

Philippine Banana Exports to China

Dealing with Sanitary and Phytosanitary Concerns



A Presentation of the Pilipino Banana Growers and Exporters Association, Inc. (PBGEA) during the Roundtable Discussion on Philippine-China Trade and Investment Relations in Astoria Plaza, Pasig City on 11 June 2015

OUTLINE OF PRESENTATION

- I. **OVERVIEW OF THE PHILIPPINE BANANA EXPORT INDUSTRY**
- II. **BANANA TRADE WITH CHINA**
- III. **THE SANITARY AND PHYTOSANITARY (SPS) ISSUE WITH CHINA**
- IV. **RESPONDING TO THE CRISIS (What have been done?)**

banana

One of the world's most important crops

Generation of export earnings

Employment

banana

The most popular fruit in the world



Dole Japan Selling Fancy \$6 Bananas

Read more at

<http://www.foodbeast.com/2014/05/09/dole-japan-selling-fancy-6-banana/#RVQpod0ggBZgyBr4.99>

Americans go gluten free without knowing what gluten is, and it turns out Japanese people buy \$6 bananas because they're grown 500 meters above sea level.

Dubbed "Gokusen" bananas ("goku" meaning extreme and "sen" meaning compilation), these Dole-produced specimen were cultivated from "over 100" different types of bananas, resulting in fruit that's "36.5% sweeter, 33.4% more fragrant," and "40%" better textured than regular bananas, according to [Rocket News](#).

“... a natural and most conducive environment for bananas.”

- Crop Science Experts



Philippines

Mindanao

Land of Promise

Banana: Area Planted, Philippines, 2010-2014 (In Hectares)

	2010	2011	2012	2013	2014	% Change 2014/2013
BANANA	449,443	450,125	454,179	446,017	441,951	(0.9)
Cavendish	79,642	80,230	82,413	82,903	83,843	1.1
Lakatan	56,579	57,032	58,065	55,908	56,346	0.8
Saba	185,800	186,317	187,423	183,484	182,094	(0.8)

13 provinces in 6 regions in Mindanao

THE PHILIPPINE EXPORT BANANA INDUSTRY



- **Fresh Banana (Cavendish)**
- **13 Provinces in Mindanao**
- **83,843 hectares (19% of total banana hectarage)**
- **30,000 agrarian reform beneficiaries and small landowners**



- More than 500,000 jobs provided
- PhP44 billion paid out in wages (2014)
- PhP6.5 billion in taxes (2014)
- CSR programs/projects



PBGEA

Pilipino Banana Growers & Exporters Association Inc.

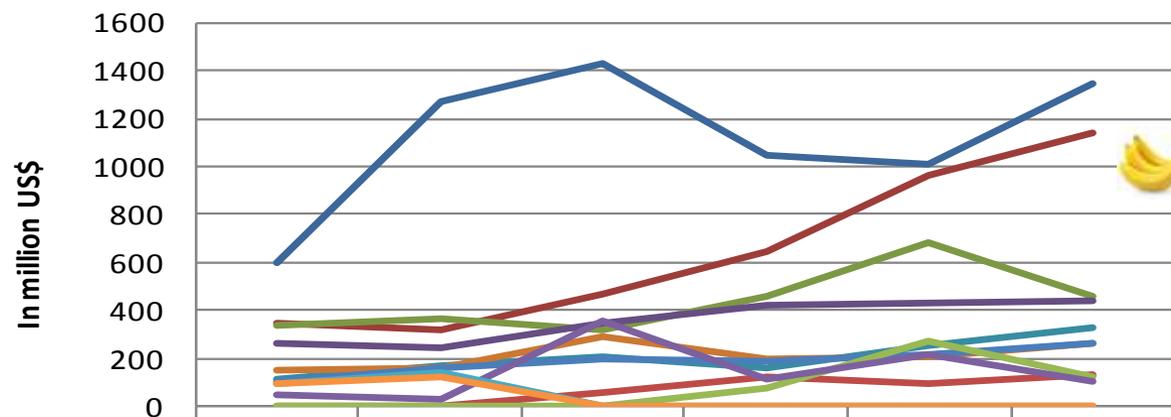
WE PRODUCE WORLD-CLASS BANANAS



2nd Largest exporter of bananas in the world
Top agricultural export of the Philippines

Top Agricultural Exports of the Philippines, 2009-2014

FOB Value in M US\$



	2009	2010	2011	2012	2013	2014
Coconut Oil (Crude & Refined)	594.49	1265.93	1425.45	1041.48	1005.58	1345.77
Bananas, Fresh	344.43	319.3	472.38	646.66	962.58	1136.42
Tuna	334.82	359.4	314.58	455.1	681.62	459.83
Pineapple & Pineapple Products	263.27	242.58	345.33	414.91	425.44	436.14
Tobacco Manufactured	109.36	161.16	199.97	157.46	248.02	322.96
Desiccated Coconut	145.76	152.61	286.81	197	198.67	262.69
Seaweeds and Carageenan	98.68	154.24	197.67	184.15	218.58	262.55
Copra Oil Cake	0	0	58.8	124.61	92.34	132.76
Tobacco Unmanufactured	0	0	0	76.32	272.88	126.35
Centrifugal Sugar	46.77	29.62	351.45	108.8	211.26	107.14
Milk & Cream Products	95.62	138.15	0	0	0	0
Fertilizer Manufactured	92.5	120.32	0	0	0	0

BANANA TRADE WITH CHINA

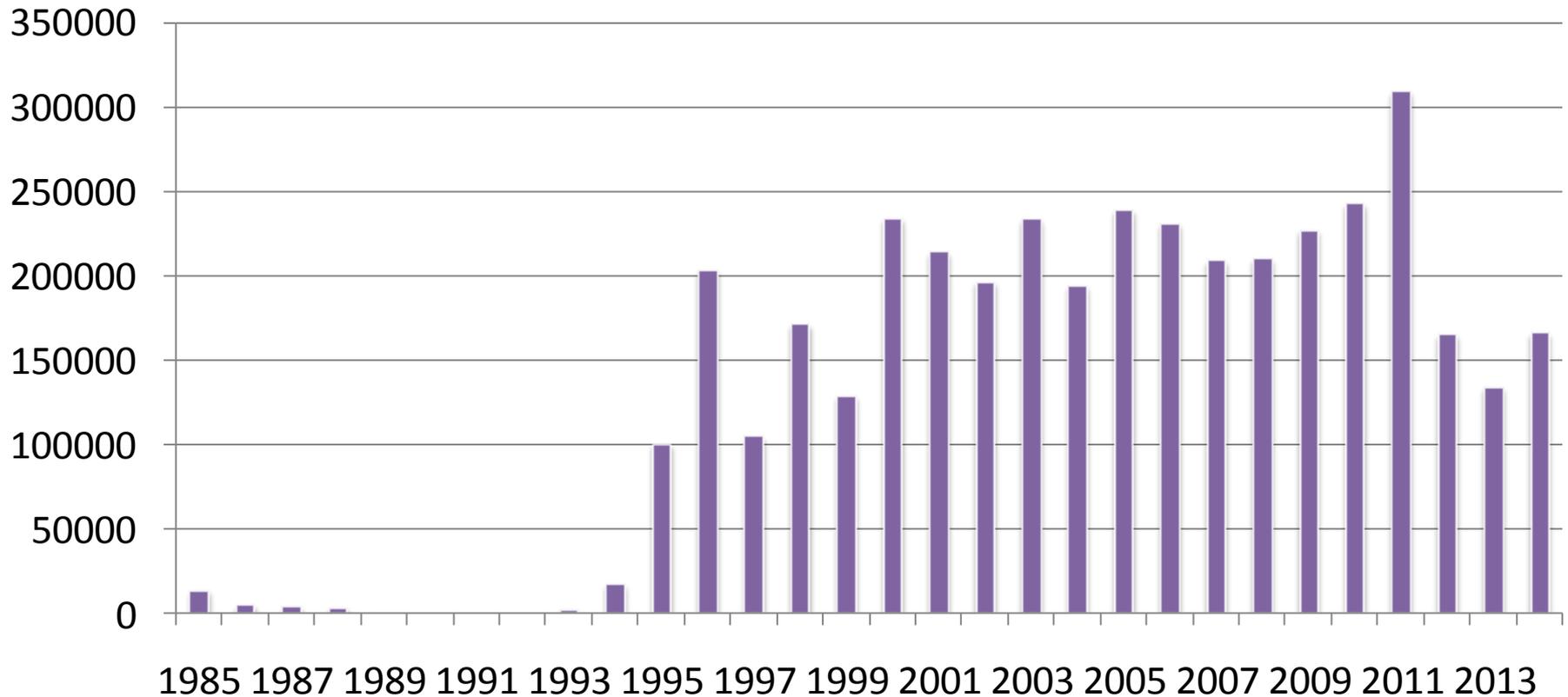
How it started

- Exporting to China began in 1985
- 12,906 m.t. Green Cavendish Banana shipped by 16 companies from Davao Region
- Destination was Dalian Port



BANANA TRADE WITH CHINA

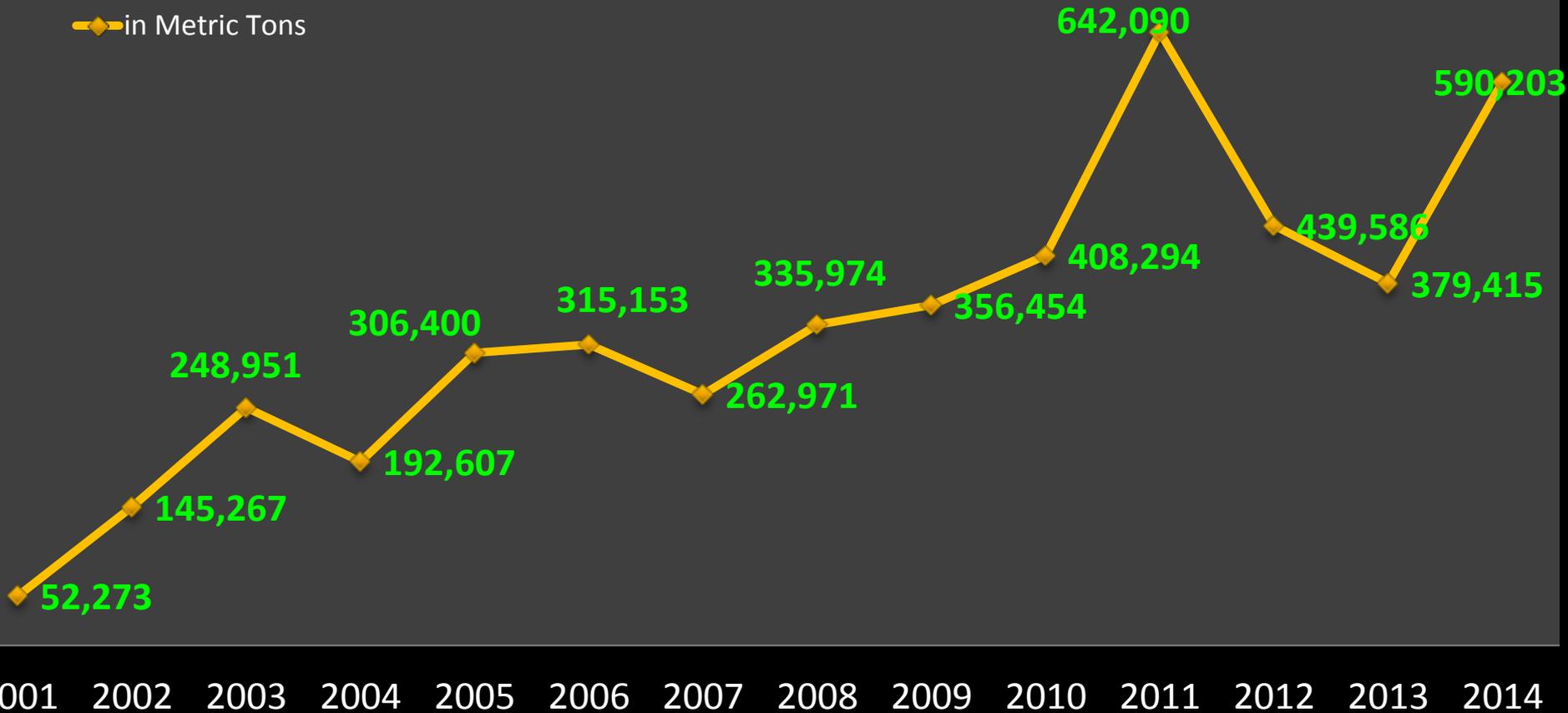
PBGEA Export Volume to China, 1985-2014 (m.t.)



**Volume decreased in the next 4 years * Zero exports in 1990 to 1993
Exports resumed in 1994**

China Export Volume, 2001-2014

—◆— in Metric Tons



Source: BPI-PQS, Davao

BANANA TRADE WITH CHINA

- China is the 2nd major destination of the aggregate exports of PBGEA member-companies
- Destination of about 25% of PBGEA's total exports each year
- It is the #1 market of non-PBGEA members, independent growers and cooperatives



BANANA TRADE WITH CHINA



**China-ASEAN
Free Trade
Area**

*January 1st
2010*

China-Asean FTA

● **0% tariff since 2010**



Philippine Banana Industry

The SPS Issue: How It Started

05 MARCH 2012: Philippine Embassy in Beijing received a notice from MR. HUANG GUANGSENG, Director-General of the Animal and Plant Quarantine and Supervision Department, General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) suspending the importation of banana from Sumifru...

23 tons of banana was intercepted in China-Shenzhen Entry-Exit

CHINA:



- *Requested for a list of banana orchards and packing facilities*
- *AQSIQ issued a circular*
Strengthening the Inspection and Quarantine of Bananas Imported from the Philippines

PHILIPPINES:



- ***BPI conducted an investigation (03/10/12)***
- ***Informed AQSIQ re corrective measures done (03/27/12)***
- ***Submitted the lists required including codes for traceability***
- ***Drafted a protocol (Now E.O. No. 41)***
- ***Consultations/Coordination with growers and exporters***

04 May 2012: Another notice from AQSIQ re detection of pests in several fruit shipments from the Philippines (banana, pineapple and papaya)

Gray Pineapple

Mealybugs

(Dysmicoccus neobrevipes)



PHILIPPINES

- ***Close coordination between concerned government agencies and banana stakeholders***
- ***Philippine team went to China for a technical meeting and a visit to CIQ stations, May 21-26***
- ***More consultations/engagements***

PHILIPPINES



- ***BPI-PQS MC No. 40, s.2012: Guidelines for the Accreditation of Exporters, Traders, Growers and Packing Facilities for Export of Fruits and Vegetables***
- ***BPI-PQS MC No. 41, s.2012: Revised Protocol for the Export of Fresh Bananas***
- ***MC No. 01, s. 2013: Protocol for the Export of Fresh Pineapple Fruits***

PHILIPPINES



- ***Formulation of the “Code of Good Agricultural Practices (GAP) for Banana Production”***
- ***Dept of Agriculture: Granted financial assistance to small growers in the upgrading of packing houses***

NOTICE OF NON-COMPLIANCE

DATE	NUMBER OF NOTIFICATIONS	NUMBER OF CONTAINERS
2012		
June 1- June 14	21	73
June 6 – June 18	12	81
June 1 – July 2	25	40
July 10 – Aug 1	28	55
July 23 – Aug 27	39	68
Aug 20 – Oct 16	42	73
July 23 – Oct 29	18	24
July 23 – Oct 29	31	61
Oct 27 – Jan 5, 2013	11	15
TOTAL	227	490

Total Number of Exporters: 39

DATE	NUMBER OF NOTIFICATIONS	NUMBER OF CONTAINERS
2013		
Jan 22	1	1
Jan 19 – Mar 19	15	23
April 1 – April 26	3	4
May 2 – July 12	6	7
June 30 – Aug 14	8	9
TOTAL	33	44

Total Number of Exporters: 19



- November 6, 2013 – BPI received a letter from Director General Guansheng (AQSIQ) reiterated the continued interception of quarantine pests (mealybugs and armoured scales) on shipments of pineapple and banana from the Philippines.
 - Jan to mid Oct 2013 interception of quarantine pests from 35 batches of banana
 - Request to improve measures to strengthen inspection and quarantine of bananas
- **Continuous interception of PQ pests from bananas after Jan 2014 China has to consider plant quarantine measures such as suspending import of bananas from the Philippines**



Adverse Effects & Impact

Sudden suspensions/restrictions ---

Wastage

Excess Supply

Reduced Prices

Losses

Forced Unemployment

Adverse Effects & Impact

THE CHINESE MARKET PROBLEM

- Revenues of LGUs --- lesser taxes**
- Massive retrenchment and underemployment**
- Add to the peace and order problems in the countryside**
- Social problems**

Adverse Effects & Impact

THE CHINESE MARKET PROBLEM

150,000-200,000 people directly and indirectly dependent on the banana export industry will be affected should China close its doors to Philippine fresh bananas

Hauling and Transportation

Petroleum

Boxes and Packaging

Consumer Goods

PHYTOSANITARY CORRECTIVE MEASURES OF GOVERNMENT

- ✓ **Upgrading of facilities with insect proofing**
- ✓ **Thorough washing of fruits by high pressure sprayer, brushing or by foaming to remove the insects**
- ✓ **Increased sampling inspection to 5% with zero tolerance**

PHYTOSANITARY CORRECTIVE MEASURES OF GOVERNMENT

- ✓ **Accreditation and registration of exporters, traders, facilities and growers**
- ✓ **Regular training of growers, exporters, packers and quality workers including PQ inspectors on pest identification**

REMEDIAL ACTIONS

PBGEA Members

- Outbound trade missions
- Cost-cutting
- Reduction of planted areas
- Improvement of quality
 - ✓ Upgrading the knowledge and skills of quality inspectors
 - ✓ Upgrading of facilities (packing houses, plantations, etc.)
 - ✓ Evaluation of additional accreditation requirements of prospective markets



Guide Questions

Guide Questions

- 1. How do you assess the current situation of Philippines-China relations in terms of problems and prospects for your business or your sector?**
 - Very disturbing it can explode anytime which could mean reduction in volume of bananas being exported to China.**
 - Business is not as usual; PBGEA's share in the Chinese market had reduced since the onset of the crisis (Note: Imports from Ecuador had increased 800%)**
 - Proliferation of fly-by-night traders that caused rampant pole vaulting/side-selling**

Guide Questions

2. Are there ways by which territorial tensions have specifically impacted your sector?

The drastic imposition of stringent SPS and non-tariff measures that adversely affected the export of fresh bananas, pineapple and other fruits to China.

Guide Questions

3. In your view, what have been the costs and disadvantages suffered by your business or your sector, if any?

- **Difficult to establish since the hardest hit were the small growers. But in general, there were ---**
 - **Losses**
 - **Food Wastage**
 - **Unemployment/Underemployment**
 - **Decrease in revenues/taxes**
 - **Peace and order problems**
 - **Social problems (migration to urban centers, health concerns, poverty, etc.)**

Guide Questions

4. In your view, what have been the gains and advantages enjoyed by your business or your sector, if any?

- **CHINA MARKET:** The opening of China to Phil Bananas resulted in small growers being able to export directly
- **CRISIS:**
 - Government's attention/support
 - Exploration of other markets

Guide Questions

5. Do you believe the Philippines should pursue active business cooperation with China, given the political circumstances? If so, can you recommend critical opportunities and modalities of cooperation that might be mutually beneficial?

Yes, we can pursue bilateral agreement involving economic and political issues.

Guide Questions

6. Who are the most important stakeholders and champions in Philippine side? Who are the major actors/partners on Chinese side?

Of course, the banana growers/exporters. The Chinese importers can do a lot of lobbying just like in Japan where the importers raised the tariff issues with the concerned government agency.



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