



Food and Agriculture Organization
of the United Nations



Banana *market review*

2017





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Food and Agriculture Organization of the United Nations
Rome, 2018

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Foreword

This report 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, 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/>

Developments in banana trade¹

Exports

Global exports of banana, excluding plantain, reached an estimated quantity of 18.1 million tonnes in 2017, a 6 percent increase compared with 2016. Amidst strong demand in the major markets, export volumes benefited from ample supply growth in the key exporting countries, most notably those located in Latin America.

Exports from **Latin America and the Caribbean** increased by 5 percent in 2017, due to high output in three of the leading four exporting countries in the region - with an estimated growth of 12 percent in Costa Rica, 10 percent in Guatemala, and 7 percent in Ecuador. Despite a series of weather-related crop disruptions and reported difficulties with low productivity, exports from Ecuador reached a record volume of 6.4 million tonnes. Flooding in some of the major Ecuadorian production regions had resulted in noticeable price increases in the first half of the year, weakening Ecuador's competitive position in the United States of America, a major destination of its shipments. As a result, Ecuadorian exports to the United States of America declined by 31 percent in 2017, to 584 000 tonnes. Offsetting this, Ecuador's exports to the European Union and the Russian

¹ 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.

“ In 2017, global banana exports benefited from ample growth in supply and demand ”

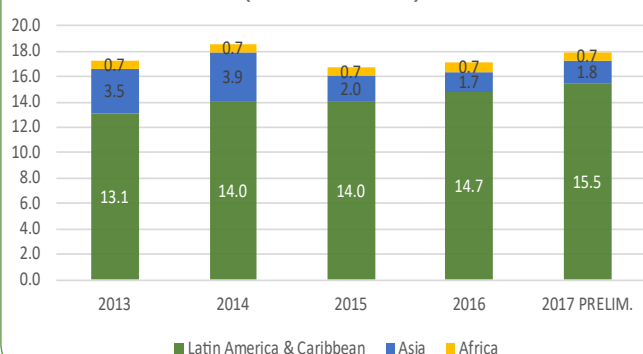
Federation, another two of the country's major markets, increased by 14 and 12 percent, respectively, in response to strong demand. Exports from Costa Rica reached an all-time high of an estimated 2.6 million tonnes in 2017 on the back of ample supply, which resulted from effective investments in productivity and an approximate 20 percent increase in yields. Benefiting from the lower shipments from Ecuador, Costa Rica increased exports to the United States of America by 22 percent in 2017, to 862 000 tonnes. Similarly, exports from Guatemala to the United States of America increased by 14 percent due to higher productivity and more competitive prices, to a total of 2.4 million tonnes in 2017. Shipments from Colombia, the fourth largest exporting country, reached 1.9 million tonnes in 2017, following 2 percent growth.

Exports from the **Caribbean** dropped to 137.000 tonnes in 2017 - a 66 percent decline compared with 2016 - following severe weather-related disruptions to production in the Dominican Republic, which accounted for approximately 92 percent of exports from the region. Banana production in the Dominican Republic particularly suffered from the strong winds and floods brought on by Hurricane Irma, which hit the Caribbean in September 2017 and reportedly destroyed some 50 percent of the country's banana harvest. The increasing frequency and magnitude of adverse weather events in the region provide considerable cause for concern, particularly for small exporting countries such as the Dominican Republic and the Windward Islands, whose competitive positioning in banana trade has been undermined by their inability to shield crops from natural disasters.

Asian exports registered 10 percent growth following a production recovery in the Philippines, the largest exporting country in the region. The Philippines typically account for approximately 90 percent of total export

Figure 1

World banana exports by region, 2013-2017 (million tonnes)



volumes from Asia, but had seen drastic declines in shipments in 2015 and 2016 as a result of adverse weather conditions, plant diseases, and unrest in the main banana producing area². Following ample investments in disease control measures, which reportedly reduced the occurrence of the Fusarium Wilt Tropical Race 4 and Black Sigatoka diseases to isolated cases, exports from the Philippines increased by 19 percent in 2017, to 1.66 million tonnes. The main recipients of Philippine bananas continue to be Japan and China, which procured 790 000 and 730 000 tonnes of bananas from the Philippines, respectively, in 2017.³

Africa's exports⁴ decreased by an estimated 3 percent from the level of 2016, on the back of a production decline in Cameroon, the second leading exporting country in the region. Adverse weather conditions hampered production in the country, which reportedly resulted in an 8 percent decline in exports between October 2016 and October 2017. Preliminary estimates indicate that Côte d'Ivoire remained the leading supplier, accounting for around 56 percent of total export volume from Africa. Exports from Côte d'Ivoire registered a 6 percent increase in the first three quarters of 2017 compared with the same period in 2016, but closed only 0.6 percent above the previous year, at an overall volume of 366.000 tonnes for the whole of 2017. Shipments from Côte d'Ivoire primarily reach the European Union, most importantly France, and benefited from a shortage in domestic supplies following harvest disruptions in Martinique and Guadeloupe in the fourth quarter of 2017.

Imports

On the back of ample supplies and healthy demand, the net global import volume reached 17.4 million tonnes in 2017, an increase of 7 percent compared with 2016. The two largest net importers, the European Union and the United States of America, registered strong growth at rates of 7 percent and 5 percent, respectively. In both markets, a rising health awareness is contributing to higher fruit consumption, with bananas among the most popular choices due to their nutritious, filling and convenient characteristics. The highly competitive price

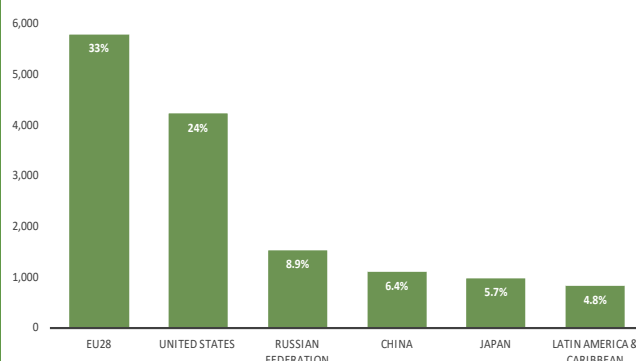
² According to information provided to FAO by the Pilipino Banana Growers and Exporters Association.

³ According to data from the respective importing countries.

⁴ For the purpose of this study, African intra trade is excluded.

Figure 2

Distribution of global imports by market, 2017 (prelim.)
(thousand tonnes and share in global imports)



strategies of retailers in the United States of America and European Union alike are further supporting the popularity of bananas, which are often among the cheapest fruits on offer. Average per capita consumption of bananas reached a peak of 13 kg in the United States of America and 12.6 kg in the European Union in 2017.

Gross imports by the **European Union** (EU) reached an unprecedented quantity of 5.8 million tonnes in 2017, firmly placing the EU as the largest importer globally with an estimated volume share of 33 percent. Low supplies of European apples and several stone fruits, which had been disrupted by severe springtime frosts, supported consumers' choice for bananas even during the summer months, when preferences typically shift to temperate fruits such as cherries, peaches and apricots. Growth in demand for bananas was particularly pronounced in the New Member States such as Poland, Slovakia and Estonia, where rising incomes and a more widespread availability are stimulating interest in the fruit. Per capita consumption in Poland, the largest New Member State, increased by 3 kg compared with 2016, to reach approximately 10 kg in 2017, still well below some of the countries with the highest per capita consumption such as Finland, Sweden and the United Kingdom, where annual per capita consumption typically ranges between 16 and 18 kg. In the key banana markets of Germany, France and the United Kingdom meanwhile, demand for premium bananas - fair trade, organic and specialty varieties - continued to grow, providing not only opportunity for higher profit margins but also generating additional demand beyond that for conventional bananas, according to industry information. In terms of imports by origin, three of the main exporting countries from Latin America

- Ecuador, Costa Rica and Colombia - continued to dominate the market, jointly providing some 70 percent of total imports into the European Union combined. Imports from Ecuador seem to have benefited from the significant tariff reductions introduced in January 2017. Compared with 2016, the country increased its shipments to the EU by 14 percent, thereby expanding its volume share in total EU imports to 26 percent in 2017.

European banana production dropped by 11 percent to 613 730 tonnes in 2017, according to data provided by the European Commission in April 2018. The severely destructive tropical storms in the Caribbean in the fall of 2017 resulted in production losses exceeding 30 percent in Guadeloupe and Martinique, France's main banana production areas. Following the crop losses in the French West Indies, France significantly increased its imports to cover rapidly rising domestic demand starting from October 2017, in particular from Côte d'Ivoire, Colombia, Costa Rica and Ecuador. Banana production in Spain, meanwhile, remained steady at 423 129 tonnes in 2017.

Despite weather-related supply disruptions, gross imports into the **United States of America (US)** reached 4.8 million tonnes in 2017, of which nearly 600 000 tonnes were re-exported, mainly to Canada. As such, the US remained the second largest banana importer with an estimated global volume share of 24 percent in net terms in 2017. Adverse weather in some of the major suppliers to the US, primarily in Ecuador and Guatemala, resulted in considerable difficulties and significant price rises, particularly during the first half of 2017. Subsequently, average import prices remained well above USD 1 000/tonne throughout 2017. Over the full year, Guatemala and Costa Rica achieved 17 and 18 percent volume growth in the US, respectively, on account of Ecuador re-channelling its banana shipments to the EU and the Russian Federation. In view of the highly competitive prices offered by the two Central American countries, which benefit from higher yields and shorter transport routes, Ecuador's overall volume share in banana supplies to the US declined to 12 percent in 2017. Meanwhile, Guatemala, the leading supplier, and Costa Rica reached shares of 41 percent and 20 percent, respectively. Remarkably, Mexico increased banana shipments to the US by 31 percent in 2017, to 381 500 tonnes, thereby becoming the fifth largest supplier ahead of Colombia. Demand for bananas in the US was supported by a

1 percent population growth in 2017, coupled with high income growth and a related rising health consciousness. In this regard, similarly to the trend observed in main EU markets, consumers in the US have started to display a growing propensity to spend on premium bananas, most importantly organic varieties. According to customs data, imports of certified organic bananas to the US amounted to 431 485 tonnes in 2017, an increase of 17 percent compared with 2016, with half of shipments originating in Ecuador and the remainder in Colombia, Mexico and Peru, at equal share.

Imports by **the Russian Federation** reached 1.5 million tonnes in 2017, a new record figure, following an increase by 14 percent compared with 2016. Banana imports by the Russian Federation not only benefited from improvements in the Russian economy, but also from the appreciation of the rouble against the dollar, which resulted in a significant reduction in import prices compared with 2016. Combined with the low international prices for bananas prevailing in 2017, the favourable exchange rate in Russia resulted in very low retail prices of around 12 roubles per kilo on average, compared with 16 roubles per kilo in 2015. This gave positive impetus to consumption, which increased by 14 percent to 10.8kg in per capita terms in 2017. As in most import markets, bananas in the Russian Federation also benefit from being lower-priced than the main competing fruits apples and oranges. Approximately 96 percent of banana imports into the Russian Federation originated in Ecuador in 2017.

Imports by **China** recovered from the dip experienced between 2015 and 2016 and reached 1.1 million tonnes in 2017, an increase of 18 percent compared with 2016. Growing demand and continued weather and disease related disruptions to domestic production were the main drivers. At a volume share of 5.8 percent in 2017, China ranked as the fourth largest importer globally, marginally ahead of Japan. The Philippines continues to rank as the largest exporting country to China and expanded its volume share to 70 percent of shipments in 2017, following a 19 percent volume increase compared with 2016. The second leading exporting country to China is Ecuador, at a volume share of 16 percent in 2017. Banana imports in China are geared at the middle to high-end market, with domestically produced bananas mainly serving the low-end market, reportedly due to their significantly lower quality.

Banana imports by **Japan** reached 985 600 tonnes, following moderate growth of 3 percent in 2017. Despite the increasing popularity of bananas among Japanese consumers, import growth remained at a moderate level by the combination of the effects of a declining population and the continued, albeit less severe than in 2016, production shortage in the Philippines, traditionally the largest supplier to Japan. The Philippine banana imports into Japan are subject to tariffs of 18.2 percent and 8.2 percent during the winter and summer months, respectively. According to industry information, this caused considerable obstacles to Philippine exporters in 2017, who found more lucrative opportunities catering to the rapidly rising demand in the Chinese market, where bananas enter tariff free. Average per capita consumption of bananas in Japan remained just below 8 kg in 2017, a comparatively low level when compared to average consumption in the EU and the US.

Banana prices

Import prices

As a result of low supplies and robust demand, average import prices in the US rose sharply in the first two months of 2017 and remained at unprecedented heights of around USD 1 100/tonne throughout the year. Overall, the annual average import price in the US stood 7.3 percent above the previous year's level in 2017, supported by ample year-round demand. In the EU, import prices reached a peak of EUR 829/tonne in

Figure 3

Average annual import prices in EU28, Japan and United States of America 2008-2017 (USD/tonne)

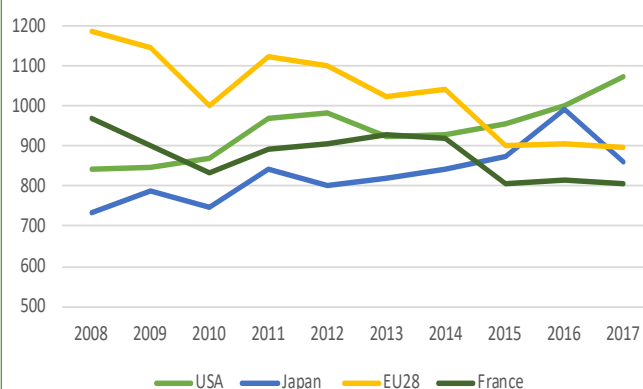
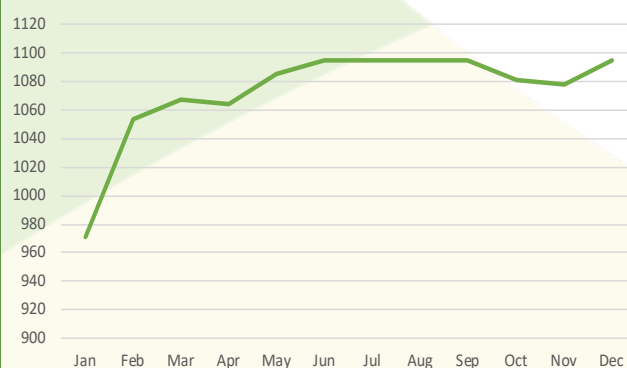


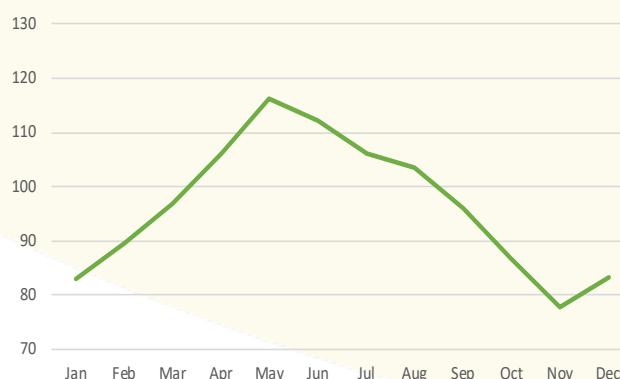
Figure 4

Monthly import prices in selected countries, 2017

United States of America, (USD/tonne)



Japan (YEN/tonne)



European Union 28 (EUR/tonne)



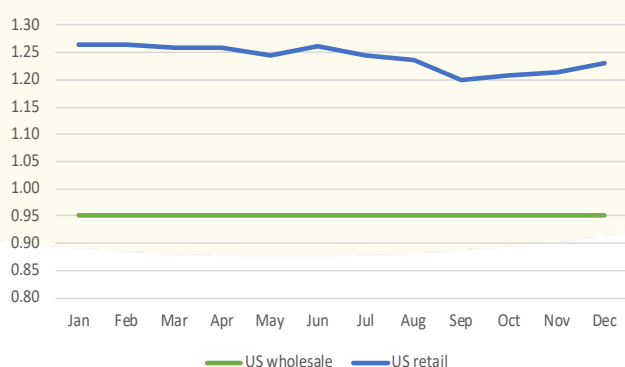
June 2017, and declined sharply thereafter, reaching EUR 777/tonne in September 2017. Overall, the average import price in Euro in the EU was 2.6 percent lower in 2017 than in 2016, aided by higher volumes of lower priced bananas from the price competitive Latin American suppliers. Import prices in Japan decreased from an average of YEN 107 867/tonne in 2016 to YEN 96 433/tonne in 2017, corresponding to a 10.6 percent decline. Demand for bananas in Japan is typically highest from March to May, with prices increasing sharply during this period.

Wholesale and retail prices

Despite the sharp increase in import prices, wholesale prices in the US remained flat at USD 0.95/kg throughout 2017. Similarly, US retail prices displayed a steady performance during the first half of the year, fluctuating between USD 1.24 and USD 1.26/kg, and displayed a tendency to decline during the second half of the year. US supermarkets tend to be cautious to keep banana retail prices low - even to the point of absorbing temporary losses - as the product helps draw customers to their stores.

Figure 5

Monthly wholesale and retail prices in the United States of America, 2017 (USD/tonne)



Market access to the EU

Market access for bananas to the EU is regulated by the terms and conditions of the Geneva Agreement on Trade in Bananas, which was negotiated between the EU and Latin American banana producers in December 2009 and entered into force on 1 May 2012. By this agreement, the EU 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 2017, the MFN tariff stood at EUR 122/tonne.

A number of bilateral trade agreements concluded between the EU 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 EUR 96/tonne in 2017 under the Central America Agreement and the EU-Andean agreements. This tariff is set to be gradually reduced to EUR 75/tonne by 2020. The African, Caribbean and Pacific Group of States (ACP) banana suppliers benefit from duty - and quota - free access to the EU market under the Economic Partnership Agreement (EPA), which came into effect on 1 January 2008.⁵

The most significant development in trade policy in 2017 was the accession of Ecuador to the EU-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 - was reduced to a rate of EUR 97/tonne in 2017, 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 EU producers, who fear excess supply from Ecuador and other Latin American suppliers might harm demand for EU bananas, the European Commission (EC) has adopted a safeguard clause that limits the preferential access of the nine Latin American suppliers to certain agreed annual thresholds. In 2017, this threshold was set at 1 801 788 metric tonnes for Ecuador, well above the country's total exports to the EU of 1 489 277 metric tonnes reported in 2017. The annual import thresholds are revised upwards on a yearly basis, and are effective until 1 January 2020. In 2018, the annual import threshold for Ecuador was set at 1 880 127 metric tonnes.

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, St. Lucia, St. Vincent and the Grenadines, and Suriname.

Data reported by the EC in December 2017 show that three Latin American exporting countries significantly exceeded the import volumes agreed in the respective bilateral trade agreements. According to these data, volumes from Nicaragua reached 351 percent of the agreed level, while volumes from Guatemala and Peru reached 151 and 118 percent of the agreed levels respectively, providing cause for concern to both ACP exporting countries and EU producers. Particularly the smaller Caribbean ACP countries notoriously face difficulty to compete in both the global and EU banana market. 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.

In terms of planned tariff reductions, the MFN tariff rate has decreased to EUR 118/tonne on 1 January 2018. The tariff rates agreed under the Central American and Andean bilateral agreements, meanwhile, were reduced to EUR 89/tonne on 1 January 2018. Imports from Ecuador pay EUR 90/tonne from 1 January 2018 onwards.

Table 1

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

Euro/tonne	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

*Except Ecuador

Source: WTO Tariff Database



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