

April 2011

	منظمة الأغذية والزراعة للأمم المتحدة	联合国 粮食及 农业组织	Food and Agriculture Organization of the United Nations	Organisation des Nations Unies pour l'alimentation et l'agriculture	Продовольствен ная и сельскохозяйств енная организация Объединенных Наций	Organización de las Naciones Unidas para la Agricultura y la Alimentación
---	--	--------------------	---	---	---	--

COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON BANANAS AND TROPICAL FRUITS

Fifth Session

Yaoundé, Cameroon, 3 - 5 May 2011

INSTITUTIONAL ARRANGEMENTS FOR SMALL-SCALE BANANA PRODUCERS IN CAMEROON¹

The focus of the study

One of the challenges for national and international institutions seeking to promote high-potential agricultural sectors, such as the banana sector, is to protect the interest of small agricultural producers by establishing an institutional framework that will enhance their economic well-being.

A parallel key concern is to evaluate the structure of the banana market and the contribution of small agricultural producers to added value and development of the sector.

In addition, the World Banana Forum held in Rome in December 2009, under the initiative and coordination of FAO, and attended by some 150 people from the global banana sector, identified the precarious condition of small farmers as a problem facing the banana sector.

This study seeks to address this challenge, concern and problem.

The general and specific objectives of the study

The general focus of the study is to:

- Improve the structure of the Cameroonian banana market;
- Enhance the institutional framework of the banana sector to bolster the economic well-being of small producers in Cameroon;
- Propose enabling economic and institutional conditions for a greater contribution of small producers to development of the banana sector.

¹ Based on a document prepared for the Secretariat by Jean Marie Awoumou Etoga, Officer at the Department of Studies, Programmes and Cooperation (DEPC) of the Ministry of Agriculture and Rural Development (MINADER).

More specifically, the study:

- Reviews changes in the Cameroonian banana industry from 1995 to 2009;
- Analyses factors affecting the development and structure of the banana market;
- Studies the banana supply chain from seed to end-consumption (national consumption and export) including producers, packing, marketing, transport, wholesalers and handling;
- Examines the sectoral institutional arrangements in terms of supply chain and its impact on small producers;
- Proposes economic and institutional measures to enhance the contribution of small producers to added value in the banana sector.

The general methodology of the study

The general methodology of the study is divided into four stages:

- The first stage takes stock of the Cameroonian banana sector. It serves to (i) describe the evolution of the banana industry in Cameroon from 1995 to 2010; (ii) describe the different operations linked to banana sector activity; and (iii) identifies main stakeholders and their roles;
- The second phase: (i) identifies and evaluates the institutional framework of the banana sector; and (ii) describes and evaluates the structure of the banana market;
- The third stage gauges the impact of institutional arrangements on improving the economic well-being of small banana producers;
- The fourth stage assesses the contribution of small banana producers to development of the sector.

The study's examinations produced the following observations:

Evolution of the Cameroonian banana sector from 1995 to 2010

The evolution of the Cameroonian banana sector has been punctuated by the following landmarks, presented in chronological order:

In 1995: the European Union increases from 12 to 15 members for the Marrakech Agreement with 90 000 tonnes of the increased quota reserved for 3 traditional ACP countries (30 000 tonnes Cameroon, Côte d'Ivoire and Belize), the Dominican Republic (55 000 tonnes) and the rest for other ACP countries.

In 1999: Formulation of the first development strategy for the Cameroonian banana sector.

In 2001: Management of the ACP quota conducted by presentation of a licence delivered to commercial operators. This costly licence hampers the sector, especially as companies are not part of pre-established commercial networks (SPM loses 10 billion CFA francs in five years).

From 2003 to 2006: SPM production remains flat at 30 000 tonnes because of restrictions associated with the licences.

In 2007: SPM production resumes growth with changes in community regulations.

In 2005: Fall in production of CDC DEL MONTE because of uncertainties over the renewal of the CDC and DEL MONTE contract.

In 2006: On 1 January licences are eliminated and replaced by a first-come-first-served system and the introduction of a customs tariff of 176 Euros per tonne for Most Favoured Nation (MFN) countries.

In 2004: Merger of the SPNP and the PHP under the name of the PHP, contract between the new PHP and the SBM under the control of the PHP (SBM capital: 51% of shares held by the PHP, 13% by Cameroonian interests and 36% by the Italian company Simba which, in association with the CF, today markets PHP fruits).

From 2004 to 2007: Producers experience financial difficulties due to the purchase of licences. This explains why Cameroonian banana production stagnates or falls.

In 2007: the CDC and Del Monte record a drop in production because of exceptional losses due to wind damage.

1 January 2008: Granting of free market access to ACP exporters in the framework of the interim Economic Partnership Agreements (EPAs), with Cameroon benefiting from quota- and duty-free access to the European market, with an initial tariff protection of 176 Euros per tonne.

In 2009: the SPM and the CDC sign a technical assistance agreement, which will facilitate higher banana production of 85 000 tonnes by 2013 for the two entities.

In 2009: Emergence of a new company under full Cameroonian ownership "BOH PLANTATION Limited" supported by the SPM and projected to produce 50 000 tonnes by 2014.

19 November 2009: CDC launch in France of the "Makossa Banana", the first with a Cameroon label.

15 December 2009: EU-WTO-Latin America Agreement on immediate reduction of customs tariffs on bananas.

2010: Updating of national development strategy for the banana sector.

December 2010: Cancellation of partnership contract between the CDC and Del Monte.

2010: Partnership between the PHP and the Douala Port Authority for management of the fruit terminal.

The institutional framework of the Cameroonian banana sector

The main institutions involved in the development strategy for the banana sector include:

- The State, represented by the Prime Minister (PM), MINEPAT, MINCOMMERCE, MINADER, MINFI, MINREX, etc.;
- The committee monitoring implementation of the development strategy for the banana sector in the framework of management of the TFAs;
- Government technical assistance to the banana sector;
- ASSOACAM (Association of Banana Producers/Exporters of Cameroon);
- The international organizations: European Union (EU); Common Market Organization for Bananas (COMB); World Trade Organization (WTO); Delegation of the European Commission to Cameroon; CIRAD (Centre for International Cooperation on Agricultural Research for Development); CARBAP (African Research Centre on Banana and Plantain); IITA (International Institute of Tropical Agriculture); FAO (Food and Agriculture Organization of the United Nations); EC (European Commission), etc.;
- IRAD (Institute of Agricultural Research for Development);
- Economic Operators;
- PAD (Douala Port Authority);
- From a historical perspective: Many small banana producers, sometimes grouped into cooperatives, used to export bananas under the oversight of the OCB. With the dissolution of the OCB (Cameroonian Banana Organization) in 1988 and the creation in the same year of the ASSOACAM, the functions previously assigned to the OCB were not entirely taken over by the ASSOACAM and small banana producers no longer received extension support. Difficult periods of intense drought and disease eliminated most small producers. However, at

the time of dissolution of the OCB and creation of the ASSOBA CAM, some small producers did manage to survive without receiving any form of technical support, although these have gradually disappeared. There are now virtually no small producers of bananas for export. All that remains is backyard cultivation largely for home consumption.

This absence of small-scale banana producers in the development of the Cameroonian banana sector was a major impediment to the conduct of this study.

The ex-OCB provided various forms of support to small banana producers:

- It guaranteed loans provided by FONADER which enabled them to purchase inputs;
- It provided technical support (advice of agricultural experts and technicians, etc.);
- It took care of aerial applications of pesticides;
- It arranged transport and marketing of the fruit;
- A production description was signed between the OCB and the banana producer.

Factors affecting the development of the banana market structure

The main factors affecting the Cameroonian banana market structure include:

- The signature of the Geneva Agreement in December 2009;
- The banana price war instigated by European supermarkets;
- Inadequate logistics for the subregional and even local market;
- High production cost of the Cameroonian banana;
- Problems of ship access to Douala port;
- Low market returns from the Cameroonian banana;
- Cancellation of the partnership contract between the CDC and Del Monte.

The general evaluation of the Cameroonian banana sector:

- The context for development of the Cameroonian banana sector is one of huge potential due to: (i) the existence of an international, subregional and national market for bananas; (ii) the availability of land capital; (iii) the existence of fiscal incentives; (iv) the availability of financial and technical support from international partners and the Government; (v) the existence of a reference framework drawn up by the Government, the Strategic Document for Growth and Employment (DSCE);
- The Cameroonian banana sector possesses significant attributes including: (i) producer technical expertise in growing bananas; (ii) opportunities and scope for gravity irrigation; (iii) availability of modern packing stations; (iv) installation of a cold chamber in Njombé by the PHP; (v) availability of refrigerated container vessels to preserve bananas up to their destination; (vi) widespread use of cableways to clear banana bunches from the field; (vii) marketing with major brands (DOLE, etc.); (viii) a good integration of banana producers in market networks. Existence of a national strategy for development of the sector; (ix) existence of a Cameroonian banana producers' association to defend the interests of its members; (x) existence of Government technical assistance to act as interface between all parts of the banana sector; (xi) existence of a sectoral monitoring committee in the framework of the TFAs; (xii) proposed creation, in the updated sectoral strategy, of a monitoring committee open to all stakeholders.
- However, the Cameroonian banana sector also has a number of shortcomings, including: (i) the importation of vitro-plants at the "in vitro" stage because there is no local laboratory producing vitro-plants; (ii) a relatively low output (260 000 tonnes/year) that has remained unchanged for five years; (iii) low productivity with yields below 50 tonnes per hectare; (iv)

inadequate maintenance of plantations by certain producers such as the CDC; (v) very wide grading disparities during packing; (vi) importation of large quantities of packing materials (cardboard, plastic) at high cost; (vi) absence of a large-capacity refrigerated warehouse at the Douala Port Authority; (viii) limited use of cableways in the Mungo because of the hilly terrain; (ix) the transportation of banana bunches by tractor which increases costs; (x) delays in road transport due to difficulties accessing the Bonabéri bridge; (xi) inadequate dredging by the Douala Port Authority obstructing ship access to the port; (xii) frequent interruption of cargo loading because of modest banana production in Cameroon; (xiii) obsolete fruit terminal; (xiv) difficulties accessing the quay during rainfall; (xv) excessive docking time in Douala (5 to 6 days); (xvi) cost of sea freightage still high because of modest quantities of banana exported; (xvii) high general and administrative costs not covered by banana production companies; (xviii) high financial expenses of banana agro-industrial companies; (xiv) financial difficulties of certain banana agro-industrial companies with recurring balance-sheet deficits; (xx) difficulty monitoring European banana market trends because of unstable prices due to the price war; (xxi) unstable costs and terms of access to the European banana market; (xxii) the monopoly single market (European) destination chosen by Cameroonian banana producers; (xxiii) low labour productivity; (xxiv) low participation of Cameroonian producers in alternative markets in the subregion; (xxv) absence of logistics (ripening and other facilities) in local market and the subregion; (xxvi) high production costs due to the price of imported inputs; (xxvii) unchanged level of banana exports for more than five years (260 000 tonnes) affecting competitiveness of the Cameroonian banana; (xxix) insufficient collaboration between banana agro-industrial producers despite the existence of the ASSOBACAM; (xxx) inadequacies of the legal institutional framework limiting producer access to land resources; (xxxii) customary rights limiting the expansion of banana plantations for economies of scale; (xxxii) the absence of small producers of export bananas. Such small producers disappeared with the dissolution of the Cameroonian Banana Organization (OCB); (xxxiii) the absence of a policy, strategy and structure to promote the development of small producers of export bananas for; (xxxiv) delay in the creation of a committee monitoring development of the banana sector and in the signature of partnership agreements between the Government and each producer, provisions set out in the national strategy for the banana sector that was updated in 2010.

- The banana sector is at the same time exposed to multiple threats including: (i) the instability of banana prices due to the worrying dominance of European supermarkets; (ii) the loss of competitiveness of the Cameroonian banana, compounded by price reductions caused by difficulty of access to the European market on account of the EU-Latin America Bananas Agreement signed in December 2009 in Geneva.

However, the recommendations from the study seek to build on the opportunities and assets of the sector, to provide solutions to the inadequacies noted, and to restrain all identified threats in order to bring about an effective and sustainable development of the Cameroonian banana sector.

In this specific regard, the study proposes:

The integration of small producers of export bananas into the development of the sector.

- The design and establishment of a support project for the development of small and medium producers of export bananas. The project should provide various forms of support to small banana producers. For this, the MINADER will have to set up a joint working group/committee charged with conducting a feasibility study of the support project for the development of small-scale plantations of export bananas.

The establishment by the Cameroonian Government of an export banana sectoral code to consolidate the fiscal concessions and incentives already introduced by the Government for the banana sector. The Ministry of Finance will have to set up a working group/interministerial committee charged with drawing up such an export banana sectoral code.

The establishment of a laboratory capable of producing in vitro banana plants for local procurement at lower cost. The MINADER should set up a joint committee (MINADER, IRAD, CARBAP, IITA, Producers, ASSOBAACAM, MINEPAT, etc.) charged with determining, within a specific time frame, the feasibility of this recommendation and its implementation framework.

- Enhancing the framework of competitiveness of the Cameroonian banana on the European market. This entails: (i) increasing the volumes of exported bananas; (ii) raising banana productivity; and (iii) improving the quality of fruits to be marketed.
- Penetration of the Cameroonian banana on the subregional market (Nigeria, CEMAC zone, Angola, South Africa) given the still high status of the Cameroonian banana label in this area.

Implementation of this recommendation will require an outlook study.

- Construction of a large-capacity port refrigerated warehouse. Implementation of this recommendation will require the ASSOBAACAM to carry out a feasibility study.

The transfer of banana export operations from the Douala Port Authority to the KRIBI deep-water seaport as soon as construction has been completed.

- Clarification and facilitation of terms of access of producers to land resources needed to expand plantation areas for economies of scale.

The Ministry for State Property and Land Affairs should establish an interministerial working committee/group charged with implementing this recommendation.

- Formally finalize: (i) the creation of the committee monitoring implementation of the national strategy for the development of the banana sector; and (ii) the signature of the agreements envisaged under this strategy between the Government and each banana agro-industrial producer.

The Ministry of the Economy, Planning and Land Use should convene coordination meetings of stakeholders involved in these two processes.

On general terms, the specific recommendation on integrating small banana producers into the development of the sector remains crucial as this would have multiple benefits:

- The short-term achievement of export targets, set in the latest sectoral strategy at 500 000 tonnes/year;
- Higher tonnage per shipment thus lowering freightage costs;
- The possibility of negotiating better input prices (packaging, fertilizer, etc.) in the case of synergy between producers;
- Easy access to land resources already held by small village planters.

Given the stringent requirements of the European banana market in terms of quality and regularity of supply, the small banana producers could supply local markets. Partnership agreements could also be entered into by large producers/exporters and small producers to enable these to export a portion of their output, in accordance with the quality requirements of international markets.