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DISCUSSION

B. Persaud (Barbados) :

Mr. Chairman, I would like to compliment Mr. Clarke on a very informative and timely paper. We, in the Windward Islands, need as much information as we can get on the situation in Latin America. While we are not in direct competition with Latin America, because of our British protection especially the quota provisions, I think in an indirect way what happens in Latin America affects us here. I understand that Latin America producers are receiving just about half of the price received by growers in the Windward Islands. I further understand that the disparity between the prices of Windward Islands' bananas and bananas from Latin America is causing some pressure on the British Government to reduce the level of our protection.

Now we know that yields are much higher in Latin America than in the Windward Islands. What are the reasons for this, and besides yields, what are the other factors which are responsible for the difference in the levels of efficiency?

St. A. Clarke :

The question of efficiency is one on which I hesitate to comment. If we confine ourselves to the relative prices—prices given to growers in Latin America as against those in the British Caribbean — I will invite your attention to Table 9 of the paper. Here, to achieve comparability, the figures are presented in U.S. dollars per metric ton, and you will find that it bears out a point Mr. Persaud made that British Caribbean prices, as illustrated by Jamaica, are higher than the Latin American prices.

You will notice that Jamaica —(and also Martinique, which I put to represent the French territories)— receives higher prices than Latin America, and this coincides with the fact that the British and the French territories are selling into protected markets whereas the Latin American producers are selling into non-preferred markets. Whether the price received in the non-preferred markets bears a specific relationship to production costs and therefore, to efficiency or inefficiency, I will hesitate to comment, particularly in view of the magnitudes of waste which appear, not only for Ecuador, but in nearly all the Latin American countries. You will find that a wind-storm damage will account for such a per cent of crop and all this sort of thing, so one hesitates to comment, particularly as the figures are not sufficiently rigorous for a statistical examination.

P. Miller (Jamaica) :

Sir: Mr. Clarke made a statement that in Latin American countries local participation in the industries has been increasing and that the fruit companies have been resorting to a policy of handing out contracts to the farmers. Would he care to develop on that in some more detail?

St. A. Clarke :

Here the country notes are most relevant. The first point is that production in Ecuador is based on the farm, the domestic farmers

as distinct from the fruit companies. Then, too, if you look under notes for Colombia, you will find sufficient evidence to draw the conclusion that the United Fruit Company in some countries have been tapering its activities, in fact, it has completely withdrawn from the Dominican Republic. It is encouraging ex-employees to go into production and assisting them with finances. You will also find in the section of the paper dealing with the role of governments that some governments have provided facilities through agricultural banks, co-operative banks, and in one case through the Central Bank, for encouraging production, in some cases, on lands which formerly have been abandoned by the big fruit companies.

B. Yankey (Dominica):

Mr. Clarke, is there any conscious policy adopted by the government of Latin America which sets limits on the use of land for banana production? If so, would you care to comment on the effectiveness of this approach to land use and farm planning?

St. A. Clarke:

The answer to the first part of the question eliminates the second part of the question. The only country which has attempted to restrict or not to encourage further banana production is Honduras. They are providing facilities through the Central Bank for diversification rather than for expansion of banana production. In the other countries you will find that there is as strong an awareness or activity at government level about the banana industry as you tend to have in the islands of the Caribbean.

J. Spector (Trinidad):

First, I must say that when the speaker mentioned domestic farmers in Ecuador, a domestic farmer has something like 30,000 acres — anyone with less is just a peon.

Now the emphasis of the data we have received referred to producers getting so much money but has nothing to do with standards of living. It has been reported that in Ecuador in particular, 60 per cent of the land is owned by 1 per cent of the people, that half of the country's 5 million people live in medieval squalor and ignorance, and that hacienda owners pay their workers as little as 5 cents U.S. per day. Well, I don't know if this is true, but the question is that the Latin American countries which produce so cheaply are always pressuring the protected Windward Islands and Jamaica and the British market to drop its preferences. The Latin American countries have consistently and persistently invoked the provisions of the GATT of which none are members, except Brazil and the Dominican Republic.

At the moment the preference in the British market is £7.10 per ton and there is also a restriction on fruit from dollar or non-sterling, non-Commonwealth areas of 4,000 tons per annum. If the 4,000 ton quota were dropped, Ecuador could flood the British market, for it could easily jump the £7.10 barrier. We are interested in selling more of our produce, not less. The people in Ecuador must try to get higher standards of living to bring their standards up to our miserable standards. Ours are not good in the Windwards—\$250 (W.I.) per capita is nothing.

So there's the situation. We hear in the developed countries that with a drop in prices, you sell more produce. The point is that in the U.S. in 1964 and 1965 the retail price of bananas was the same as in the U.K. and the same as in France — a very peculiar thing since the U.S. marketing agencies purchase their fruit at a much lower cost than marketing agents in the U.K. purchased fruit from the Windwards and Jamaica. So the difference in price appears to have gone to the intermediary because the grower—I won't say the grower, because the grower can be a very big grower in Latin America—I would say the peasant and farm worker do not get the difference in prices: the differential went somewhere else and the probability is that it went to the intermediary.

I have talked in broad lines ; I haven't given you figures ; I can give you figures to cover everything.

There has been a difference, incidentally, between Jamaica and Windward prices. Geest Industries have consistently paid a unit which is £3 on a ton above the Jamaican price. On 10 occasions in 1965 they paid higher prices than Jamaica received in the same year. But these are minor things ; the point is the Latin American countries are attacking preferences consistently. The import regime in the U.K. may only exist until 1967. It's not been guaranteed beyond this year, regardless of Britain's entry into the European Common Market. So we really have to worry about what is going to take place.

I want everyone who is associated with the Banana Industry to bear these points in mind. There's the quota which is very important. Quotas are very important and we must make every effort to preserve them. I hope I haven't offended any Latin Americans present, but these are our problems and I am very concerned about them. And I think every West Indian should be concerned about them, too. Thank you.

Chairman :

This is a very frank statement and I am sure it would elicit some comments from the speaker and I hope from the audience as well.

St. A. Clarke :

I did not intend to come back to that one, Mr. Chairman, because basically I am in agreement with all that he has said. If you look at Table 10 you will find the price formation from c.i.f. right through to retail, and a comparison is given for West Germany, France and the U.K. Unfortunately, I had to construct these figures from a variety of FAO papers, but you will see that substantially his comment that the retail price comes out just about the same, and hence that it doesn't matter where they are selling, is true ; and if you compare this with the previous table where there is the price formation from Farm Gate through to c.i.f., you will see the discrepancies — the differences between the prices going to farmers selling in the protected markets as against prices going to the Latin American countries.

I can point further to another area of agreement with him on this business of efficiency. I wanted to say it rather by implication but he has dragged it out. In a country where some one-quarter of

output is not going into the market, one very much wonders whether a relevant comparison can be made with production conditions in the Caribbean. I think that I might have been at fault for not making some reference to the production conditions, living standards, and all this sort of thing, but he has done it for me so I will not comment further.

Chairman :

If I may, I would interject a comment as the Chairman because Mr. Spector has touched on a topic that is of very great interest to me, and I must say that I couldn't agree with him more, because there are two aspects of the banana trade which I regard as very distressing. The first is the very low share of the total value added, as opposed to the percentage of the retail price that is reflected in the farmer's price. And, secondly, the fact that although most people are talking about rationalisation and increase in efficiency, important as they may be, we are dealing with a situation where most of the countries concerned in the trade in the Americas, at least, have per capita incomes well below \$200 U.S. per annum. And it seems to me in considering the future possibilities for commercial policy, one is bound to be concerned as to whether the elimination or reduction of preferences in the British market will mean anything more than a further drop in banana prices, which in effect would mean not only a deterioration in terms of trade for the Caribbean, but also for the Latin American countries as well. And I think one of the questions that is bound to arise, is the extent to which collaboration between Latin America and the Caribbean can be secured for the purpose of stabilising the terms of trade, and which after all is our old friend the tariff argument for protection. In other words, I am suggesting, and I'd like the speaker to comment on this: are there any prospects at all, or is there any basis upon which Latin American and Caribbean producers, given the prospects of a reduction or elimination in British preferences, can collaborate in order to maintain banana prices at a higher level than would obtain simply by the lowering of protection?

St. A. Clarke :

In the FAO study on bananas, it became fairly clear that the Latin Americans were not interested in maintaining banana prices. They were more interested in volume sales, and in this context I cannot really say I see the possibility for a coming together of points of views between Latin American and the Caribbean Islands.

Chairman :

I think one has to bear in mind that the price elasticity of demand for bananas is very low, less than unity, so that the advantage that can be secured by the removal of preferences for the Latin Americans is not going to be as great as is usually implied. Price elasticity in the British market anyway with such estimates as we have.

C. Reckord (Jamaica) :

Mr. Chairman, I wonder when Mr. Clarke says that the Latin American countries are not interested in high prices, if this refers to their official representatives alone or if it does include the Latin

American farmer as well. I wonder if the farmer knew what the people in the Windward Islands and Jamaica got for their fruit if he wouldn't have something to say about the Government's attitude to prices?

St. A. Clarke :

When I offered the further comments on the paper, outlining the different attitudes of different people to market organisations and to market access, I was talking about official government positions. I have no doubt that the domestic farmer is interested in getting a higher income both in Latin America and in the Caribbean, but it would be difficult for me to say that there is a point of contact on this thing. One must proceed on the basis of the international negotiations and it is evident that the Latin Americans are more interested in free access to markets irrespective of the impact on price itself.

C. Pilgrim (Barbados) :

Mr. Chairman, just to follow up a point made by Mr. Reckord, I would like to enquire first of all, what are the typical sizes of farms in these Latin American countries. In particular, what would you call a small farm and what would you call a large farm as far as bananas in these countries are concerned?

Secondly, to what extent would your small and large banana growers be involved in the sale of bananas? To what extent do they come into the picture, financially, in the sale of bananas and the price differential between bananas on the farm, fetched on board, in the country, and actually sold to the consumer, wherever that happens to be?

St. A. Clarke :

On the basis of the question just asked by Mr. Pilgrim, I take it that he is for the purpose of the question, defining our plantation production, United Fruit Company, Standard Fruit, etc. Now if we go back to the paper, we have a table indicating size of farm. In connection with Ecuador, I have also made the point that: "there are some 3,000 farmers registered in the spraying programme, with approximately 190,000 hectares under banana cultivation". But, as the summary tables show, 15% of the farmers control nearly half of the acreage. I would point out that these are people registered for the spraying programme and the figures therefore are not exhaustive of all banana production. I select Ecuador to answer this question because Ecuador is the largest example of domestic farm production. Does this give you a satisfactory answer?

C. Pilgrim (Barbados) :

The most important point I want to get clarified is to what extent does the grower participate in the money derived from the sale of bananas?

St. A. Clarke :

I am sorry that I forgot that one. You'll find that the bulk of marketing is handled by agents who buy directly from farmers and sell to exporters at port of shipment. In the case of large estates, there is often direct contact between producer and shipper, and

rarely are the relationships from farm to ship covered by contract. This is the case for Ecuador, but for nearly all of Latin America you will find that farm output for bananas goes to export agents. In some cases the export agent is an intermediary between the farmer and the shipper. In other cases it is the shipper himself.

H. McConnie (St. Vincent) :

Mr. Chairman, the question might sound facetious, but I do have a certain responsibility to advise on policy in one of the Windwards and I think it might have some sort of bearing on the future of the banana industry. Could I ask Mr. Clarke if there are any trade union movements in Latin America, and if there are, to what extent are they involved in banana production?

St. A. Clarke :

There are trade union movements in Latin America but I do not think you will find a significant one in banana production. I think your question would be best answered if we go back to a case like Colombia. You will find that in Colombia production is handled by three main units: The United Fruit Company, Labored Compania Fruit Companios Sevilla (Fruit Co. of Sevilla); then there is the Federation of Banana Producers and Consorcio Bananera. The two second ones are in fact producers' associations; originally it was one association, and they split about 1960, and these two associations handle the bulk of production for the farmers in Colombia.

I. Johnson (Jamaica) :

Mr. Clarke made reference to the high waste of bananas produced — some 24 million stems. Does this indicate the necessity to rationalise production?

St. A. Clarke :

I'm afraid, Dr. Johnson, you are trying to get me into an area that I wanted to stay clear of. If we talk about rationalising production we must talk about marginal costs of production. And if we are going to talk about marginal cost of production in the Latin American context the comments of Mr. Spector are extremely relevant. What is the marginal cost of production under the conditions he described? I hesitate to say what it is.

B. Persaud :

Just to get back to this matter of prices. I think that we should remember that the Latin American countries may be interested in higher prices in their traditional markets but in other markets they are interested in the reduction of production although lower prices may be involved. This is because too, they will now be supplying to those markets. They are not doing this at the moment, so that although the price elasticity of demand may be one or less than one, there will be an increase on their sales proceeds. It is not a matter of increasing supplies to their traditional markets. This is why they are interested in the reduction of production although this may involve lower prices.

There is a further point which I should like to make. On the point made by Mr. Yankey about land use pattern — controlled

land use pattern — while the governments may not be doing this in Latin America, this happens because we have the plantation system there. The fruit companies are interested in compact cultivations, so when they are thinking of starting in an area, they make sure that the area is suitable. I think usually they have to provide the infrastructural facilities also, so we have some land use planning taking place anyway.

Chairman :

I am glad you raised this question because the real question I was trying to direct to the Conference is as follows: is it feasible to think in terms of a scheme of liberalisation which would allow the Latin American and Caribbean countries to compete in a more or less equal basis but which would have at the same time preserved a level of prices that could be reasonably remunerative to both parties? In other words, if the Latin Americans could sell their bananas to the U. K. at the price that is now prevailing, they would certainly be better off, and if this is feasible is there any way in which one can conceive such a possibility? This is the question I wanted to ask.

B. Persaud :

I think they have a greater interest in the reduction of protection, in fact, in volume of sales rather than in prices.

Chairman :

I don't think it has been demonstrated.

St. A. Clarke :

It seems to me, Mr. Chairman, that you are coming back to the question of what is government policy. We have got to take as government policy the statements of their accredited representatives at the negotiating meeting. There is nothing else we can take.

I. T. Twyford :

I think there is no doubt at all that the people in Latin America can produce very much more cheaply than we can in the Windward Islands and Jamaica. Why is their production cheaper? Well, the fact of the matter is that their conditions are very much better than ours. They have soils in much of Latin America where you don't need to use fertiliser.

To illustrate, I saw in Surinam areas where peasant farmers were making 14 tons an acre. They didn't have to worry about drought; they didn't have to worry about flooding: if it rains too much the polders are just pumped out and if they got dry weather they just pump the water back in again so that the water table remains at a controlled level which is ideal for banana production.

In that country too, (granted Surinam may not be typical of some of the other Latin American countries) you have got very, very fertile soils. We saw some fields that were about 5 or 6 years old that had never any sort of fertiliser whatsoever, and these were producing 14 tons per acre.

Now in the Windwards and in Jamaica, you just can't grow bananas without using fertiliser. Our costs in the Windwards are higher so we have a higher price which in turn means that we cannot possibly envisage coming into some kind of agreement at selling for the same price in the United Kingdom or elsewhere with Latin America. We have in fact got to maintain our protection. We cannot compete with Latin America so it is absolutely necessary for us to retain as much protection as we possibly can.