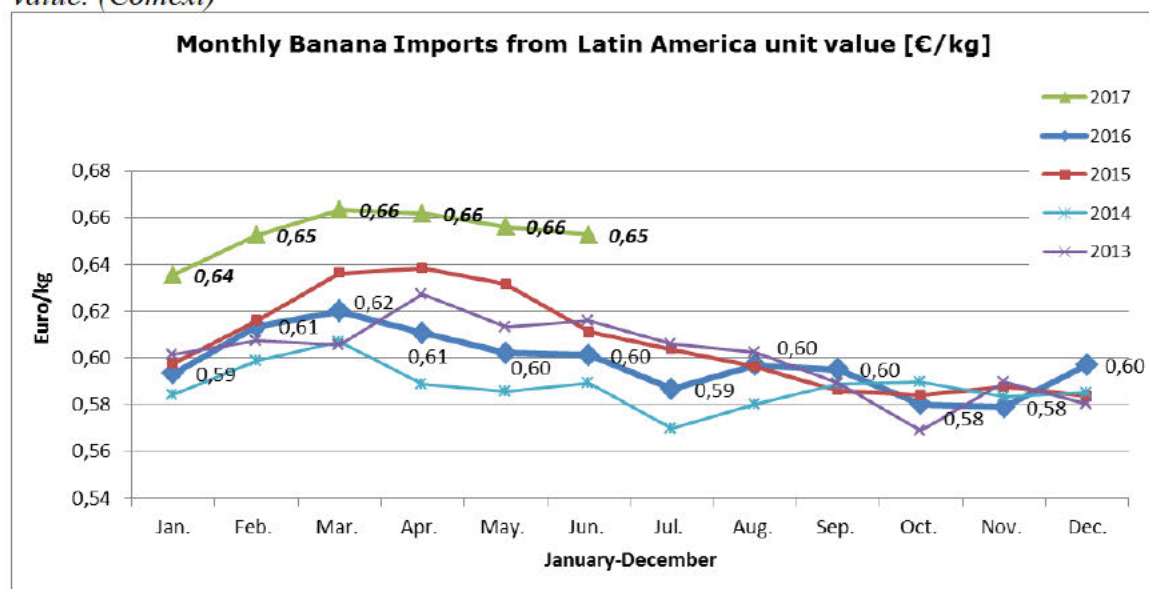
According to Eurostat, monthly market supply of bananas from Latin America in 2017 (first 6 months) shows an increase of both volume (+16%) and unit value (+7%) compared to the average of the 4 previous years.

Wholesale prices of yellow bananas were relatively low in first quarter of 2017 (€ 0.90 – 1.00/kg), but then increased sharply and in quarter two were above 2016 level between € 1.00 and 1.06. They were relatively low in July and August 2017 (between € 0.86 and 0.97/kg), about 4.5 % lower than in the same period in 2016.

Graph 5. Monthly supply of bananas from Latin America into the EU – in volumes

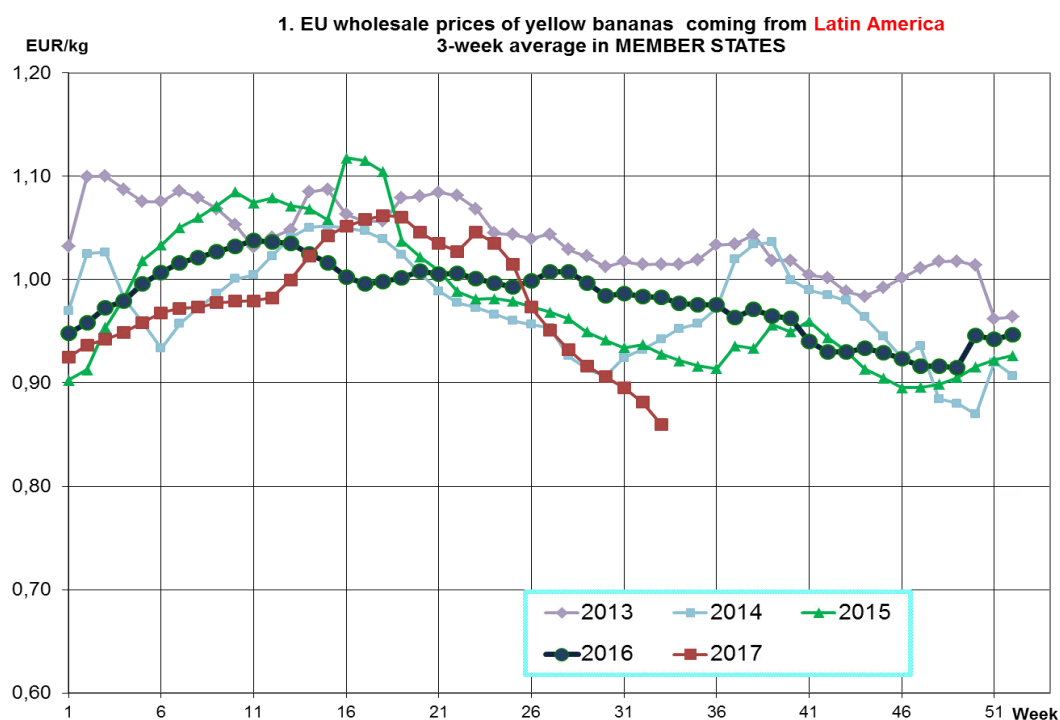


Graph 6. Monthly supply of bananas from Latin America into the EU – average unit value. (Comext)





Graph 7. Average wholesale prices of yellow bananas imported from Latin America.

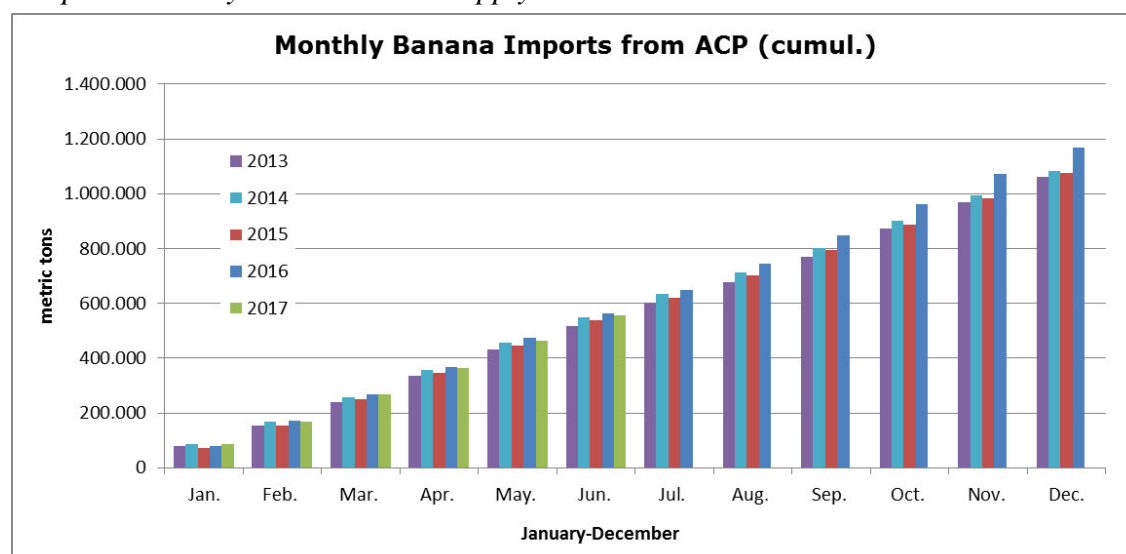


#### 4. Market Supply ACP bananas in 2017

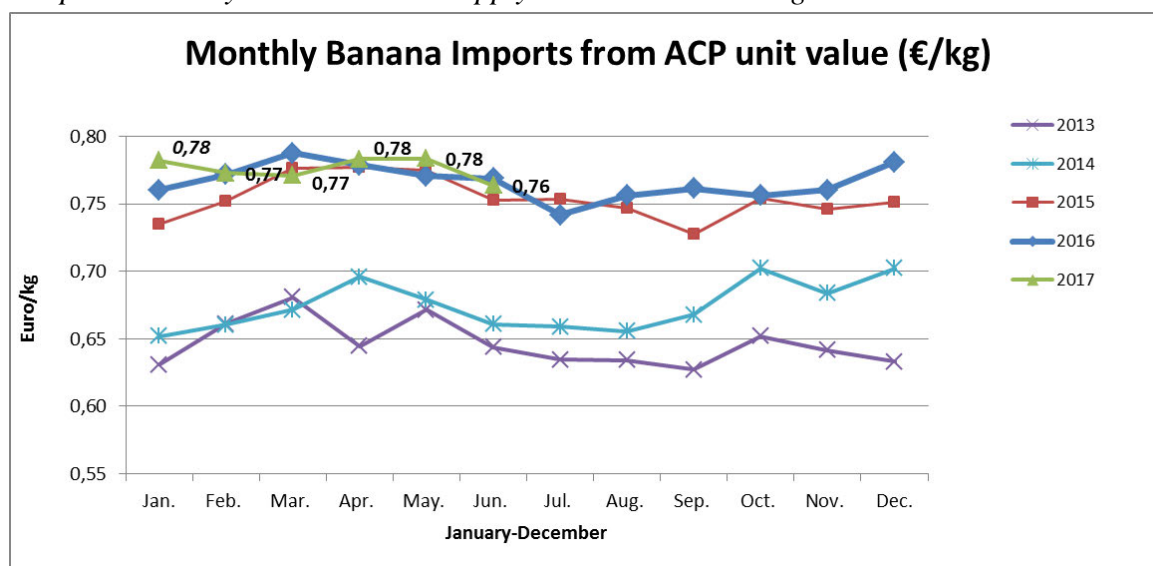
According to Eurostat, monthly market supply of ACP bananas for the period January – June 2017 shows the volumes around 2 % higher than in the last 4 years on average and the average unit values higher (+9%) than in same period of the 4 previous years.

The EU average wholesale ACP yellow banana prices have followed the seasonal trend.

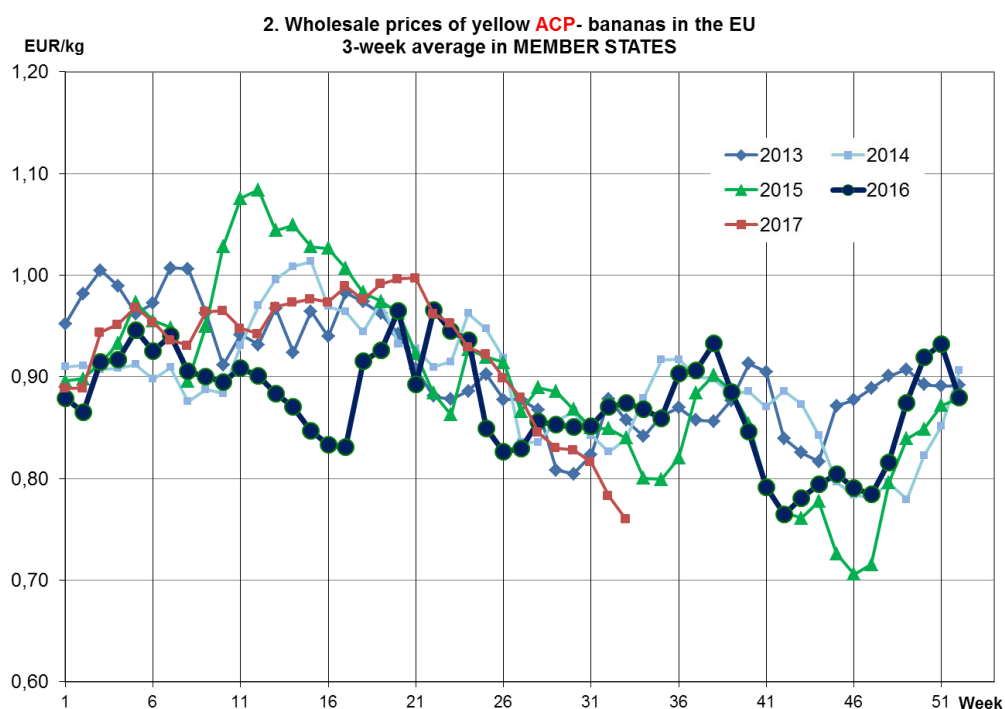
Graph 8. Monthly "ACP" banana supply into the EU – in volumes



Graph 9. Monthly "ACP" banana supply into the EU – average unit value.



Graph 10. Average wholesale prices of yellow bananas coming from ACP countries.



## 5. Production of European bananas and the EU banana market in 2017

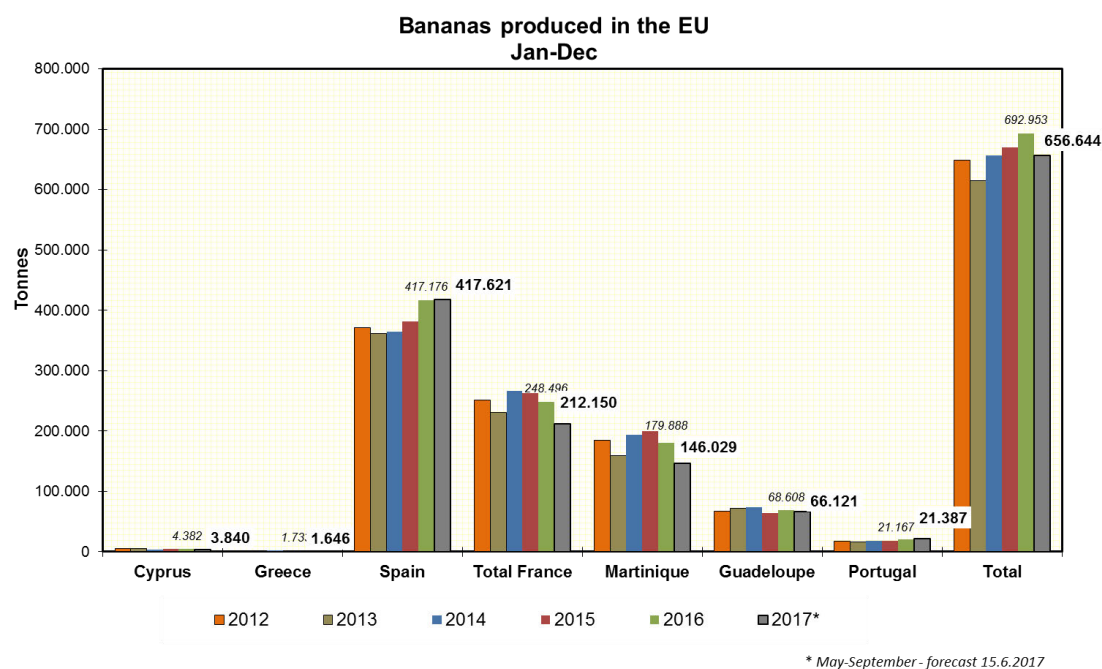
According to the most recent MS' notifications (from 15.6.2017) the EU production forecast for 2017 shows the decline of around 5% compared to previous year. During the first four month of 2017 (January-April) almost 21% less bananas were produced in the EU than in the same period of 2016 and 15% less compared to the same period over the last 5 years on average. A decline in production was recorded in all EU producing countries, however, the significant one (-50 % in France) was to large extent explained by unfavourable weather conditions in Guadeloupe and Martinique.

The average prices are expected to increase in Spain and Portugal, to decrease in Martinique/Guadeloupe and keep stable trend in Greece. On the EU level the average prices are expected to stay rather stable. .

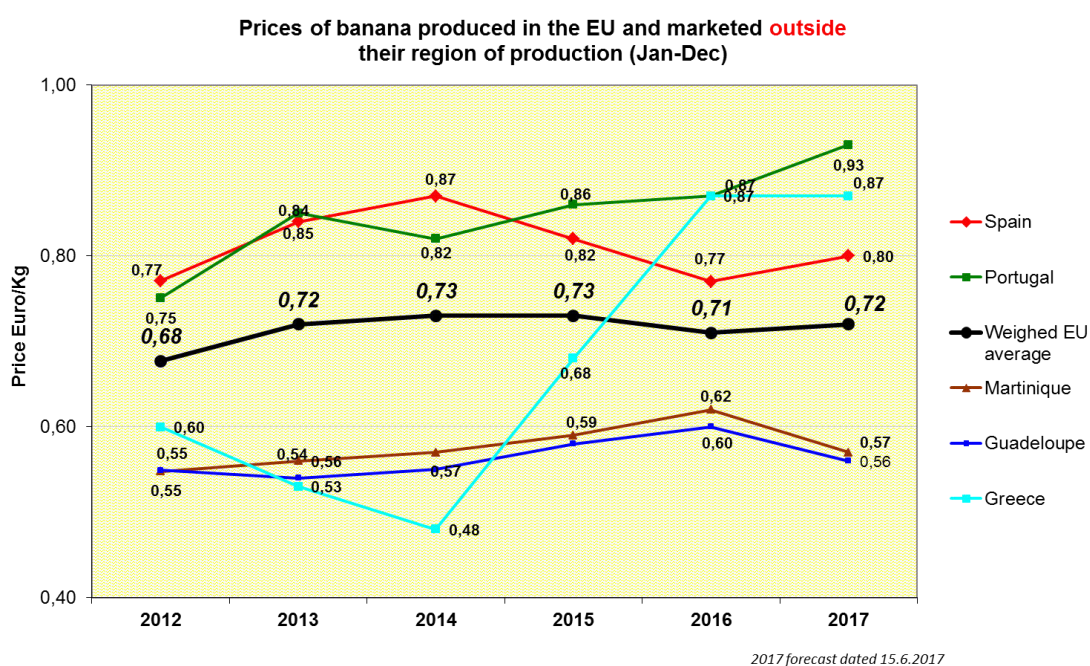
The wholesale prices of EU yellow banana follow the annual trend.

**We do not observe any disturbance in this market.**

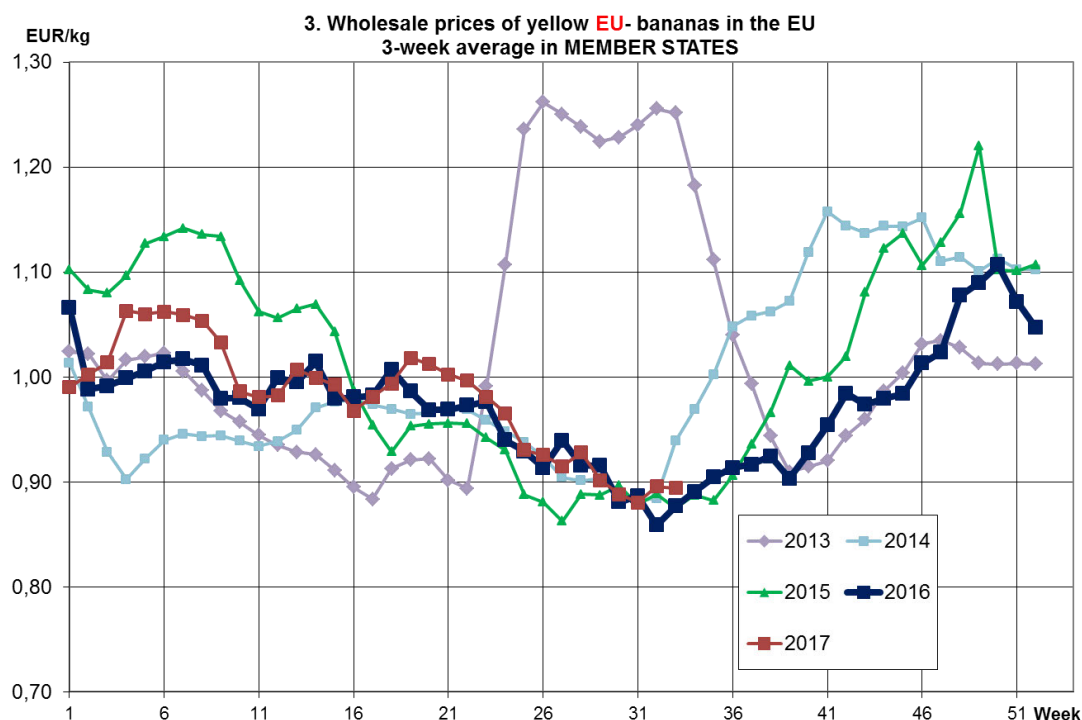
Graph 11. Banana production in the EU – in volumes



Graph 12. Banana production in the EU – average prices evolution.



Graph 13. Average wholesale prices of yellow bananas produced in the EU.



## 6. Conclusions (on 30/08/2017)

### Peru:

Trigger volume for Peru for 2017 is set at 93 750 tonnes. The 80% of the trigger volume (75.000 tonnes) was exceeded by Peru on 16 August.

In the period January – June 2017 the imported quantities were similar to those in 2016 (see graph 3). Imports of fresh bananas from Peru represented only 2% of the total imports of fresh bananas into the European Union and their unit value was well above the average for bananas from Latin America (around 720-760 euro/tonne compared to the average of 640-660 euro/tonne)

### EU market:

According to the analysis made in the preceding chapters (Eurostat-Comext and TAXUD Surveillance figures), no disturbance has been observed on the EU market so far. The supply of bananas continues to increase regularly and follows the growing EU demand. Wholesale yellow banana prices have shown slightly decreasing trend for Latin American bananas and more significant downward trend for ACP bananas in the recent weeks. Average wholesale prices of yellow bananas produced in the EU follow their seasonal trend and for most of the weeks are at or above previous years' levels.