



Food and Agriculture Organization of the United Nations

Banana Market Review February 2020 snapshot

This snapshot describes the 2019 market situation and highlights the medium-term projections for world banana markets for the period 2020-2029. Production, consumption and trade developments for bananas are discussed.¹ The snapshot includes an introductory discussion of the key characteristics, opportunities, as well as important risks and uncertainties that may shape world banana markets during the outlook period. The projections were prepared in January 2020, before the outbreak of the COVID-19 pandemic, and as such do not take the potential manifold impacts of the disease mitigation measures on production and trade into account. While disruptions to labour and transport threaten to affect global supply in the short term, prospects over the medium term depend on the recovery path of the global economy. FAO continues to monitor the current market situation and any adverse effect of COVID-19 on global banana markets closely. A detailed assessment of both current developments and the outlook will be forthcoming.

Bananas rank as a leading crop in world agricultural production and trade. In response to fast population growth in producing countries as well as expanding global import demand, the crop has seen rapidly increasing production and trade volumes in recent decades. Since the bulk of banana cultivation is conducted informally by smallholder farmers, precise figures on global banana production are, however, difficult to obtain. Available estimates indicate that average global banana production rose from 69 million tonnes in 2000-2002 to 116 million tonnes in 2017-2019, at an approximate value of 31 billion USD.

The main driver of the expansion in production has been the increasing consumption requirements of rising populations in producing countries. Accordingly, most of the global production increase has taken place in top producers that are also top consumers, such as Brazil, the Philippines and, in particular, India and China. In addition,

income growth and a rising health awareness in import markets have also contributed to rising demand, with banana consumption having substantially risen in the European Union and the Russian Federation, for example.

To satisfy the growing demand, producing countries have mainly employed an expansion in harvested area. In India, for example, the total harvested area has increased from 470 000 hectares in 2000 to 870 000 hectares in 2018. Improved productivity at the farm level involving better irrigation systems but also a substantially higher application of fertilizers and pesticides have further enabled production growth. India and China are among the countries which have driven the strongest production expansion in recent years, in response to fast growth in domestic demand.

More than 1 000 varieties of bananas are reportedly produced and consumed locally in the world. In Africa, the third largest producing region

¹ Trade data refer to trade in edible bananas, other than plantains, fresh or dried

of bananas globally, some 70-80 per cent of production are local varieties, mostly cooking bananas that contribute importantly to food security in the region. However, due to the informality of production and trade in most consuming regions, data and information on these local varieties remain largely unavailable.

The most commercialized banana variety is the Cavendish type, which is estimated to account for around 40-50 percent of global production. This variety is able to achieve high yields per hectare and, due to its short stems, is less prone to damage from environmental influences such as storms. Cavendish banana plantations are also able to recover from natural disasters quickly given their short time to maturity of approximately nine months. Virtually all exported bananas are Cavendish, which are better suited to international trade than other varieties as they are more resilient to the effects of global travel. Cavendish are also the major type of bananas produced and consumed in China, and account for one quarter of production and consumption of bananas in India.

Based on 2017 figures, the global banana export industry generates around 12 billion USD per year. However, it is important to note that only around 15 percent of the total global banana production is traded in the international market; the rest is consumed locally, most importantly in large producing countries such as India, China, and Brazil, and in some African countries where bananas contribute largely to people's diets. In many producing regions, per capita consumption of all types of bananas well exceeds 100 kg per year. Available data also suggest that bananas provide up to 25 per cent of the daily calorie intake in rural areas of producing countries. In the exporting countries meanwhile, which are mostly low-income economies, revenue from banana production and trade can weigh substantially in agriculture GDP. For instance, banana revenue represented about 30 per cent of agricultural

export revenue in Ecuador in 2018, and 15 per cent in Guatemala.

Besides the adverse effects of extreme weather events, Banana Fusarium Wilt disease, which has been severely affecting banana plantations in several growing regions since the late 19th century, continues to be of serious concern to the global banana industry. The currently expanding strain of the disease, described as Tropical Race 4 (TR4), poses particularly elevated risks to global banana supplies as it can affect a much broader range of banana and plantain cultivars than other strains of Fusarium wilt. In addition, there is currently no effective fungicide or other eradication method that is capable of eliminating TR4. In affected plants, the disease can quickly cause a total yield loss. According to official information, TR4 is currently confirmed in 17 countries, predominantly in South and Southeast Asia.² In August 2019, the fungus was officially reported for the first time on banana plantations in Latin America, in the northeastern region of La Guajira, Colombia. The discovery of Fusarium wilt TR4 in the world's largest exporting region, Latin America and the Caribbean, as well as its enduring occurrence in Asia, has caused considerable alarm in the banana export industry. Given the current annual value of production for export and the importance of Cavendish bananas for smallholders in the region, TR4 threatens to cause substantial losses to the sector. To date, few estimates of the additional disease-related expenses to producers are available, but it is clear that Latin American producers and exporters will be faced with significantly higher costs to shield their production from TR4. A recently conducted assessment of the potential economic impact of the TR4 disease on global banana production and trade showed that a further spread of TR4 would, inter alia, entail considerable loss of income and employment in the banana sector in the affected countries as well as significantly higher consumer costs in importing countries, at varying degrees contingent on the

² FAO (2019)

actual spread of the disease.³ These costs would add to the extra costs that are expected to be generated by the adverse impacts of climate change.

Market situation

Global exports of bananas, excluding plantain, are estimated to have reached a new record high of 20.2 million tonnes in 2019, an increase of 5 per cent compared to 2018. Data from the first nine months of the year indicate that strong supply growth in Ecuador and the Philippines, the two leading exporters, is again chiefly accountable for this rise. Adverse weather conditions attributed to the El Niño weather phenomenon, meanwhile, have continued to affect shipments from several key suppliers, most severely from Costa Rica and the Dominican Republic, and to a lesser extent also from Colombia.

Global net import volumes of bananas are estimated to have reached 18.9 million tonnes in 2019, an estimated increase of 3 per cent compared to 2018. Preliminary data indicate a contraction of 1 and 4 per cent in the two largest net importers, the European Union and the United States, respectively. Conditions of supply outstripping demand continued to significantly suppress prices in both destinations in 2019, particularly during the summer months, when competition from temperate fruits was strong in both the United States and the European Union. Imports by China, meanwhile, are estimated to reach 2.2 million tonnes, following an expansion of 36 per cent from 2018. Chinese import demand for bananas continued to be driven by weather- and disease-related disruptions to domestic production as well as fast income growth and associated changes in consumer preferences. As a result, China expanded its volume share to an estimated 12 per cent of global net imports, overtaking the Russian Federation as the third largest importer of bananas globally.

Projection highlights

Assuming normal weather conditions and no further spread of banana plant diseases, the current baseline projections expect world production of bananas to grow at 1.5 per cent p.a., to reach 132.6 million tonnes in 2029. Demand for bananas is forecast to become increasingly saturated in most regions and primarily driven by population growth. However, in some rapidly emerging economies – principally in India and China – fast income growth is anticipated to stimulate changing health and nutrition perceptions and support demand for bananas beyond population growth. Accordingly, Asia is expected to remain the leading global producing region at volume share of 51.8 per cent, with India projected to reach 35.5 million tonnes and a per capita consumption of 23.5kg in 2029. Production from the leading exporting region of Latin America and the Caribbean is expected to reach 34.8 million tonnes, encouraged by rising demand from key importing markets, most importantly the European Union, the United States of America, and the Russian Federation. The largest exporters from the region – critically Ecuador, Guatemala, Colombia, and Costa Rica – are all well positioned to benefit from this rise, assuming that production growth can be shielded from the adverse effects of erratic weather events and disease outbreaks. Exports from the Philippines are expected to be mainly driven by burgeoning import demand from China, where per capita consumption is expected to rise by 1.1 per cent p.a., as well as sustained income-driven demand from Japan, the primary export destination for Philippine bananas. Successful disease management and ample investments into yield improvements and area expansion are expected to support export growth from the Philippines on the supply side. As such, the Philippines is set to expand its volume share in global banana exports from 15.6 per cent in the base period to 18.6 per cent in 2029, thereby further consolidating its position as the second leading supplier of bananas globally behind Ecuador. Among the key import markets, the

³ Published in the November 2019 edition of the FAO Food Outlook, pp. 13-20, <http://www.fao.org/3/CA6911EN/CA6911EN.pdf>

largest increase in per capita consumption is expected to be seen by the Russian Federation, where it is projected to rise from 10.7kg in the base period to 12.8kg in 2029 on the back of a more positive macroeconomic outlook. This is expected to support export growth from Ecuador, currently the main supplier of bananas to the

Russian Federation, which is projected to reach an export volume of 8 million tonnes in 2029. Facilitated by investments in yield improvements, Ecuador is thereby set to expand its share in global exports by one percentage point over the outlook period, to 35 per cent in 2029.

