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The European banana market

Increase in dollar produce in 2011

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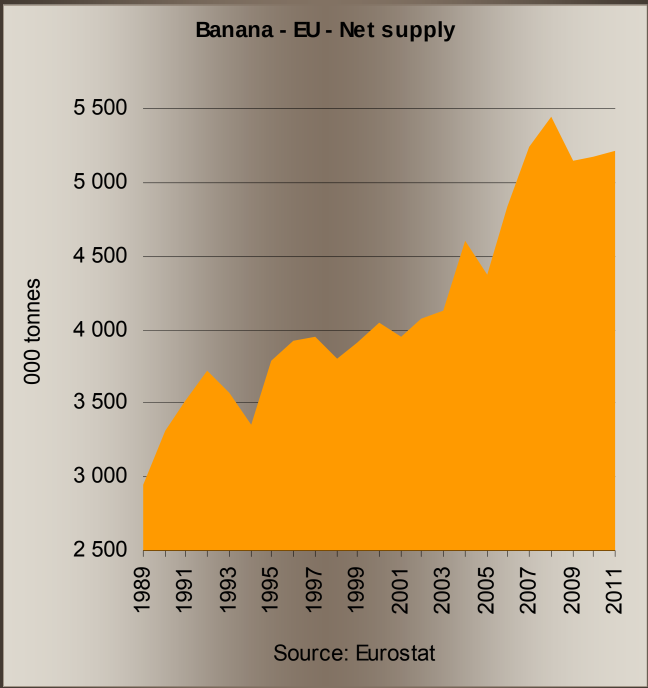
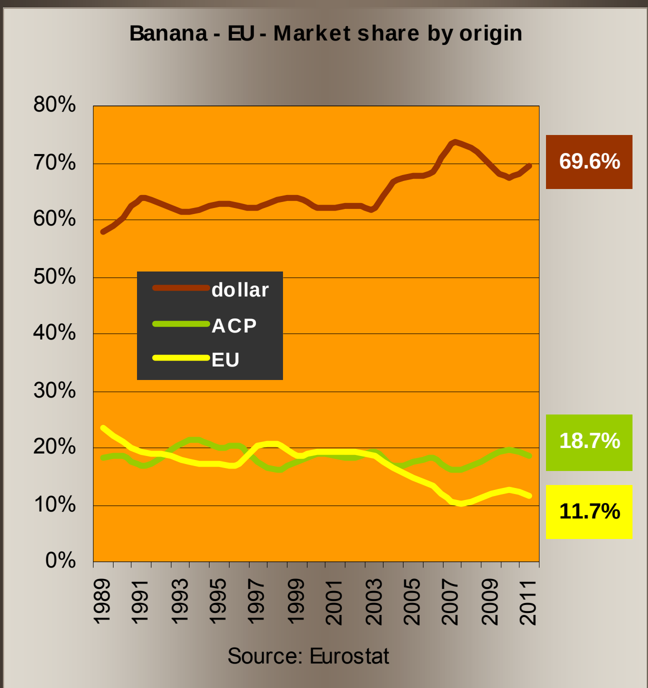
What if the European banana market were an agricultural market like any other? This might seem to be a strange question to observers who are not in the know. However, there is nothing unusual about this when it is remembered that for years the market was subject to regulation, with varying degrees of strictness. But this had the effect of isolating or at least tempering the classic forces of world supply and demand. We have the proof since 2006 that the market is in a way plugged into the world situation. And so far, in contrast with what many people forecast, the catastrophe scenario has not prevailed. However, this analysis is a little too optimistic. As we have already shown in FruiTrop 196, (January 2012), value-added in Europe is amputated by an unfavourable movement of cost prices and by market stagnation at all stages. This is worrying but not yet a reason for despair. It could thus be concluded that in its wisdom the world market is sufficiently reasonable to avoid immoderate price fluctuations and extreme volatility. Seeking this type of banana market is obviously a vain effort. The common market organisation of the banana market is dead and buried and nothing can bring it to life again, even if those who liquidated it are less and less happy with the way things are going today.

Banana always rises from its ashes

Even if the banana market is a true agricultural market and wide open, why is the situation still not atrocious? The answer is that in the farming world everything is a question of sunshine and rain. This has been demonstrated over and over again. For several years we have been





through gales, hurricanes, droughts, floods, etc. that have seriously reduced the quantities of fruits available world-wide. The weather has replaced regulation! Not even the Director-General of the WTO could have invented a more effective magic charm to counter the effects of deregulation. But meteorological events do not only push prices up. They also have a delayed effect and push them down when destroyed production capacity returns to normal all at the same time. Depending on the scale of the damage, banana production resumes a few months after the event. It is not a case of a lost harvest and return to production the following year as for grain crops for example. The banana cycle can be described as continuous. Except in the case of a major disaster that destroys the plantation, production is staggered and this causes production peaks in all cases. These excess quantities of bananas over and above the normal supply rate from other sources are very difficult to sell under good conditions.

In short, this is what happened to the banana market in 2011 and is what has been happening since the beginning of the year. It will be remembered that at the end of 2010 production capacity was very strongly reduced in Latin America and also in the Caribbean. Whereas the import price was fairly low in autumn 2010, causing much lamenting among operators, it shot up in November and December 2010 because of the decrease in world supply. The price per box exceeded EUR 14. As proof of this, EU imports in December 2010 were 13% down on those of December 2009. Decreasing volumes and rising prices were the rule for the next two months. The situation worsened noticeably from May 2011 until the end of the year. The market was greatly depressed in the spring and summer. Volumes sold (from all

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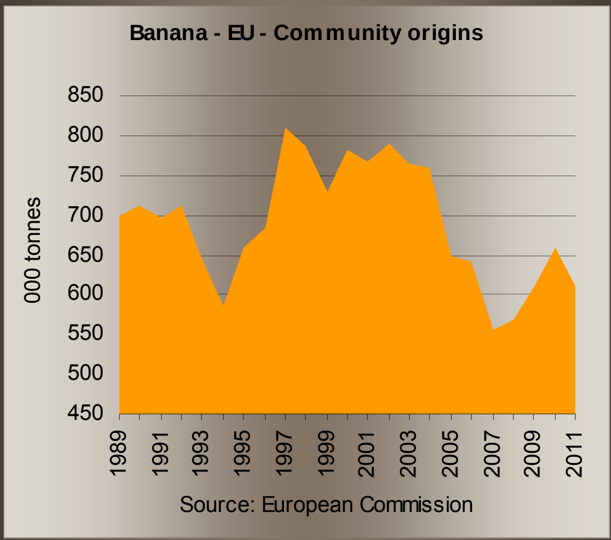

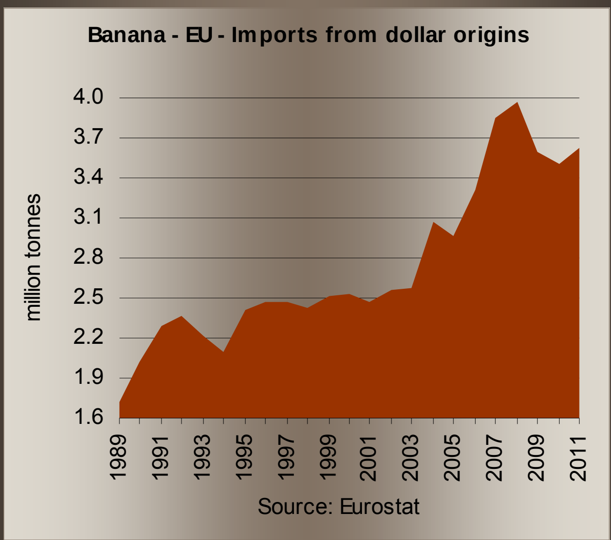

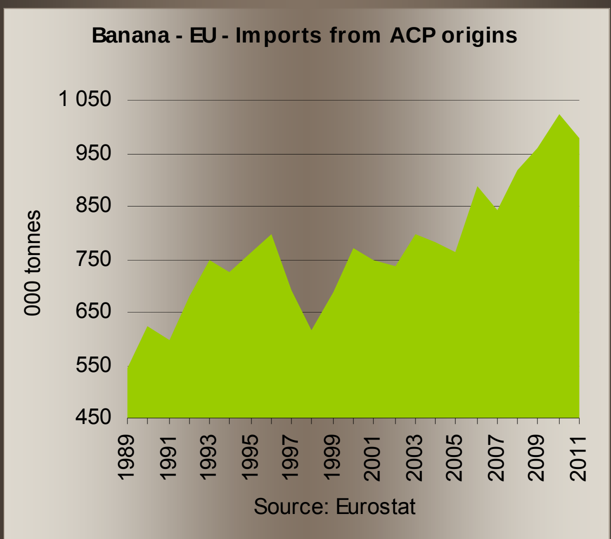

sources) rose, breaking records, while green prices fell, also breaking records. The transfer of production from one period to another (roughly six months) was partly responsible for triggering this very serious crisis. In France for example, the missing volumes from Guadeloupe and Martinique reached the market at the worst possible moment—in spring and summer—contributing the disorder and suffering from poor market conditions. The punishment was double for these suppliers, with no fruit to sell during the period of high prices and a lot or too much when prices were exaggeratedly low.

Dollar: 1
Other suppliers: 0

According to evaluations made by CIRAD, net supply of the European market was some 5 211 000 tonnes, identical to that of 2010 (+ 0.7%). Annual per capita consumption was stable at between 10.3 and 10.4 kg. EU suppliers and ACP sources lost ground in 2011 under pressure from fruits from dollar sources. The latter displayed 4% growth (+ 130 000 t), while ACP sources lost 5% (- 46 700 t) and European production lost 7% (- 47 700 t). Market shares by type of source also moved in the same direction. Dollar sources gained two points at almost 70% while EU and ACP sources each lost a point, ending at 11.7 and 18.7% respectively.

This erosion is the most worrying for community sources. In fact, ACP sources continued to display a decrease after a record 2010 when the one million tonne mark had been exceeded. Community production displayed something of the same trend, after being larger in 2010. But the recovery only occurred after a slow downward movement that started in 2004. European production at 612 000 tonnes is still far from the average of 660 600 for the previous decade. And nobody came out better! All the production zones were down on the ten-year average : Madeira - 11%, Martinique - 10%, Canaries - 8% and Guadeloupe - 5%. The decrease was 7% overall. The results year on year were good in the zones with more limited potential: Madeira, Greece and Cyprus. Guadeloupe also came back strongly after years of shortfall caused by a series of catastrophes. It came back above the 60 000 t level to 61 500 t, a figure not reached since 2003. The annual increase was 45%. The situation was not as brilliant for the two leading zones. Production in the Canaries was 13% down at 346 500 t, far from the figure of close to 400 000 t in 2010 (- 13%). Martinique was 9% down to its 2009 level (181 000 t).

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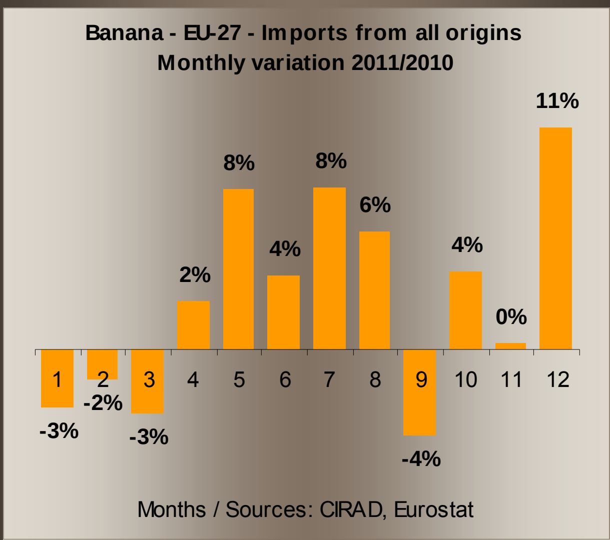

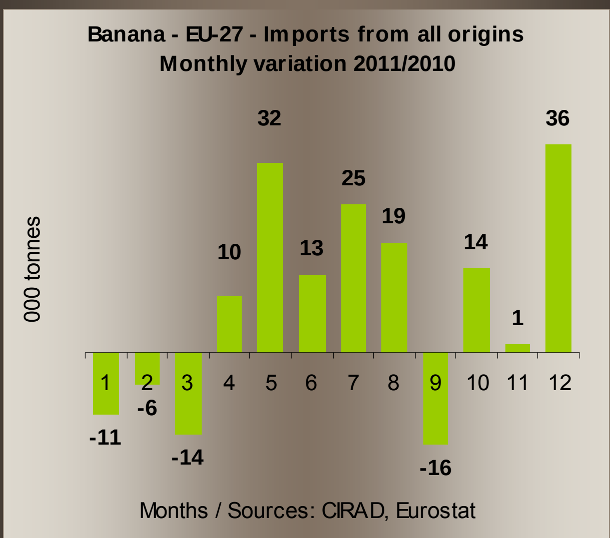

ACP: *trompe-l'oeil*

The overall results for ACP sources were fairly good. It is true that the 2011 figure was 5% down but 2010 had been an exceptional year with a 7% increase and the total clearing a million tonnes. However, analysis by source is very much more contrasted. First and foremost, the Dominican Republic—the star of the group seems to be an inexhaustible source (see country article). Apart from Dominica, the smallest sources with an increase of 336 t exported (+ 9%), the Dominican Republic is the only ACP source to have displayed growth in 2011 (+ 8%). Production in African sources (Cameroon, Côte d'Ivoire and Ghana) fell moderately to average levels. Côte d'Ivoire performed very well, given the civil war conditions during which operators continued to harvest and export. This shows the great resilience that has reigned in the sector for many years. Better things might have been expected from Ghana, where production decreased to 47 100 t after peaking at 52 400 t in 2010. But this is only temporary as the two local operators have been investing for several months in improving productivity and enlarging their plantations. It is difficult to have a definite opinion of Belize and Surinam, which maintain their positions year after year.

The real trouble is found in the Windward Islands, with St Vincent, St Lucia and Dominica close to collapse. Hurricanes, volcanic ash and now diseases (including Black Sigatoka) have come close to finishing off a banana sector already suffering from disastrous competitiveness. The many calls by governments and local producers to the international community are proof of this. A tragic Jamaica-style destiny is now probable and would be extremely dramatic as much of the export earnings of these countries come from bananas (43% in 2000). The resulting social breakdown is also worrying. According to WINFA (Windward Islands Farmers Association), the three islands have already lost 20 000 of their 25 000 banana growers since 1992.

Ecuador prefers the EU, for want of anything better

It has already been said that the dollar banana suppliers formed the most successful group in 2011. While EU and ACP producers lost ground, Latin American producers increased their output by 4%, representing some 130 000 tonnes more fruits on the market. Three major sources stand out: Ecuador, Costa Rica and Peru. First of all, Ecuador consolidated its position as the leading supplier of EU-27 by allocating exports to Europe at the expense of the US market. An

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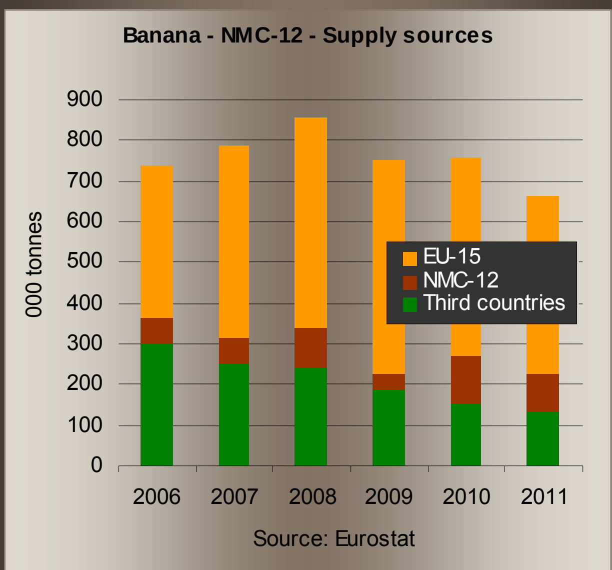

additional 115 000 t was allocated to Europe and in consequence exports to the US were reduced by 101 000 t. And a shortage of fruits was not the reason! AEBE, the Ecuadorean banana exporters association, recently announced a 7.2% increase in exports, that is to say 350 000 tonnes more; this will give a new all-time record of nearly 5.3 million tonnes (285 million boxes). Russia, Eastern Europe and the EU will benefit from the increase. It is not particularly reassuring to see that the Ecuadorean sales territory is spreading further in the EU, proving once again the great permeability of this market to Spot market bananas whereas the US market is closed to such offers. It is a disturbing sign and indicates a future increase in the volatility of the European market. It is also one of the effects of the European deregulation policy.

Costa Rica, the third-largest supplier of the EU, was also more present in 2011 with 9% growth (+ 68 000 t), but for different reasons than Ecuador. This is just a catching up movement after years of disturbance by weather phenomena. The situation is something of a honeymoon for Peru (65 700 t). Its presence has doubled in the EU in only three years! The 2010-11 year on year growth rate was 27%, that is to say 14 000 t more produce. Along with the Dominican Republic and Ghana, it supplies the organic and/or fair trade markets (see the article and country sheet in this section).

The losers include Colombia, which suffered from very bad weather, with exports decreasing to both the EU (- 3%) and the United States (- 17%). Panama also lost ground, but this can now be considered as an overall structural decrease, as for Brazil which is leaving the market little by little. Guatemala has only a symbolic presence in Europe as all its fruits are sold on the North American markets.

The NMCs like bananas

The figures for extra-EU re-exports and intra-EU shipments make one feel dizzy. While net consumption is 5.2 million tonnes, trade between member states totals some 2.2 million tonnes. The 12 new member countries (NMC-12) import 80% of their requirements via an EU-15 country each year. Poland and the Czech Republic are the two centres for these Eastern European markets and receive 83% of their supplies from Belgium, Germany and France. Three-quarters of direct imports from third countries (20% of net supply, that is to say 135 000 t) transits via the ports of Slovenia (Koper) and Poland. The position of Romania is the main change in this very traditional pattern of supply to the NMCs. The last country to join the EU (in 2007), Romania has imported up to 150 000 t bananas practically only from Ecuador. The country has a large seaboard on the Black Sea and a trad-

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ing port, Constantza. However, it has steadily reduced direct imports since it joined the EU and only received 16 000 t in 2011. Even if is reported that the customs posts are not particularly vigilant in this part of the EU and rumour has it that produce is imported fraudulently, the decrease is considerable and in line with the post-joining trend in which all the NMCs depend on their West European partners for their supplies.

Now for the new god of bananas: the IPPC

The banana market thus has classic agricultural features. Weather and climate problems prevent the market from running smoothly, causing large price variations from one month to another and even from one week to another. Finally, exporters pray to be able to have produce when their competitors have none. If not, it's a double whammy: holding produce when the market is saturated because of returns to production and beingshort when the market is clear and prices often at record highs. All this is somewhat cynical, but it is not easy to see what would change the situation. For what is to be feared most is production potential that in one year is not amputated by some catastrophe or climate upset. The vulnerability of the European market would thus be confirmed—to everybody's despair. So let's wish long life to climate change! ■

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Banana — European Union — Evaluation of supply — Tonnes

Year	Banana type or origin			Sub-total	Exports	Net supply
	Community	ACP	Others ($)			
1988	719 270	514 061	1 644 100	2 877 431	17 265	**2 860 166**
1989	698 925	544 441	1 716 175	2 959 541	13 415	**2 946 126**
1990	710 635	621 875	2 024 248	3 356 758	36 219	**3 320 539**
1991	695 402	596 416	2 286 019	3 577 837	53 468	**3 524 369**
1992	711 191	680 191	2 365 883	3 757 265	39 689	**3 717 576**
1993	646 242	748 120	2 219 721	3 614 083	36 138	**3 577 945**
1994	584 622	726 927	2 102 303	3 413 852	58 044	**3 355 808**
1995	658 206	763 886	2 405 180	3 827 272	43 082	**3 784 190**
1996	684 605	798 109	2 471 263	3 953 977	30 598	**3 923 379**
1997	810 537	692 731	2 464 412	3 967 680	16 571	**3 951 109**
1998	786 232	614 459	2 426 419	3 827 110	26 448	**3 800 662**
1999	729 303	688 170	2 522 455	3 939 928	27 359	**3 912 569**
2000	782 176	770 095	2 528 170	4 080 441	35 327	**4 045 114**
2001	767 268	747 131	2 474 665	3 989 064	34 284	**3 954 780**
2002	790 622	738 439	2 554 508	4 083 569	8 011	**4 075 558**
2003	765 416	797 269	2 578 827	4 141 512	6 020	**4 135 492**
2004	758 206	782 979	3 077 361	4 618 546	11 029	**4 607 517**
2005	648 375	763 974	2 959 463	4 371 812	4 970	**4 366 842**
2006	641 559	889 176	3 306 538	4 837 273	8 386	**4 828 887**
2007	554 734	842 959	3 848 266	5 245 959	9 270	**5 236 689**
2008	567 560	918 923	3 968 269	5 454 752	10 002	**5 444 750**
2009	608 048	958 326	3 587 737	5 154 111	7 840	**5 146 271**
2010	659 525	1 023 752	3 500 431	5 183 708	7 437	**5 176 271**
2011	611 841	977 050	3 630 399	5 219 290	8 314	5 210 976
	(1)	(2)	(2)		(3)	

(1) 1988 to 1993 inclusive: Eurostat + European Commission data for Madeira and Greece. From 1994 onwards: supplementary aid data or POSEI.
(2) Eurostat data: all imports from non-community and non-ACP countries.
(3) Duty-paid bananas (released for free circulation) in one of the EU-27 member countries and then exported outside EU-27.
General note: before 1994: dessert bananas + plantains / From 1994 onwards: dessert bananas. Before 1995: EU-12 / From 1995 to 2003: EU-15 / From 2004 to 2006: EU-25 / Since 2007: EU-27. The study concerns extra-community import data for ACP and dollar bananas and re-export. The rules of operation of the common market organisation of banana (1993 version) have been applied to the data from 1988 onwards in order to give comparable results. Source: Eurostat, European Commission / Processing: Cirad Market News Service

Banana — EU-27 imports — 2011

tonnes	AT	BE-LU	BG	CY	CZ	DE	DK	EE	ES	FI	FR	UK	EL	HU	IE	IT	LT	LV	MT	NL	PL	PT	RO	SE	SI	SK	UE-27
Total intra EU	125 976	38 908	22 733	4 927	137 984	504 650	68 216	11 354	84 584	67 675	292 911	73 589	23 225	44 735	22 366	133 573	19 432	22 556	5 262	133 036	182 777	49 414	21 609	64 311	2 722	52 551	2 211 075
incl. NMC-12	3 765	1 447	12 490	0	5 750	4 219	0	4 768	0	183	965	216	1 050	6 548	0	14 150	2 486	7 853	1 027	1 458	7 297	0	15 456	0	191	25 099	116 417
Belgium	36 113	3 112	495	0	28 475	331 680	2 406	302	6 090	3 991	100 956	7 802	82	11 855	2 843	38 498	6 124	6 413	302	51 398	98 612	1 743	38	8 354	677	7 574	755 934
Germany	59 313	9 223	0	0	30 992	0	57 499	6 059	241	18 911	18 238	606	120	6 372	836	9 490	6 082	7 636	0	75 060	58 647	0	389	31 960	8	5 177	402 860
Netherlands	20 534	7 664	535	0	17 759	101 624	5 094	0	1 232	17 292	33 254	33 528	19	5 552	253	17 488	995	61	648	0	7 332	886	1 371	10 712	937	2 248	287 016
France	5 758	10 578	75	0	48 986	26 844	6	0	62 648	1	0	7 700	80	7 386	8	39 761	3 745	488	0	2 915	9 323	6 478	875	354	12	10 099	244 120
Spain	1	72	283	0	20	1 034	0	0	0	0	58 159	1 104	0	82	6	1 042	0	0	0	17	764	39 833	2	947	0	0	103 366
UK	0	6 578	0	0	100	861	0	0	266	0	64 621	0	0	0	18 421	1 181	0	0	0	93	609	0	19	640	0	0	93 389
Italy	493	130	282	1 181	2 684	1 432	0	0	6 198	0	13 782	0	21 875	331	0	0	0	105	3 286	43	192	473	450	0	634	2 219	55 788
Ireland	0	0	0	0	0	32 038	0	0	0	0	48	22 633	0	0	0	0	0	0	0	0	0	0	0	0	0	0	54 718
Czech Rep.	0	1 428	8 077	0	0	221	0	0	0	0	133	0	19	1 174	0	0	21	0	50	2	5 261	0	8 748	0	0	23 583	48 717
Sweden	0	0	0	0	1 992	1 567	2 915	0	0	27 297	52	0	0	0	0	0	0	0	0	78	0	0	0	0	0	20	33 920
Portugal	0	102	0	0	0	0	0	0	7 909	0	3	0	0	0	0	11 700	0	0	0	0	0	0	0	0	0	0	19 714
Slovenia	2 875	0	1 955	0	900	98	0	0	0	0	100	0	0	2 907	0	5 991	0	0	0	20	58	0	1 775	0	0	1 133	17 810
Austria	0	0	182	0	1 227	3 136	0	0	0	0	2 802	0	0	6 609	0	253	0	0	0	1 972	0	0	211	0	264	116	16 771
Greece	0	0	8 392	3 746	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2 798	0	0	0	14 935
Denmark	0	0	0	0	0	34	0	0	0	0	0	0	0	0	0	10	0	0	0	1	0	0	0	11 344	0	0	11 388
Slovakia	0	17	0	0	4 422	0	0	0	0	0	82	0	0	1 292	0	4 800	0	0	0	0	0	0	19	0	3	0	10 634
Lithuania	0	0	61	0	0	0	0	287	0	0	315	0	0	0	0	0	0	7 371	0	360	1 958	0	0	0	0	0	10 351
Poland	394	0	222	0	424	3 276	0	0	0	0	316	216	0	1 175	0	1 147	834	473	0	40	0	0	809	0	0	46	9 372
Latvia	0	0	0	0	0	625	0	4 481	0	0	0	0	0	0	0	446	1 632	0	0	0	0	0	0	0	0	0	7 184
Hungary	283	2	190	0	0	0	0	0	0	0	20	0	0	0	0	1 690	0	0	0	134	0	0	3 477	0	148	336	6 279
Romania	213	0	1 985	0	4	0	0	0	0	0	0	0	185	0	0	76	0	0	0	610	0	0	0	0	41	0	3 114
Bulgaria	0	0	0	0	0	0	0	0	0	0	0	0	846	0	0	0	0	0	0	288	0	0	628	0	0	0	1 762
Cyprus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	977	0	21	0	0	0	0	0	998
Finland	0	0	0	0	0	178	296	225	0	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	705
Estonia	0	0	0	0	0	0	0	0	0	183	0	0	0	0	0	0	0	9	0	0	0	0	0	0	0	0	192
Luxemburg	0	3	0	0	0	2	0	0	0	0	26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31
Malta	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4
Total extra EU	1 107	1 305 288	10 213	0	0	775 689	12 358	0	103 936	2 428	274 293	945 344	116	0	52 431	528 364	10 665	0	165	152 229	32 922	93 348	16 252	110	64 962	0	4 608 455
incl. MFN	1 107	1 091 931	10 213	0	0	764 600	12 281	0	81 366	2 428	2 116	519 013	116	0	37 929	516 863	10 665	0	165	149 986	32 922	93 348	16 252	106	64 962	0	3 631 404
Ecuador	0	293 308	8 921	0	0	253 541	8 094	0	33 385	2 408	1 053	94 171	105	0	1 222	279 160	10 340	0	59	114 188	23 020	28 729	16 215	16 797	50 349	0	1 339 977
Colombia	1 107	516 065	0	0	0	230 987	4 182	0	10 160	0	982	215 215	2 093	0	2 958	116 828	179	0	107	1 513	2 032	24 199	0	4 290	3 640	0	1 136 538
Costa Rica	0	220 938	0	0	0	164 492	4	0	30 722	20	79	180 696	7 303	0	29 676	105 155	26	0	0	1 577	7 870	38 891	37	49 856	7 765	0	845 107
Panama	0	15 059	0	0	0	76 190	0	0	0	0	0	11 867	1 690	0	0	15 346	0	0	0	1 756	0	1 528	0	35 977	183	0	159 596
Peru	0	34 619	0	0	0	8 823	0	0	58	0	0	1 588	0	0	849	0	0	0	0	19 742	0	0	0	0	0	0	65 678
Brazil	0	101	0	0	0	29 526	0	0	417	0	0	13 246	0	0	0	20	0	0	0	8 964	0	0	0	0	0	0	52 274
Honduras	0	11 843	0	0	0	851	0	0	263	0	0	593	0	0	3 224	186	120	0	0	380	0	0	0	0	0	0	17 459
Mexico	0	0	0	0	0	180	0	0	6 360	0	0	1 360	0	0	0	35	0	0	0	1 825	0	0	0	0	0	0	9 760
Guatemala	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	74	0	0	0	0	0	0	0	0	2 921	0	2 995
Turkey	0	0	1 007	0	0	0	0	0	0	0	0	98	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 105
Albania	0	0	255	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	255
incl. ACP	0	213 357	0	0	0	11 089	78	0	22 570	0	272 177	426 331	0	0	14 502	11 501	0	0	0	2 243	0	0	0	3 203	0	0	977 050
Dom. Rep.	0	64 259	0	0	0	11 027	78	0	16 364	0	15 801	206 467	0	0	0	7 387	0	0	0	2 183	0	0	0	3 202	0	0	326 766
Cameroon	0	60 839	0	0	0	1	0	0	186	0	111 580	58 176	0	0	0	3 499	0	0	0	60	0	0	0	0	0	0	234 342
Côte d'Ivoire	0	65 177	0	0	0	0	0	0	5 981	0	65 456	86 932	0	0	141	14	0	0	0	0	0	0	0	0	0	0	223 700
Belize	0	0	0	0	0	0	0	0	0	0	0	56 703	0	0	14 361	0	0	0	0	0	0	0	0	0	0	0	71 064
Surinam	0	0	0	0	0	0	0	0	0	0	62 911	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	62 911
Ghana	0	23 001	0	0	0	0	0	0	40	0	16 429	7 030	0	0	0	565	0	0	0	0	0	0	0	0	0	0	47 064
Dominica	0	0	0	0	0	0	0	0	0	0	0	4 064	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4 064
St Lucia	0	0	0	0	0	0	0	0	0	0	0	6 159	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6 159
St Vincent	0	0	0	0	0	0	0	0	0	0	0	764	0	0	0	0	0	0	0	0	0	0	0	0	0	0	764
Mozambique	0	34	0	0	0	0	0	0	0	0	0	36	0	0	0	36	0	0	0	0	0	0	0	0	0	0	106
Uganda	0	4	0	0	0	62	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	67
Burundi	0	23	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23
Rwanda	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20

Country codes according to the official EU norm / Source: Eurostat