

DEVELOPMENTS IN BANANAS AND MAJOR TROPICAL FRUITS

This feature represents a follow-up to the analysis on recent market developments in bananas and major tropical fruits published in the June and November 2017 editions of Food Outlook, respectively.¹

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AMPLE SUPPLIES BOOST TRADE NOTABLY AND WEIGH ON PRICES

On the back of expanding supplies, global export volumes of bananas and tropical fruits rose by 18 percent on average during the first six months of 2018, compared to the same period in 2017. World shipments of bananas, pineapples and avocados each posted a double-digit growth rate from last year, while mango exports expanded by 7 percent. Exports of papayas, disrupted by heavy rains in Mexico – the largest global supplier – contracted by 18 percent compared to 2017. Growth in supplies of all the commodities, except papaya, was generally on account of favourable weather and growing conditions in the key producing regions, as well as increases in harvested areas.

The ample supplies of bananas, pineapples and avocados for export have resulted in significant price drops in 2018 in the key import markets of the European Union

and the United States. The early start of warm weather conditions in Europe resulted in strong competition from temperate fruits produced in the EU, and significantly deterred import demand for bananas and tropical fruits from March/April 2018 onwards. Similarly, growth in demand for bananas and major tropical fruits in the US has been slower than the fast growth in supplies.

If the export supply conditions observed in the first half of 2018 continue, global aggregate shipments of bananas and the four major tropical fruits combined could reach close to 30 million tonnes by the end of the year. The demand for exotic fruits, such as baby pineapples and mangoes, typically increases sharply in the pre-Christmas season in both the US and the EU, giving prospects for a halt to the price declines.

Estimates indicate that global production of bananas and major tropical fruits combined could reach 235 million tonnes in 2018, which would represent a 2-percent increase from the previous year. Typically, about 10 to 15 percent of the global production of bananas and major tropical fruits are traded, with the remainder of production consumed domestically.

World exports: Bananas and major tropical fruits

	Jan-Jun 2017 (tonnes)	Jan-Jun 2018 (tonnes)	2018 f'cast (tonnes)	Percentage change (2) over (1)
	(1)	(2)	(Jan-Dec)	
Banana	9 109 576	10 960 388	21 738 995	+20
Avocado	1 013 559	1 233 998	1 983 876	+22
Mango	980 707	1 048 966	1 865 619	+7
Pineapple	1 542 979	1 803 520	3 352 227	+17
Papaya	204 092	166 583	285 259	-18
Total	12 850 913	15 213 456	29 192 619	+18

BANANAS

Global exports of bananas reached close to 11 million tonnes during the period January-June 2018, a 20 percent increase over 2017, pointing to a forecast of 21.7 million tonnes for the whole of 2018. The predicted expansion is primarily on account of strong supplies from Latin America. In Europe, the unexpected warm weather conditions in the first quarter of the year resulted in the early arrival of temperate summer fruits, which significantly affected demand for bananas throughout the EU.

¹ FAO Food Outlook June 2017 <http://www.fao.org/3/a-i7343e.pdf>
FAO Food Outlook November 2017 <http://www.fao.org/3/a-i8080e.pdf>

Indicative EU import unit values² of bananas closely reflect the overall market situation. Early in the year, a shortage in export supply resulted in unit values reaching a peak of USD 820 per tonne in February 2018. Meanwhile, abundant export supplies, coupled with declining demand in Europe, resulted in a significant drop during the summer months, with unit values reaching a trough of USD 685 in August 2018. A similar tendency was observed in the US.

PINEAPPLES

Global trade in pineapples expanded by an estimated 17 percent in volume terms during the first half of 2018, suggesting total exports of 3.35 million tonnes in the current year. Export growth was mainly on account of a recovery from the weather-induced production shortage in Costa Rica, the largest supplier of pineapple globally. Compared to the first six months of 2017, Costa Rica's pineapple exports expanded by 40 percent in 2018, destined primarily to the US and the EU, which together accounted for approximately 45 percent of the country's total shipments.

Growth in the demand for pineapples in the key import markets of the US and the EU lagged behind that of supplies, resulting in a significant depressing effect on prices. While in the US the larger inflow of pineapples from Costa Rica outstripped demand, in the EU, strong competition from abundantly available temperate summer fruits further subdued demand for pineapples. Indicative EU import unit values of pineapples consequently declined from USD 875 per tonne in January 2018 to USD 690 per tonne in August 2018.

MANGOES (MANGO, MANGOSTEEN AND GUAVA)

Global exports of mangoes increased by approximately 7 percent in the first half of 2018, to an estimated 1 million tonnes, suggesting that total exports in 2018 could reach 1.9 million tonnes. The two leading mango suppliers, Mexico and Peru, registered significant growth in exports, expanding their shipments by 9 percent and 39 percent, respectively. While Mexico ships approximately 85 percent of its produce to the US, Peru mainly caters for the European market.

Demand for mangoes remained strong in the two key import markets, the US and EU, supported by the fruit's unique flavour and its novelty compared with

more common fruits such as bananas and pineapples. While indicative EU import unit values for mangoes have continued to display strong seasonal fluctuations, ample demand resulted in increases from USD 1 650 per tonne in January 2018 to USD 2 500 per tonne in August 2018.

AVOCADOS

Global exports of avocados reached an estimated 1.2 million tonnes in the first half of 2018, a 22 percent increase over the same period of 2017, on account of ample production growth in Mexico, the largest supplier globally, as well as a significant expansion of supplies from emerging producers, namely Peru, South Africa and Kenya. The overall expansion points to exports likely reaching 2 million tonnes in 2018.

Mexico shipped about 75 percent of its produce to the US, while exports from all three emerging suppliers were primarily destined to the EU. Driven by rising consumer preferences, avocado has ranked as one of the most demanded tropical fruits in recent years, as reflected by its rising export earnings. Such ample market potential has stimulated investments in avocado production, leading to an expansion not only in established producing countries, but also in emerging production areas.

Following the weather-induced shortages in avocado supplies experienced during 2017, which sent prices soaring, indicative import unit values of avocados were strongly affected by the higher volumes of supply in 2018, and declined from a peak of USD 3 040 per tonne in February 2018 to USD 1 970 per tonne in August 2018.

PAPAYAS

Global exports of papayas declined to an estimated 167 000 tonnes during the first half of 2018, down 18 percent compared to 2017, on account of adverse weather conditions in Mexico, the world's leading supplier. Based on this pace, papaya exports in 2018 could decline to 285 000 tonnes. Papaya supplies from Mexico are exclusively destined to the US market, where demand for the fruit is particularly strong during the summer months of the northern hemisphere. In light of low supplies, Mexican exports to the US experienced a 24 percent year-on-year decline during the period January-June 2018 – a gap which could not be filled by Mexico's main competitors, Guatemala and Brazil.

Despite the shortages in supply, indicative US import unit values of papaya displayed a tendency to remain stable, fluctuating around USD 600 per tonne throughout the year.

² In the absence of reported price data for the commodities in question, indicative unit values were calculated from trade values and quantities in selected markets, and are an assumed proxy for international prices.