Programme Title: Banana Export Expansion Programme

Objective: To expand the export volumes of banana from Jamaica.

Participants: Ministry of Agriculture and Fisheries, Banana Board, Rural Agricultural Development Authority, the All Island Banana Growers Association and banana farmers.
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1.0 BACKGROUND

Jamaica’s banana industry has been characterized by periods of prosperity interspersed with periods of great economic, social and environmental challenges. In spite of setbacks as a result of hurricanes, disease outbreaks, inequity in grower representation and changes in the international marketplace, the industry has risen consistently to overcome these apparently insurmountable obstacles.

Jamaica is an African, Caribbean and Pacific (ACP) partner of the Economic Partnership Agreement (EPA) with the European Union (EU). This culminated after several legal challenges to the World Trade Organization (WTO) objecting to the preferential marketing arrangements enjoyed by ACP countries in the EU. The US, acting on behalf of their multinational companies, which produced bananas in Latin America, first brought charges in 1993 in the General Agreement on Tariffs and Trade (GATT) and continued legal challenges in the successor World Trade Organization (WTO). In spite of these challenges which impacted prices, the demand for Jamaican banana in the United Kingdom and the Diaspora remains strong. In 2014 at least six major requests for bananas in the amount of approximately 667 tonnes weekly (34,632 tonnes/year). A dedicated area of approximately 1400 hectares will be needed to adequately supply this demand consistently.

The price per tonne of Jamaican bananas had been reduced from more than 600 pound sterling per tonne in 1997 to less than 400 pound sterling per tonne in 2008 when export ceased. Currently price of export Jamaica bananas to Canada and Cayman fetch farm gate prices as high as US $14.60 per box or 473.15 pounds per tonne for cooking bananas. Current minimum price in the UK for Fair-trade bananas for the Eastern Caribbean is US$ 12.20 per 18 Kg box tonne. However, the in 2008, the FLO approved cost of production for Jamaican bananas was US $17.60 per box or US$ 570.37 per tonne.

The Ministry of Agriculture and Fisheries (MOAF) and the Banana Board, recognized that the industry had evolved to a point where the strong demand on the export market for Jamaican bananas is also mirrored in the domestic market. This was recognized by stakeholders of the Banana Industry and detailed in the “The National Banana Policy” which was developed in 2009.

The current objective is to expand production with global standards and develop the industry to preserve its competitiveness on both the domestic and export markets. The National Banana Policy 2009 seeks to ensure that the strong local demand for bananas, with significant potential for growth, will be satisfied by the output of local producers and that a standardized and certified industry will avail access to viable export markets.

The MOAF recognizes the critical role that the industry has played in the past and will continue to play in the future in the critical areas of national development such as:
The Banana Exports Expansion Programme 2015-2017

- Food security;
- Sustainable rural development;

Direct employment in rural banana producing districts as well as related employment in the transportation and agro-processing sectors in both rural and urban areas; and

Stemming or reversing rural to urban migration.

Banana production, despite all the challenges faced, continue to be a major activity in the generation of employment and the maintenance of social stability in the banana producing districts mainly in the parishes of St James, Portland and St Mary.

2.0 RECENT SITUATION

The banana industry and specifically the banana farmers have shown great resilience in light of environmental shocks over the years. The most recent impact being Hurricane Sandy in October 2012 which resulted in 66% damage, with up to 100% losses in some areas of St. Mary, Portland and St. Thomas. There was an overall estimate of 1.1 billion dollars in damages to production areas. Further the hurricane impacted production in 2012 which was 45,980 tonnes and reduced overall banana production in 2013 to 33,295 tonnes. However the farmers rallied to increase production in 2014 by 59.3% to produce 53,035 tonnes (Table 1).

Table 1: National Banana and Plantain Production 2011 – 2014 (unit tonnes)

<table>
<thead>
<tr>
<th>Period</th>
<th>2011</th>
<th>2012 (Affected by Hurricane Sandy Oct 2014)</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Banana</td>
<td>Plantain</td>
<td>Banana</td>
<td>Plantain</td>
</tr>
<tr>
<td>1st quarter</td>
<td>10,440.0</td>
<td>6,374.0</td>
<td>11,015.1</td>
<td>6,374.0</td>
</tr>
<tr>
<td>2nd quarter</td>
<td>10,815.0</td>
<td>8,116.0</td>
<td>13,561.0</td>
<td>9,610.0</td>
</tr>
<tr>
<td>3rd quarter</td>
<td>12,301.1</td>
<td>10,755.6</td>
<td>12,371.6</td>
<td>10,755.6</td>
</tr>
<tr>
<td>4th quarter</td>
<td>13,104.0</td>
<td>10,095.0</td>
<td>9,032.6</td>
<td>7,833.6</td>
</tr>
<tr>
<td>Year Total</td>
<td>46,660.1</td>
<td>35,340.6</td>
<td>45,980.3</td>
<td>34,573.2</td>
</tr>
<tr>
<td>% of 2011 baseline</td>
<td>1.8</td>
<td>21.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture and Fisheries
This underscores the commitment by farmers in 2010 to increase their production, which was reported in the Banana Survey and Market Study conducted by the University of Technology. The study indicated that more than 50% of both banana and plantain farmers were committed to increasing their production and supplies to the market.

It is therefore absolutely important that a production expansion programme be implemented immediately to satisfy the demand for both local and export markets. Once the expansion programme is implemented with appropriate and efficient husbandry practices, farms can achieve optimum production in 7-9 months.

Export of Jamaican bananas had significantly increased over the past two years. In 2013, the Banana Board facilitated exportation of 4494 boxes or 72.372 tonnes to Cayman. In 2014 volumes and markets increased. Overall exports increased by 189% to 210.585 tonnes, with markets in Cayman, Canada and the UK.

3.0 JUSTIFICATION

Prior to the suspension of exports in 2008, the estates sold approximately 15-20% of bananas on the local market, while other export farmers sold approximately 40-45% of the total crop to the said market. In 2009, total demand was estimated at 91,400 tonnes with demand for green banana being 45,600 tonnes; chips 23,200 tonnes and ripened banana 22,600 tonnes. With production in 2009 being 45,334 tonnes; production in 2014 at 53,035 tonnes and export demand been 34,632 tonnes per year, it is clear that more 50% of the demand was not being met by local producers.

Therefore, the Jamaican Banana Industry supported by the legal and financial framework of the Ministry of Agriculture must increase the overall production to meet current and future demands. As exploration of markets in the region, the UK and Canada show that brand Jamaican banana is in great demand.

Currently in Jamaica, the domestic market for bananas is the primary market but export of fresh fruits to the region was initiated in June 2011 while chips and flour to the Diaspora was reinvigorated in 2010. The local market for banana has several major segments, fresh ripened banana, green banana for cooking and chips. Local demand for the fruit is not satisfied by current local production. This was validated by the 2010 Banana Market Survey and Study by the University of Technology. The survey data suggested that demand for bananas was unmet as follows: 16% for ripe bananas; 7% for green bananas; 13% for ripe plantains; and 9% for green plantains.

The decision to expand the production is based on the recognition that a diversified product, production areas and markets has always been and remains the basis for a more sustainable and viable Jamaican Banana Industry. It will advance the value-chain to create a product that is competitive, will create additional employment, earn foreign exchange and ensure the recovery and sustainability of the sector.
This will also ensure the achievement of the vision of the stakeholders in the banana industry (articulated for the Banana Policy 2009) for a vibrant industry dominated by internationally certified farms; effective market penetration and development; and supported by an enabling policy framework which results in sustained product competitiveness; financially viable farms and the socioeconomic well being of communities.

Without this recommended programme, employment and the standard of living of the rural population particularly in Portland, St. Thomas, St. Mary and St. James is being negatively impacted, when opportunities exist for these farmers and workers to improve their living standards. The return on investment for the programme was estimated at 47% with net revenues US$ 26,381,799 per projected to achieved when three containers of fruit are exported weekly for a period of one year (Appendix 1, Return on Investment for the Banana Expansion Programme 2015-2017).

It is the view of sector players that the industry must be adequately capitalized to increase production of fresh fruits for premium ripe fruits and cooking markets to ensure maximum profitability of farming enterprises. Optimum productivity will ensure fruits for premium and non-premium markets. In addition, production of appropriate high yielding new varieties will also make adequate supplies available for the value-added market.

### 4.0 THE PROGRAMME

The aim of stimulating the expansion of banana production is to facilitate greater production to meet the demands of the export markets. The programme will consist of the following components:

a. Upgrade of tissue culture laboratory facility and the accommodation and consultancy for one Cuban commercial bio-factory expert.

b. Facilitating ongoing exports.

c. Banana Expansion Export Programme to provide a revolving loan to supply 50% of the materials inputs required for production for the first crop.

d. To provide Global G.A.P. infrastructure for strategic groupings of farmers.

e. To facilitate Global G.A.P. and FLO Certifications to ensure market access and premium prices.

The proposed programme will be creating proper market linkages by engaging all stakeholders. The majority of production will be dedicated to the export market. However, provision for not more than 20% of production will be channeled to other market segments.
It is expected that the programme will see the creation of approximately 115 jobs affecting over 575 persons (based on a family size of 5) in Portland, St. Mary and St. James.

The new plantations of 115 hectares\(^1\) (284 acres) of bananas will result in increased revenue of approximately US$ 26,381,799 (JA$3B) flowing into the economies of St Mary, Portland and St. James in the first instance. There will be stimulation of rural activities in the banana growing communities in these three parishes. The 2012 Jamaica Survey of Living Conditions indicated that the all Jamaica individual poverty prevalence increased by 2.3% points relative to 2010 to reach 19.9%. Interestingly poverty increased in most urban areas but dropped in the majority of the rural areas due mainly to increased earnings from agriculture. This intervention in the targeted parishes will further enhance livelihoods and contribute to the stabilization of rural-urban migration and crime in the target parishes.

The programme is a collaborative effort between the MOAF, the Banana Board, the All Island Banana Growers Association (AIBGA) and the community financial institutions. The AIBGA\(^2\) is the main supplier in the banana zones of recommended material inputs for the programme.

The programme proposes to establish 115 hectares (284 acres) of banana in the selected parishes. Government of Jamaica is targeting areas for redevelopment as Agro Parks, especially in St. Mary and St. James. Farmers are encouraged to apply for parcels in the Agro Parks in order to benefit from necessary infrastructure for harvesting, irrigation and other infrastructure to meet global standards. All participating farmers must seek individual financing, commit to dedicating the acreage to export and comply with all the standards for Global GAP and Fair Trade.

Each acre of banana is assumed to produce 10 tonnes (10,000 kilograms). It should be noted that these yields are conservative estimates, especially as it relates to banana. The farmer will be required to sell output to the export market.

An important feature of the programme is the focus on improving farmer efficiency through best practices. The Banana Board will provide the necessary technical and other appropriate advice. The programme will be supervised in the field by the Special Project Supervisor with support from the Extension Officers in the Banana Board with oversight and monitoring by a joint team from the Banana Board, the AIBGA and the MOAF.

### 4.1 Programme Objective

The overall objective of the programme is to expand production with global standards and develop the industry to preserve its competitiveness on both the domestic and export markets.

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\(^1\) 1 hectare = 2.471 acres

\(^2\) The AIBGA established in 1946 is the voice of the banana growers in Jamaica, procures and distributes input supplies including those which are unique to the production system of the crop. The association has membership through their area council in all major banana growing areas and supports their clientele through distribution outlets strategically located in the respective areas.
4.2 Operations of the Programme
The programme will be supported by the Government of Jamaica through:

- Land divestment in priority Agro Parks
- Revolving loan for 34% of the materials required for the first crop
- Infrastructure support for farmer groupings
- Technical support to facilitate international certification of farms

A total of $76.5 million will be provided by JBAMs in the following proportions:

1. Material input supplies - $30,000,000
2. Global GAP Infrastructure - $30,792,490
3. Global GAP and FLO Certifications - $16,000,000

4.3 Expected Results
The expected results of the programme include:

- Increased overall production of bananas by 50 tonnes (3 containers) per week or 2500 tonnes per year;
- Increased banana exports and foreign exchange earnings;
- Improved quality of bananas with Global GAP certification;
- Increased profitability of export farms with access;
- Fair Trade will not only provide a minimum price that is guaranteed above the cost of production and will provide an added premium to develop farms and /or communities;
- Increased growth in the agricultural sector and the provision of at least 115 jobs

4.4 Target Beneficiaries and Selection Criteria
The target beneficiaries include new or existing banana farmers in the parishes of Portland, St. Mary and St. James. All participants are required to access individual financing from appropriate financial institutions, as only 26% of the working capital will be provided in the form of 34% of the material for the first crop. Farmers are required to register with the Banana Catastrophe Fund. Farmers will be selected based on the following criteria:

- Demonstrate ability to be able to finance the production cost.
Farmers must provide 63% of the chemical material cost, the seedlings, labour and all other cost associated with production.

All applicants must sign a binding agreement to comply with the Global GAP and Fair Trade standards and to sell their production for exportation.

All applicants in the Agro Parks must abide by the regulations governing those divestments.

4.5 Proposed Marketing Arrangements

The following are the proposed marketing arrangements.

- Farmers will be directed to prime markets negotiated by the programme.
- Farmers are expected to produce for approved markets only.
- The programme may facilitate an intercessory role for recommendation of clients to the financial institutions and payback.

5.0 FINANCING OF THE PROGRAMME

In order to achieve a full production of certified banana farms to supply markets within 18 months, it is expected that participants will seek individual financing. The Jamaica Banana Accompanying Measures Programme and the Government of Jamaica will provide land divestment opportunities, specific infrastructures, technical support to achieve certification standards and revolving loans of J$30,000,000 approximating 26% of the total cost of production, which is JA$260,000 per hectare. The materials and labour requirements are detailed in the cost of production (Appendix 2). The estimated financing and respective responsibilities are illustrated in the Table 2.

Global GAP infrastructure for farming groups includes the provision of toilet, changing room, eating facilities and stores for pesticides and other materials. Farming groups are expected to provide pack house facilities.

Global GAP and FLO certification activities include fees for application and processing, reviews and internal and external audits. Costs shown do not include testing and sampling requirements, significant documentation and monitoring as well as trainings which will be borne by the Banana Board. Certification is expected to be granted from external auditors of the standards who are headquartered in Europe.
Table 2. Financing Responsibilities of the Banana Export Expansion Programme 2015-2017

<table>
<thead>
<tr>
<th>Activity</th>
<th>Responsibility</th>
<th>Total Cost (J$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>JBAMS (J$)</td>
<td>Farmers (J$)</td>
</tr>
<tr>
<td></td>
<td>30,000,000</td>
<td>58,000,000</td>
</tr>
<tr>
<td>Materials for production of the first crop of the expanded</td>
<td>30,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>banana programme</td>
<td>75,000,000</td>
<td>75,000,000</td>
</tr>
<tr>
<td>Remaining production cost for the expanded banana project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global GAP infrastructure for farming groups</td>
<td></td>
<td>16,000,000</td>
</tr>
<tr>
<td>Global GAP and Fair Trade Labelling Organization (FLO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>76,500,000</td>
<td>134,000,000</td>
</tr>
</tbody>
</table>

Costs shown in Table 2 do not include costs for divestment of the Agro Park properties and the investment for road and irrigation infrastructures which will be borne by the Ministry of Agriculture. Farmers are expected to install distribution lines for irrigation on the respective parcels.

6.0 CROSS-CUTTING PROGRAMMES FOR SUSTAINABILITY OF RESULTS

The production, productivity and aligned marketing gains resulting from this project will be sustained by the on-going parallel medium to long term programme to implement the *Overall Country Strategy for Sub-sector 2010 – 2020 (updated in 2012).* The strategy was designed after wide consultations to determine the needs identified by all stakeholders (primary producers, agri-businesses, regulators, distributors, end users, principals, policy-makers and the MOAF) in the banana and plantain subsectors in 2009. Jamaica will seek to achieve a production target of about 120,000 tonnes of bananas per annum over the next three to five years and increase yields to 30-35 t/ha from the current level of 20 t/ha over a longer term to support this new market and product diversification thrust.

For 2010-2012, commitment totaling Euro 650,000 for 18 months had been engaged for the *Banana Board /EUBSP Grant Contract* to: provide effective technical services; multiply appropriate varieties for value-added production and to strengthen the database system. These
immediate results have been achieved. The new varieties which are being multiplied over three years will provide more than 25% greater yield. They are disease resistant and will realize 30% greater cost efficiencies. The long-term aim is to replace 50% of the conventional cultivars with the new high yielding disease resistant ones in 10 years. The conventional cultivars are susceptible to diseases which can cost up to 30% of cost of production to control.

This proposed **Banana Export Expansion Programme** is the solution to providing supplies of Jamaican bananas much demanded by the external markets; while the **Multi-Annual Support Strategy for the Banana Accompanying Measures (MSS for BAM)** will provide more comprehensive solutions for the sub-sector. The MSS for BAM which started in 2013 is being implemented over five years.

The specific objectives of the MSS for BAM are:
1. Improving the productivity and resilience of small farmers
2. Strengthening the link between small farmers and markets

Improving the productivity and resilience of small farmers will foster small scale and family agriculture and thus contribute not only to economic growth but also foster poverty reduction. It will further facilitate the sustainable access to input supply allowing production and productivity to increase. The programme will strengthen the link between small farmers and the market by emphasizing market-oriented and efficient production. It will also support growers and organizations to provide relevant market information and linkages and thus enhancing the small farmers’ access to markets. Supporting small farmer organisations will build on previous capacity development and thus strongly link the BAM with SFA. It will enable farmers to better utilise the opportunities of markets, in particular better access to affordable raw material inputs and prices for products. Emphasis will be on maximising economic, institutional and environmental sustainability. Investments in socioeconomic infrastructure are not only expected to improve the rural livelihoods and living conditions but also to stimulate local economic development.

The approach is coherent with the National Agricultural Strategy (NAS) and relevant to the objectives and priorities of the BAMs. It contributes to increasing competitiveness through strengthening productivity and market linkages. It supports product and market diversification and also addresses the social consequences of the adjustment process amongst others, through enhancing economic opportunities and employment. The proposed intervention can be expected to improve the living standards and conditions of farmers and people most adversely affected by the discontinuation of the exports.

**APPENDIX 1: Return on Investment for the Banana Expansion Programme 2015-2017**
APPENDIX 2: Costs of Production for Certified Banana Export for One Hectare of Banana for the First Crop (J$)