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BANANA MARKET REVIEW

2018

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Foreword

The Banana Market Review is issued on an annual basis to Members and Observers of the Sub-Group on Bananas of the Intergovernmental Group on Bananas and Tropical Fruits, which is a subsidiary body of the Committee on Commodity Problems (CCP).

It is prepared by the Team on International Investment and Tropical Fruits, Trade and Market Division, Food and Agriculture Organization of the United Nations (FAO), Rome, and the tables contained bring together the information available to FAO, supplemented by data obtained from other sources in particular with regard to preliminary estimates.

The Team on International Investment and Tropical Fruits provides research and analyses on agricultural investments in developing countries, and economic data and analyses on tropical fruits. Regular publications include market reviews, outlook appraisals and projections for bananas and tropical fruits. The team also provides assistance to developing countries in designing and implementing national policies regarding responsible investment in agriculture.

The report is available at the following FAO website:
<http://www.fao.org/economic/est/est-commodities/bananas/en/>

Note on Methodology

Data and information in this market review were compiled from communications with national sources and industry partners in trading countries, monthly data from TDM and COMTRADE and secondary information and data from desk research. All data in this report should be considered as provisional.

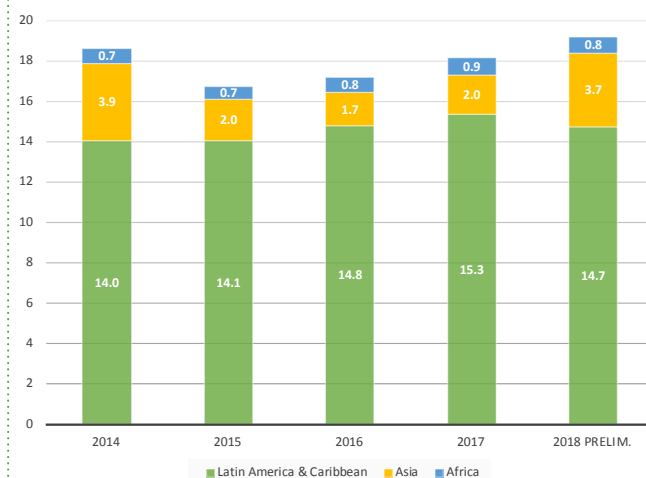
Developments in banana trade - results for 2018

Exports

Global exports of bananas, excluding plantain, reached a record high of 19.2 million tonnes in 2018, on the back of ample growth in supplies. Reported figures for the full year indicate an increase in global shipments of 5.7 percent compared to 2017. Strong supply growth in the two leading exporters, Ecuador and the Philippines, was mainly accountable for this rise. Meanwhile, adverse weather conditions continued to affect shipments from several other key suppliers, most notably Costa Rica and the Dominican Republic.

Exports from **Latin America and the Caribbean** experienced a decline by 4 percent in 2018, to 14.7 million tonnes, primarily due to weather induced production shortages in Costa Rica, one of the leading four exporters in the region. Following a record year in 2017, exports by Costa Rica declined by 31 percent in 2018, or 770 000 tonnes, to a total of 1.7 million tonnes. Weather disruptions, including severe flooding, experienced by the country in early 2018 had afflicted plantations for several months. Yields were additionally compounded by lower temperature levels and a lack of sunshine. Exports from Ecuador, the largest supplier of bananas globally, meanwhile expanded by 2 percent to reach a new height of 6.6 million tonnes in 2018, thanks to favourable weather conditions and successful investments in production expansion and yield-improving technologies. Shipments from Ecuador also continued to benefit from the scheduled tariff reductions under the European Union-Andean agreements in 2018, which facilitated entries to the European Union market at a reduced rate of EUR 96/tonne throughout the year. Preliminary data indicate that Ecuador's share in world banana markets stood at 34 percent in 2018. Exports from Guatemala, the second leading exporter in the region, remained almost unchanged in 2018, compared to a 9-percent expansion in the previous year. Cooler weather conditions affected supplies and hampered the pace of growth. Nevertheless, Guatemala remained

Figure 1
World banana exports by region, 2014-2018
million tonnes



the third leading exporter of bananas globally, behind Ecuador and the Philippines, at an approximate volume share of 12 percent, equivalent of 2.4 million tonnes. Shipments from Colombia, currently the fourth largest supplier globally, fell by 7.2 percent to 1.7 million tonnes in 2018, equivalent to approximately 9 percent of total global exports. Despite successful efforts to raise production through an expansion in planted area as well as technology-related productivity gains, exports from Colombia were hindered by strike-related disruptions to domestic transport links.

Exports from **the Caribbean** fell to an estimated 130 000 tonnes in 2018, a decrease of 8.3 percent compared to 2017. Severe weather-related disruptions to production in the Dominican Republic, which accounts for approximately 90 percent of exports from the region, continued to affect the overall export performance of the Caribbean. Banana production in the Dominican Republic had been dramatically affected by wind breakage and flooding induced by Hurricanes Irma and Maria in August and September 2017. Environmental degradation due to deforestation, which hindered water supplies to plantations, reportedly caused further obstacles to production in several key production areas in 2018. While significant investments were made to recover production sites, and in particular to expand plantings for more lucrative organic bananas, shipments from the Dominican Republic were additionally hampered by a lack of export

contracts, which producers had not been able to secure in light of the uncertain production situation. Against this backdrop, total exports of bananas from the Dominican Republic dropped to an estimated 120 000 tonnes in 2018, instigating the Government to acquire surplus bananas from producers as a measure of support. The increasing frequency and magnitude of adverse weather events in the region provide considerable cause for concern, particularly for small exporters such as Dominica and Saint Lucia, whose competitive positioning in banana trade has been undermined by their inability to shield crops from natural disasters.

Asian exports continued to display a healthy recovery from the weather-induced production shortages of 2015 and 2016 and reached 3.7 million tonnes in 2018, representing an increase of nearly 90 percent compared to 2017, when they stood at 1.9 million tonnes. The rise is primarily due to strong production growth in the Philippines, where exports more than doubled from 2017, reaching 3.4 million tonnes in 2018. Banana production in the Philippines had been affected by a series of adverse conditions between 2015 and 2017, in response to which significant investments were made in area expansion, new technologies and improved inputs. The Philippines ranks as the largest exporter in the region, accounting for approximately 90 percent of total export volumes from Asia. Thanks to the strong performance in 2018, the Philippines regained its place as second largest supplier of bananas behind Ecuador, at a volume share of 18 percent of global shipments.

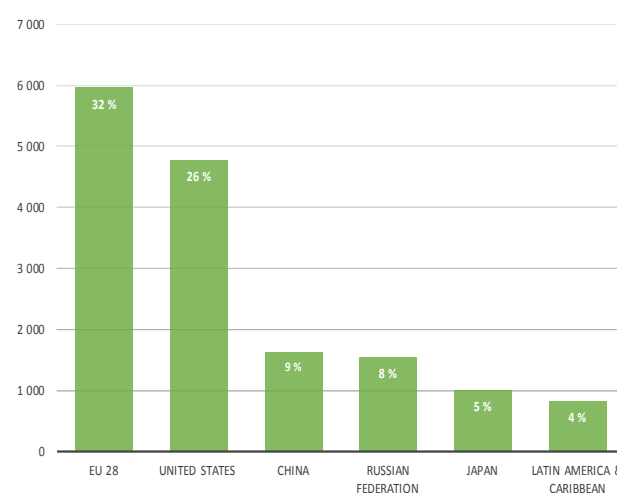
Africa's exports¹ fell an estimated 9 percent below the level of 2017, to 780 000 tonnes, following significant disruptions to supplies from Cameroon. Prolonged civil unrest in the country had caused significant disruptions to exports, which consequently declined by 25 percent in 2018, to an estimated 210 000 tonnes. Shipments from Côte d'Ivoire, meanwhile, declined by 2.6 percent from their peak of 387 000 tonnes in 2017, to 377 000 tonnes in 2018. Exports from Côte d'Ivoire primarily reach the European Union, most importantly France, where they continued to satisfy a shortage in domestic supplies following severe crop destruction in the French territories of Martinique and Guadeloupe, which had been caused

by tropical storms in the latter part of 2017. Banana supplies from Mozambique remained at approximately 90 000 tonnes despite concerns over supply disruptions caused by the banana bunchy top disease. Mozambican banana cultivation for export has been witnessing fast expansion since 2014, when South African producers started to relocate plantations to neighbouring Mozambique on account of rising domestic production costs.

Imports

Global net import volumes of bananas reached 18.1 million tonnes in 2018, an increase of 4 percent compared to 2017. Imports into the largest net importer, the European Union, registered a 3 percent increase, while shipments to the United States of America experienced a 1 percent contraction. Conditions of supply outstripping demand, particularly during the summer months when competition from temperate fruits was strong, significantly suppressed prices in both destinations in 2018. This caused substantial concern to African, Caribbean and Pacific Group of States (ACP) exporters and European producers, who are faced with considerably higher production costs and thus are typically unable to compete on prices.

Figure 2
Distribution of global imports by market, 2018
thousand tonnes and share in global imports

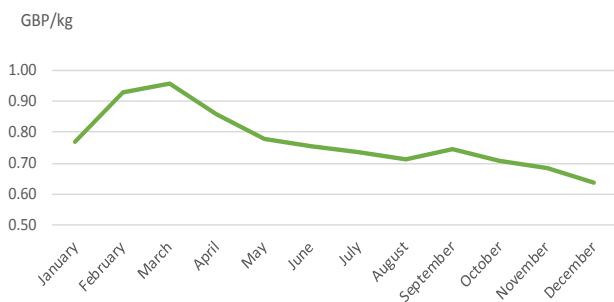


¹ For the purpose of this study, African intra trade is excluded.

Net imports by the **European Union** reached an unprecedented quantity of 6 million tonnes in 2018, firmly placing the European Union as the largest importer globally with a volume share of 32 percent. Average per capita consumption experienced a slight increase and reached a peak of 12.8 kg. Besides a growing health awareness in the major importing countries, rising incomes among the new member states such as Poland, Slovakia and Estonia further contributed to higher demand for bananas. However, unexpected warm weather conditions across the European Union in the first quarter of the year resulted in the early arrival of temperate summer fruits, and significantly affected demand for bananas throughout the region during most of 2018. This situation was closely reflected in monthly developments of wholesale prices in key European Union import markets (Figures 3 and 4). Price data from wholesale markets in the United Kingdom, and France show peaks between February and March 2018, when a shortage in export supplies affected import volumes in both markets. Meanwhile, abundant export supplies, coupled with the above mentioned decline in demand, resulted in a significant drop in prices during the summer months. In terms of imports by origin, three of the main exporting countries situated in Latin America, Ecuador, Colombia and Costa Rica, continued to dominate the market, providing some 80 percent of all European Union imports. Volumes from all three exporters benefited from the tariff reductions introduced in January 2018, with shipments from Ecuador and Costa Rica, respectively,

Figure 3

**Monthly wholesale prices, 2018
United Kingdom**

**Figure 4**

**Monthly wholesale prices, 2018
France**



9 percent and 5 percent above the levels reported in 2017.² Meanwhile, shipments from the majority of competing ACP exporters remained below those of the previous year. ACP exporters notoriously struggle to match the price levels of bananas from Latin America and continued to express concern over the scheduled tariff reductions.³

European banana production experienced a further decline in 2018, to 593 786 tonnes, approximately 3 percent below the level reached in 2017, and 14 percent below the peak of 693 000 tonnes reached in 2016.⁴ This was primarily caused by an 8 percent decline in output from Spain, on account of adverse weather conditions that affected production in the Canary Islands. At a production volume of 387 873 tonnes, Spain ranks as the leading European Union supplier of bananas, accounting for 65 percent of total European Union output. Meanwhile, French banana supply to the European Union benefited from a 22-percent output increase in Martinique, which accounts for approximately one-quarter of European banana production and acts as the main supplier of bananas to France. Following the

² According to data provided by the European Commission via Eurostat in May 2019.

³ Detailed information on the European Union banana import regime is provided in the "Market Access to the European Union" section of this report.

⁴ Data provided by the European Commission in May 2019.

severely destructive tropical storms that hit the Caribbean in the fall of 2017, Martinique and Guadeloupe, the two French West Indies suppliers, had suffered a near complete loss of banana crops, which continued to affect their respective production capacity in 2018. Despite successful investments into the recovery of the banana sector in Martinique, the island's production remained well below its average of 190 000 tonnes registered from 2014 to 2016, at a total of 150 146 tonnes in 2018. Production in Guadeloupe meanwhile similarly continued to suffer from adverse weather in 2018 and registered a 24-percent decline in output, to 30 450 tonnes. In response to lower supplies from domestic production in Spain and France, both countries continued to increase their imports to cover domestic demand in 2018. In total, France reportedly imported 730 000 tonnes from global markets, or 8 percent more than in 2017, while Spain registered an increase in imports of 18 percent, to approximately 365 000 tonnes. The main beneficiary of the increased import demand in France was Côte d'Ivoire, which increased its shipments to France by a reported 19 percent in 2018, to 183 000 tonnes. Spain meanwhile covered the bulk of its excess domestic demand with higher procurements of bananas from Costa Rica and Colombia, which respectively supplied 25 percent and 30 percent more to Spain than in 2017.

Net imports into **the United States of America** remained at 4.2 million tonnes in 2018, placing the United States of America as the second largest banana importer with an estimated global volume share of 26 percent. Adverse weather in three of its five major suppliers, Guatemala, Costa Rica and Honduras, resulted in considerable difficulties in obtaining supplies. Between January and October 2018, Guatemala accounted for some 40 percent of supplies to the United States of America, while Costa Rica and Honduras provided approximately 18 percent and 11 percent of volumes, respectively, making disruptions to shipments from these exporters particularly critical. However, in addition to the shortages in supply, import demand in the United States of America remained subdued from April 2018 onwards, offsetting the effects of lower imports to large extent. Similarly to the situation observed in the European Union, this was mostly on account of a shift in consumer demand towards summer fruits. The United States of America wholesale prices closely reflected the overall

Figure 5

**Monthly wholesale prices, 2018
United States of America**



market situation, reaching a peak of USD 1.16/kg in February 2018 and declining continuously thereafter, to USD 0.87/kg in December 2018. The average per capita consumption in the United States of America declined slightly in 2018, to 12.9 kg.

Imports by **the Russian Federation** posted a moderate growth of 1 percent in 2018 and reached a total volume of 1.6 million tonnes. The country had previously ranked as the third largest banana importer globally behind the European Union and the United States of America, but was overtaken by China in 2018. Banana imports by the Russian Federation had witnessed a fast expansion in 2017, aided by a more stable currency and rising incomes. However, in 2018, similarly to the situation in the European market, conditions of demand shifting to abundantly and cheaply available temperate fruits meant that the Russian Federation was unable to match the previous year's import growth. The depreciation of the Russian rouble against the US dollar further hampered import growth. Approximately 96 percent of banana imports into the Russian Federation originated in Ecuador in 2018, but competing exporters Costa Rica, Guatemala and Colombia continued to expand their shipments at a fast pace.

Banana imports by **Japan** reached 1 million tonnes following moderate growth of 2 percent in 2018. In light of an increasing popularity of bananas among Japanese consumers, import growth in Japan benefited from the

production recovery in the Philippines, traditionally the largest supplier to Japan. Exports from the Philippines to Japan increased by 6 percent in 2018.

Imports by **China** expanded by 45 percent, to 1.6 million tonnes in 2018, thereby reaching a 9 percent share in global imports and overtaking the Russian Federation as the third largest importer behind the European Union and the United States of America. Import demand in China benefited from weather and disease related disruptions to domestic production as well as income growth that stimulated higher demand for fruits. Similarly to Japan, China procures the majority of its bananas from the Philippines and benefited from the higher availability of supplies following the production recovery in the Philippines. Overall, China increased its imports from the Philippines by 40 percent in 2018, to slightly above 1 million tonnes. China's second significant source of bananas continued to be Ecuador, from which China acquired around 40 percent more bananas in 2018 than in 2017, amounting to a total of 240 000 tonnes.

Market access to the European Union

Market access for bananas to the European Union is regulated by the terms and conditions of the Geneva Agreement on Trade in Bananas, which was negotiated between the European Union and Latin American banana producers in December 2009 and entered into force on 1 May 2012. By this agreement, the European Union committed to a gradual reduction of the Most Favoured Nations (MFN) tariff in eight steps, from the previous level of EUR 176/tonne to EUR 114/tonne in 2019 at the latest. In 2018, the MFN tariff stood at EUR 117/tonne.

A number of bilateral trade agreements concluded between the European Union and Latin American banana producing countries in 2013 ensure preferential tariff duties on most of the imports from this region. Bananas imported from Central America (except for Belize), Colombia and Peru paid a reduced rate of 89 EUR/tonne in 2018 under the Central America Agreement and the European Union-Andean agreements. This tariff is set to be gradually reduced to EUR 75/tonne by 2020. The ACP banana suppliers benefit from duty- and quota-free access to the European Union market under the Economic

Partnership Agreement (EPA), which came into effect on 1 January 2008.⁵

The most significant recent development in trade policy was the accession of Ecuador to the European Union-Andean agreements, with effect from 1 January 2017. Under this provision, the tariff on banana imports from Ecuador, previously the only major supplier paying the MFN rate, stood at a rate of EUR 90/tonne in 2018, i.e. one euro above the rate paid by its main competitors Costa Rica and Colombia. This preferential tariff is set to be gradually reduced to EUR 76/tonne by 2020, continuously maintaining the one euro difference to the rate paid by other Andean and Central American suppliers.

To alleviate concerns by European Union producers, who fear excess supply from Ecuador and other Latin American suppliers might harm demand for European Union bananas, the European Commission has adopted a safeguard clause that limits the preferential access of the nine Latin American suppliers to certain agreed annual thresholds. In 2018, this threshold was set at 1 880 127 metric tonnes for Ecuador, well above the country's total exports to the European Union of 1 579 019 metric tonnes reported in the same year. The annual import thresholds are revised upwards on a yearly basis, and are effective until 1 January 2020.

Data reported by the European Commission show that three Latin American exporters significantly exceeded the import volumes agreed in the respective bilateral trade agreements in 2018. According to these data, volumes from Nicaragua reached 578 percent of the agreed level in 2018, while volumes from Guatemala and Peru reached 218 and 130 percent of the agreed levels, respectively. Given the relatively small share of bananas imported into the European Union from these producers when compared to their main competitors, Colombia, Ecuador and Costa Rica, the impact on prices and on the overall stability of the European banana market remained negligible. Considering this, the European Commission decided against the temporary suspension of the tariff

⁵ All current banana suppliers in the ACP have concluded negotiations on either a full or interim EPA: Belize, Cameroon, Ivory Coast, Dominica, Dominican Republic, Ghana, Grenada, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Suriname.

Table 1 - European Union's preferential tariff reduction schedules under the banana agreements

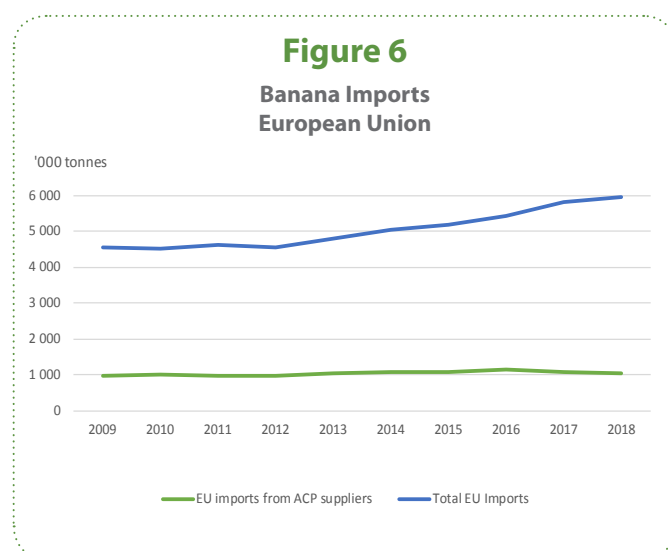
Year	MFN	ACP	Central America and Andean countries*	Ecuador
2010	148	0	148	148
2011	143	0	143	143
2012	136	0	136	136
2013	132	0	124	132
2014	132	0	117	132
2015	132	0	110	132
2016	127	0	103	127
2017	122	0	96	97
2018	117	0	89	90
2019	114	0	82	83
2020	114	0	75	76
2021	114	0	75	76
2022	114	0	75	76

Source: WTO Tariff Database.
* expect Ecuador

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preferences foreseen in the stabilization mechanism agreements, thereby providing additional cause for concern to both ACP exporters and European Union producers.

Annual data on European Union banana imports show a distinct increase in total shipments received following the implementation of the Geneva Agreement on Trade in Bananas in 2012 and the conclusion of the bilateral trade agreements with Andean and Central American banana producers in 2013 (Figure 6).



Between 2012 and 2018, total European Union imports of banana grew at an average annual rate of 4.6 percent, while imports originating in ACP producing countries experienced an average annual growth of only 1 percent. More drastically, following Ecuador's accession to the European Union-Andean agreements on 1 January 2017, European Union banana imports from ACP suppliers displayed consecutive declines from their peak observed in 2016. Compared to the three-year average of 2014-2016, volumes from ACP producers stood 7 percent lower in 2018, while aggregate volumes from Central American and Andean suppliers stood 19 percent higher (Table 2).

Both European Union and ACP producers, particularly those located in the smaller Caribbean ACP countries, notoriously face difficulty to compete in both the global and European Union banana markets. Less favorable land conditions, small farm sizes, difficult transport networks and the exposure to natural disasters result in high production costs, which in some cases such as Saint Vincent and the Grenadines are reported to be a multiple of the production costs in the most efficient Latin American countries.

Table 2 - European Union's Imports

Evolution of European Union imports	2014-2016 <i>'000 tonnes</i>	2018 <i>'000 tonnes</i>	Difference <i>percent %</i>
Total European Union Imports	5 224.00	5 959.90	14
European Union imports from ACP suppliers	1 108.10	1 035.70	-7
European Union imports from Central American and Andean suppliers	4 000.50	4 766.70	19
Ecuador	1 380.70	1 622.10	17
Colombia	1 230.30	1 392.90	13
Costa Rica	1 005.00	1 211.80	21
Panama	210.80	256.50	22
Peru	104.80	128.50	23
Guatemala	68.90	154.80	125
Source: WTO Tariff Database.			

Notes



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