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"Analysis of Change in Ecuador's Banana Exports to the Major Trading Partners during the period 2008-2013"

Graduate thesis prior to obtaining a

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DEDICATORY

Your smile, your eyes, your love and affection encouraged me to seek the best for you and even though you're only a child, you taught me to be a better person and a better mother, my beloved daughter Gemma.

To my mother Elvira, who supported me all the time and who took care of my little daughter in my absence.

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To my sister Nicole who always believed in me no matter the circumstances.

To my brothers Jean and Kevin, with love.

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ABSTRACT

In this graduation work "Analysis of change in Ecuador's banana exports to its major trading partners during the period 2008-2013", it has been found that the main importers of Ecuadorian bananas are Russia, the United States and Italy, which have maintained an excellent relationship with our country. After analyzing each of these countries, it has been determined that the climate, geographic location, high export costs, lack of trade agreements and the presence of plagues in our country, were the main factors that caused the decline of banana exports to these countries during the period studied. It was determined that our most direct competition is Costa Rica and Colombia, and, regarding banana exports the traditional markets: the United States and the European Union. Similarly, it was found that the potential markets in which to introduce our fruit with greater strength is China due to its large population and to its interest in fruits that provides nutrients for health care; and the United Arab Emirates and Libya for being countries with a great capacity to import product because both are oil countries.

INTRODUCTION

After three decades of economic crisis (1920-1950) linked to the decrease in exports of cocoa, the result of pests that hit the plantations of this fruit, and with falling European demand, the banana boom gave an encouraging turn to the agricultural sector and exporting of the country, this being the beginning of major changes in the socioeconomic structure of Ecuador. However, it is worth noting that today it is very difficult to compete with other exporters of this fruit, because besides having low production costs, they have other benefits that keep us from competing fairly.

In this graduate work, an analysis of the variation of banana exports to its main trading partners during the period 2008-2013 will be done, in order to demonstrate the changes in demand from major consumer markets due to several factors that have caused our fruit to lose competitiveness in the international market. Additionally, this study has the intention to present strategies as suggestions to be more competitive and thus maintain us in the foreign market, because it possesses a quality product with a unique flavor. Finally, we will analyze some of the potential markets for the future in order to learn more about these markets and increase the export volume of bananas.

CHAPTER 1
HISTORY OF BANANA PRODUCTION IN ECUADOR AND THE EVOLUTION OF ITS EXPORTS

Introduction

In this chapter, there will be an exposition of everything about the origin of bananas, its production and the banana boom since it was this which last gave a positive change to the coastal region of Ecuador. Subsequently, the first exports of bananas will be detailed, an event that helped assert the area of foreign trade more strongly and which also helped to generate more work places, not only in agriculture and exports but also collateral industries, for example, the cardboard, plastics, ground transportation, shipping, and fertilizer industries and so on. To conclude this chapter it will be determined which are the major exporter of bananas in the world thus to meet our most direct competitors and potential buyers.

1.1 Origin of bananas

According to Haareg (1985), Southeast Asia is considered the birthplace of the banana; its cultivation was developed in Malaysia and the Indonesian Islands (627). Then, in the sixteenth century, this fruit was taken to America along with the migration flow of traders in Europe (Star Fruit Company, 2014). Today, banana cultivation can be found in more than 150 countries, with about 1,000 varieties of this fruit in the world which are divided into 50 groups, the best known which is called Cavendish and which is the main variety produced for export and consumption of larger markets. (ProEcuador, 2013)

1.2 Production of bananas

In Ecuador, the banana can be found throughout the year and is considered one of the most important crops in the world, because of its high nutritional value as well as its contribution in carbohydrates, fiber, potassium, magnesium and folic acid which occupies the fourth place in importance, after milk, wheat and rice (Pedro Arias, 2004). These are some of the main reasons why this fruit is consumed almost everywhere.

For the cultivation of the banana plant, it is recommended that the soils are suitable in texture and the climate is tropical, with a temperature of 18.5ºC so its growth is not retarded. Generally, the banana is consumed as fresh fruit but there are other varieties that can be consume fried, grilled or cooked in water.

In our country, the production of bananas can be found in 20 provinces. The Coast contributes with 89%, the Sierra with 10% and the Amazon Region with 1% of the national production (Revista el agro, 2013). The coast represents the largest percentage in banana production which is an advantage because of logistical themes, being that plantations of this fruit near to shipping ports incurred in lower cost of internal transport, especially plantations of El Oro and Guayas.

1.2.1 Variety of bananas in Ecuador

The varieties that can be found in our country include: Cavendish, Orito and Red Bananas, but the Cavendish is the main product for export. Approximately 214,000 hectares are cultivated for bananas. Most of the plantations of this fruit are technologically advanced and have certifications of international quality standards. (PROECUADOR, 2015)

Illustration No. 1 – Cavendish

Source: DempoPisang

Illustration No. 2 –Orito or Baby Banana (Bonita brand)

Source: Lorenz Hacke, Belgic

Illustration No. 3 - Red Banana

Source: Frutas exóticas mundo

1.3 Banana Boom

Many years ago, Central America and the Caribbean suffered from diseases in bananas and devastating hurricanes which forced the importing countries to seek new places for this fruit's production. This event was seen as an opportunity for Ecuador, and with the financial support of the then government it was able to cultivate thousands of hectares of banana to supply the demand of bananas in international markets.

1.3.1 Year 1948

At the start of the banana boom in 1948, it was the elected president of Ecuador Galo Plaza, who was the political actor that boosted banana cultivation on a large scale. (Ledesma, 2010)

1.3.2 Year 1950

According to Acosta (2006), in the fifties, the production and export of bananas rescued the country from a depressive phase (98). In this year, the marketing of this fruit began, which contributed greatly to the development of the country both economically and socially. In regards to the economic aspect, for their participation in the Gross Domestic Product (GDP) and foreign exchange generation and the social aspect by creating direct and indirect sources of jobs, the industries of cardboard, shipping, road transport and other industries that are very important to the banana sector were also involved. (Arizala, 2014)

1.3.3 Year 1957

According to Acosta (2006), Plaza supported the construction of the infrastructure to improve international trade (99). In 1957, the ports that helped the flow of trade were built, overhanging the port of Guayaquil and Puerto Bolivar. (103)

1.3.4 Year 1965

In 1965, Ecuador represented 25% of total sales of bananas in the world. At this time it was the only producer of the variety Gross Michel, better known as the silk banana, the development of which cultivation was unique, from this date 163,772 hectares of production were registered (Fernandez, 1995)

1.3.5 Year 1967

In 1967, the banana variety Gross Michel was replaced by the Cavendish for export. However, with the development of this variety, our country was already the largest exporter of bananas in the world. Each year the annual exportation was 1.262,791 million metric tons (Fernandez, 1995). Because the Gross Michel was no longer fit for export, for pests destroyed the plantations of this variety, the Cavendish became first in importance, and it is thanks to this new production that Ecuador could keep its place in the international market.

1.4 First banana exports

According to Larrea, the predominant presence of an agricultural product for export results in changes in the economic structure of a country (Larrea, 1987). Thanks to a certain group of people, together with the benefits of the climate and soil of our country, we managed to succeed in the banana sector of Ecuador through the production and export of this fruit, thus changing socioeconomic structure our country.

1.4.1 Year 1910

According to information from Alfredo Salto, former agriculture minister, it is known that Ecuador banana exports began in 1910, when 71,617 clusters of this fruit which weighed about 100 pounds was exported(Express, 2014). The banana industry has recorded, since 1910, a marked growth despite those recorded in the two world wars and the effects of the Child Phenomenon in 1993, crises which were overcome with the effort and sacrifice of producers and exporters of our country, who exhausted their resources to maintain this activity until today. (Riofrio, 1997)

1.4.2 Year 1927

According to Acosta (2006), the year 1927 in banana exports accounted for75% of total non-oil exports of Ecuador. Since this year, exports of this fruit have increased incomparably.

1.4.3 Year 1951

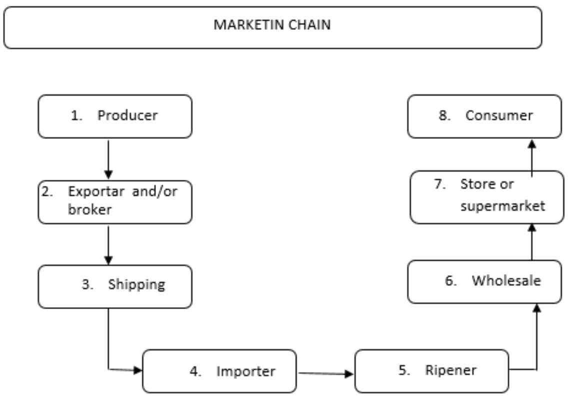
In 1951, Ecuador became the number one exporter of bananas in the world accounting for 86.06% of non-oil exports from Ecuador and therefore the banana became the first export of the country's private sector, the same that generates major economic areas for development. (Acosta, 2006). Since then our country was better seen by international markets, which remain, to this day, the main trade partners of Ecuador.

1.5 Exports of bananas today: Identifying major banana exporters in the world

1.5.1 Banana marketing chain

Before we get to the issue of banana exports at present, it is important to describe the supply chain of this fruit, and in this way to know those involved until the bananas reach the final consumer.

Graphic # 1 Banana marketing chain



Source: Juan P. Tapia Prepared by: Deborah Palomeque

As shown in graphic 1, the national producer sells the fruit, many times directly to the exporter and sometimes through an intermediary. Actually exporters are intermediaries between the producer and transnationals. Then the exporter or importer contracts the shipping, this depending on the type of Incoterm with which it is traded. The ripening and wholesale do not always do their paperwork separately because many times the importer also does the work of ripening and wholesaling. Then the wholesaler / importer sells to stores or supermarkets, so these are the means to reach the final consumer. It is worth noting that the greatest gain is obtained in shipping and supermarkets. With this we can realize that the quantity sold in supermarkets does not represent income from the exporter to sell the fruit as is commonly thought. (A.E.B.E, 2010)

1.5.2 Current Status of banana exports: Ecuador

The marketing of bananas can be performed by national and transnational companies which are responsible for supplying the demanding markets of the Ecuadorian banana.

In 2011, the three largest companies that controlled the international banana trade were Dole 26% (USA), Chiquita 22% (US) and 15% Del Monte (USA), which handled 63 % of world exports followed by Fyffes7% (Ireland) and the company Noboa 5% (Ecuador), the rest controlled 25% of exports, the most important Reybanpac (Ecuador), JFC (Russia), Acon Group (Costa Rica), Banacol and UNIBAN (Colombia). (Bananalink, 2011)

Marketing of bananas worldwide is concentrated mostly on the national and transnational companies above, which sold the largest share of bananas in the world. In this way, the world banana market can be characterized as an oligopoly because it has few sellers for the major markets: European Union and United States. (Agenda de Inserción del Ecuador, 2004)

Previously, exporters did not cover all the international supply chain and sold only "Free on Board" (FOB), i.e. up to the boat, so the remaining procedures should be engaged by the importer. Currently, much of the export of our country covered this chain because it is not necessary to be owner of ships to cover better the entire logistics chain because there are efficient shipping companies that offer this service. The company Fruta Rica located in Machala was pioneered covering the entire international supply chain successfully.

The marketers of bananas of our country sold the fruit to the big companies mentioned above, which because of being from another country, resulted in a transaction that resembles an export. However, only a few companies made exports as such, that is sold directly to international markets, for example Truisfruit (Bonita) and Reybanpac (Holding Favorita Fruit Company).

The income of bananas to the United States and the European Union is restricted because of the high competition among Latin American countries. Consequently, exporters who fail to put their fruit in these markets are forced to sell to Eastern Europe. This market is characterized by offering low prices and this represents a higher freight cost and a lower level of consumption compared to major markets.

Because the marketing of bananas in the United States and the European Union is concentrated in a few multinational companies, these impose the export price, in addition to the geographical disadvantage of Ecuador because we are farther than our competitors. That is why we are not able to negotiate better opportunities and therefore are forced to accept the price offered by the multinationals.

The banana industry maintains a strong bond with the international market, which does not leave out the various problems that may arise by competition such as the demands of buyer countries, climate changes and especially by economic conditions and foreign policy. Currently, the marketing of bananas is very competitive, the product being sold only if it responds to the needs of international markets because these are very demanding. Therefore, if we want our fruit to be competitive we must achieve their expectations which do not always have the quality standards required by consumer markets.

It is very common that bananas not selected for export be considered as a rejects and directed for domestic consumption; however, this does not mean that the fruit is bad for consumption but often they do not meet the characteristics required by their buyers. Generally, the older fruits considered as such are those which will not arrived in good condition to international markets and are therefore to be rejected for export. They also require a certain size, color, smell and shape. It is noteworthy that the banana which has been rejected can be used in multiple ways. For example, you can produce flour from banana peel, something which the Ecuadorian government is supporting for development with emphasis on bread (Andes, 2014). Further, this result could be used for making compotes for children.

The banana industry in our country has had its ups and downs due to various factors. In 2012, we stopped exporting about 25 million boxes due to a difficult period in the winter of that year which represented a great loss for banana producers and exporters of our country (AEBE, 2013). Also, keep in mind that the collateral or indirect industries depend mostly on the banana sector which have significant investments in the areas of cardboard, plastic, ground transportation, shipping, agrochemicals, fertilizers, etc., consequently if banana exports decrease, the sales of these industries will decline.

Another problem facing the banana sector is the price of a box of bananas ($ 6 in 2013), which has always been a topic of discussion in Ecuador. When producers and exporters do not agree on the official price, the state must intervene, often neglecting the fact that what should prevail is to maintain a price that can be competitive internationally and at the same time meet the needs of producers and exporters of our country.

Regardless of what the social effect of having a free price would mean, where the state does not intervene, it would be advisable to handle it this way where there is no official price and the producer or exporter who cannot handle a competitive price would leave the market. The State will always try to protect the interests of the producer who actually never loses because the price is always set by them and not by the exporters. We must consider that the international market is not interested in the price being discussed within Ecuador, since what interests them is buying fruit from a country that produces a quality product at the best price.

We cannot allow to go unnoticed that competition brings a lot of advantages because they have free trade agreements; some of them do not have to go through the Panama

Canal ($ 2 per box 2010), some are closer and the freight cost is obviously lower . (Quirola, 2010)

There are many factors that have to be analyzed before exporting a product; for example, where you have to try to be more efficient, lower production costs, and where the costs of exporting are controlled, i.e. the price of cardboard, inland freight the freight costs of shipping, finally, a number of factors that put us at a disadvantage. There must be a serious discussion between the producer and exporter and, in this way, the costs of both sides can be lowered so the price of a box of bananas can benefit the exporter and producer and most importantly the international price will be seen as better and more competitive.

1.5.3 Leading exporters of bananas: Competition

The main banana exporting countries of the world are Ecuador, Guatemala, Costa Rica, Colombia and Honduras—our country taking first place. Colombia and Costa Rica are constantly fighting for fourth and fifth place. This means that only five countries account for the largest share of banana exports in the international market. In the following table you can appreciate the leading exporters of bananas in the world.

Table No.1 - Main exporters of bananas in the world

Leading exporters of bananas in the world												
Product: 0803 Bananas, including plantains, fresh or dried.												
Unit: US Dollar thousands tons												
Year	**2008**		**2009**		**2010**		**2011**		**2012**		**2013**	
Exporters	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**
Ecuador	1,640,865	5,360,486	1,995,950	5,728,696	2,033,794	5,156,475	2,246,350	5,778,170	2,081,987	5,205,352	2,332,207	5,460,838
Filipinas	405,673	2,192,630	360,289	1,743,898	319,296	1,590,066	471,152	2,046,771	647,880	2,648,369	912,705	3,201,905
Guatemala	343,876	1,517,114	441,768	1,581,811	385,396	1,497,771	476,321	1,560,303	618,314	2,033,236	651,954	2,097,296
Costa Rica	711,664	2,070,868	448,150	1,242,200	702,009	1,915,691	722,129	1,919,235	706,741	1,885,910	780,183	1,930,756
Colombia	654,354	1,798,283	837,042	2,101,837	748,100	1,802,581	815,318	1,915,255	822,010	1,834,936	763,859	1,643,108

Source: TradeMap

Prepared by: Deborah Palomeque

It is worth noting that on the TradeMap website, Belgium appears as the second largest exporter of bananas in the world; however, this has not been included in the above table because this country sells bananas but does not produce them.

The demand in the highly competitive banana market where Colombia, Ecuador and Costa Rica are constantly competing to keep the number one spot is in the markets of the European Union and the United States. The country that has less advantage over the U.S. market is Ecuador since, because of our unfavorable geographical location, we have to abide by the price offered by the market--a problem about which little concern is given for the banana producers in our country as the decision is made by the exporters to put the price of the banana box and must be accepted by the consumer. This is obviously not true because there are different factors to consider such as freight costs, the cost to cross the Panama Canal, tariffs and so on. However, despite all of this, Ecuador has remained the number one banana exporter between 2008-2013 (Table 1).

On the next page I will show the costs for making the calculation of the export price of an Ecuadorian box of bananas in the German market taking into account that the data is from 2013.

Illustration No. 4 - Average annual export price (price-FOB)

Ecuador -Germany

$0,98 BANANA IMPORT PRICE (FOT)

- -

- $0,21 Shipping costs and tariffs *

- $0,31 Shipping and insurance costs *

- $0,11 Profit margins for imports and exports *

= $0,35 BANANA EXPORT PRICE (FOB)*

- -

-$0,09 Ecuador export price to the port of embarkation

(Including transportation costs, tariffs and administrative costs)*

= $0,26 PRICES PAID TO PRODUCERS (EXW)*

≠ $0,31 OFFICIAL MINIMUM PRICE IN 2013

Source: OXFAM report Germany

The export price being subtracted from export costs in Ecuador, and the price obtained from the official minimum price comparison. We come to the conclusion that the price is below that paid to producers of Ecuador per box of bananas. (OXFAM, 2015)

Conclusion

Finally, we can state with certainty that the main competitor of our country with regard to international exports of bananas is the Philippines, the second largest producer of bananas in the world. Yet, Colombia and Costa Rica are considered as a direct competitors for being the leading suppliers of bananas in the United States and Europe. It is worth noting that the volume of exports of bananas from Ecuador and the quality of our fruit cannot be matched or exceeded by any other country. Our fruit has been, for more than five decades, our second largest source of income after oil, thereby changing the economic situation of thousands of people on the coastal region of Ecuador by generating direct and indirect jobs.

CHAPTER 2

MAIN ECUADORIAN BANANA CONSUMERS IN THE GLOBAL CONTEXT

Introduction

As the first point in this chapter, world imports of bananas will be mentioned in order to know the total dollar amount for the purchase and tonnage of this fruit. Also, the main consumers of bananas and their main suppliers will be indicated, and a determination of their advantages over other competitors. Finally, there will be an analysis of the three main importers of bananas in the world and partners of Ecuador, our fruit consumers and those who are our most loyal customers, something which we must strengthen in order to stay within their markets.

2.1 World imports of bananas

World banana imports maintained a linear pattern with slight variations in the period of 2008-2013, especially in 2009 where there was a slight decrease that can be attributed to the global recession (FAO, 2009). In 2012, imports fell 4%, the cause of which may be attributable to the purchase of other varieties of fruit. However, despite these declines, world banana imports are increasing which shows that this fruit is positioning itself increasingly into new international markets. Additionally, today's consumers demand more and more of this fruit. In Table 2 on the following page, you will see the total amount in dollars and tons of imports of bananas in the world.

Table No.2 - World imports of bananas

Global banana importers												
Product: 0803 Bananas, including plantains, fresh or dried.												
Unit: US Dollar thousands metric tons												
Year	**2008**		**2009**		**2010**		**2011**		**2012**		**2013**	
Importers	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**
World	12,274,269	16,829,842	12,048,408	17,700,441	12,452,210	19,098,767	13,686,997	19,713,225	13,166,657	No amounts	14,057,067	25,742,618

Source: TradeMap

Prepared by: Deborah Palomeque

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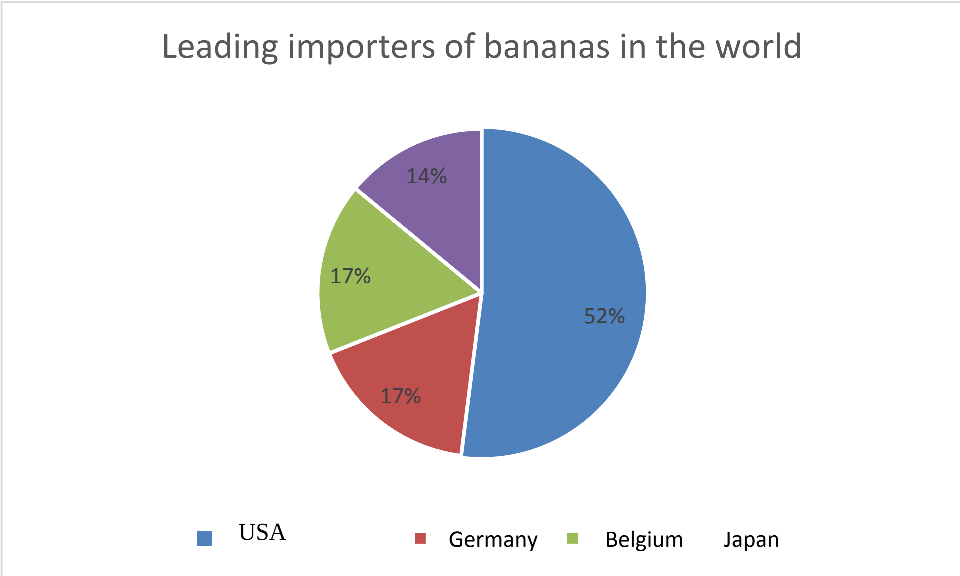
Banana imports are concentrated in two main markets: the United States and the European Union (Belgium and Germany) which are the traditional markets for world banana exports (Chart 2). But Japan is not far behind as demand increases every year and the possibility cannot be ruled out that, in a few years, other countries will lead the world banana imports.

Graphic # 2 -Major importers of bananas in the world



Source: TradeMap
Prepared by: Deborah Palomeque

2.1.1 Leading importers of bananas in the world

The United States, Germany, Belgium and Japan are the main importers of bananas in the world, but there are more than 200 importers of this fruit (TradeMap, 2015). Among them are Canada, Turkey, Chile, Argentina, France, Poland, Spain, Austria, Sweden, United Kingdom, Ireland, Saudi Arabia, Iran, Singapore, Croatia, Hungary, Bulgaria, Uruguay, Egypt, Georgia, Thailand, Republic of Korea, and so on.

The United States was the largest importer of bananas in the world between the years 2008-2013 as may be seen in Table 3, the second place was Germany, the third and fourth Belgium and Japan. The reason why Germany and Belgium occupy second and third place respectively is because these countries re-exported to other EU countries, e.g. Spain, UK, France, Poland, Hungary, Croatia, Finland, Portugal , Slovenia, Ireland, Austria, etc., but the bananas are marketed mostly within their country, particularly in supermarkets.

Table No.3 - Main imports of bananas in the world

Leading importers of bananas in the world												
Product: 0803 Bananas, including plantains, fresh or dried.												
Unit: US Dollar thousands metric tons												
Year	**2008**		**2009**		**2010**		**2011**		**2012**		**2013**	
Importers	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**	**USD**	**Tons**
USA	1,685,384	2,532,444	1,898,516	3,853,172	2,126,108	4,382,160	2,326,687	4,397,475	2,434,814	4,644,770	2,521,859	4,855,781
Germany	1,095,048	1,389,129	1,024,541	1,359,685	946,459	1,305,843	978,209	1,287,366	952,402	1,201,260	1,114,710	1,351,474
Belgium	1,942,734	1,508,573	1,622,913	1,349,918	1,548,077	1,380,257	1,605,190	1,402,597	1,427,263	1,325,182	1,476,337	1,327,538
Japan	825,843	1,092,997	1,012,704	1,252,811	850,739	1,109,588	905,705	1,064,746	886,204	1,086,738	816,677	975,394

Source: TradeMap

Prepared by: Deborah Palomeque

There will be a brief analysis of the percentage of change of the main importers of bananas in the world. The analysis will be shown every two years from 2008 to 2013.

Table No.4 - Percentage change of the main importers of bananas in the world

Percentage change between 2008-2009 (tons)		
COUNTRY	**INCREASE**	**DECREASE**
USA	52.15 %	
Germany		2.12 %
Belgium		10.52 %
Japan	14.62 %	

Source: TradeMap

Prepared by: Deborah Palomeque

In 2009, imports decreased both in Germany and in Belgium compared with 2008; this coincides with the Great Recession which occurred from 2008-2009. But for the same year imports from the United States and Japan increased which shows that the economic crisis did not affect banana imports from these countries. In some markets bananas are considered a necessity, so it is not as sensitive to fluctuations in income and prices. (FAO, 2009)

Table No.5 - Percentage change of the main importers of bananas in the world

Percentage change between 2009-2010 (Tons)		
COUNTRY	**INCREASE**	**DECREASE**
USA	13.73 %	
Germany		3.96 %
Belgium	2.25 %	
Japan		11.43 %

Source: TradeMap

Prepared by: Deborah Palomeque

Between the years 2009-2010, the U.S. and Belgium increased banana imports compared to 2009. The other importers reduced their purchases which can be attributed to the fact that this was a bad year for the national banana production in Ecuador due to bad weather (cold) where the fruit is not picked at the right temperature for export. This caused the decrease of two million boxes of bananas in the first half of this year--Germany and Japan being those fruit buyers affected as to their imports. (El Tiempo, 2010)

Table No.6 – Percentage of change of the main importers of bananas in the world

Percentage change between 2010-2011 (Tons)		
COUNTRY	**INCREASE**	**DECREASE**
USA	0.35 %	
Germany		1.41 %
Belgium	1.62 %	
Japan		4.04 %

Source: TradeMap

Prepared by: Deborah Palomeque

In 2011, the U.S. continued to rank first in imported quantity, however Belgium obtained a better result compared with 2010 (Table 3). This year, our country broke a record in the export of bananas where the largest volume of exports went to Puerto Bolivar in El Oro province, due to increased production of the fruit. As the largest producer of bananas in the world increases its world exports this can be attributed mostly to increased domestic production in Ecuador as well as lower prices, these being a very important factor to compete in the international field. (El Comercio, 2012)

Table No.7 – Percentage of change of the main importers of bananas in the world

Percentage change between 2011-2012 (Tons)		
COUNTRY	**INCREASE**	**DECREASE**
USA	5.62%	
Germany		6.69 %
Belgium		5.52 %
Japan	2.07 %	

Source: TradeMap

Prepared by: Deborah Palomeque

In 2012, the United States and Japan were the only countries that had an increase in banana imports. This year, a plague affected 30% of the Ecuadorian production and a Philippine typhoon affected more than 26,000 hectares of banana and together with this Costa Rica suffered from bad weather (Rodriguez, 2013). The decrease in imports from other countries was due to price increases and low production of the three major banana exporters.

Table No.8 – Percentage of change of the main importers of bananas in the world

Percentage change between 2012-2013 (Tons)		
COUNTRY	**INCREASE**	**DECREASE**
USA	4.54 %	
Germany	12.50 %	
Belgium	0.18 %	
Japan		10.25 %

Source: TradeMap

Prepared by: Deborah Palomeque

In 2013, the United States, Germany and Belgium increased their imports of bananas, whereas imports from Japan decreased. This is because the exports of the Philippines, the largest supplier of bananas, decreased, which is reflected in the total banana imports from Japan. Lately Philippines has suffered the presence of pests which has been responsible for the decline in sales.

Between 2008 and 2013 we can say that the United States was the only country that consistently increased its banana imports keeping them in first place as the largest importer of bananas in the world. The United States not only imports more bananas than any other country but since some bananas are re-exported to Canada it is the biggest buyer of this fruit. Other countries have had changes in their imports, mainly due to natural disasters and plagues that affected the banana plantations, thus leading supplier of bananas in the world to increase their prices.

2.1.2 Analysis of the main importers of Ecuadorian bananas

According to data from TradeMap, Ecuador exports banana to 91 countries worldwide, with the Russian Federation, United States and Italy being the main buyers of Ecuadorian bananas in the world. Consequently, they have become the most important market for Ecuador.

2.1.2.1 The Russian Federation

Ecuador is the main supplier of bananas in the Russian Federation; the two maintain a strategic relationship in multiple fields. From 2008 through 2013, Ecuador has maintained a positive trade balance with this country. Ecuador has exported more than 74 items to Russia of which 80% of total exports are bananas, flowers, and concentrated coffee extracts as well as products from the fishing sector (foreign Trade, 2015). The following table will show that Ecuador is the main supplier of bananas to Russia.

Table No.9 - Banana suppliers from Russia

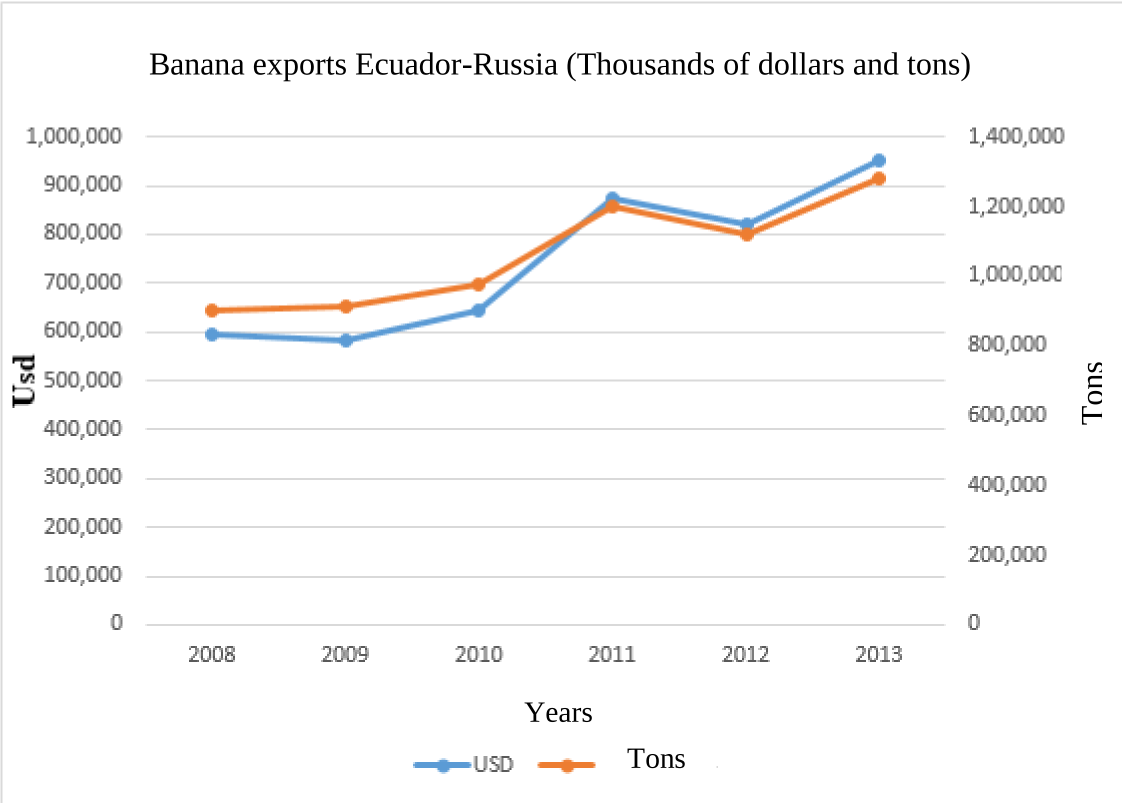
Banana suppliers from Russia														
Product: 0803 Bananas, including plantains, fresh or dried.														
Unit: US Dollar thousands metric tons														
Year	2008		2009		2010		2011		2012		2013		Total Tons	%
Importers	USD	Tons	USD	Tons	USD	Tons	USD	Tons	USD	Tons	USD	Tons	2008-2013	2008-2013
Ecuador	596,353	903,018	584,343	911,208	642,516	976,560	871,950	1,199,910	821,671	1,121,590	949,816	1,279,203	6,391,489	91,86
Philippines	20,967	31,530	16,119	24,515	19,320	29,831	24,881	35,492	28,031	37,631	18,875	23,790	182,789	2,63
Costa Rica	48,778	65,899	21,443	32,617	32,908	48,212	27,561	38,566	58,762	79,930	12,395	16,793	282,017	4,05
Colombia	155	178	3,441	5,212	6,329	9,500	13,470	18,184	10,415	13,951	10,077	13,655	60,680	0,87
México	-	-	1,721	2,559	783	1,140	356	410	98	124	2,311	2,898	7,131	0,10
VietNam	366	320	347	262	533	384	1,341	797	771	456	965	556	2,775	0,04
Panama	238	217	378	384	50	60	8,735	12,466	35	35	628	831	13,993	0,20
China	3,467	5,386	2,564	4,052	1,716	2,575	947	1,531	818	1,153	599	694	15,391	0,22
Brazil	-	-	-	-	110	166	78	86	574	606	399	438	1,296	0,02
Belarús	-	-	-	-	-	-	-	-	13	16	148	191	207	0,00
												Total	6,957,768	100

Source: TradeMap

Prepared by: Deborah Palomeque

The following chart will be allow the reader to see variations in dollars and tons of banana exports from Ecuador to Russia between 2008-2013.

Graphic # 3- Exports of bananas Ecuador-Russia



Source: TradeMap

Prepared by: Deborah Palomeque

In the chart above it can be seen that 2013 represented the best year for Ecuadorian banana exports to Russia.

Between 2008 and 2013, Ecuador has remained the main supplier of bananas to Russia representing 91.86% of total banana imports from this country. Despite the unfavorable distance from there (the Philippines is much closer) Russia prefers to buy our fruit instead of fruit of the Philippines. However, do not underestimate the distance factor as, according to news sources, Russian Ambassador Nikolay Kudashev has said that Russia may buy more bananas from the Philippines since Ecuador is far away. (Fresh Plaza, 2012)

Now, there will be a brief analysis of the percentage of change in exports of bananas from Ecuador to Russia. The analysis was done between the years 2008-2013.

Table No.10 - Percentage change in exports of bananas Ecuador-Russia

Percent Change 2008-2013 (TONS)		
ECUADOR		
YEARS	**INCREASE**	**DECREASE**
2008-2009	0.91%	
2009-2010	7.17%	
2010-2011	22.87%	
2011-2012		6.53%
2012-2013	14.05%	

Source: TradeMap

Prepared by: Deborah Palomeque

Banana exports from Ecuador to Russia varied (Table 10). They decreased for 2009 and 2012 but increased in 2010, 2011 and 2013. The changes are minor and it is important that we always recovered and with greater force. The decrease in 2009, as indicated above, is due to the global economic crisis of that year and the decline in 2012 is due to a plague that affected our plantations and so banana imports into Russia.

The years 2011 and 2013 represented the best years for Ecuador banana exports to Russia. There were slight declines in 2009 and 2012 due to the problems listed above, but it is important that we recovered.

Bananas are one of the 3 main products consumed by the inhabitants of Russia. According to international news sources, the average annual consumption per person in this country was 36 kg. However, in recent years this has increased to 71 kg. per person per annum, an increase of almost one hundred percent. Additionally, the banana is considered inexpensive in Russia and this has boosted consumption. There are now better job opportunities in this country, so there is a good economic position and people eat better. Much of the Russians buy this fruit as part of their daily diet. About nine years ago in Russia there was a consumption of 13% of Ecuadorian bananas. Currently, 50% of Ecuadorian bananas are sold in supermarkets. The advantage we have over other competitors is that our fruit can be stored for several days without losing its color. (El Universo, 2013)

Clearly, Ecuadorian banana consumption is increasing; therefore we must continue to promote our product to let people know more about this fruit and its production. This can be achieved through fairs in supermarkets. For this we must seek to make agreements such places as hotels and public schools.

2.1.2.2 The United States of America

The United States is the largest importer of bananas in the world, as explained above, which receives mostly bananas from Latin American countries (Table 11). Specifically, it can be said that 15 Latin American countries export bananas to this country, mostly because these countries are on the same continent. For this reason, the USA buys very little from more distant countries.

Table No.11 - Banana Providers of United States of America

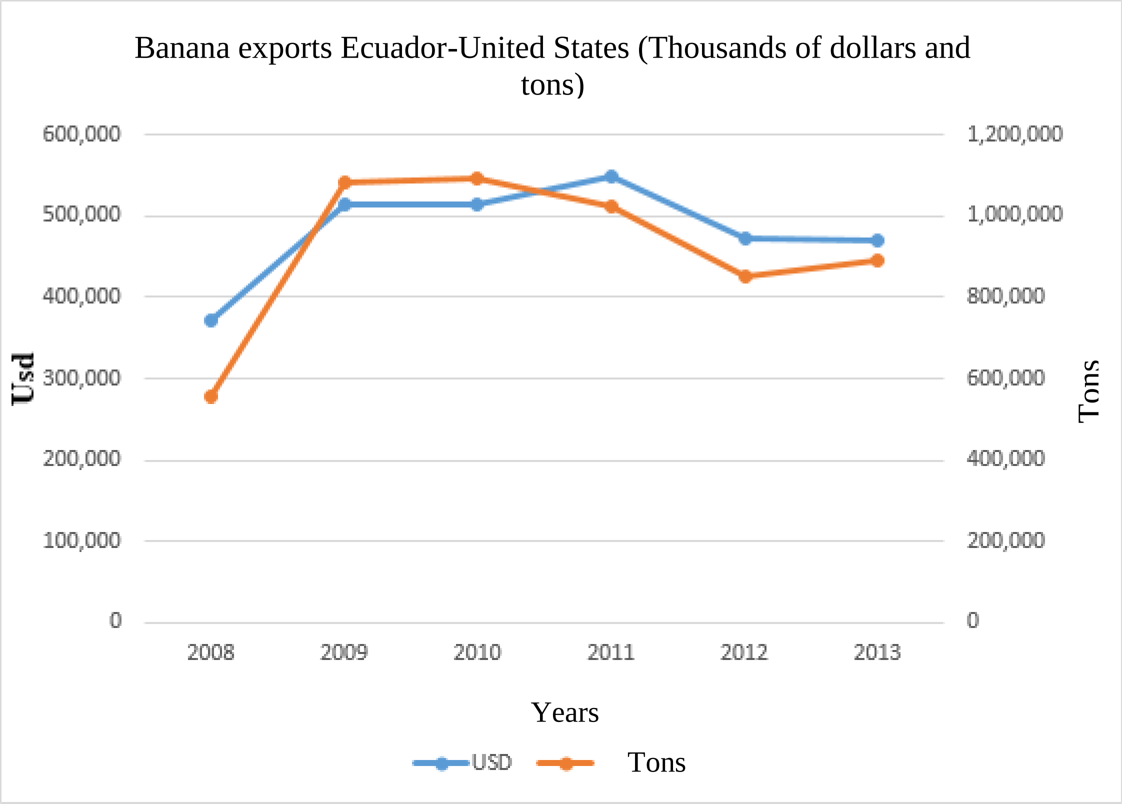
Banana suppliers USA														
Product: 0803 Bananas, including plantains, fresh or dried.														
Unit: US Dollar thousands metric tons														
Year	2008		2009		2010		2011		2012		2013		Total Tons 2008-2013	% 2008-2013
Importers	USD	Tons	USD	Tons	USD	Tons	USD	Tons	USD	Tons	USD	Tons		
Guatemala	473,985	712,205	557,559	1,161,829	553,743	1,205,357	721,013	1,387,614	790,181	1,517,328	858,488	1,675,458	7,659,791	31,08
Ecuador	371,638	558,420	513,990	1,084,502	513,673	1,090,534	547,736	1,022,859	471,460	852,618	469,907	890,778	5,499,711	22,32
Costa Rica	319,373	479,887	250,661	545,340	401,233	857,074	449,355	846,999	439,440	850,479	426,194	791,354	4,371,133	17,74
Colombia	258,447	388,340	284,681	506,517	312,940	545,170	246,232	437,981	286,261	507,611	290,424	535,519	2,921,138	11,85
Honduras	188,581	283,360	197,703	391,154	213,134	436,943	221,251	446,466	246,218	536,322	271,436	603,312	2,697,557	10,95
Mexico	34,441	51,751	56,264	106,839	71,655	148,473	75,989	152,461	116,975	238,500	145,191	272,682	970,706	3,94
Nicaragua	13,649	20,509	14,602	28,931	21,380	44,922	19,773	43,734	20,254	43,862	18,975	41,418	223,376	0,91
Peru	15,971	23,997	14,961	19,746	15,846	20,130	16,947	23,267	19,424	26,050	17,148	22,627	135,817	0,55
Panama	4,916	7,386	2,402	5,643	15,317	31,229	15,714	31,017	32,784	65,553	8,078	13,240	154,068	0,63
Domenicana Republic	150	225	1,035	1,093	184	204	735	868	2,316	2,727	4,973	6,197	11,314	0,05
												Total	24,644,611	100

Source: TradeMap

Prepared by: Deborah Palomeque

The following chart indicates the variation in dollars and tons of banana exports from Ecuador to the United States between the years 2008 and 2013.

Graphic # 4-Exports of bananas Ecuador-USA



Source: TradeMap

Prepared by: Deborah Palomeque

In the chart above it can be seen that 2010 was the best year for Ecuador's banana exports to the United States.

The U.S. buys bananas from around 37 countries of the world; however Guatemala, Costa Rica, Colombia, Honduras and Ecuador are the main suppliers. Between the years 2008 and 2013, Guatemala ranked first in banana exports to the United States, followed by Ecuador, Costa Rica, Colombia and Honduras. Guatemala has the advantage of being closer in relation to the rest of Latin America countries which is why Guatemala is the main supplier. It also enters into this market with zero tariffs because of the FTA. Also, it doesn't have to make use of the Panama Canal which reduces export costs. Ecuador is the second largest supplier of bananas of the United States accounting for 22.32% of total banana imports from the United States between the years 2008 and 2013 (Table 11).

Afterwards, one can there will be a brief analysis of the percentage of change in the export of bananas from Ecuador to the United States. The analysis will be done between the years 2008 and 2013.

Table No.12 - Exports percentage change Ecuador-US

Percent Change 2008-2013 (TONS)		
YEARS	**INCREASE**	**DECREASE**
2008-2009	94.21 %	
2009-2010	0.56 %	
2010-2011		6.21 %
2011-2012		16.64 %
2012-2013	4.48 %	

Source: TradeMap

Prepared by: Deborah Palomeque

Banana exports from Ecuador to the United States between 2008 and 2013 (Table 12). They decreased for 2011 and 2012 but increased in 2009, 2010 and 2013. The decrease in 2011 was slight but in 2012 the decrease was significant which can be attributed to a pest that affected the country's production.

The year 2009 was the best year for Ecuador's banana exports to the United States. The decline in exports in 2011 and 2012 is due mainly to the disadvantage we have against the competition because we do not have trade agreements that allow us to compete fairly and additionally we have to cross the Panama Canal, which increases our export costs and therefore the international price of Ecuadorian bananas is affected.

However, there is still hope to increase our sales, because although it’s not the year of the study, in 2014 an agreement of brotherhood between Puerto Bolívar and Port Hueneme California-United States was signed; this agreement will allow both countries to share policies to promote banana and optimize time, logistics and product handling. In this way it can be guaranteed that Ecuadorian bananas arrive in good condition at their destination. This agreement will mainly benefit the producers and exporters of the province of El Oro (Comercio exterior, 2014).

Although our bananas are sold in greater magnitude in the East Coast of the United States, you can negotiate to sell more on the west coast. The coast of the State of California where the port is located is on the Pacific Ocean as well as our port. As a result, one does not have to cross the Panama Canal. Further, it is worth indicating that, although not in the year of study, in 2015the GSP which will benefit the Ecuadorian banana was renewed.

2.1.2.3 Italy

Ecuador is the main supplier of bananas to Italy accounting for 41.24% of total banana imports to Italy between 2008 and 2013. Our main competition in this country is Costa Rica, followed by

Colombia. These countries have a free trade agreement and don't have to cross the Panama Canal, a great advantage over our fruit, which is of good quality; however our export costs are higher.

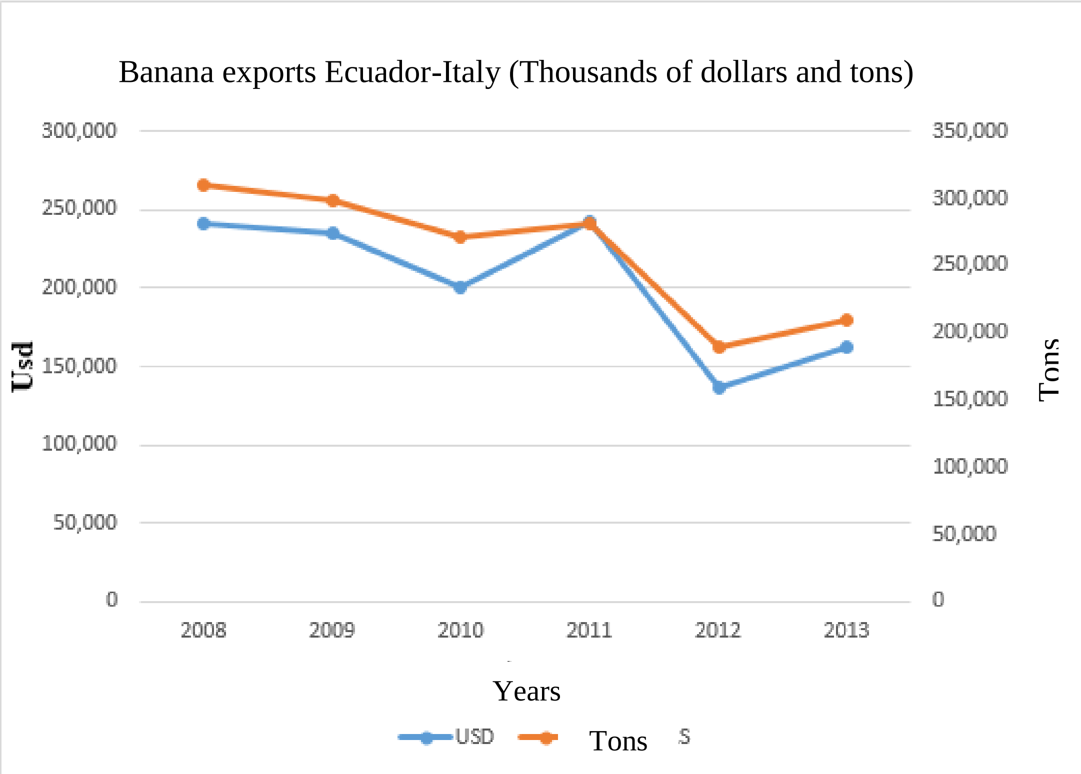
Table No.13 - Banana suppliers from Italy

Banana suppliers from Italy														
Product: 0803 Bananas, including plantains, fresh or dried.														
Unit: US Dollar thousands metric tons														
Year	2008		2009		2010		2011		2012		2013		Total Tons 2008-2013	%2008-2013
Importers	USD	Tons	USD	Tons	USD	Tons	USD	Tons	USD	Tons	USD	Tons		
Ecuador	241,173	309,441	235,265	297,886	201,040	270,725	242,689	281,601	136,906	189,392	161,875	210,213	1,559,258	41,24
Costa Rica	64,426	92,235	56,554	82,722	59,735	88,173	77,416	105,155	127,126	155,654	128,491	158,021	681,960	18,04
Colombia	78,024	116,584	86,334	129,361	96,991	146,273	75,355	116,828	78,743	132,983	96,457	144,447	786,476	20,80
France	42,220	46,095	36,799	38,858	48,401	58,311	36,174	40,059	28,507	33,593	41,442	47,013	263,929	6,98
Belgium	35,576	27,208	49,521	41,253	20,566	22,559	37,702	40,971	37,543	42,967	30,565	32,911	207,869	5,50
Netherlands (Holland)	18,558	16,610	16,177	15,113	16,707	16,744	19,765	18,446	17,777	19,295	13,978	14,150	100,358	2,65
Panama	19,618	40,352	6,205	7,906	5,388	6,886	11,777	15,346	20,365	22,106	12,320	13,310	105,906	2,80
Camerun	-	-	-	-	7,100	9,283	2,372	3,499	7,352	10,066	8,430	11,173	34,021	0,90
Mexico	62	104	4,888	9,106	139	288	28	35	183	345	7,816	11,557	21,435	0,57
Slovakia	36	42	3,332	2,533	3,600	3,007	6,176	4,800	5,574	4,599	6,442	5,042	20,023	0,53
												Total	3,781,235	100

Source: TradeMap **Prepared by: Deborah Palomequ**

The following will chart the variation in dollars and tons of banana exports from Ecuador to Italy from the years2008-2013.

Graphic No. 1 –Exports of banana Ecuador-Italy



Source: TradeMap

Prepared by: Deborah Palomeque

In the chart above it was found that 2011 was the best year for Ecuadorian banana exports to Italy.

Then there will be a brief analysis of percentage of change in exports of bananas from Ecuador to Russia. The analysis will be done between the years 2008-2013.

Table No.14 - Percentage change in exports of bananas Ecuador-Italy

Percent Change 2008-2013		
ECUADOR		
YEARS	**INCREASE**	**DECREASE**
2008-2009		3.73 %
2009-2010		9.12%
2010-2011	4.02 %	
2011-2012		32.74 %
2012-2013	10.99 %	

Source: TradeMap

Prepared by: Deborah Palomeque

Banana exports from our country to Italy varied (Table 14). They decreased for 2009, 2010 and 2012 but increased in 2011 and 2013. In 2009, it decreased due to the economic crisis that hit Europe this year. In 2010, the decrease was caused by cold weather that occurred in our country and finally, in 2012, decreased due to pests that damaged a significant number of hectares of banana plantations in Ecuador.

Recently, Ecuadorian products were exhibited at the Milan Expo 2015, the second largest city in Italy, where there was a promotion of Ecuadorian bananas. The fair in

Milan will end in October this year so we have the opportunity to promote our product to thousands of people where about 140 countries participate. (Telegrafo, 2015)

Illustration No. 5 - Milan Expo 2015

Source: The Telegraph

Ecuador maintains a positive trade relationship with Russia, the United States and Italy, and has proven to be competitive especially for its quality and taste, which has allowed it to stay in the market in these countries. However, the weather and pests are sometimes major contributors to our production decrease and is reflected in our low exports to these three countries.

2.2 Measurement of price variations of a box of bananas in Ecuador

The long debate over the price of a box of bananas is between the producer and exporter, the State acting as intermediary. Producers argue that production costs are high and the price of a box of bananas does not generate profits for them, but just enough to survive day to day. However, exporters explain that if the price of a box of bananas increases in favor of the producer, it would lose competitiveness internationally. As a result of the export price increases it would stop generating gains to the exporter. We must take into account that often one cannot negotiate the price with foreign customers because if we do not accept the price they want, they just seek other suppliers.

These disputes will always exist because producers are not interested in international issues and in the same way the exporter cares little about the several problems that producers may have in their country. This is why there is an intermediary whom the State uses to solve their conflicts and reach an agreement. Thus, it is necessary to have a real analysis of the costs generated by the banana production in our country and the costs that are generated to export the fruit and thus establish a real price and fair price of the banana box made by mutual agreement between producers and exporters, and so the price is no longer imposed by the State.

With regard to production costs, there must be a study of how much production exists per hectare, the cost of fertilizer, the cost of labor, etc. With regard to the exporter, an analysis of the cost for internal transport from the plantations to the port, the cost of cardboard, plastic, freight costs of shipping, and so on must also be considered. Further, there should be a strict control on costs of collateral industries because this affects the final price of a box of bananas.

On the other hand, the price of a box of bananas should not be automatic but should have different prices per year, according to the season (June-December Low and High of January to May) because when the demand is high, prices rise and when demand is low these decrease. It is illogical that there is one price for the whole year because we know very well that the first months of the year are high season where you can negotiate good prices, but the opposite happens in low season where prices are traded below the minimum price support, where there may be losses for the producer and exporter.

Table No.15 - Variation in the price of a box of bananas

PRICE OF THE BANANA BOX DOLLAR (WEIGHT 41.5 lbs.)					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
4.39	5.23	5.40	5.50	5.50	6

Source: A.E.BE

Prepared by: Deborah Palomeque

In 2009, the price of a box of bananas increased 19.13%. For 2010 and 2011, the price of a box of bananas increased 3.25% and 1.85% respectively. In 2012, there was no change in the price and it remained the same but in 2011 and 2013 it increased to $ 6, so there was a variation of 9.09%.

To carry out this part of the thesis, interviews were conducted with banana producers and exporters of the province of El Oro to check the discrepancy between these two actors in the banana market in Ecuador. With respect to the reference price of a box of bananas as dictated by the MAGAP in 2013, exporters believed that the price is too high so they indicate that more sales could be achieved if there is a lower price for the year to date. By contrast, producers indicate that the price is reasonable. According to the investigation I can argue that the exporters are partly right, they could improve sales if the price were lower, however, to be certain of that you would have to do a comprehensive study of the costs of banana production before the price of a box of bananas is set as the fixed costs are not consistent every year.

On the other hand, it is important to mention that the reference price will influence export volumes according to the seasons, of which exporters say that at first, when the season is high, will not have much influence. In the low season, you will notice a significant decline in export volumes and a significant drop in international prices.

Conversely, producers believe that this does not have much influence. The analyses of exporters are the most logical, everyone knows that in high season that prices are the best and this is due to increased demand and conversely in low season where demand lowers prices are very low. You cannot have the same price of a box of bananas for the full year since sales are not the same in every month, and it changes too much.

About the cost of production, Salomon Fadul, producer and exporter of bananas, believes that costs are heavily dependent on farmer productivity. There are small producers who are very efficient and there are medium and large producers that are not efficient. Productivity refers to the number of boxes per hectare per year. The costs and economies of scale are lower for the largest and most efficient producers. For small producers, it costs them to produce (from 1 to 10 hectares) $ 5, to medium producers (11 to 50 hectares) $ 5, and large producers (over 50 hectares) from $4.50 to $ 5. To achieve greater productivity one should point to an average of 2,500 boxes per hectare per year (18.4 kg net or 19.45 net 22XU kg boxes). Typically, about 1,700 boxes are produced per hectare per year, which is considered low productivity compared with our competitors, Colombia (2,200 boxes), Costa Rica (2,500 boxes) and the Philippines (3,000 boxes). (INIAP, 2011)

It is clear that we must improve our productivity per hectare, which would bring us a great advantage over Colombia and Costa Rica, the productivity of these two countries being better than ours and resulting in costs which are lower and would be more competitive.

Colombia and Costa Rica, according to most respondents maintain a price equal to Ecuador, but others argue that Colombia and Costa Rica kept lower CIF prices than Ecuador, and indicated that NAFTA gives them a competitive advantage over the Ecuadorian fruit, which in the off season, costs to place in the international market.

The advantage of Costa Rica and Colombia is that they do not have to cross the Panama Canal, the distance is less and therefore the CIF costs are lower. This is something we cannot change but what we can do is press for there to be a trade agreement with our main buyers. According to Eng. Alfredo Montalvo, the price is not the only factor to be analyzed when comparing FOB prices between countries. We should consider the distance between markets, the use of the Panama Canal, taxes in destination countries, export taxes, etc.

Regardless of price, our competitive advantage, according to information from respondents is the quality but some also believe that quality plus volume are our biggest advantages. Besides, others believe that taste is a very important and recognized, and in certain markets Ecuador is a specifically requested fruit mainly from the province of El Oro quality.

There are different variables that should be taken into account when comparing exports from major competitors such as Colombia and Costa Rica. We are the largest exporter of bananas in the world and our quality may be the best but the disadvantages are present, which do not allow us to compete fairly in the international field.

Conclusions

Finally, we can say that between the years 2008 to 2013 the largest importer of bananas in the world was the United States, and Guatemala was its largest supplier. Yet our participation in this market has also been high, such as in the European Union and Russia, our largest buyer being the latter.

With regard to the price of a box of bananas and the discrepancy between the exporter and producer, we can say that a better agreement could be reached between the two parties, if the State didn’t intervene. Following the experience of Colombia, the State should constantly be conducting research on how to better our productivity thereby changing its role in facilitating the development of protective and international producers. (El Espectador, 2008)

CHAPTER 3

HISTORICAL AND CURRENT TRADE RELATIONSHIPS BETWEEN MAIN CONSUMERS AND ECUADOR

Introduction

We have a long commercial experience with major consumers of Ecuadorian bananas, but it has not been easy to stay in the game, so it is very important that we seek ways to meet their needs as potential customers and achieve trade agreements that allow us to compete better in their markets.

There have been several shortcomings in the international field which have put us on a tightrope as to the banana exports of our country as was the suspension of ATPDEA that benefited the entrance of our fruit into one of the most important markets in the world, the United States. We cannot let this happen again and we must ensure the seeking of less tariff preferences and long-term trade agreements.

In this chapter we will begin to indicate the historical and current relationship with the main importers of Ecuadorian bananas, then the trade agreements and / or historical tariff preferences will be indicated, then an analysis of the strategies used in the banana sector and finally we will mention some of the current tariff preferences.

3.1 Historical and current trade relationship: major consumers of Ecuadorian bananas

3.1.1 Russia

In 1970, Ecuadorian exports to Russia were about 10,000 metric tons of bananas. Banana exports to this country were a big challenge because of the uncertainty of whether or not this country would be buying more of our bananas in the future (AEBE, 2014). This and the issues of logistics--distance, and freight cost and finally a variety of factors put at risk the possibility of continuing to export bananas to the Russian market. Although not corresponding to the year of study and considering that the data page of the Central Bank indicates figures only since 1990, it is worth noting that in this year Russia exported over 12,000 metric tons of bananas which gave more hope to the banana sector in our country as exports have been increasing each year. (Central Bank of Ecuador, 2015)

Likewise, although not for that year of study, until April 2015, Ecuador exported more than one and half million metric tons of bananas to Russia which demonstrates the large market we have gained for having persisted for many years until this country has become the main buyer of bananas. (Central Bank of Ecuador, 2015)

Table No.16 - Exports of bananas from Ecuador-Russia

Banana exports 1990-2015					
Country	**subheading Nandina**	**Description Nandina**	**tons**	**FOB - Dollar**	**% / FOB - Dollar**
Russsia	803901100	Tipo "Cavendish valery"	15,218,469.95	4,449,084,000	15.31

Source: Banco Central del Ecuador

Elaborated by: Deborah Palomeque

Between the years 1990 and 2015 Ecuadorian exports to Russia totaled15,218,469.95 million tons of bananas.

3.1.1.1 Historical trade agreements between Ecuador-Russia: Bananas

Russia is the main destination for exports of bananas from Ecuador and this has enjoyed a long business history with our country, although thus far there has not been a trade agreement that benefits banana exports. Therefore, the only thing that can protect us would be the same tariff preferences that have existed for many years. In this market the lowest prices are offered plus other disadvantages compared to the competition are presented regarding the distance, the time of year, the need for icebreaker ships, etc. Therefore, the lack of a trade agreement puts us at a greater disadvantage.

3.1.1.1.1 General System of Preferences (GSP)

The GSP was implemented in 1992 when the Government of Russia approved a list of products eligible for a preferential tariff scheme for products from developing countries such as Ecuador, where the banana is favored. (PROECUADOR, 2010)

Table No. 17 -Rate to imports subheading 0803

Product code	**Description of the product**	**Description trade regime**	**rate applied**	**Equivalent ad valorem rate of the total (estimated)**
0-803009000	Bananas , incl. Plantains, fresh or dried: dry	Preferential tariff for the countries of GSP	3.75 % or $ 18.31 / Ton.	3.75%

Source: PROECUADOR

Prepared by: Deborah Palomeque

3.1.2 The United States

Being transnationals of American origin, this boosted production of bananas in our country and in 1951 we became the number one banana exporter in the world where our main destination was the United States. In 1990, more than one million metric tons of bananas were exported, which certainly proves how important it was for the banana market. (Central Bank of Ecuador, 2015)

Table No. 18-Exports of bananas from Ecuador-US

Banana exports 1990-2015					
Year	**subheading Nandina**	**Description Nandina**	**tons**	**FOB - Dollar**	**% / FOB - Dollar**
USA	803901100	Tipo "Cavendish valery"	17,658,133.52	5,009,886,000	17.24

Source: Central Bank of Ecuador

Prepared by: Deborah Palomeque

Between 2014 and April 2015 exports to The United States of America were 1,115,302.29 metric tons of bananas. Our trade relationship is always growing and to date they remain our second largest buyer of bananas (Central Bank of Ecuador, 2015). Between the years 1990 and 2015 Ecuadorian banana exports to the U.S. totaled 17,658,133.52 tons of bananas.

3.1.2.1 Historical trade agreements between Ecuador-U.S.: Banana

3.1.2.1.1 Andean Trade Preference Act (ATPA)

The ATPA or Andean Trade Preference Act became effective in Ecuador in 1993 and expired on December 4, 2001. However, the Andean countries did their best to achieve its extension and expansion. Thus, the August 6, 2002 Andean Trade Preference and Drug Eradication Act (ATPDEA) was signed extending the ATPA preferences. The ATPDEA this time was extended until 2006 and covered more products. This new law on tariff preferences had been renewed every year until its end in 2013. The loss of ATPDEA was due to political problems with the United States.

Tariff preferences are a double-edged sword because, having benefits to import our products with zero or low tariffs to any country are a political wildcard that can be used at any time to threaten us. Such was the situation with the Snowden case, as it generated a political conflict between the United States and Ecuador which resulted in the non-renewal of the ATPDEA.

3.1.3 Italy

In the eighteenth century, Ecuadorian bananas began to be exported to Italy, where it saw a declining trend due to the economic crisis that began in 1974. But for 1990, 115,491.52 metric tons of Ecuadorian bananas were exported. (Central Bank of Ecuador, 2015)

Table No. 19-Exports of bananas Ecuador- Italy

Banana exports 1990-2015					
Years	**subheading Nandina**	**Description Nandina**	**Tons**	**FOB - Dollar**	**% / FOB - Dollar**
USA	803901100	Tipo "Cavendish valery"	14,371,558.28	4,000,832,000	13.77

Source: Central Bank of Ecuador

Prepared by: Deborah Palomeque

Currently 309,860.33 metric tons of bananas are exported and the trend is rising. (Central Bank of Ecuador, 2015) From the years 1990 to 2015 the exports of bananas from Ecuador to Italy totaled 143,714,558.28 tons of bananas.

The commercial relationship between the United States and Ecuador has always remained positive, it being our largest trading partner, but until now they have not been able to sign a trade agreement that benefits banana exports. Just as in Russia, Ecuador's exports come under preferential tariffs. It is worth emphasizing that these are not eternal and that the recently lost ATPDEA and GSP were newly renovated in 2015.

Unfortunately, like the United States and Russia, there is not a trade agreement that benefits banana exports from Ecuador. However, it is worth noting that recently a trade agreement was negotiated with the EU, even though this is not something concrete, and is expected soon enough to allow us to compete fairly in the European Union because we know that other banana exporting countries have commercial agreements with this block.

The lack of a trade agreement with our major trading partners is a major drawback for exporters of bananas and the tariff preferences are not forever and so we cannot compete in this way. We have spent many years selling our bananas abroad and it is time that we make a concrete trade agreement the UE, Russia, and the United States.

3.2 Analysis of the strategies that have been used in the banana sector

In this part of the third chapter we will see three strategies used in the banana sector which have allowed us to strengthen our ties with our major buyers. First, alternative markets in which to introduce our fruit will be mention, the new trend of organic bananas and finally a new strategy that is proving positive for the small producers of our country.

3.2.1 Alternative markets

The search for alternative markets as was done when we began selling bananas to Chile, Argentina and Russia, is one of the most important strategies that has been used in our country because before we only concentrated on selling our fruit to the traditional markets of the United States and the European Union. These markets are saturated, so it is necessary to continue looking for new niches that will allow us to continue growing as an exporter and in order to improve the quality of life of all people in our country, namely, by generating more jobs.

3.2.2 Organic Bananas

There has been a turn to the product as a healthy food in that some banana exporting companies such as Fruta Rica (located in Machala) have promoted organic bananas and many importers of bananas have begun to buy this product without chemicals, with no interruption to the buying of conventional bananas. Unfortunately, the cost of production of organic bananas is high and in low season the price decreases leaving the producer and exporter with no gains.

In 2008, this author had the opportunity to conduct a technical visit with two representatives of a supermarket of Germany, who came to Machala, Ecuador in order to visit the plantations of organic bananas and verify that the product they were buying was 100 % organic, i.e. containing no chemicals, and that these plantations were far from the conventional banana plantations, and therefore could not be contaminated with chemicals sprayed on there.

It was evident that it is very important for them to sell quality products that are 100% healthy foods because they had to make sure what they were buying to be offered in its stores was a healthy product--"organic bananas". This in no way means that the conventional banana is not healthy but there is a new trend towards organic vegetables and grapes which have led to the availability of organic bananas.

3.2.3 Bananas fair price

This strategy involves a new type of direct export producer, which aims to guarantee producers a fair income and which will cover sustainable production costs and subsistence costs (Coscione, 2008). Producers will have the Fairtrade certification world that is now favored in international markets.

Illustration No. 6 - Seal Fairtrade

Source: First Aid Marketing

The policy is that all Fairtrade banana producers receive a premium of one dollar per box for investments in development (Table 20). The Fairtrade Premium is paid in addition to the price, be that the market price (which applies if it is higher than the minimum price of Fair Trade), the negotiated price (whichever is higher than the Minimum Price Fairtrade) or the minimum Price or Fairtrade. (Fairtrade, 2015)

Table No. 20 -Table minimum price and Fairtrade premium

Product Specific Criterion	product	quality	Form	Country / Region	Price level	Unit	Quantity	Coin	Fairtrade minimum price	Fairtrade premium
Fresh fruit	Banano	conventional	Fresh	Ecuador	EXW	Kg	18.14	USD	6.3	1.00
Fresh fruit	Banano	conventional	Fresh	Ecuador	FOB	Kg	18.14	USD	8.85	1.00
Fresh fruit	Banano	organic	Fresh	Ecuador	EXW	Kg	18.14	USD	9.05	1.00
Fresh fruit	Banano	organic	Fresh	Ecuador	FOB	Kg	18.14	USD	11.6	1.00

Source: Fairtrade

Prepared by: Deborah Palomeque

In the province of El Oro, a great organization of banana producers called ASOGUABO, exports exclusively with this label (Fairtrade) to the European Union. In order to be able to use this seal, the Association receives a bonus for each box that is audited periodically. "When the producer needs the assistance of an exporter to do the exporting of Fairtrade, producers must make a request to the certifier confirming that an exporter needs to export Fairtrade products on their behalf" (Fair Trade International, 2011). This will gradually leave U.S. multinationals to negotiate directly with the European Union.

3.3 Trade Agreements in force internationally

Currently we do not have trade agreements that benefit the banana, and as already indicated, we only have tariff preferences. We are still in negotiations to finalize a trade agreement with the European Union. However, the possibility of signing the agreement continues to be uncertain to date.

In recent years there has been a decrease in the Ecuadorian banana exports since Colombia and Peru signed an agreement with the European Union before us which has given them much advantage in the world market at a price of 0.37 cents less than ours per box of bananas. (El Comercio, 2015)

Currently, our fruit enters the European market at a tariff of 130 to 140 euros, but if it were to realize a trade agreement with the European Union, the tariff would be 104 euros which would drop progressively to 75 euros in 2020. This agreement expects banana production in Ecuador to increase to around 5% and to reduce production costs. (El Telegrafo, 2014).

Today, a greater value than that of our competition is the aim. Ecuador sold more than 60% of its exports to Europe therefore we must have to have a competitive price to keep us in the game and continue to see it grow, otherwise it may risk the employment of many people in the country. (Trade, 2015)

Conclusion

In the banana sector they have used several strategies that have allowed us to stay in the international market such as the search for alternative markets since the traditional markets were saturated due to high competition. I believe that the sale of organic bananas is a strategy that has become fashionable as several agricultural products are already being marketed in the same way. A new strategy, known as Fairtrade, has allowed us to introduce our fruit directly in foreign markets without the need for a transnational brand.

Trade agreements with our major trading partners remain uncertain and meanwhile the tariff to enter the European Union continues to decline for our competition if they have a commercial agreement thereby putting us at a disadvantage.

CHAPTER 4

POTENTIAL EXPORT MARKETS OF THIS PRODUCT IN THE FUTURE

Introduction

The quality of our fruit is recognized internationally and increasingly has more acceptances in new niche markets so our challenge is to keep them and increase yearly export volumes without increasing the area of production but, at the same time, maintaining high productivity rates, pointing to an average of 2,500 boxes per hectare. In this way we can be more competitive and have the ability to withstand the market during low months.

Firstly, some of the potential markets for Ecuadorian bananas will be analyzed in this way to educate others about this country and the benefits of its insertion into this market. Secondly, the strategies that are being used will be mentioned and some that that must be reinforced in this market. I will conclude this chapter with a discussion of the possibility of forming a group of banana growers with the major banana producing countries of Latin America.

4.1 Business opportunities: analysis of potential markets

4.1.1 China

The Asian giant is an interesting market for Ecuadorian bananas, not because of the price that could be negotiated but for its millions of inhabitants, a place where we could introduce our fruit in large volumes. The ideal thing would be to increase our exports, since several years ago we began exporting bananas to China, with good reception in recent years. To increase our sales we have to make major promotional campaigns in areas where bananas were most consumed, such as in the north and east of China.

Table No. 1 –Exports of bananas: Ecuador-China

Bananas, including plantains, fresh or dried						
Ecuador exports to China (USD)						
2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
1,588,000	372,000	1,044,000	3,967,000	18,550,000	14,964,000	130,131,000

Source:Trademap

Prepared by: Deborah Palomeque

Although in 2009 Ecuador's banana exports to China decreased there has been a change and exports have increased since 2010. The increase was due to the decline in banana production from its main supplier, the Philippines, because a pestilence hit banana plantations in this country. Thus being unable to meet demand from China, the country decided to buy the fruit from Ecuador. However, quite apart from the problems relating to the competition, it is worth noting that this Asian country chooses our fruit for its quality and taste. "China is no longer a country that governs its demand by the price, but the quality." (Telegraph, 2015)

Although not part of the study year, 2014 was the best year for banana exports to China so it is expected in 2015 to be even higher even though the distance (more than 30 days from Ecuador from Philippines 8 days) and the high cost of tariff (10% Ecuadorian banana box, Philippines enters in China duty free) have not prevented our fruit from taking hold in this country in such a short time. In addition, the Philippines is very vulnerable to weather conditions and severe seismic activity and this is an opportunity for us. Not that we are happy about the disasters of this country, but we must take advantage of the fact that this country cannot supply the Chinese market because of the unfortunate natural disasters there. (Telegraph and Trade, 2015)

4.1.1.1 Important Facts About China

Table No. 2 –General characteristics of China

GENERAL CHARACTERISTICS OF CHINA	
Official name	Republic of China
Capital	Peking
Most populous city	Shanghai
Official language	Mandarin
Gentilic	Chinese
Form of government	Socialist Republic market economy
President	Xi Jinping (March 2013)
Foreign Minister	Wang Yi (since March 2013)
Currency	Yuan

Surface	9,596,900 km2, is the world's fourth largest country
Limits	China has border limits with the following countries: Afghanistan, Bhutan, Myanmar, India, Kazakhstan, North Korea, Kyrgyzstan, Laos, Mongolia, Nepal, Pakistan, Russia, Tajikistan and Vietnam.
The nearest countries that have maritime border with China are:	Japan, North Korea, South Korea, the Philippines and Vietnam, Brunei, Malaysia, Singapore and Indonesia.
Total population	1,370,536,875 inhabitants (2010 census)
GDP (PPP)	US $ 17.63 billion
Nominal GDP	US $ 10.36 billion/ capita US $ 7.589

Source: Foreign (Diplomatic Information)

Prepared by: Deborah Palomeque

The most populated areas of China are in the East and the least populated and poor in the West. The main cities are Beijing, Shanghai, Guangzhou, Tianjin and Chongqing, where the banana is known as Bananal and its translation into Chinese is 香蕉. (PROECUADOR, 2015). In this country, the banana is consumed raw and cooked, and although banana imports increased with the passing of the years, the per capita consumption of bananas is less than the world average, barely 6 kg per person when the global average banana consumption per person is 9.51 kg. (Calderon, 2013)

4.1.2 Banana imports from China

The banana producers of Ecuador see China as a country full of opportunities, not only for its large population, but as a country that takes nutrition seriously, where bananas are known for great nutritional benefits and as well as great taste. It has become one of the favorites with Asians, who increasingly demand this fruit.

Table No. 23 –Suppliers of banana to China

Suppliers banana of China							
Product: 0803 Bananas, including plantains, fresh or dried.							
Exporters	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Philippines	127'877,000	154'421,000	205'368,000	367'030,000	299'237,000	278'104,000	556'570,000
Ecuador	1'255,000	3'116,000	1'413,000	5'262,000	30'964,000	21'321,000	186'495,000
Thailand	6'707,000	8'529,000	5'845,000	11'406,000	21'703,000	22'183,000	32'918,000
Indonesia	0	9,000	0	14,000	116,000	1'745,000	13'766,000
Costa Rica	0	12	3'729,000	1'983,000	2'970,000	2'353,000	9'975,000
Myanmar	545	10'487,000	24'383,000	8'069,000	8'123,000	7'232,000	9'851,000
Viet Nam	2'116,000	2'247,000	4'609,000	6'336,000	1'998,000	2'760,000	2'976,000
Taipei Chino	0,00	9,000	1'356,000	1'325,000	747,000	215,000	62,000
Lao, República Democrática Popular	47,000	182,000	115,000	302,000	0	0	0
Germany	2,000	2,000	1,000	0	0	0	0
Japan	0	1,000	0	0	0	0	0
Poland	0	0	0	2,000	0	0	0
United Kingdom	0	0	0	0	1,000	0	0

Source: TradeMap

Prepared by: Deborah Palomeque

Between 2008 and 2011, the Philippines was the largest supplier of bananas to China (Table 23), however in 2014, Ecuador exported to this country only half the amount exported from the Philippines (Table 21), which makes Ecuador its most direct competitor since, by comparison, exports from Thailand, Vietnam and Myanmar in 2014, are negligible.

Currently the Ecuadorian banana exports to China do not maintain any tariff preference and it applies the MFN tariff (MFN) 10% for heading 0803 which corresponds to "bananas, fresh or dried". (PROECUADOR, 2015).

Tabla No. 3 – Tariff rate

TARIFF RATE	
COUNTRIES	**AD VALOREM**
Philippines	0%
Myanmar	0%
Thailand	0%
Vietnam	0%
Ecuador	10%
Costa Rica	9.30%
Taipei Chino	5%
Republic Lao	0%

Source: ProEcuador

Prepared by: Deborah Palomeque

It is remarkable that we have a disadvantage in the matter of tariffs, and that we have the highest rate which hurts our trade or competitiveness. But our product is of better quality and taste which is why China is buying from us each year in higher and higher amounts. Thus it is expected that Ecuador will negotiate a lower tariff with China in order to allow us to compete fairly.

4.1.3 Strategies: Banana's position in the Chinese market

In order to jockey a stronger position in the Chinese market, they have fostered several strategies that will certainly help to keep our fruit in this market and increase export volumes. As mentioned above, the bananas from the Philippines enter the Chinese market duty free and it takes only 8 days to reach their destination while ours takes additional 30 days and we have to assume the highest tariff. However, according to the figures shown in Table 21, we can notice that we had very good acceptance in 2014, which gives us hope to continue growing in this market and thus campaigning in Chinese supermarkets so that they learn more about our fruit. In this way we can position ourselves as premium fruit. Along these lines, supermarket chains such as Carrefour, Walmart, Metro and Auchan are supporting us with this campaign (Telegraph, 2015)

Illustration No. 7 - Supermarket in China

Source: People Magazine

The slogan, "The best bananas in the world comes from middle of the world: Ecuador" not only implies that we have the best fruits but that we are concerned that the world is interested in acquiring them and knowing more about our country. This is why recently there was a campaign impelled by PROECUADOR in Shanghai and Guangzhou, which lasted nine days in order to promote activities with free tastings and discounts in supermarkets in some shopping centers in East China (El Universo, 2015).

The campaigns are essential for people to know and become interested in our product through the explanation of the logistics chain of bananas from its cultivation until it reaches its destination. Additional explanations of all the benefits that bananas have as well as the opportunity to enjoy its exquisite taste will aid in teaching people that not all bananas in the world are the same and that ours is characterized by having the best flavor. This campaign was attended by a nutritionist who endorsed all the benefits of bananas, rich in potassium, and as mentioned above, nutrition is very important to the Chinese so this advantage weighs heavily in the Chinese market.

4.2. The United Arab Emirates (UAE)

The UAE market is interesting because of its high prices and, although currently we have not fully achieved a place in its market, there is hope to increase our exports.

Tabla No. 25- Export bananas: Ecuador UAE

Bananas, including plantains, fresh or dried						
Ecuador exports to UAE (USD)						
2008	2009	2010	2011	2012	2013	2014
968,000	322,000	130,000	42,000	590,000	1’348.000	2’214,000

Source: TradeMap

Prepared by: Deborah Palomeque

We started to export bananas to UAE in 2008 (Table 24), but this had drastic declines in 2010 and 2011, recovering in 2012 and having a good result in 2014. Our goal is to learn more about this market.

4.2.1 Important Facts UAE

Table 26: General characteristics of UAE

GENERAL CHARACTERISTICS UAE	
Official name	Arab Emirates
Capital	Abu Dhabi
Most populous city	Dubái
Official language	Arabic
Demonym	Emiratí
Form of government	Constitutional monarchy and presidential federal elective (federation of seven emirates)
President	Jalifa binZayed Al Nahayan
Foreign Minister	Abdullah bin Zayed Al Nahyan
Currency	Dirham emiratí
Surface	83.600 km2
Limits	To the NE and SE with Oman, east of the Gulf of Oman (Indian Ocean), west and south by Saudi Arabia and the north by the lf
Total population	.'264.070 (2010, when the last official census)
GDP (PPA) 2012	US$ 27’150.000 billon
Nominal GDP (2012)	US $ 360,200 million / US $ 69,799 per capita

Source: Foreign tab country

Prepared by: Deborah Palomeque

4.2.2 Market size

4.2.2.1 Market Segmentation (city)

Table 27: Population in the major regions of United Arab Emirates.

POPULATION IN MAJOR REGIONS UAE	
Regions	**Populations**
Dubai	2’105,875
Abu Dhabi	2’121,700
ºSharjah	800,000
Ras al Khaimah	240,000
Ajman	236,000
Fujairah	108,000
Umm al Quwain	62,000

Source: Pro Ecuador

Prepared by: Deborah Palomeque

4.3 Consumption per capita

The per capita consumption of bananas is 15.37 kg.

4.3.1 Consumer Product Forms

65% of the population consume bananas as fresh fruit, desserts 25% and 10% as added to desserts. (PROECUADOR, 2013)

4.4 Foreign Trade

4.4.1 Banana imports to the UAE

Table 27: Suppliers banana UAE

Banana suppliers in UAE							
Product: 0803 Bananas, including plantains, fresh or dried.							
Exporters	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Philippines	11’165,000	10’692,000	11’494,000	14’689,000	42’247,000	78’960,000	52’921,000
India	4’590,000	8’232,000	7’427,000	6’379,000	9’632,000	8’965,000	13’033,000
Sri Lanka	358,000	578,000	693,000	1’207,000	736,000	1’836,000	4’939,000
Ecuador	968,000	322,000	130,000	42,000	590,000	1’348,000	2’214,000

Source: TradeMap

Prepared by: Deborah Palomeque

Between the years 2008 and 2014 the Philippines was the largest supplier of bananas to the UAE, followed by India, Sri Lanka and finally Ecuador.

4.5 Tax regime: Tariffs
4.5.1 General Tariff contingent product

There is no tax tariff to products with the codes of banana. (PROECUADOR, 2013)

4.5.2 Existing trade agreements with Ecuador and the rest of the world

There is no agreement on bananas neither between the UAE and Ecuador nor for the other countries.

4.6 Strategies: positioning bananas in the UAE market

The UAE is a new market for Ecuadorian bananas which is expected to increase over time. For this, it is important that we enter the market in places which are the most populous in the country such as Dubai and Abu Dhabi. In addition to having the largest number of inhabitants, this the country with the highest income compared with the rest of the 7 Emirates. Bananas are very popular in this country and have no local production which means that most bananas sold in supermarkets are imported.

Illustration 8: Packaging Dole: banana

Source: Health life deals

The consumer usually focuses on the physical product and their presentation and gives little importance to the place of origin or in the price of bananas. Consequently, for this strategy we should attempt to take our place in this market by improving presentation in the packaging and most of all, in quality, and in this we have an advantage because our bananas are the best in the world.

4.5.1 Libya

Libya is an oil country that has great purchasing power, making it a major importer. This is a country which has been importing Ecuadorian bananas since 2007.

Table No. 28- Exports of bananas: Ecuador-Libya

Bananas, including plantains, fresh or dried						
Ecuador exported to Libya						
2007	2008	2009	2010	2011	2012	2013
2'136,000	0	319,000	5'787,000	46,000	22'883,000	21'774,000

Source: TradeMap

Prepared by: Deborah Palomeque

As shown in Table 25, Ecuador began to export bananas to Libya in 2007, the best year being 2012.

Table 29. Banana suppliers for a product imported by Libya

List of supplying markets for a product imported by Libya Status						
Product: 0803 Bananas, including plantains, fresh or dried.						
Exporters	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Ecuador	0	319,000	5’787,000	46,000	22’883,000	21’774,000
Costa Rica	0	0	3’479,000	0	415,000	6’655,000
Guatemala	0	0	0	0	0	95,000
Jordania	0	0	0	42,000	14,000	0
Philippines	72,000	0	0	0	0	0
India	0	36,000	13,000	0	0	0
Egytunezpt	108,000	0	0	309,000	71,000	0
Tunisia	0	0	0	3’337,000	0	238,000

Source: TradeMap

Prepared by: Deborah Palomeque

Ecuador is the largest trading partner of Libya with respect to bananas, followed by Costa Rica, the rest being insignificant banana imports from other countries.

4.6 Important Facts Libya

Table 30: General characteristics of Libya

GENERAL CHARACTERISTICS OF LIBYA	
Official name	The Libyan State
Capital	Tripoli
Most populous city	Tripoli
Official language	Arab
Demonym	Libya
Form of government	Provisional government, head of state and prime minister.
President	Aguilah Salah IssaGwaide
Foreign Minister	Said Ibrahim Eikhetali
Currency	Dinar libio
Surface	1'759,540 km²
Limit	Libya bordered on the west by Tunisia and Algeria, on the south by Niger and Chad, to the east and southeast Egypt with Sudan.
Total population (2014)	6'244,174 inhabitants
GDP (PPP) 2010	US$ 90 841 mil
Nominal GDP (2011)	US$ 36 874 mil

Source: Foreign tab country

Prepared by: Deborah Palomeque

4.6.1 Strategies: Positioning bananas in the Libyan market

In the Libyan market we cannot enter through the big supermarket chains because the distribution system of this country is old, where the importer is the distributor and retailer at the same time. Products are available in small shops, then the only way to reach this market is through the importer, inviting him to our country to know the banana plantations and shipping ports, to know the logistics and distribution chain within our country. In this way, one can learn how the banana is packaged until it is put into the container and so this person can share their experience with the rest of Libyan retailers so they can become interested in acquiring Ecuadorian bananas increasingly.

4.7 Reinforcement of banana producing countries by trading blocs

Ecuador is the number one in export volume and so it is important to propose alliances with banana producing countries in order to have fair competition where all can enter equally.

Goals:

- Contribute to increase the banana consumption and the search for new markets

- Maintaining a balance between supply and demand so that in this way it will not affect the international price

- Maintain a constant dialogue between banana exporting and importing countries

- Propose improvements to banana production, without increasing the production costs but being more efficient and increasing productivity rates per hectare

Members: Guatemala, Panama and Ecuador

The proposal would be an alliance between three major Latin American banana exporters to deal in the international market for the quality and fair prices which are sought to generate proposals to encourage consumption. Guatemala, Panama and Ecuador would form this alliance in order to join forces and achieve greater decisional weight in international markets and thus seek to obtain equal terms from the same block, the European Union. All exporters and producers of this fruit, have the right to be paid the fair price, therefore we might seek to ensure coverage of the costs of production, export and generate a fair profit for those involved.

The reason why this does not include Costa Rica and Colombia is because they are the most direct competition of our country and would not be a good idea to be partners with countries that have more advantages than Ecuador.

Conclusion

China is a market with great opportunities because of its large population. Our biggest competition is the Philippines, however because of its climate and pest problems we have managed to gain the market in this Asian country and the aim is to further promote our product in this market. The United Emirates and Libya are our second and third best alternatives for the export of bananas because they are oil-producing countries and are major importers.

To be partners with other banana producing countries would help us to increase our knowledge and allow us to jointly seek new markets in which to insert bananas. Further, they could share knowledge for better productivity and find ways to combat pests.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The banana sector has generated employment for thousands of people in Ecuador, especially the inhabitants of the coastal region of the country. The point is to maintain or increase jobs which can be achieved by improving the level of productivity per planted hectare since banana production is currently inefficient. Despite the difficulties, we are still the pioneers in the international market, being the largest exporter of bananas in the world, something which has not been improved.

The marketing of bananas is not stable due to fluctuations in supply and demand in international markets, the aforementioned which varies depending on the high or low season.

It was determined that our major trading partners with respect to bananas are Russia, the United States and Italy, but the trade is unstable and constantly changing often because of weather and pests which cause production to decline .

Currently, there is a large supply of bananas worldwide, which requires us to constantly seek strategies to keep us in foreign markets and win new niche markets for Ecuadorian bananas. In addition to the global oversupply, there are tariff barriers that do not allow us to compete fairly.

The lack of trade agreements puts us at a total disadvantage with our major competitors and since tariff preferences are not eternal, we cannot trust them because we do not know when a politician or other problems cause for their suspension or withdrawal. We must find concrete trade agreements with our main markets and set aside diplomatic troubles in order not to jeopardize the banana trade because it is not easy to position a product in such large and powerful markets.

Recommendations

Bananas, unlike oil, are a renewable resource so the government should support the banana sector by opening credit lines for further modernization and ease the access to agricultural chemicals whose prices are very high. Furthermore, bananas provide direct and indirect employment for various industries related to this noble crop. Therefore, we must seek to continue diversifying markets to have alternatives in case traditional markets reduce imports and thus not endanger the employment of Ecuadorians who work in the banana sector.

A high level tripartite commission of producers-exporters-government must continue to strengthen and develop the markets and trade agreements and achieve tariff treatments that put us on the same plain with other countries. This same commission should be devoted to establish a research center for the development of varieties resistant to pests and to current diseases and others that may be coming such as Yellow Sigatoka and Black Sigatoka.

The placing of the fruit in new markets should be a state policy and always kept in mind that, as noted in previous pages, markets are not an asset but are also likely to become lost for political, economic or market reasons. For example, the Polish market was a low market that we looked for when there were no more markets, and now Poland has become a member of the European Community and as such, a market with better prices. Therefore, the State through the Ministry of Foreign Affairs and Foreign Trade must continue to make strong campaigns in new and potential markets and remain a constant promoter.

Quality "is the result of intelligent effort" and many times markets have been lost by simply filling the boxes without caring for the quality. Remember that each box says "Product of Ecuador". Therefore, regardless of the brand, each carton packed should jealously guard the prestige of our country and not only say we are the biggest exporters and that they must buy our fruit, but that we are the best in quality and export volume.

On the other hand, it is strongly suggested that private companies develop a research center since we have a “sword of Damocles” in the form of a new incurable disease called Panama Disease Number 4. This evil, an offshoot from a previous strain, devastated banana plantations in Ecuador and the world and caused the replacement of the Gros Michel variety with the Cavendish that we know today. So, we must be very careful because if they end up on our plantations, this fruit could jeopardize the work of thousands of people in Ecuador.

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Anexo No. 1 – Diseño de Tesis

(El Comercio, 2015)**UNIVERSIDAD DEL AZUAY**
FACULTAD DE CIENCIAS JURÍDICAS
ESCUELA DE ESTUDIOS INTERNACIONALES

Análisis de la variación de las exportaciones de banano de Ecuador hacia los principales socios comerciales durante el periodo 2008-2013

Diseño de Tesis previo a la obtención del título de Licenciada en Estudios Internacionales, mención bilingüe en Comercio Exterior

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Cuenca, 13 de Febrero del 2014

ANTECEDENTES

Históricamente Ecuador ha sido y es un país agrícola, lo que representa una economía dependiente de una actividad productiva, donde el banano forma parte de esta actividad desde hace muchos años por ser una fruta muy apetecida internacionalmente. Por lo tanto, el sector bananero ha ocupado y sigue ocupando un puesto muy importante en la economía de nuestro país siendo la segunda fuente de ingresos del Estado[1].

En el año 1910, se inician las exportaciones de banano en nuestro país, sin embargo, no fue sino hasta la década de 1950 donde comenzó la verdadera comercialización de la fruta y desde entonces ésta ha aportado de gran manera en el desarrollo del país tanto en lo económico como en lo social. Con respecto a lo económico, por su participación en el Producto Interno Bruto (PIB) del país y en la generación de divisas; y en lo social por la creación de fuentes de empleo directa e indirectamente.

La actividad bananera está conectada directamente con el mercado internacional lo cual no deja de lado las dificultades generadas por la competencia, por las exigencias de los países compradores y consumidores, por el comportamiento de la naturaleza de nuestro país y sobre todo por las condiciones económicas y de política exterior.

En 1951, Ecuador se convirtió en el primer exportador de banano del mundo, consecuencia de las catástrofes ocurridas en Centroamérica donde se ubicaban los primeros exportadores de banano, lo cual fue visto como una oportunidad para los agricultores de nuestro país en la época del gobierno del ex presidente Galo Plaza. En el 2009, el banano se convirtió en el primer producto de exportación del sector privado del país, el mismo que generó grandes rubros económicos para el desarrollo del país.

En la actualidad, la a actividad bananera ha tenido varios altibajos debido a distintos factores. En el 2012, se dejó de exportar alrededor de 25 millones de cajas de banano consecuencia de la difícil época de invierno y del frío desatado en verano de aquel año, lo que representó una gran pérdida para los productores y exportadores de banano del Ecuador[2]. Además, hay que tener en cuenta que las industrias colaterales o indirectas dependen en más de un 60% del sector bananero ya que tienen importantes inversiones en las áreas de: cartón, plástico, transporte terrestre,

[1] www.bce.fin.ec

[2] www.hoy.com.ec

navieras, agroquímicas, fertilizantes, abonos, etc.[3], consecuentemente si las exportaciones disminuyen, de la misma manera disminuirán las ventas de estas industrias.

Otro problema que afronta el sector bananero es el precio de la caja de banano, el cual siempre ha sido un tema de discusión en Ecuador, donde productores y exportadores no se ponen de acuerdo en el precio oficial, muchas veces dejando de un lado que en realidad lo que debe primar es mantener un precio que pueda ser competitivo a nivel internacional y al mismo tiempo cubra las necesidades de los productores y exportadores de nuestro país.

DELIMITACIÓN DEL TEMA

El siguiente trabajo de graduación "Análisis de la variación de las exportaciones de banano del Ecuador hacia los principales socios comerciales durante el periodo 2008-2013", pretende estudiar a fondo la situación del país con respecto a las exportaciones del banano hacia los principales mercados de consumo donde se busca conocer la variación en las exportaciones de banano desde el año 2003 hasta el año 2013, además también investigaré cuales son las exportadoras de banano más relevantes del país, la variación histórica de los precios de la caja de banano, los principales países consumidores de banano, los distintos tipos de banano y los principales competidores.

Para el desarrollo del trabajo de investigación se hará tanto un análisis cualitativo como cuantitativo donde serán muy indispensables los distintos tipos de recolección de datos como por ejemplo las encuestas que se pretenden realizar a los productores y exportadores de banano de varios sectores de la costa ecuatoriana y también será de gran ayuda la información que me puede brindar la Asociación de Exportadores de Banano del Ecuador (A.E.B.E). Además, contaré con información proveniente de noticias virtuales de diarios nacionales de Ecuador y también de los artículos más relevantes de los sitios web.

JUSTIFICACIÓN

Por medio de la elaboración de esta investigación, se pretende reunir la mayor cantidad de información verídica, lo que permitirá demostrar la variación en las exportaciones de banano ecuatoriano debido a la variación de los mercados de consumo consecuencia del alto precio de la caja de banano lo cual le impide competir con los precios de otros países exportadores de esta fruta tan apetecida y además debido a los distintos problemas que presenta el sector bananero, tales como las plagas y el clima.

Ecuador hace unos años fue el principal exportador de banano del mundo, sin embargo debido al alto precio de la caja de banano, es difícil competir con los precios de otros países que además de tener bajos costos de producción cuentan con tratados de libre comercio, es por esto, que he decidido realizar un análisis acerca de la variación de las exportaciones de banano en los últimos cinco años, para de esta

[3] www.aebe.com.ec

manera conocer la situación que atraviesa actualmente el sector bananero de nuestro país. Además, con este estudio también se pretende buscar alternativas y estrategias como sugerencias para no perder completamente el mercado internacional y de esta manera buscar nuevas plazas de posicionamiento por ventajas de bloques comerciales.

OBJETIVO GENERAL

- Analizar la variación de las exportaciones de banano de Ecuador hacia los principales socios comerciales durante el periodo 2008-2013

OBJETIVOS ESPECÍFICOS

- Analizar la producción del banano y la evolución histórica de sus exportaciones en el Ecuador.
- Determinar los principales consumidores de banano ecuatoriano en el contexto mundial.
- Analizar la relación comercial histórica y vigente entre los principales consumidores y el Ecuador.
- Determinar potenciales mercados de exportación de este producto en el futuro.

METODOLOGÍA

Para lograr los objetivos establecidos, en primer lugar será indispensable buscar información verídica de las exportadoras de banano más relevantes del Ecuador a través de fuentes secundarias, tales como artículos, Trade Map (estadísticas del comercio para el desarrollo) y a través de la página del Banco Central donde se puede encontrar la interpretación la balanza de pagos de Ecuador para de esta manera realizar un análisis de comparación de los rubros económicos recaudados en las exportaciones de este año con la de años anteriores. Además será muy indispensable la información que me brindará la Asociación de Exportadores de Banano del Ecuador (A.E.B.E). Finalmente se harán entrevistas a ejecutivos de A.E.B.E y a las exportadoras más importantes del país.

ESQUEMA TENTATIVO

Introducción

Capítulo 1: Historia de la producción del banano en el Ecuador y la evolución de sus exportaciones.

- El boom bananero.

- Primeras exportaciones de banano.
- Exportaciones de banano en la actualidad: determinar los principales exportadores de banano en el mundo.

|**Capítulo 2:** Principales consumidores de banano ecuatoriano en el contexto mundial.

- Principales importadores de banano del mundo.
- Medición de las variaciones de precios de la caja de banano en el Ecuador.

Capítulo 3: Relación comercial histórica y vigente entre los principales consumidores y el Ecuador.

- Acuerdos comerciales históricos entre los principales importadores de banano ecuatoriano.
- Análisis de las estrategias que se han utilizado en el sector bananero.
- Acuerdos comerciales vigentes.

Capítulo 4: Potenciales mercados de exportación de este producto en el futuro.

- Oportunidades comerciales: análisis de potenciales mercados.
- Refuerzos de países bananeros por bloques comerciales

CONCLUSIONES Y RECOMENDACIONES

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ACTIVIDAD	ENERO				FEBRERO				MARZO				ABRIL				MAYO				JUNIO				JULIO			
	1	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**	**1**	**2**	**3**	**4**
Diseño y Aprobación del tema			X	x	x	x																						
Recolección de información							x																					
Redacción Capítulo 1							x	x																				
Revisión Capítulo 1									x																			
Correcciones Capítulo 1									x																			
Revisión Final Capítulo 1									X																			
Redacción Capítulo 2										X	X	x																
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Revisión Final Capítulo 2													x															
Redacción Capítulo 3														x	x	X												
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Corrección Capítulo 3																	X											
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Revisión Final Capítulo 4																				X								
Redacción de Conclusiones																					x							
Revisión de Conclusiones																						X						
Corrección de Conclusiones																						X						
Revisión Final Conclusiones																						X						
Presentación de Tesis a Secretaria de Facultad																							X					
Correcciones Sugeridas por la Junta																								X	x			
Presentación de Tesis en Idioma Ingles																									X	x		
Correcciones Sugeridas para parte en Inglés																										x		
Entrega de Solicitud de Sustentación																											x	
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