



## OVERVIEW GLOBAL BANANA MARKET

The supply of summer fruit affects the banana market in the northern hemisphere in different ways. In some markets, including Poland and China, the supply of summer fruit had a good start, so consumers have shown a preference for that fruit. This results in pressure on the banana market. French warehouses are still full of bananas, which has pushed prices down.

There is a totally different picture in Spain. Due to a late start of the summer fruit campaign and a smaller volume of Canary bananas, prices have increased. To the surprise of traders, imported banana have not benefited from that price increase.

Latin America remains the largest banana producer by far. There was a price spike early this year, but at the moment there is a large supply. This, together with the declining demand in Europe and North America, means that prices are low. Nevertheless, much is still being invested in the crop. Peru and the Dominican Republic are investing in organic farming. Panama hopes for a revival of banana cultivation in the country and wants to plant hundreds of hectares. Honduras expects to export more this year than in the previous one. The exports from Latin America are not appreciated everywhere. Argentinian growers are strongly affected by imports and therefore demand control measures.

In South Africa and Mozambique, growers were surprised about supermarkets preferring the more expensive imported bananas to the fruit grown domestically. That is not the case in Australia. Bananas there are only grown for the domestic market, although some are starting to look into the export potential.

### **Ecuador: Perfect storm and new legislation**

Early in the year, prices recorded massive increases on the spot market as a result of a small supply in most production areas and a good demand. However, many warned that, in a few months, the market would collapse. Last month, that prediction turned out not to be far from the truth. A trader explains that in week 9, prices dropped from \$ 18 to around \$ 7. That falling trend continued until the price stood at 2 dollars per box. The sharp fall in prices was due to three factors: firstly, the large volumes available in all production countries. Prices were under pressure due to competition from Costa Rica, Colombia, Guatemala or Mexico. Secondly, there was a reduction of the demand from multinationals and from Russia. These two sales channels only accepted fruit that was already sold under contracts. Thirdly, there is a shortage of empty containers for export, according to a trader. He says that shipping



companies choose the customers who pay the most to fill the limited space. Moreover, the tariffs have increased and the transport costs are higher than exporters had expected when signing their contracts. The choice is either not to sell or sell hurdled by higher costs.

The banana sector has called on the government to reform the current banana regulations in order to improve the country's productivity and competitiveness. "The current law dates back to 1997, when the banana sector was completely different," says one of the proponents of the amendment. At that time, the US and Europe were the most important markets, accounting for nearly 80% of exports. Today, that share has shrunk to 43% of exports. Russia, the Middle East, Eastern Europe and South America have since become more important destinations.

One of the proposals is to regulate the spot market differently and to force growers to sell 30% of the production on the spot market. Furthermore, exporters would also be required to purchase 30% of the volume on the spot market. Discussions about the new law are still ongoing.

In May, a manual to protect the health and safety of employees in the sector was presented. The concept has already been presented in November last year at the World Banana Forum in Geneva.

In the 1990's, the country had 129,000 hectares devoted to banana cultivation. In 2010, the total acreage reached its peak, with 210,000 hectares. Currently, that figure stands at 180,000 hectares. This has been due to growers switching to other products.

### **Peru invests in organic cultivation**

With the help of the government, investments have been made in the cultivation of organic bananas. Thanks to this support, a cooperative was able to purchase a truck, a water tank and infrastructure for the packing station, among other things. This will make it possible for the production to grow. The small growing community in Santa Sofia was exporting one container per week three years ago. Last year, three containers were leaving bound to Europe each week, which corresponds to about 80 tonnes of organic bananas.

### **Colombia gains access to Argentina**

The South American country recently gained access to the Argentinian market. Access to Argentina for Colombian bananas is part of a project to diversify exports. In addition to the export of bananas, markets are also being sought for other products, such as avocados, pineapples and pitahaya. Last



year, the country exported 918 million dollars' worth of bananas. In the first quarter of this year, exports amounted to around \$ 224 million. Colombia exports bananas to more than 20 countries, including Germany, Saudi Arabia, Australia Canada, China, North Korea, Egypt, the United Arab Emirates, Japan and Morocco.

### **Argentinian growers not happy with imports**

For the growers in Formosa, the start of the harvest was disappointing. Due to a lack of protective measures, growers are unable to sell their bananas. They cannot compete against import bananas. According to the branch organization, the country has an obligation to help its banana growers. It claims that protectionist measures should be introduced, including regulation of imports in the period when the local production is available (May-September), so that imports complement the local production instead of competing against it. Currently, there is more fruit available than there is demand due to the large import, as a result of which, bananas are being destroyed.

### **Panama: Revival of banana cultivation generates thousands of jobs**

With the planting of 350 hectares of banana plants in the Baru region, Chirigui, the crop's cultivation is once again on the rise. The activity should help create thousands of jobs in the province. The prospects are great, as this could help address the economic problems in the area. The first 20 million boxes may be exported in February 2019. Ultimately, the project aims for 900 hectares to be planted with bananas, generating thousands of jobs.

Signs of a possible recovery are also observable in other parts of the sector. In the 1990's, the country exported 42 million boxes of bananas, but a few months ago, only 16 million boxes were shipped. The upturn is reflected in the latest figures, which show that the volume has increased by 28.3% in the first quarter of this year. In terms of value, exports also grew by 28.6%. Last year, these figures were still negative. Between January and March, 23.9 million dollars' worth of bananas were exported (compared to 18.6 million dollars in 2017).

### **Honduras has great expectations**

This year, the country expects exports to improve compared to 2017, when more than 30,000 containers of bananas worth 523 million dollars were shipped. Although exports in the first quarter fell



by 7.2 million dollars, the prospect remains unchanged. In the first quarter, 127.3 million dollars' worth of bananas were exported. This 21% drop was the result of strikes at one of the banana companies.

The challenge now is to expand the acreage and improve the cultivation with new techniques. Last year, sales in the sector rose by 2.7% compared to 2016, which is equivalent to an increase of \$ 13.7 million. Last year, 32,422 boxes (18 kg) were exported at an average price of 16.12 dollars each. That was an improvement compared to the \$ 14.98 per box obtained a year earlier. Last year, the US and Ireland were the most important markets for Honduran bananas.

### **Mexico: Angry growers occupy trading centre**

In San Rafael, the banana sector came to a halt when angry growers decided to take over the trade centres to demand fair prices. The growers want a price of 2 pesos, but due to competition from other countries, they have to accept a price of 1.50 pesos. Besides stopping the trading, they also stopped all transport unless the price they demanded was paid. The banana trade in the region is in the hands of five people, who sign the contracts with the growers. The prices offered are too low. The growers refused to leave until an agreement was reached.

Several years ago, a grower from Teapa, Tabasco, decided to take the export into his own hands after having done this for decades under contract through large multinationals. The trader says that exports to Canada are starting this month. Canada is an attractive market, given the price paid by consumers there, but good quality is necessary to succeed.

### **Dominican Republic focuses on organic production**

The island is best known for its organic bananas, but that cultivation is also more difficult. That is why new biostimulants were recently introduced. The country is committed to the organic cultivation of bananas and aims to become one of the main export countries worldwide in that market.

### **South Africa and Mozambique: Local bananas replaced by expensive imports**

Production in South Africa is recovering from the drought in 2015 and normal volumes are harvested again. The price oscillates between the R70 (4.42 Euro) and R80 (5.05 Euro) per box. The crops are mainly located in the Komatipoort region, on the border with Mozambique. In the Kierpersol region, almost all banana growers are switching to the cultivation of macadamias or avocados.



Currently about 30% of the bananas on the South African market are grown in neighbouring Mozambique. There is no supply from the north of that country, where TR4 has been detected. The growing conditions are similar to those in Komatipoort. Most growers in Mozambique are either originally South African or working for a South African company. Roughly a quarter of the harvest is intended for the Mozambican market, although that market is under pressure due to the recent economic crisis.

Some South African retailers import from Ecuador, to the displeasure of the local growers, who find this "idiotic." These imports force local growers to stop and prices rise in the supermarkets. Imports from Ecuador cost between R130 (8.20 Euro) and R140 (8.84 Euro) per box (18kg). This price is far above the cost of domestic bananas. The South American bananas are larger, grow faster and are not as ripe when harvested to compensate for the long transport. Some growers are pessimistic about the future of banana cultivation, although they don't expect it to completely disappear from the country.

In 2013, TR4 was detected in northern Mozambique (Province of Nampula). The area affected is still in quarantine. One of the two affected companies went bankrupt and the banana plants were destroyed. The sector expects bananas never again to be grown on that piece of contaminated soil. The other company is still producing, but has to meet strict requirements and the harvest is only sold locally. Last year, a shipment of bananas from the north of Mozambique was imported by a South African company, but that batch was destroyed for fear that the bananas also carried TR4. The fungus lives in the ground and can, for example, spread through the dust on the boxes. To date, there is no evidence that the bananas themselves spread the fungus.

The governments of South Africa and Mozambique are working closely together and exchanging knowledge in order to keep TR4 under control.

### **US: Importer opts for Mexican bananas after hurricane Irma**

After hurricane Irma caused severe damage to banana crops in Florida, the sector in that State is working hard to recover. Yet a trader had to switch to imports from Mexico, he says. The supply of bananas from the neighbouring country is going well, although there are some issues with the colouring. Due to the warm weather in Mexico and a shortage of cold storage, the bananas ripen en route and arrive to the US with a colouration rate of 50 to 60 percent. "That makes it difficult to sell the bananas, because customers want fruit with a good shelf life; they do not want ripe bananas," says a trader. In the first months of this year, sizes were far from ideal; at present, ripeness is the biggest issue.



Meanwhile, demand is falling on the US market. There is pressure from summer fruits and the summer holidays are around the corner. Traditionally, this is a period with lower demand. "There will be little demand until schools open again in September," says a trader. Prices are stable, although they have risen from \$ 13.50 FOB in the past weeks to \$ 14 FOB. A trader expects the price to rise to \$ 15 FOB due to the impact of a hurricane that recently passed through the growing area.

### **Australia: Is exporting bananas possible?**

Bananas are grown all year round in Australia. The entire production is intended for the domestic market. However, some have recently started looking into the fruit's export potential and the possible sales markets. A grower in North Queensland believes that the domestic market will level off in the coming months. The production volume has remained stable in recent months, but the demand is falling slightly.

Recent statistics show that 413,660 tonnes of bananas were harvested in the year ending in June 2017. This fruit generated \$ 514.4 million, which entails a 22% increase in terms of value. By far, the largest share of the production consists of Cavendish (95%), but there is also a limited amount of Lady Finger (4%) and other varieties.

There are three growing companies in the Tully Valley contaminated with TR4. One of these companies was bought by the Australian Banana Growers Council and closed; the other two are still in operation. The authorities are working closely with the growers to prevent the spread and support the sector in its efforts to protect the crop's safety. The sector is working on a long-term plan against TR4. An independent consultancy firm has developed a control and containment plan.

### **France: "Prices considerably lower than last year"**

"I am called once or twice a week by banana growers who want to do business," says a trader at Rungis. "I cannot help them, because even our own suppliers are struggling with surpluses."

The banana surplus on the French market is mainly caused by imports from South America. "The bananas are of good quality and also very cheap, costing 7 to 9 Euro per box. Last year at this time, the price still oscillated between 12 and 13 Euro." At the moment, huge amounts of South American bananas are still on their way to Europe. The surpluses are so great that supermarkets are forced to refuse the goods. "There is not much demand for bananas; European stone fruit is a big competitor right now."



The trader does not think that the situation on the banana market will improve in the coming years. "Production surpluses will continue for a while, unless new markets are opened up."

The internal market of Île de France, the Paris region, remains slightly protectionist. "The Paris consumer's preference is for bananas from Martinique, the price of which is still high at the moment."

### **Poland: Hot spring sets mood on banana market**

Due to the warm spring, the market has collapsed since Easter. According to a trader, prices were halved in just four weeks' time. The early arrival of summer fruit immediately resulted in lower banana sales. Also, the entire sector is faced with a new problem: a shortage of labour. Unemployment in the country is below 6.2%. As a result, there are many vacancies, including in the agro sector.

Although the majority of bananas in Europe reach the continent via ports in the Benelux and Germany, 60% of Polish imports arrive straight from Latin America. The re-export accounts for 15% of the imports. These bananas find their way to other countries in Eastern Europe: Ukraine, Belarus, Romania and the Baltic states. Poland imported 485,000 tonnes of bananas last year. The average consumption is 8 kilos per capita, but it is still growing. Retailers have a very important share of the banana market, accounting for 30.3% of all sales. Supermarkets (16.4%) and hypermarkets (13.5%) have a smaller share.

### **Spain: High prices for Canary bananas**

For more than a month, there has been a shortage of bananas from the Canary Islands and prices are high. "We are writing a new chapter in the history of the sector," says a trader. Some days, there are no bananas available from the islands and that is an exceptional situation. Due to the weather conditions, the harvest started much earlier, causing the supply to also fall earlier. This, in combination with the slow start of the summer fruit season, has resulted in sharp price increases, says a trader.

Given the high price of Canary bananas, it is difficult to explain why the market for import bananas is so calm. Import bananas are about half cheaper than Canary bananas. "Remarkably, the demand for imported bananas has only slightly increased," says a trader. He believes that consumers are simply used to Canary bananas. The high prices of imported bananas in the first months of this year also contributed to this trend.



The shortage of Canary bananas will continue until September. "Growers are worried, because there is a lack of work at the packing stations and some are keeping the staff, even though they have nothing to do," says a trader. "They know that they will need those workers later."

According to a trader, the ripening and distribution of bananas has undergone a major development in recent years. The pressure from the large retailers, which have grown considerably, on the smaller chains has increased. Small stores are closing, or specialising in, for example, organic products. The market for organic bananas has grown considerably in recent times.

### **Italian trade is recording stable prices**

Between 16 May and 20 June, banana prices on the wholesale market in Turin remained stable at around 0.95 Euro. The difference with bananas from big brands was small. The price of Chiquita bananas stood at 1.17 Euro. In Rome, too, prices for the bananas from various origins have remained stable over the past 10 days. The fruit from Central America reached a price of 1 Euro. Chiquita bananas cost 1.20 Euro. Category I plantains from Africa were sold for 1.05 Euro. On 20 June, the prices in Verona oscillated between 0.75 and 1.15 Euro per kilo, depending on the origin and brand.

### **German market stable despite competition from summer fruit**

The German banana market is currently in a stalemate: the main cause is the early start of the domestic soft fruit season, but also the availability of typical summer fruits, such as melons, cherries and other stone fruits. As a rule, however, the wholesalers are prepared for this, so they do not need to adjust their import volumes remarkably.

Prices remain generally stable: only here and there has the price level of the B and C brands been reduced somewhat. However, compared to last June, the price level is almost the same. Importers or traders are therefore not worried and expect the market to pick up again as soon as the domestic and foreign stone fruit boom is over.

A long-term development that traders confirm is the gradual increase of organic and fair trade banana sales. Some retail suppliers say that more than half of their annual sales today consist of organic products. In general, the prospect is that this trend will continue in the coming years.



### **China: Warm weather drives production, but reduces demand**

Prices for both imports and domestic bananas are low. Due to the warm weather, there is a wide range of domestic bananas. Because of the same warm weather, consumers tend to prefer summer fruits, such as watermelons, litchi and mangoes. Those fruits are available in large volumes during the months of June, July and August. Domestic bananas are sold at low prices. This situation will probably continue until September.

While China also imports bananas from Ecuador, the Philippines, which is closer and more accessible, remains the largest supplier. Recent investments in ripening rooms have led to an increase in the supply of well-ripened fruit in supermarkets. A large importer hopes that bananas will become an important item in the future and that each Chinese will consume two bananas a day.

### **The Netherlands: Difficult market for bananas**

A Dutch importer says that the current conditions in the banana market are difficult. The well-known brands can still get good prices, but there are also many B-brands on the market, according to the trader, which are spoiling the market, with prices ranging between 6 and 8 Euro. "Hash, coke and pill bananas," is how the importer calls this category. The banana supply will fall in the coming period, which is normal, as the summer holidays are around the corner and there will also be an abundant supply of summer fruits.

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