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The organic banana market

A niche market that grows and grows

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World production increasing, with some producer countries becoming specialists

World organic banana exports have grown continuously since the beginning of the 2000s, increasing from 30 000 tonnes to nearly 400 000 tonnes in a decade. The leading world exporter was initially the Dominican Republic which in around 1995 converted a large proportion of its conventional production to organic farming in response to growing demand from European markets. World exports accelerated rapidly from 2005 onwards when Ecuador, the world's leading exporter of conventional bananas, went into the organic production. The initiative was followed in other countries such Colombia, Peru and Ghana.

In recent years, the countries in which conventional bananas are grown have been less present on the organic market as a result of weather and phytosanitary problems such as Black Sigatoka (Colombia, the Dominican Republic or Ecuador) and also because the profitability of organic production is smaller for reasons of low yields and high certification costs. The growth observed in recent years results mainly from growth in the countries specialising in organic production, such as Peru, where climatic conditions are very favourable for the crop: dry zones with investment in irrigation strongly limit diseases and especially Black Sigatoka.

The decrease in organic banana production in Ecuador in recent years is explained by high costs (production, conformity with standards, certification) and increased pressure from pests and diseases. Many small planters have returned to more profitable conventional growing. However, new projects launched by large national producers are being developed in the zones that are most suited to organic farming. For example, 1 000 ha is being planted at Loja at the Peruvian frontier and should come into production at the end of 2012. Many other new plantations are reported to be getting under way, benefiting from the fact that pest pressure is still small.

Likewise, Ghana should play a larger role on the market in the years to come as the operators already installed gain weight. The situation in Peru is also flourishing and will continue to be so as pest and disease pressure is very small and the sector is very resilient as it is based on a very large number of small planters and production costs are low. In contrast, transport costs are very high as it is the country farthest from Europe and goods have to transit via the Panama Canal, where a further increase in prices is planned.

Times are more difficult for the Dominican Republic. First of all, cultivable land cannot be extended infinitely. The rate of growth has been very high, with volumes doubling in ten years. Furthermore, climatic variations and poor management of Black Sigatoka strongly limit the extension of organic banana production. When will operators and the authorities to react and organise control that can only be coordinated and applied everywhere?

The profitable American market

Demand for organic products in general has increased steadily in the United States for the last ten years. In 2010, 4% of all foods sold was organic, in comparison with 1.2% in 2000 (source: Organic Trade Association). While bananas are considered to be a mature market in the USA, with imports stagnating at around 4 million tonnes since 2000 (source: 2010 banana statistics, ODEADOM-CIRAD), sales of organic bananas have continued to display one of the strongest growth rates for fruit and vegetables on the US market. It is estimated that organic banana imports increased from 27 000 tonnes in 2000 to more than 100 000 tonnes in 2010. However, market penetration by organic bananas is still comparatively small as these fruits form only some 2.5 to 3% of total banana imports in 2010.

The main distribution channels are those of conventional bananas, that is to say the large multinational corporations that supply the US market: Chiquita, Dole, Fresh Del Monte and Daabon Organics USA (source: University of Florida).

The retail price of both organic and conventional bananas increased from 2007 to 2012 (source: AMS-USDA). However, the difference in the retail prices for organic and conventional fruits de-


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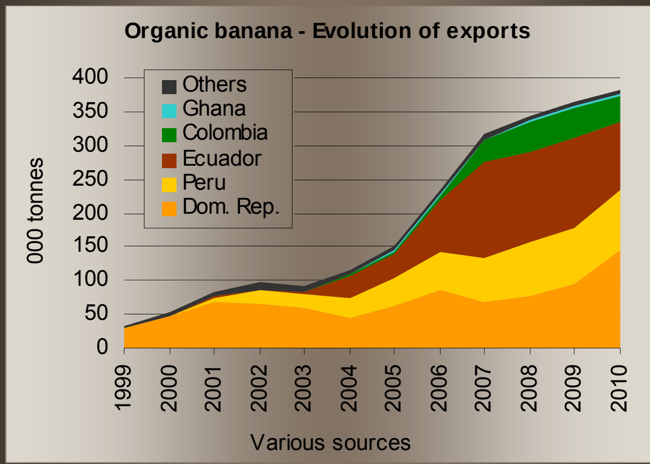
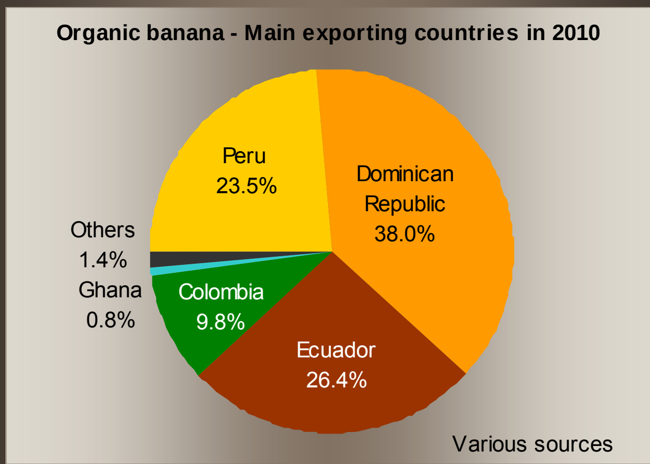
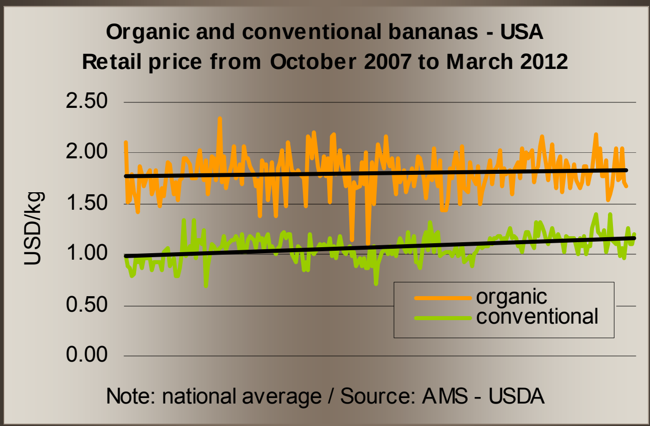
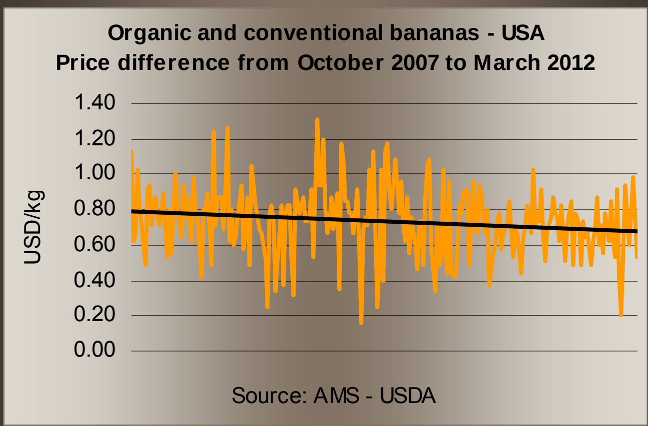


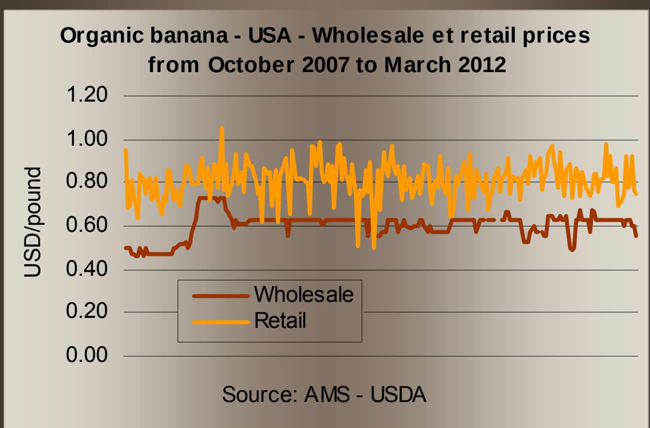


Organic banana — USA — Main suppliers

Countries	Market shares
Ecuador	52%
Colombia	24%
Peru	18%
Others	6%







creased from USD 0.79 in 2007 to USD 0.69 in 2012.

A new key reference in retail distribution in Europe

The European market is the main destination for organic bananas, taking more than 280 000 tonnes in 2010. This is practically three-quarters of world production. Indeed, it is estimated that the EU receives 67% of production from Peru, 65% of that of Ecuador, 100% of that of Ghana, 50% of that of Colombia and 95% of that of the Dominican Republic. But these volumes form only 6% of the total quantity of banana—both organic and conventional—imported to the EU.

The European market has seen the beginning of the convergence of prices of conventional and organic bananas in recent years. Whereas the retail price of conventional bananas increased during the period 2007-2010 (French data), that of organic fruits decreased strongly and the gap closed to its narrowest point at the end of 2010-beginning of 2011. It was EUR 1.11 per kg in 2007 and only EUR 0.69 per kg in 2011, showing the considerable progress made by this segment of the retail sector. The return to a degree of stability has been observed since 2011, with the price of organic bananas oscillating between EUR 2.09 and EUR 2.30 per kg.Seasonal price variations seem much less marked than for conventional bananas. Finally, organic bananas have become key retail distribution reference, even in discount stores.

Has the organic market reached maturity? Is it seeking more opportunities?

Organic certification

In the United States, the OFPA (Organic Food Production Act) required USDA to create National Organic Standards for organic produce/products. USDA-accredited officials — who may be private persons or government entities — certify that production is in conformity with the standards in force.

The situation is more complex in Europe. Council Regulation (EC) No 834/2007 applies to all organic production and all types of activity (production, processing, distribution, importing, etc.) and guarantees the inspection of organic goods from third countries. Some countries—Argentina, Australia, Costa Rica, India, Israel, New Zealand and Switzerland—have been recognised as applying equivalent regulations and their organic produce can be imported freely into the European Union.

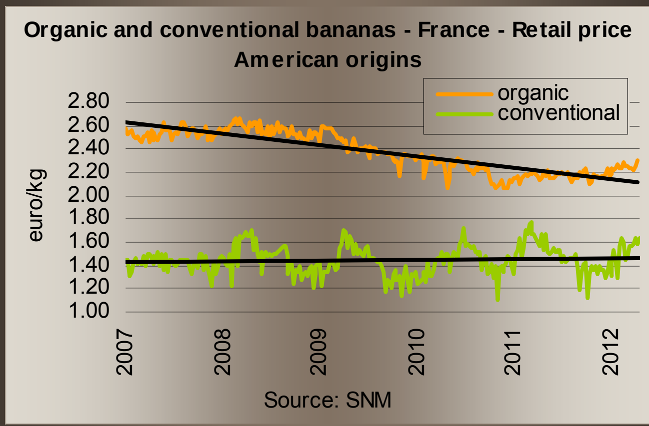
In contrast, importers must obtain import permits from the member states. They must prove that the products comply with requirements that are identical or equivalent to those of EU organic products and that inspections have been duly carried out. The goods must be accompanied by an import certificate checked at entry to the EU.

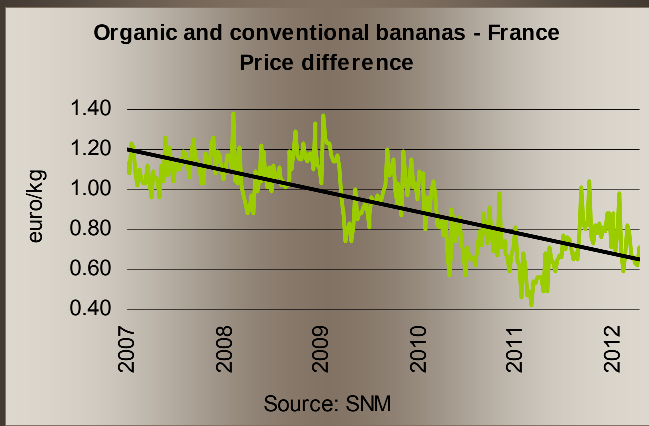
For example, an importer in France must lodge his request with the Ministry of Agriculture that will check the production and inspection rules in the third country are equivalent to those of the European Union. Furthermore, the exporter in the third country must provide a certificate from his EU-accredited inspection body that states that his organic exports comply with the rules of organic farming throughout the chain. The European Commission is informed of all the decisions taken by member states concerning the import files handled. This procedure prevents products whose import is forbidden in one state to be authorised in another. A new measure aimed at extending the principles of the list of countries and certification bodies recognised directly by the Commission is currently being set up.

In order to obtain certification and label goods as 'organic', the products sold in Europe must be inspected by an inspection body approved by the public authorities in order to check that they comply with the official regulations governing organic farming. These independent bodies that are accredited in accordance with European Standard EN 45011 perform field checks of the compliance of farms and agrifood industries before issuing them with certification documents. The inspection bodies are subjected to on-site evaluation, supervision and regular pluri-annual re-evaluation by the accreditation body (COFRAC in France).

Convergence between US and EU organic

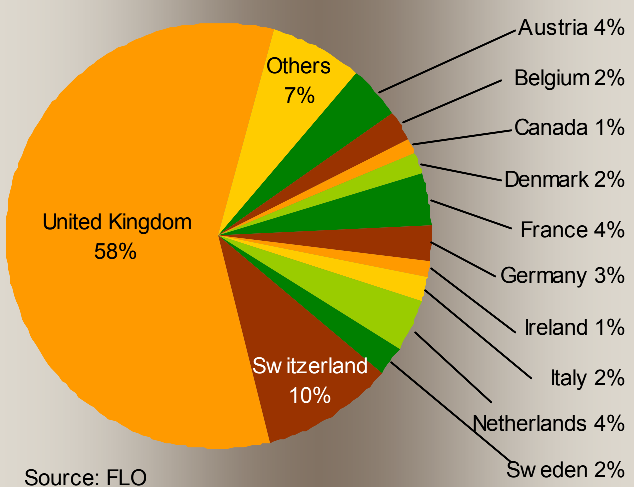
The organic certification programmes in the United States and Europe have been declared to be identical since February 2012, implying the equivalence of certification procedures in the two main zones for the production and import of organic products. Thus products certified in the USA can now be sold in the EU and vice versa without additional certification or documents. Companies previously had to obtain certification in both the USA and the EU, each with their costs, inspections and documents. The equiva-





Organic banana— European certification bodies
ECOCERT SA (FR), ECOCERT International (DE)
Control Union Certifications B.V (NL)
BCS Öko – Garantie Gmbh (DE)
IMO Institure fur Marktocologie (CH)
CERES Gmbh (DE)
Bioagricert Srle (IT)
Soil Association Certification LTD (GB)

Organic and conventional Fairtrade bananas
Distribution of sales by countries in 2010



Source: FLO

lent organic standards eliminate many barriers, especially for small and medium-sized producers. The prospects of outlets for organic goods should continue to increase and be limited by nothing other than supply falling short of demand.

Varied and multiple certifications

Today, organic bananas are not sold exclusively as such. In Europe most have additional certification labelling that guarantees the respect of certain environmental and/or social standards defined in private specifications. There is thus a diversity of types of certification and also private retail distribution labels (see box). The commonest certifications used in the banana world are organic certification, Fairtrade, Rainforest Alliance, GlobalG.A.P., Tesco Nurture, ISO 14001 and SA 8000.

What is the position of fair trade on the organic banana market?

Not all organic bananas are in the fairtrade category and not all fairtrade bananas are organic! But these features are often confused in certain importing countries.

Of the 287 000 tonnes of fairtrade bananas sold in 2010 in Europe in the broad sense (certified by Fairtrade), about 70% were conventional and 30% organic (some 86 000 tonnes). Thus 31% of the organic bananas imported to Europe would seem to have Fairtrade certification.

Organic and conventional Fairtrade bananas
Evolution of minimum price payed to producer **(FOB in USD 18.14 kg box)**

Origin	Type of production	2008		2009		2010		2011		2012	
		Minimum price	Bonus	Minimum price	Bonus	Minimum price	Bonus	Minimum price	Bonus	Minimum price	Bonus
Colombia	Organic	8.50	1.00	8.50	1.00	10.70	1.00	11.10	1.00	11.75	1.00
	Conventional	6.75	1.00	6.75	1.00	8.50	1.00	8.90	1.00	9.10	1.00
Dom. Rep.	Organic	10.00	1.00	10.00	1.00	12.30	1.00	12.36	1.00	13.05	1.00
	Conventional	8.50	1.00	8.50	1.00	10.10	1.00	10.15	1.00	10.55	1.00
Ecuador	Organic	8.50	1.00	8.50	1.00	10.40	1.00	10.50	1.00	11.00	1.00
	Conventional	6.75	1.00	6.75	1.00	8.20	1.00	8.40	1.00	8.50	1.00
Ghana	Organic	10.00	1.00	10.00	1.00	11.25	1.00	11.41	1.00	8.75	0.72
	Conventional	8.00	1.00	8.00	1.00	9.25	1.00	9.38	1.00	7.03	0.72
Peru	Organic	8.50	1.00	10.10	1.00	10.10	1.00	10.28	1.00	11.25	1.00

Source: FLO

Access to Fairtrade certification, like all the other types of certification, has a cost, both for the producer who wishes to comply with standards and pay for the visit of a specialist, and for the ripener, who must pay a fee for promotion and communication costs.

Sales of fairtrade bananas increased simultaneously with geographic segmentation. The British market is the main outlet with 58% of sales, especially via supermarket chains that exhibit the determination to sell only fairtrade bananas—-the case of Sainsbury's and Waitrose in 2007. Likewise, Co-Op announced in early 2012 that it would switch to 100% fairtrade bananas. This is a growing trend that gives the retailers a good image but also forms an undertaking with the sector.

In contrast, sales of conventional fairtrade bananas are not as successful in France (or Germany and Austria) as they are in the UK and practically all the fairtrade bananas sold in France in 2010 were organic. This lack of commercial success can be explained by the presence of bananas from the French West Indies that cannot claim fairtrade certification but are fully respectful of the environment and European minimum social standards.

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What is the future of organic bananas?

The organic banana market is growing. It is now unthinkable not to have organic bananas in the range of supermarket references, even in discount chains, without mentioning the growth of chains specialising in organic products and fairtrade. Mention can be made of Auchan in France that has just opened its first superstore devoted exclusively to organic products and label-bearing sustainable products. European demand has become more responsible in terms of both the environmental and social standards and so what are the limits to the growth of this market?

In addition to the physical constraints such as the availability of land and the climatic conditions that are essential for organic farming, supply of organic bananas is much more fragile and dependent on the weather and the prevalence of pests and diseases than conventional production. The appearance or intensification of certain poorly mastered diseases imperils the development and future of the crop. World supply may increase but it seems unlikely that volumes will rocket, especially in zones where conventional spraying may become necessary to fight certain diseases.

What is certification?

Certification is a written document provided by independent, accredited certification bodies that guarantees that a produce, a production or distribution process meets certain criteria defined by a specific standard (FAO, 2009).

Certification can concern a product or a process and sometimes, as in fairtrade standards, the sales process. These standards can be classified as 'environmental questions' (soil conservation, protection of water, use of pesticides or waste management), 'social questions' (labour law, hygiene and safety at the workplace) or concern other questions such as the harmlessness of foods.

A new European organic logo has been in use since July 2010. It is obligatory when the product is packaged in the EU but optional if the product is packaged in a third country, which is the case of bananas.

Used on a voluntary basis, 'AB' is a French label. It allows professionals who so wish and who comply with the rules for its use to affix specific identification to their products. The label is the exclusive property of the French Ministry of Agriculture, which lays down the rules for its use. It guarantees the following features:

- the foodstuff contains at least 95% organically produced ingredients using agricultural and livestock practices that respect natural balances, the environment and animal well-being;
- respect of the regulations in force in France;
- certification under the control of a body approved by the public authorities and that complies with the criteria of independence, impartiality, competence and effectiveness as defined in European Standard EN 45011.

According to the CSA/Agence Bio 2008 'barometer', 85% of French people know the AB label and 84% of consumers use it as a guide when purchasing organic products (source: Agence Bio, 2012).

In addition, as regards the profitability of the sector, the cost of compliance with standards in order to obtain certification is often a dissuasive feature for producers, not to mention the cost of extra certification for retail distributors. Thus if the pressure of productions costs and compliance with standards becomes too strong, it is preferable for producers to switch back to a conventional production system.

Demand in both Europe and the United States still appears to be very dynamic and growing in the organic banana segment. In contrast, in the context of general economic downturn in which purchasing power has already taken a knock, it seems unlikely that all consumers would be willing to pay more than EUR 2 per kg for bananas. Especially when it is possible to find conventional bananas, for which the strategy is precisely that of being 'anti-downturn' produce, at particularly low prices and that also claim sustainability—even if this is more of an incantation than reality. Organic bananas will be unable to participate in the retail price war as it is a segment whose value is more fragile, with production costs, compliance with standards and certification contributing to raising the retail price. The question is all the more pertinent for fairtrade bananas that are even more expensive for the consumer. The case of the United Kingdom is reassuring so far, with retail chains basing their activity on fair trade and seeming to be able to hold on, which is not the case in other countries, such as France.

Furthermore, care should be taken to avoid excess certification. Consumers are becoming more and more lost in the over-certified universe of retail chains and are therefore losing confidence in the actual value of the labels. It is essential that the basic guarantees (whether organic or fairtrade) provided by the various types of certification should not be called into question or that standards be changed to allow access to a greater number of producers. Possible scandals concerning the undue use of one substance or another could call into question the credibility of certification and of the entire sector! Finally, everything is based on a relation of confidence set up with consumers and is therefore fragile ■

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A few examples of certification

GLOBALG.A.P.

GLOBALG.A.P.: a guide to good agricultural practices and workers' safety

GLOBALG.A.P. has become a basic certification for entry to the European market. A private sector body defines the references on a voluntary basis for the certification of agricultural produce/products (including aquaculture) on a world-wide scale. The references are designed mainly to reassure consumers with regard to the way in which foodstuffs are produced on farms by reducing the harmful effects of farming activities on the environment to a minimum, reducing the use of chemical inputs and guaranteeing a responsible approach to workers' health and safety and animal well-being.

Rainforest Alliance: environmental certification

Undertakings that scrupulously respect sustainable development standards can use one of the seals registered by the Rainforest Alliance so that products and services will stand out on the market. This is the case of the farms that respect all the criteria of the Réseau pour une Agriculture Durable (Sustainable Agriculture Network), forestry operators who respect the strict standards of the Forestry Stewardship Council (FSC) and tourism companies that demonstrate the progress they have made in reducing their environmental footprint and in supporting works, local culture and neighbouring communities.

Tesco Nurture (formerly Tesco Nature's Choice): a guide to good agricultural practices

The Nurture scheme is a code of good agricultural practice focused on the conservation of biodiversity and, in a general manner, on conservation and the environmental management of farms. Similar to the GLOBALG.A.P. code, the reference was developed by the British retail chain Tesco and ADAS (Agricultural Development Advisory Service). Tesco Nurture requirements are sometimes stricter than legal requirements. The standard concerns all Tesco's suppliers of fresh fruits, vegetables, salads and other horticultural products. Nurture certification can be combined with GLOBALG.A.P., BRC or IFS.

Fairtrade

Fairtrade consists of a variety of standards drafted by certain NGOs. The most widespread one in the banana sector is that of FLO International, an NGO based in Germany. The member organisations (including Max Havelaar) work with small growers and agricultural workers with the aim of improving their living and working conditions while respecting precise environmental standards. Certification is thus awarded by FLO-Cert, an independent body, after a visit by its auditors.

Fairtrade seeks to achieve 'fair' remuneration of producers by means of a precise payment system. In the case of banana, the price is in two parts: the minimum fairtrade price—the lowest possible price that can be paid to producers for their produce—and a development bonus, an extra sum paid to producers for investment in their trade activities and their communities or for the socioeconomic development of workers and their communities. An organic differential also exists for certain organic products. However, for banana the minimum price already allows for the difference between organic and conventional production.