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### *The Future of the Windward Islands Banana Industry*

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There is much concern and discussion about the fate of the Banana Industry of the Windward Islands from 1992 onwards when the European Economic Community (EEC) is due to achieve its goal of completing the "internal market" of member states by totally liberalising trade among them.

The feared impact is that when this comes about, bananas, like any other commodity within the Community would move freely (no trade barriers) from one member country to the next. This would mean in effect that banana from cheaper dollar sources which enter Germany or Holland or any other member state can subsequently be distributed to the United Kingdom (U.K.) for marketing and effectively compete with fruit supplies in the U.K. originating from the Windward Islands. The assumption in this prognosis is that such bananas will reach the U.K. market at a cheaper price and will be of intrinsically better quality than those from the Windward Islands. Arising from this and to complete this prognosis, the Windward Islands would be driven off the market with consequential economic and social upheavals in the Islands.

A rationale for concern about the probability of such a course of events takes into consideration the contribution of bananas to the economy of the Windward Islands and the record of the performance of these Islands on the U.K. market. This market is protected for Caribbean Commonwealth producers of which the Windward Islands have become the dominant suppliers.

Banana export tonnages from the Windward Islands have increased steadily and at significant annual rates since recovery from hurricane Allen which almost totally devastated the crop in 1980. The revenues obtained from the banana exports have also increased steadily from E.C.\$96m in 1982 to a peak of E.C.\$374m in 1988.

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\*The views expressed by the author are personal and may not represent those of the author's employer, Geest Industries Ltd.

The elements for concern is that this growth in the industry has been achieved within a framework of a protected U.K. market and that while banana quality has improved markedly over the last few years, it is not as consistent through the year as that for fruit available from dollar sources. In effect the competitiveness of the industry in the Windward Islands has not been fully tested in its traditional market and is naturally an even more unknown feature on the broader European market. This has led to a general fear that a totally free EEC market for bananas from 1992 would place the Windwards' supply squarely in competition with fruit from dollar sources, which are expected to be more competitive both in price and quality.

A development such as the above is viewed as the worst possible scenario for bananas with regard to expected changes in the EEC from 1992.

The EEC is still to outline the nature of the relationship between the Internal Market programmes and external trade policy. Some experts are of the view that certain bilateral trade arrangements of member countries may be converted into Community measures for protection. This is possible for bananas, which may be embraced within a "transitional" Community protection which would cover the national interests of member countries which are importers of African, Caribbean and Pacific (ACP) fruit such as Britain, France, Italy, Spain and Greece. This is based on the premise that these member countries have commitments to their historical banana suppliers all of which form part of the ACP group and will ensure that such interests are taken into account in the national measures which are to become Community measures.

It is not the purpose nor within the competence of this paper to define the form of Community protection measures which would provide for continued restrictive access of ACP banana supplies to their tradi-

tional national market, except to say that the Windward Islands' banana industry needs to secure some protection from full competition with dollar fruit for some time after 1992.

To this end, it is felt that the government of the Windward Islands or CARICOM should ensure that their interests for continued banana protection in the U.K. and Europe are taken into account in the negotiations of the fourth Lome Convention, as the existing convention expires in 1990. This should afford bananas some protection within the terms of this convention which extends to 1995. Such protection may be on the basis of EEC-based measures of a "transitional" nature.

Whatever the arrangements for extended protection for ACP suppliers in 1990, it is sensible to assume that protection will not continue after the end of the term of the fourth Lome Convention in 1995.

The banana industry of the Windward Islands must therefore prepare for change which must lead to a more competitive industry by 1992 or face the likelihood of even stronger competition after 1995.

Changes can be brought about in the industry to reduce the spectre of economic and social depressions postulated above. Positive changes have already begun to take place in recent years and these have impacted favourably on the market place to achieve the phenomenal increase in the export of Windward fruit and the associated increase in export revenue.

The most important of these changes deals with fruit quality. Windwards' fruit in general has undergone substantial improvements in quality recently. This is the direct result of the development of field packing and its progressive expansion and total adoption. Whereas in the 70s Geest was sometimes hard pressed to market at economic prices the full weekly Windward Islands' supply (maximum about 2,400 tons per week), in the first half of 1988 weekly tonnages surpassing 5,500 have been marketed at attractive prices. It should be noted further than the market for this fruit has expanded to Italy (though on a limited scale).

In effect the industry in the Windward Islands is already engaged in penetrating the European mainland rather than holding static to fend off competition in its traditional market in the U.K.

The other change of relevance is that of the growing number of farmers who produce yields of over 10 tons per acre. A few

major producers attain more than 15 tons per acre and a few large units in St. Lucia achieve yields of over 20 tons per acre. Clearly while all growers will not be able to achieve such high yields, many more can improve their yields through application of available cultural technology such as irrigation.

The combination of reliable fruit quality and efficient production is essential for the level of competitiveness required on the market place, given the inevitable greater market access of fruit from other sources, which will come about from 1992. It is important to point out, that efficient production includes getting the larger portion of the production in summer and less in winter to match the demand pattern.

The indication from recent experience is that the Windwards' banana industry has already begun to be more competitive. It is not generally realised that the Windwards fruit now has to effectively compete on the U.K. market with fruit from other ACP sources such as Suriname, Belize, Jamaica, Martinique, Camerouns, etc. The Windwards have effectively taken a jump over its traditional ACP competitors in becoming a regular supplier of fruit to Italy. Additionally, trial shipments to Greece are currently in process.

While the general improved acceptance of Windwards' fruit on the U.K. market is largely due to improved quality in a general sense, it is a matter of concern that seasonal down turn in quality still occurs. This was at unacceptably low levels during the third quarter of the year 1987. The weather pattern of the year in question was largely responsible. The weather however, will always be variable while the market place will always be consistent in its requirement for top quality fruit. It is therefore clear, that solutions still need to be found for this problem.

Efforts to obtain a solution to the problems must embrace improved understanding of the physiological behaviour of Windwards' bananas and the adoption of post harvest handling and packaging procedures which will further enhance the protection of the fruit not only against mechanical damage but also against infection from crown rot organisms. As field packing is unique to the Windwards, the measures for improvement of quality must necessarily consider the application of initiatives and enforcement of discipline which may be unique to the Windward Islands.

The other concern is that in spite of the

markedly improved production of a core of growers, too many others still obtain yields of 7 tons per acre and below. Most of these obtain the bulk of their production between October and February when the market is less buoyant. Perhaps the most serious threat to the viability of the Industry at the moment is that the percentage of this class of growers has been on the increase in all Islands as a result of the attractive prices of recent years. Cultivations of this category of growers are expanding on many marginal hill-slopes. Many of these growers are newcomers who do not have the commitment nor the time which efficient banana production demands.

It is perhaps ironic that the greatest influx of marginal growers into the industry is coming about, at a time when the industry should be shedding off such existing liabilities as it prepares for post-1992 Europe.

Already some recent changes in U.K. banana policy may be expected to expose Windward's fruit to some competition from dollar fruit from now on. Earlier this year the U.K. Government revised its banana policy with regard to the preferential access for bananas from Jamaica and the Windward Islands. The revised policy reaffirmed the Government's commitment to maintain protection for traditional suppliers (which in broad term includes Suriname and Belize) while taking account of the Government's general objectives of promoting competition and consumer choice. To this end the policy maintains the licensing arrangements for dollar area bananas, but it includes an aspect of guaranteed access of dollar area bananas for the small independent companies.

This in effect means that while the licensing mechanism for dollar importation still allows preferential access to ACP suppliers, it is going to be applied in a manner which will allow some competitive pressure against such supplies. The Windward Islands, as the largest ACP supplier on that market will be most affected. The guaranteed access even to a limited tonnage of dollar fruit effectively provides a "free market" standard of quality and price to influence the marketing of Windwards and the other ACP fruit.

The challenge therefore to the competitiveness of Windward Islands' bananas is already imminent and failure to meet that challenge will result in a progressive erosion of the income of the industry and will set the stage for its demise even before free trade within a broader European market comes into

effect.

To prepare for the changes on the market place and to avoid the occurrence of the worst case prognosis with respect to the Windward Islands banana industry as mentioned earlier, four areas of actions need to be addressed. These are summarised as follows:

1. The industry has to develop a new marketing strategy which may still require some form of protection against full scale competition from dollar fruit.

This marketing strategy should be developed through a consolidation of mutual interests of the traditional U.K. suppliers and their marketing agents. Goals and strategies for securing their interests on the U.K. or European market should be clearly defined as soon as possible. The Windward Islands should seek the support of their Governments to utilise the services of an experienced lobbyist in Brussels.

2. A planned and sustained effort has to be made to further improve the productivity of the industry so as to ensure that increasing yield per acre will effectively compensate for the reduced price brought about by a more competitive market.

Uncontrolled expansion of production is hardly likely to be in conformity with this goal.

Further all parties in the industry should be most vigilant in the protection of the Islands against introduction of more virulent strains of leaf spot disease as presently affects many dollar banana producers. The spread of Moko beyond Grenada must also be contained.

3. The requirements for fruit quality standards have already been outlined. Performance records to date indicate clearly that while a few technical questions remain for the researchers to solve, the commitment to application of disciplined pre-harvest and post-harvest procedures remains the foremost requisite for the consistent improvement required to this aspect on the market place.

4. Perhaps the most all-embracing of the required changes is that the Banana Growers Association should carry out its main business of procurement and export of bananas on purely commercial principles and less on political and social considerations.

The focus on commercial objectives would embrace among other things, more discriminating payments to growers to provide incentives for timely production and good quality. All indications are that the industry is already moving in these directions.

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**Issues in the Implementation of  
Diversification Strategies**