SPECIAL GROUP ON TRADE IN TROPICAL PRODUCTS

Proposed Study on the Banana Trade and Industry

1. The Sub-Group has proposed in the conclusions of the section of its report relating to bananas (L/1984, page 18) that studies on the principal aspects of the banana trade and industry be undertaken jointly by the GATT and the FAO secretariats. In the course of the discussion in the Sub-Group it was also mentioned that the Latin American banana-producing countries had proposed that the FAO establish a banana study group; this question has been placed on the agenda of the next meeting of the FAO's Committee on Commodity Problems which will take place in May.

2. There is a considerable lack of information regarding marketing and production of bananas. It therefore seems that a complete study of the problems involved cannot be undertaken unless the governments of the principal banana-producing and consuming countries are able to furnish the necessary information, particularly on the points mentioned in sub-paragraph (vi) of the Sub-Group's conclusions on bananas. To the extent that certain of these data are not at present collected by governments, the co-operation of firms connected with banana production and trade would be essential.

3. However, to the extent that data on retail prices and volumes of consumption of bananas and of other fruit can be rapidly obtained as regards the principal banana importing countries, it should be possible to give, within a relatively short time, more precise indications than those available at present on consumer behaviour in those countries and in particular on probable consumer reaction to changes in the retail price level of bananas or of other fruit. It should however be noted that the technical problems connected with the determination of income and price elasticities are complex, especially when substitution phenomena enter the picture. Similarly, if certain countries can provide the secretariat without delay with information on such matters as the organization of trade, ocean transportation and marketing, and on the corresponding charges, it might be possible to give, within a relatively short time, preliminary findings on the levels of export and import prices and of trade margins.
Proposed Outline of a Study of the Banana Trade and Industry

I. Consumer demand in importing countries

In order to determine income, price and substitution elasticities in various importing countries, the following data for a certain number of years should be collected and analyzed, if possible on a monthly basis:

(i) per caput consumption (net weight) and its seasonal variations;
(ii) retail price of bananas and its seasonal variations;
(iii) consumption of other fresh fruit and of fruit juices and preserves and their seasonal variations;
(iv) retail prices of fresh fruit other than bananas and their seasonal variations.

The determination of elasticities being a difficult matter, especially when substitution possibilities are present, it is not certain that it will be possible to arrive at precise conclusions for all countries even if all the basic data were available. In this connexion, it would be desirable to have independent calculations of income elasticities based on family budget enquiries.

It would also be useful to examine to what extent there exists a consumer preference for certain varieties of bananas.

II. Transportation, marketing and distribution of bananas

In order to assess the importance of various components of the retail price of bananas in importing countries and to study the organization of the trade it would be necessary to collect and analyze information on the following points:

(i) Organization of import trade and distribution; c.i.f. import prices, import duties and taxes, port handling charges in the importing countries, ripening and distribution costs.
(ii) Organization of ocean transportation (existing transport networks, frequency of ships, average coefficient of utilization of ships, etc.); cost of ocean transportation (freight and insurances).
(iii) Commercial policy measures and sanitary regulations affecting trade in bananas.
III. Conditions of production in the banana-exporting countries

The following questions should be examined:

(i) Natural production conditions (soil fertility, humidity, presence of diseases, types of bananas planted).
(ii) Organization of production (existence of production and marketing co-operatives, plantation companies, social legislation).
(iii) Prices received by producers, salaries paid to plantation workers, cost of packing, etc.
(iv) Available transport and port handling facilities and envisaged improvements; present average cost of transport from the plantation to the port and port handling charges; f.o.b. price (including export taxes).
(v) Volume of exports, conversion of bunches into metric tons, quality standards, etc.