

# *A commercial, profitable and viable banana industry: The last debate*

by

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For long, the Banana Industry has been operating on a basis of patronage and subsidies, without performance results in productivity improvements and stable/increasing export volumes. National productivity has been exceptionally low and export volumes have declined at an alarming rate. Price subsidies and credit availability during the period 1996 - 1999 had no impact, bearing in mind the experiences of natural disasters.

Very urgently, Dominica has a time schedule within which it has to put its house in order to be strictly competitive to face both the reality and challenges of the new 'open market' banana regime by 2005. So what must we do now? Commercialization into privatization of the Banana Industry has been long spoken of. Some education of farmers has taken place. But it has been a slow decision-making process. Whenever the decision is taken by both Government and the farmers, acting together, the process of implementation will take time. It is not today for tomorrow. There is much to be accomplished for effective implementation.

The first three steps to be undertaken must be; (I) A rigid productivity improvement program with adequate and appropriate resources to target farmers who are capable of achieving high levels of yield per acre - without corresponding cost increases. This can be accomplished through investments in on-farm infrastructure (judicious irrigation, efficient packaging facilities), good access roads, sound farm management practices, soil improvement activities and a knowledgeable and committed extension service; (II) The full commercialization of the operations of the industry on a cost recovery basis; (III) And a pricing policy that always reflects the market price received. The resources mentioned are available under the European Union special framework of assistance. Farmers must be thoroughly involved and educated on these matters.

The next step must be a decision by Government to deal with the current DBMC debt situation. With a debt of about EC\$34 million and assets worth about EC\$27 million, the DBMC is in a bankrupt situation.

About EC\$20 million of that debt is money owed to the Caribbean Development Bank (CDB) and the European Union (EU) Banana Trust Fund. Both are guaranteed by Government. Government therefore has to decide to take over the CDB loans and to negotiate with the EU, in the interest of restructuring the industry, a loan

cancellation agreement for the EC\$10 million which went to farmers as credit. This will never be recovered. If these two amounts totalling about EC\$20 million can be removed from DBMC liabilities, then some light will flow. The net asset could be approx. EC\$13 million, but that amount will be based on the value worth of WIBDECO shares. Whatever the final amount, this will be held as non-liquid assets - land, building, etc. But it will be available as collateral for credit to pay off other creditors, particularly input suppliers, and to purchase inputs for commercial sale to farmers if desirable. The final step will then be the establishment of a new company, privately owned and managed, with a tight and efficient staff structure. Management could be purchased on a contract basis. Shareholders should be commercial farmers with profitable farm enterprises. There should be no compromise on this principle. However, every effort should be made to move potentially profitable farm enterprises to positions of profitability through the productivity improvement program, to enable farmers to become shareholders of the company. Farmers with persistent unprofitable farm businesses will undoubtedly leave the Banana Industry as they have been doing. It is for this reason therefore that the new private company should be established with a solid core of farmers who will bring sound business sense to the industry. It is also on this basis that the industry will strive to be competitive and remain competitive beyond 2005. Again farmers must be thoroughly involved and educated on these matters.

There are initiatives that should also be examined during the process. The first is the issue of purchase and sale of inputs. The question is whether this could be better handled by some commercial business on the basis of price, quality and availability, through a competitive bidding process. The second is the issue of whether the new private company should undertake the marketing of all agricultural produce, given its advantage in availability of shipping space and the marketing capability of WIBDECO (UK). The new company could be an agricultural trading company working in close cooperation with other private agricultural traders.

If cautiously and methodically undertaken, these steps will lead to the emergence of a commercial, profitable and viable banana industry.

Holding on to the banana industry and making it operate effectively and efficiently has become an absolute necessity, in the light of the current and projected economic difficulties of all sectors of the economy. These challenges are being brought on by growing world economic recession and the emerging adverse effects of 11th September 2001, terrorism attack on the United States of America.

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