

Review of the strengthening of the Ecuadorian banana industry

By

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Abstract

In Ecuador, the banana industry is of fundamental importance within the model of accumulation promoted by the Government, which is characterized by a primary-export matrix, which is why the role played by the National Government of Ecuador in the face of the enormous potential for growth of exports of its banana industry is of utmost importance. This bibliographic study aims to review the available digital contents that explain the situation of the strengthening or evolution of the Ecuadorian banana industry in recent years, especially in exports. The results provide a brief historical review of some of the most important aspects that characterize the evolution and development of exports in the Ecuadorian banana sector, in addition to other expert presentations on the results obtained in the industry in recent years. In short, it can be deduced that although some internal and external factors have negatively affected Ecuador's banana exports, the country is still positioned worldwide among the main banana producers for many years, in addition to emerging internally as the first sector in terms of non-oil exports. Furthermore, according to official data, banana exports during the last decade have reported significant growth.

Keywords: marketing structure, value chain, industry, export, a trade agreement.

Resumen

En Ecuador, la industria bananera posee una importancia fundamental dentro del modelo de acumulación promovido desde el Gobierno el cual se está caracterizado por una matriz primario- exportadora, es por ello el papel que juega el Gobierno Nacional de Ecuador ante el enorme potencial de crecimiento de las exportaciones de su industria bananera resulta ser de suma importancia. El objetivo de efectuar el presente estudio bibliográfico es el de revisar entre los contenidos digitales disponibles que expliquen la situación del fortalecimiento o evolución de la industria bananera ecuatoriana en los últimos años, más que todo, en el ámbito

de las exportaciones. En los resultados se expone de manera sucinta una reseña histórica de alguno de los aspectos más resaltantes que caracterizan la evolución y desarrollo de las exportaciones del sector bananero ecuatoriano, además de otras exposiciones de expertos en torno a los resultados obtenidos en dicha industria durante los últimos años. En definitiva, se deduce que a pesar de que algunos factores internos y externos hayan afectado negativamente la exportación bananera de el Ecuador, éste aún se posiciona a nivel mundial entre los principales productores de banano desde hace muchos años, además de que internamente también emerge como primer sector en niveles de exportación no petrolera. Además, conforme a los datos oficiales, las exportaciones de banano durante la última década este ha reportado un crecimiento significativo.

Palabras Claves: estructura de comercialización, cadena de valor, industria, exportación, acuerdo comercial.

Introduction

Nowadays, it is well known that Ecuador, due to its geographical location, is a country that enjoys wide biodiversity, fauna and rich soils, which have significantly favored its economic development, especially that of its agricultural producers and other citizens, since the planting, harvesting and commercialization of its fruits have been serving as sustenance for the generation of income and sources of work; in addition, some of them have positioned Ecuador as one of the main countries in the world with the highest export of non-petroleum primary products. One of these success stories has been represented by the banana industry since it is an activity characterized by the accessibility and affordability of consumption for the local population (Herrera *et al.*, 2021).

Globally, this item ranks among the top five with the highest sales. Ecuador is one of the main producers of bananas worldwide; since 2003, it has been the first sector in terms of non-oil exports, to the extent that it generates an intrinsic relationship with other branches involved in this industry (Capa *et al.*, cited in Herrera *et al.*, 2021).

The Institute for the Promotion of Exports and Investments (Proecuador) has maintained that, for years, Ecuadorian bananas have become one of the country's economic sources of considerable importance, even becoming the main source of non-oil exports (Proecuador, cited in Álvarez *et al.*, 2022,). It is on this basis that these experts dare to state that

The banana is linked to Ecuador's historical and economic environment, making banana production a traditionally agricultural activity and establishing itself as one of the main items of the agricultural sector (p. 264).

In the same vein, Loja, Saavedra, & Vega (2022) also state that the Ecuadorian banana export business has been among the main economic activities that have contributed significantly to national economic growth throughout history. They also stated that:

The Ecuadorian banana has shown a competitive advantage over other countries due to its quality of nutrients and sensory, setting high standards in factors such as appearance, weight, texture and especially in taste. For this reason, since 2009, the country has participated of more than 30% of banana exports in the international market, becoming one of the Latin American countries that export the most bananas, followed by other countries such as Costa Rica, Guatemala and Colombia.

Ecuador has around 9,000 banana producers, of which 8,500, representing 95% of the national total, are medium and small banana growers. Therefore, this agricultural activity plays a key role in the family economic environment since more than 20,000 Ecuadorian families subsist directly from banana production, making it one of the sectors that contribute significantly to job creation, which in turn helps reduce poverty in the rural sector of the country (Loja *et al.*, 2022, pp. 96-97).

According to certain non-oil export indexes provided by the Central Bank of Ecuador, it has been known that, for example, in the first three-quarters of the fiscal years 2018, 2019 and 2020, the banana sector (banana and plantain exports) has reported and maintained significantly positive figures, to the point that this justifies its importance as one of the most important producers and exporters of bananas worldwide. Of course, it is also important to note that the development of this industry has been gradually materializing over more than 20 years, following the strategic changes that have been taking place basically in legal, domestic policy and production matrix, driven by the national government.

This bibliographic study aims to review the available contents that expose the situation of the strengthening or evolution of the Ecuadorian banana industry in recent years, especially in the area of exports. Next, the research methodology applied is described and then followed by the results section, where references to the different expert criteria found will be presented as evidence, among which aspects related to the change in the productive matrix, the legal framework relevant to the banana industry, general data and opinions of various experts will be highlighted.

Materials and Methods

This research focuses on the documentary search, review and referencing of primary and secondary sources, which are available through various databases, institutional repositories and specialized search engines, among which are: Google Scholar, Redib, Dialnet, Researchgate and others.

It is said that bibliographic (documentary) research because the main objective is to explore the available literature on the subject exposed in the main title, trying at all times to choose only those sources and resources in which the most significant possible correlation is evidenced so that it is easier to achieve a greater understanding and exposure on the state of the art of the research objective; the aspect that is certainly a fundamental part in this delivery.

The research work was carried out at the end of May of this year through the formulation and use of expressions with keywords, descriptors and logical or Boolean operators, such as:

- *Banana industry AND Ecuador;*
- *Ecuador + banana exports;*
- *Evolution~ OR Analysis~ AND export~ AND banana.*

The results obtained were diverse since, among them, it was possible to differentiate between original articles, publications of official national and institutional local and international organizations, and graduate and postgraduate theses, among other types of content. All this had to be filtered based on the following criteria: relevance or thematic correlation; publication made in the last ten years; Spanish language and relevance of the source; in order to select only those that would be useful for the development and substantiation

of this paper.

It is also essential to inform that any material, source or informative resource duplicated (duplicate) found in a previous research process with any of the expressions above was discarded.

Results

In Ecuador, the banana industry is of fundamental importance within the accumulation model promoted by the Government, characterized by a primary-export matrix; that is why this sector is one of the leading exporters worldwide (Vitali, 2016). This same scholar has also distinguished that the expansion stage of this industry occurred in the '50s, thanks to the stimulus caused by the growth of its price at the international level; on the other hand, she illustrates that there was also a phase of reconversion in the banana plantations in the early '60s, generated by the cultivation of the *Cavendish* variety that required significant specializations and large capital investments. At the same time, he has highlighted three other important changes, constituted in processes that until recently have been intensively experienced in the industry:

The transformations in the distribution and possession of the agrarian structure, mainly the concentration of land; the beginning of banana production sustained by the agrarian model of monoculture and the massive use of pesticides; and, finally, the oligopolistic concentration of banana commercialization (Vitali, 2016, p. 155).

Egas, Shik, Inurritegui, & Salvo (2018) have also recalled that: Prior to 2006, agricultural policy in Ecuador was characterized by frequent changes, partly influenced by the climate of the political instability of previous decades and partly by pressures from different actors in the agricultural and commercial sectors.

Following the suspension of the FTA negotiations with the United States in 2006 and the approval of a new Constitution in 2008, the foundations were laid for the redirection of agricultural policy through the issuance of the Organic Law of the Food Sovereignty Regime in 2009, which together with the National Plans for Good Living 2009-2013 and 2013-2017, established general guidelines for the design of policies, programs and projects to promote production, food security and sovereignty, and rural development.

In parallel, adaptations of the previous policy document were promoted, which were compiled in the "State Policies for Ecuadorian Agriculture 2007-2020". Unfortunately, however, the implementation of this document was interrupted by conjunctural causes, and the authorities in the office established their policy lines, as described below (Egas *et al.*, 2018, p. 13).

Between 2012 and 2019, Ecuador, together with exports from Colombia and Costa Rica covered 70% of the fruit consumed in the EU, dominating this market with multinationals Chiquita, Delmonte, Dole, Fyffes and Noboa, which control small producers, independent producers and also have large plantations of their own. (Prado & Garzón, 2022, p. 263)

Through their study, Álvarez *et al.* (2022) have rightly pointed out that the National Government of Ecuador plays an important role in the enormous growth potential of its banana industry exports since:

First, through the Ministry of Foreign Trade, the signing of new trade agreements with the Eurasian Zone, Japan, South Korea, and China, among others, to reduce and eliminate tariffs to improve access and offer competitive prices. Secondly, through the Ministry of Agriculture and Livestock, production growth must be achieved by increasing productivity, increasing the hectares of cultivated land, generating more labor, technically setting wages and reforming current banana regulations (p. 264).

In the Banana Sector Report published at the end of 2017, the Ministry of Foreign Trade of Ecuador declared 2% of the overall GDP for the country's banana exports and approximately 35% of the agricultural GDP. It is also stated that the sphere of family economy and Popular and Solidarity Economy (EPS) moves around Ecuadorian banana production. This sector has contributed to the generation of employment and the reduction of rural poverty.

Banana producers are mostly concentrated in the provinces of El Oro, Guayas and Los Ríos, the same provinces comprising 41%, 34% and 16% of producers, respectively. The province of El Oro is where most of the country's small banana producers are located (approximately 42%), while large producers are mainly located in Guayas and Los Ríos (Ministry of Foreign Trade of Ecuador, 2017).

Cárdenas (2016) contributes to the situation of banana sector exporting companies in the face of the change in the production matrix, explaining that, according to the Economic Commission for Latin America and the Caribbean (ECLAC), it must be understood that the economies that achieve higher labor productivity are those that rely on technology and knowledge. Therefore, the author adds, it was for this reason that in the framework of the last National Plan for Good Living 2013-2017, the Ecuadorian government proposed an objective to focus on sustaining its production in the knowledge economy in order to achieve the evolution of its production structures through the transformation of the productive matrix.

Continued the expert, the priority of this matrix was based on sustaining the economy (balance of trade and currency), the growth of export products (because it was below the growth of world demand) and finally, limiting imports that were growing above domestic demand. In contrast, the development of the production of goods and services in the sectors with the highest demand, greater innovation and knowledge was sought to improve productivity and development conditions; of course, all of this was without detriment to the oil industry. The design and implementation of the Productive Matrix Change strategy were advanced by the National Secretariat of Planning and Development (SENPLADES) in conjunction with other competent ministries, and its strategic objectives were the substitution of imports by increasing production intensive in innovation, technology and knowledge, increasing and diversifying exports, generating jobs, promoting environmental sustainability, diversifying production and markets. It also emphasized that:

In 2013, the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) and the Ministry of Foreign Trade (MCE) developed the Plan for Competitive Improvement of the Banana Chain, in which chain stakeholders and government agencies formulated a new legal framework to promote responsible banana production. The objectives of the Competitive Improvement Plan include expanding access to international markets, encouraging domestic consumption, increasing production efficiency in the chain links, and strengthening partnerships between companies and stakeholders (Cárdenas, 2016, p. 11).

This situation was recognized by important representatives of the industry, such as the executive director of *Fresh Del Monte Produce*, Mohammad Abu-Ghazaleh, who noticed the

changes in the banana marketing structure due to the rules and procedures that, at that time, were being applied in a new way in Ecuador. In fact, for this and the government's decision to reduce production and exports in order to boost demand and prices abroad, he said:

There is certainly a structural change in the banana business, especially from Ecuador. If Ecuador continues at the same pace we see today, I think the banana business will change in the future. (...) I think they [the Ecuadorian government] are doing the right thing. It will be a better solution for the producers and the country. Less fruit, more money, and more money make more sense (Abu-Ghazaleh, 2013).

Cárdenas' work also highlighted the favorable assessment of several representatives of banana exporting companies after being interviewed since they recognized the signing of the trade agreement with the European Union as the most important incentive; thanks to the fact that with this agreement, it was possible to reduce tariffs so that banana boxes could enter European trade annually, until ending at 0%. Other incentives that were also considered important were: the elimination of taxes for Corpei and MAGAP, the Plan for Competitive Improvement of the banana chain, promoted by the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) and the Ministry of Foreign Trade (MCE), which sought to unite the various actors involved in the sector in order to enter into agreements to boost the marketing and production of bananas (Cárdenas, 2016, pp. 19-20).

In the same way, Cuzco *et al.* (2021) refer to results that until relatively recently have been consistent with the above, insofar as they point out that:

The signing of the multiparty trade agreement with the European Union caused banana sales to grow by more than 10% between the first and third quarters of 2018; for this reason, the main world banana supplier covering 25.3% of the market was Ecuador. Finally, one of the reasons that made it possible to achieve this figure was the product of the unity and efforts made throughout the value chain thanks to the signing of trade agreements (Cuzco *et al.*, 2021)

However, for the situation experienced during the recent pandemic, they made it clear that, as reported by the executive director of the Association of Marketing and Export of Bananas of Ecuador (ACORBANEC), even with the declaration of a State of Emergency by the government due to COVID-19, the production and export of bananas were strategic sectors not affected, since its operation occurs under severe protocols and biosecurity measures, However, according to the Economic Commission for Latin America and the Caribbean (ECLAC) and the Food and Agriculture Organization of the United Nations (FAO), there is evidence that in the first quarter of 2020 there was a decline in banana exports, attributable to the decrease or stoppage of imports from important markets due to the policies of confinement and border closures, which reflects problems in distribution logistics (Cuzco *et al.*, 2021).

In the same vein, in Prado & Garzón (2022) states that The limitations generated in the post-pandemic scenario caused problems for all productive sectors, but it should be clarified that third parties imposed some measures and others were taken on their initiative, in this case by banana producers. The measures imposed by national government agencies and the recommendations issued by international organizations that most affected international trade had repercussions on logistics due to mobility restrictions and border closures (p. 266).

The factors that have fostered the development of the banana sector in recent years have been the increase in production and the client portfolio due to the fact that 91.6 percent of the banana boxes are purchased by around 100 companies that place bananas in international

markets. Another factor has been the adaptability of the actors in the production chain, such as producers, exporters, suppliers, government, and financial institutions, which have adapted to changes in markets and consumers. These scenarios developed during the critical months of the pandemic. In addition, there was an increase in demand in established markets such as the European Union, the Middle East and Eastern Europe, marking growth in Ecuador's exports as the main supplier to these markets.

The behavior of banana exports in recent years has increased; however, the evolution of this activity is influenced by different factors such as negative impacts on the global economy, growth of producing countries, natural disasters (floods or droughts), and phytosanitary problems, among others (Cuzco *et al.*, 2021).

Among the most recent news about Ecuador's non-oil exports business (including those of the banana industry), there is one that, beyond recognizing the records achieved in the last two years, shows the unresolved problems that affect tiny producers, who, among other things claim not to have had the same luck, and ask for extended terms for debts with banks. In response to this, the Government's efforts to reach a consensus with the banana union have already been made:

A week after the banana strike was lifted, the government sat at a second table with the union representatives in Guayaquil. The Vice Minister of Governance, Homero Castanier, offered to follow up on the agreements reached in a previous analysis table. Port tariffs, reforms to the Banana Law, producers affiliated with the IESS, international promotion and a change to the irrigation energy matrix are part of the 12 points the government offered to discuss (Novik, 2022).

Of course, several transcendental aspects still need to be addressed that affect the banana sector, especially downstream, i.e., the small and medium-sized producers and the mostly rural population that depends on it for its livelihood.

Conclusion

It is indisputable that, even though some internal and external factors have negatively affected Ecuador's banana exports, Ecuador has been one of the world's leading banana producers for many years and has also emerged as the country's leading non-oil export sector. Furthermore, it is also recognized that this sector represents an activity that generates the largest amount of employment in the country, facilitating economic exchange both nationally and internationally.

It should also be noted that, according to official data, banana exports during the last decade have reported significant growth.

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