

OVERVIEW GLOBAL BANANA MARKET

Prices on the spot markets are rising. Due to various factors, including flooding, strikes and cool weather, the supply from the largest banana producing countries in Latin America has been low in the first months of this year. According to reports, growers prefer not to fulfil the contracts and take advantage of the high prices on the spot market. European importers who buy on these spot markets are not in luck. The high prices which have to be paid for the green bananas make it difficult to make a profit from the yellow banana prices.

Colombia is harvesting more bananas in 2017

With a production of 97.8 million boxes (20 kilos per box) in 2017, the country ranks fifth in the world's largest banana producers' list. The volume increased by 4.7% compared to 2016 and was the largest since 2008. The higher production was mainly possible because there were no labour conflicts. In 2016, the volume stood at 93.4 million boxes. The record year was 2008, with 100.1 million boxes.

Exports were worth 850 million dollars; an increase of 4.7% compared to the 811.6 million obtained a year earlier. The acreage increased by 3.8% to 49,146 hectares last year. Europe was the largest customer, accounting for 76% of the exports, followed by the US with 16%.

Ecuador: "Perfect storm" continues

The banana market was described early this year as a "perfect storm", given the low production in all major production areas coinciding with a good demand. This situation has not changed yet, according to a trader. The prices on the spot markets are extremely high. According to some European importers, growers are even breaking their contracts to be able to take advantage of the high prices on the spot market. The volume is expected to pick up again from April, but a trader warns of an immediate threat of oversupply. The large supply from Latin American countries almost coincides with the summer months in Europe and Russia. Traditionally, these are the months with a low demand from these export markets. We are also working on new markets. A trader mentions Iran, Iraq, Qatar, Oman, Algeria and other countries in the Middle East as potential markets.

Bolivia mainly exports to neighbouring countries

Compared to 2016, exports amounted to 39 million dollars last year, with 6.5 million boxes (22 kilos) shipped. Most of the bananas were sold to Argentina (90%), Uruguay (7%), Chile (2%) and Peru (1%). A year earlier, 35 million boxes were exported. This extra income will mainly benefit the roughly 1,300 people in the tropical region of Cochabamba who depend on banana cultivation. This year, however, some rainfall damage was reported in the plantations. Growers hope the results in the second semester to compensate for this. According to reports, the heavy rain has damaged 500 hectares. It is expected that the supply from these plantations will pick up again between August and December. In order to prevent damage in the future, drainage systems are being set up with the help of the government.

Peruvian exports up 25% this year

For the coming year, the country expects to export 10,400 containers filled with bananas, which amounts to roughly 200 containers per week. This is 25% more than last year, when 8,320 containers (160 containers per week) were shipped. This increase will be possible because the sector has recovered from the consequences of El Nino. The most important markets for Peru are the US, Germany, the Netherlands, Belgium, Russia and Japan. Some exports are also going to Asia, especially China and Taiwan. In the future, changes have to be made when it comes to irrigation. Currently, irrigation is carried out every two months, but in order to increase production, it should happen every 20 days.

Brazil: No interest in exports

Brazil has little interest in the export of bananas, despite the high prices on the spot market. A trader says he is satisfied with the current sales, and since the domestic prices are equal to the export prices, there is no urge to export. In normal market conditions, bananas from other countries on the continent are sometimes marketed at such low prices that Brazil cannot compete. The Cavendish is still the most cultivated variety, although there is a lot of talk about the Prata, a local variety.

Jamaica lost its position on the world market

Between 1970 and 2000, the growth of the banana sector led to economic prosperity and stability. That changed when, just before the turn of the millennium, the EU changed the free trade agreement

with the ACP countries. Instead of duty-free exports, a rate of 176 Euro per tonne of bananas was established. The new rules would apply from 2006 onwards. Jamaica did not succeed in adapting and maintaining exports, which amounted to 34,000 tonnes of bananas worth 30 million dollars. In 2016, exports stood at 412 tonnes, a very small fraction of the volume shipped ten years earlier. The agreement with the EU will remain in force until 2020, giving Jamaica another 2 years to set up a mechanism to be able to export bananas again.

Canada: Smaller supply of Fairtrade bananas

Due to the cool temperature in Mexico, the supply of Fairtrade bananas is under pressure. According to a trader, the supply may easily have halved. Due to the persistent cold in Colima, Mexico, the supply is limited and smaller sizes are shipped. A trader says that his Mexican supplier has had to reduce the number of shipments. The whole market is in the same boat, but the demand remains virtually stable. "Although the demand is stable, the willingness to pay does not increase," complains a trader, given the low prices in supermarkets.

The market for Fairtrade bananas in Canada is growing, but it is still limited. Of the 569,000 tonnes of bananas that are imported, less than 2% are Fairtrade-certified. Since temperatures in Mexico are warming up again, the trader expects the supply to pick up, as well.

Australian prices are high due to low supply

Due to a lower supply in January and February, the growers are in a profitable situation. The supply should recover in the coming months. The wet weather does not affect the production directly, although the heat could have an impact on it in a number of regions.

On 24 January, Biosecurity Queensland confirmed that a plant that had been detected with symptoms of TR4 earlier that month on a plantation in northern Queensland was indeed contaminated. That was the third case of TR4 in Queensland since 2015. A week after the infection was detected, the grower was back in operation. The grower worked closely with Biosecurity Queensland in order to enforce all necessary safety measures.

More Canary bananas, more export markets needed

The sales figures for Canary bananas were breaking records before the start of this year. 51.2 million kilos were sold on the Iberian Peninsula, the Balearic Islands and other destinations. The production figures also show an upward trend, with a 21% growth compared to the same period a year earlier. This means 12 million kilos of bananas more than in 2017. Faced with this unexpected growth, the sector is making efforts to boost the demand for bananas. 8 million kilos more were exported than in the same period last year, which is a growth of 16%.

The changes in the weather patterns are resulting in an ever increasing production, which creates challenges for the sector. "Investments must be made in promotion and the finding of new markets to absorb this larger volume," said a leading trader. Most likely, the production volumes this year will be comparable to last year's, which means a larger volume than in previous years. The total production has recently stood at around 430 million kilos, with 390 million kilos sold on the Iberian Peninsula and on the Balearic Islands. Also, another 38 million kilos are sold on the Canary Islands. According to official figures, the market share of Canary bananas in Spain stood at 73.6% in January.

Italy: High prices not paid

There is a big difference between the prices in Latin America and the prices in Europe. An Italian exporter says that many Russian traders are active on the Ecuadorian market and that exporters are focusing on the Arab market. According to the trader, the FOB prices last week reached 17 to 18 dollars, but in Europe, the prices paid did not exceed 16 dollars. "That's why you see few bananas from Ecuador in Italy," explains a trader. This year, Italian importers will have to look for other suppliers, with Mexico and Colombia as possible candidates. Imports from Costa Rica had to be stopped due to flooding.

Netherlands: Banana price at the highest level in decades

The banana market has been pretty hot for several weeks now. People speak of the highest prices in decades. There are even green prices reaching 18 Euro. However, the cold, dry weather is good for banana consumption, which means that supermarket sales continue to run smoothly. In the free market, the high price limits sales. The first weeks of the year are always good for banana sales, but these high prices are extreme. The banana supply from Latin America is limited. The productions are not optimal and furthermore, there are regular delays in the arrival of ships due to storms. Only after week 12 is the supply expected to be more up to standard again

German supermarket prices low, spot prices extremely high

The fixed annual prices that the banana importers agree with retailers are quite low. The spot prices paid to producers, on the other hand, are much higher. The demand is very high and countries like Russia and the Balkans are willing to pay the high spot prices. The supply to Western Europe is therefore considerably limited. Costa Rica had issues because of flooding, and Honduras too, because of the political situation.

Ecuador, Peru and Colombia are the other most important production countries. There is therefore a considerable gap between the supply and the demand, regardless of the country of origin. Also, the shipments now regularly arrive 3-4 days late. Some traders also speak of an 80 percent of the total being checked for possible drug smuggling. As a result, the delays are even greater.

The outlook for the next two months is also far from positive. Organic bananas have been on the rise in recent years. Baby bananas, however, remain a niche product in German retail. Only in big chains such as Rewe, Penny and Edeka do baby bananas appear on the shelves here and there.

France: Organic and Fairtrade increasingly more common

In France, bananas are the most popular fruit. Every year, the country imports about 18 million tonnes. A large retailer stopped selling conventional bananas last month and switched completely to organic and Fairtrade. These are sold for the same price as conventional bananas. A new banana was also introduced in the French market this week, which guarantees growers an income. These bananas will be sold for € 0.50 each. The prospect is that these sustainable bananas will catch on in the French market, where organic and Fairtrade bananas will increasingly become the standard.

Poland: Banana sector expands

Due to unstable weather conditions and delays in the supply, the season has become increasingly difficult to plan for the importers. Nevertheless, importers remain optimistic and new players are joining in. An importer introduced a baby banana and a red banana in February. Although both varieties are a niche, it is an interesting segment, argues a trader. This trader introduced organic bananas into the range last year.

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