

Banana market review 2013-2014

1. Developments in banana trade

Exports

In 2013 the global banana trade reached a new peak, marked by ample supplies due to production recovery in the major banana-producing areas and strong demand in all major markets. As a result, exports surpassed 17 million tonnes – 6.1 percent above the level in 2012 and marking a third consecutive year of strong export growth.

Most of this expansion has been driven by increased shipments from **Latin America and the Caribbean**, where in 2013 supplies grew by 829 000 tonnes or 6.6 percent. Ecuador, the largest exporter worldwide, experienced a slump in exports in 2012 due to floods, but rebounded in 2013, supplying 5.3 million tonnes of bananas to world markets. According to industry sources in Ecuador, the increase in exports was driven by unfavorable weather conditions in some of the other major producing countries, including Colombia, leading to multinational companies purchasing more from Ecuador, given ample availability of bananas for exports¹. Colombia's exports declined by 10.5 percent in 2013, falling to 1.6 million tonnes – the lowest level since 2006.

Despite the strong recovery in Ecuadorian exports, it is the Central American countries where highest growth in exports was recorded. Aided by the preferential tariffs granted by the EU tariffs, Guatemala and Honduras each supplied an additional 300 000 tonnes compared to 2012. Overall, countries like Guatemala, Honduras, Mexico and Peru demonstrated strong and sustained growth in their exports over the past decade, due to substantial expansion in cultivated areas, productivity increases and strict quality controls. In 2013, as a consequence of an astonishing 18% expansion in export supplies, Guatemala surpassed Colombia as the third largest exporter from Latin America and the Caribbean, placing it very close in export volumes to Costa Rica, the second largest exporter.

In the **Caribbean**, exports continued to be dominated by the Dominican Republic, which in 2013 exported 417 000 tonnes, 2.1 percent above the 2012 level. Exports from other Caribbean countries, primarily Saint Lucia, amounted to only 14 000 tonnes. Since the introduction of the Single European Market in 1993 and the subsequent reforms of the EU banana importing regime, which led to a substantial erosion of preferences given to ACP, Dominican Republic is the only Caribbean country with significant banana exports.

Asian exports also grew by 4.2 percent in 2013. Philippines, the largest exporter in the region and second largest globally, exported 2.7 million tonnes, supplying 71 000 tonnes more than in 2012. This corresponds to a 2.7 percent increase, below the growth rates in the previous

¹ Weekly Analysis of Ecuadorian issues # 39, 6 October 2014, available at <http://www.ecuadoranalysis.com/en/html/servicios/analisis/index.php>

years. Starting in 2011, supplies from the Philippines have been recovering at a fast pace after a period of low production due to typhoon damages. In 2013 growth in exports from the Philippines was also constrained by the destruction of a large part of banana plantations in the Compostela Valley province by Typhoon Bopha in December 2012. Pakistan, although not a major banana exporter, expanded shipments from 28 000 tonnes to 86 000 tonnes. India, the largest banana producer in the world, has been rapidly increasing cultivated area and volumes of production over the past decade. Although India currently produces predominantly for the domestic market, it also supplies bananas to markets in Nepal and the Middle East – total exports equaled 36 000 tonnes in 2013 – and these shipments could increase in the future given the increase in area planted.

Africa's exports registered a solid growth rate of 5.6 percent in 2013 as exports reached 665 000 tonnes. Côte d'Ivoire, the largest exporter in the region, shipped 355 000 tonnes of bananas in 2013, followed by Cameroon, which recovered from lower than normal volumes in 2012 and exported 255 000 tonnes.

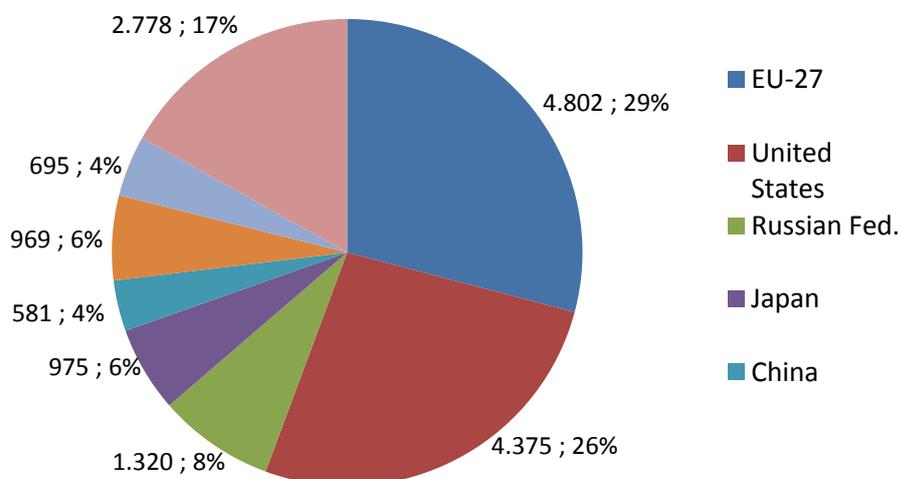
Figure 1 Banana exports by region 2009-2013, million tonnes



Imports

The three largest importers in the world, The European Union, the United States and the Russian Federation, all showed dynamic growth in imports during 2013 at 7.0, 7.6 and 5.3 percent, respectively. Boosted by strong consumer demand largely, imports of the European Union reached 4.8 million tonnes. United States also registered record imports at 4.4 million tonnes.

Figure 2 Distribution of global imports by market, 2013 (thousand tonnes and share in global imports)



The equally high growth in imports in the United States was driven by the increasing per capita consumption which progressed from 11.6 kg in 2011, to 12.2 kg in 2012 and further to 12.7 kg in 2013. Consumption of other fruits, such as apples, also increased in that period, implying an overall increase in the demand for fresh fruits in the United States.

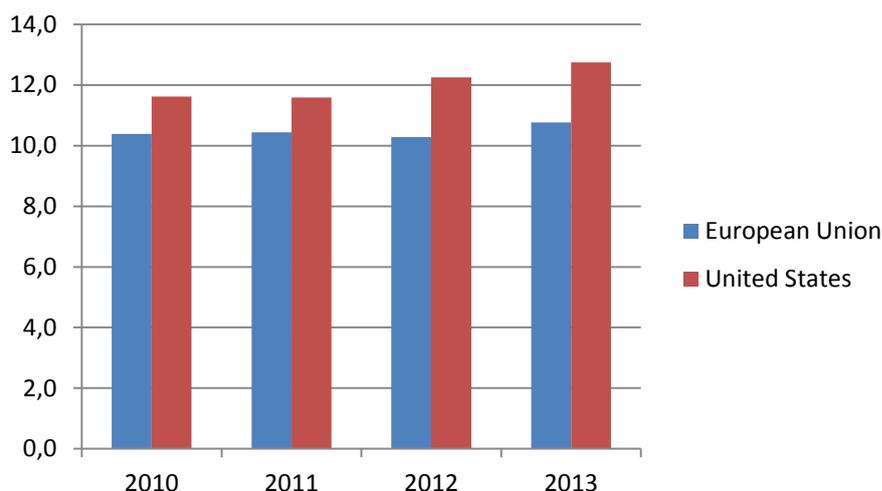
Table 1 Per capita consumption of apples, bananas and oranges in the US, kg per year

	2008	2009	2010	2011	2012	2013	Change 2008-2013
Apples	7.2	7.4	6.9	7.0	7.3	7.9	8.8%
Bananas	11.4	10.0	11.6	11.6	12.2	12.7	12.2%
Oranges	4.5	4.1	4.4	4.5	4.8	4.7	5.3%
Fresh	45.5	44.6	46.6	47.8	49.3	50.2	10.4%

Source: USDA Economic Research Service Yearbook Tables.

Approximately one third of all bananas imported into the United States market are from Guatemala, followed by imports from Costa Rica and Ecuador. Three quarters of the additional 340 000 tonnes imported by the United States in 2013 were supplied by Guatemala. United States imports from Honduras, and to a lesser degree, Ecuador, also showed strong growth.

Per capita consumption in the EU also grew slightly in 2013, from 10.3 to 10.8 kg. This increase, together with a shortfall in own production, explained the substantial growth of EU imports in 2013. European banana production declined from 628 000 in 2012 to 615 000 tonnes in 2013, reflecting a drop in volumes produced in both Canary Islands (Spain) and Martinique (France). Bananas from Peru registered the largest increase in volumes supplied to the EU (an 80 percent growth rate), reflecting in particular the strong demand for organic bananas.

Figure 3 US and EU per capita consumption of bananas, kg per year

Source: Own calculations based on Eurostat and USDA/ERS data

Russia's imports, dominated by operators shipping directly from Ecuador, recovered from a slump in 2012 and in 2013 reached a record 1.3 million tonnes, benefiting from greater availability of Ecuadorian bananas. On the other hand, the largest importers in Asia, **China** and **Japan**, both registered substantial declines in imports in 2013. China's own production has been growing rapidly over the past years, satisfying a larger share of the demand. This led to a 15.8 decline in imports in 2013. Japan's imports, which fell below 1 million tonnes for the first time since 2007, have been negatively affected by the strong depreciation of yen relative to United States dollar.

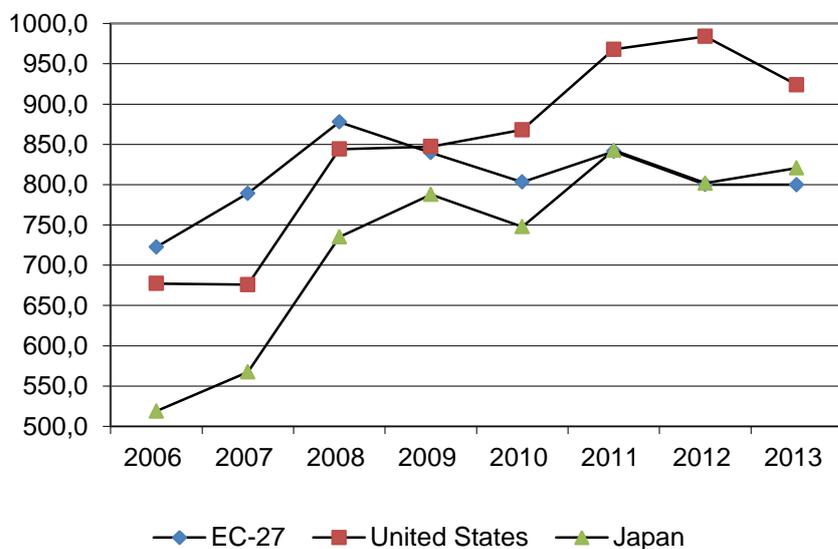
2. Banana prices

Import prices

Although import prices in both the United States and the EU were somewhat lower in 2013 than 2012, seen in a historic perspective, prices remained strong. The solid demand in the major banana consuming regions was counterbalanced by the recovery of Ecuadorian production and plentiful supplies from Central America, putting downward pressure on the import prices. In the EU, the average import prices in US dollars remained unchanged in 2013 relative to 2012 at 800 US dollar/tonne, however in euros the price declined from the exceptionally high level of 623 euro/tonne registered in 2012 to 603 euro/tonne on average in 2013. The performance during the year was uneven. For the first half of 2013, EU's import prices remained high, boosted by lower supplies of competing fruits, such as apples and citrus. However, the prices plummeted in October, driven by increased shipments from Cameroon to France and peaking exports to other European countries from Colombia and Ecuador. This coincided with the high season for European fruits, which in 2013 came later than usual². Prices recovered partially towards the end of the year.

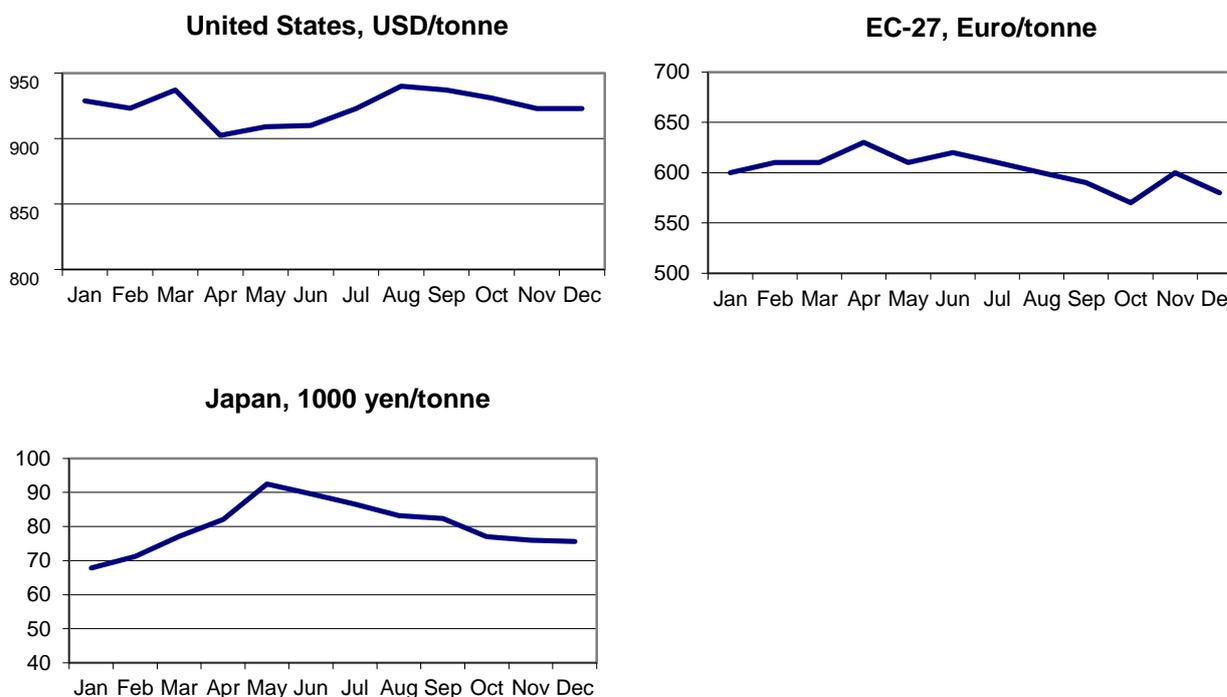
² FruiTrop. January 2014 – No. 218. CIRAD.

Figure 4 Average annual import prices in EC-27, Japan and United States, 2006-2013, US dollar/tonne



During 2013, the average import prices in the United States retracted from their peak level of 984 US dollar/tonne in 2012 to 924 US dollar/tonne on average. Import prices in Japan, on the other hand, registered an increase from 802 USD dollars/tonne in 2012 to 823 US dollars/tonne in 2013.

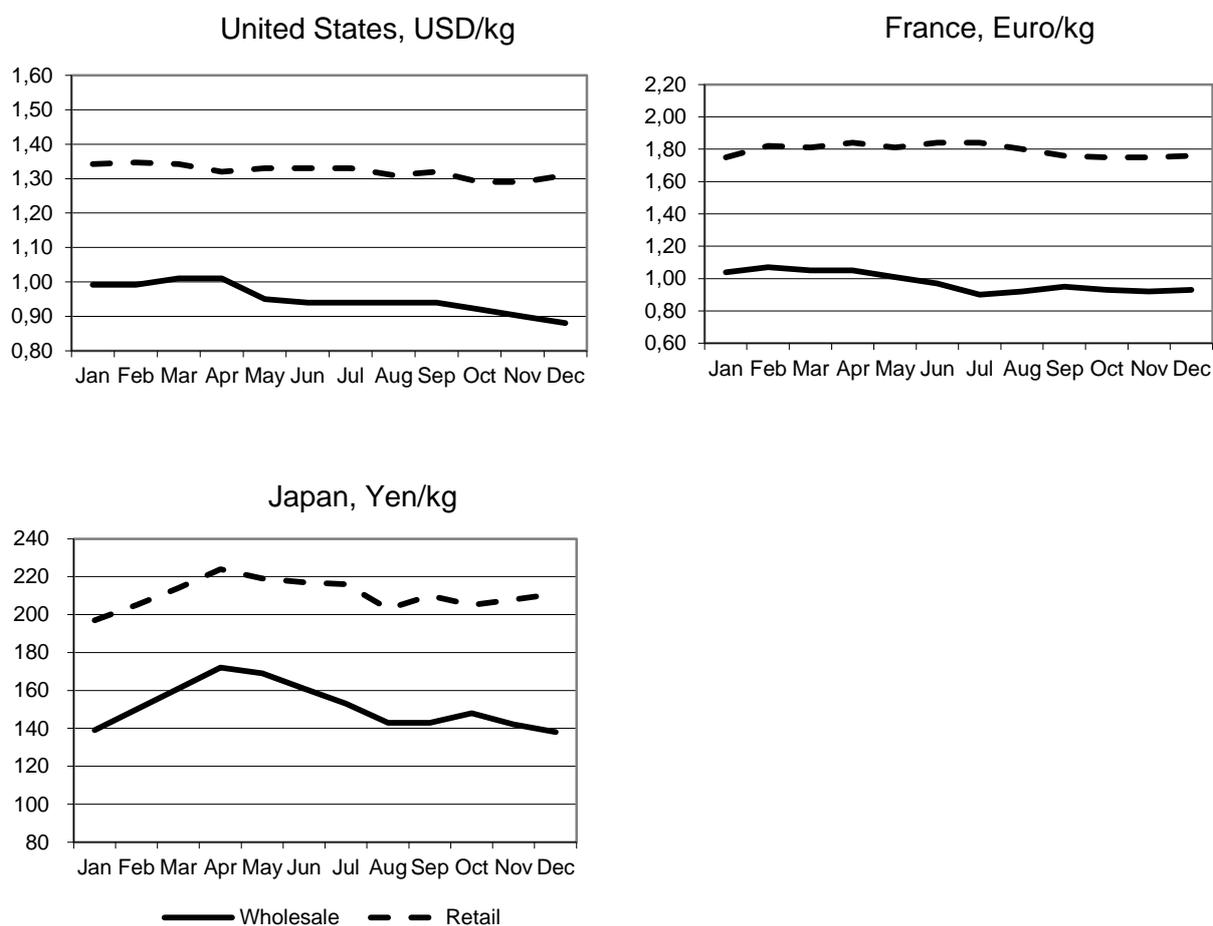
Figure 5 Monthly import prices in selected countries, 2013



Wholesale and retail prices

Wholesale prices in the United States declined gradually during 2013, following the trend in import prices. The decline was not transmitted to retail prices, however. Supported by continued strong consumer demand for fresh fruit in the US, retail prices remained high in 2013 at 1.3 US dollars/kg. This was similar to the situation in Europe. In France, a decline in wholesale prices was observed throughout the year, while retail prices increased from an already high 1.7 euro/kg to 1.8 euro/kg. In Japan, both retail and wholesale prices were higher in the first half of the year than in the second half, reflecting the usual seasonal variation as well as the depreciation of the yen. During 2013, yen lost 22% in value vis-à-vis US dollar, driving the wholesale prices in national currency up proportionately. Retail prices, on the other hand, increased by only 4.7 percent, reducing the margin between wholesale and retail substantially.

Figure 6 Monthly wholesale and retail prices in selected importing countries, 2013



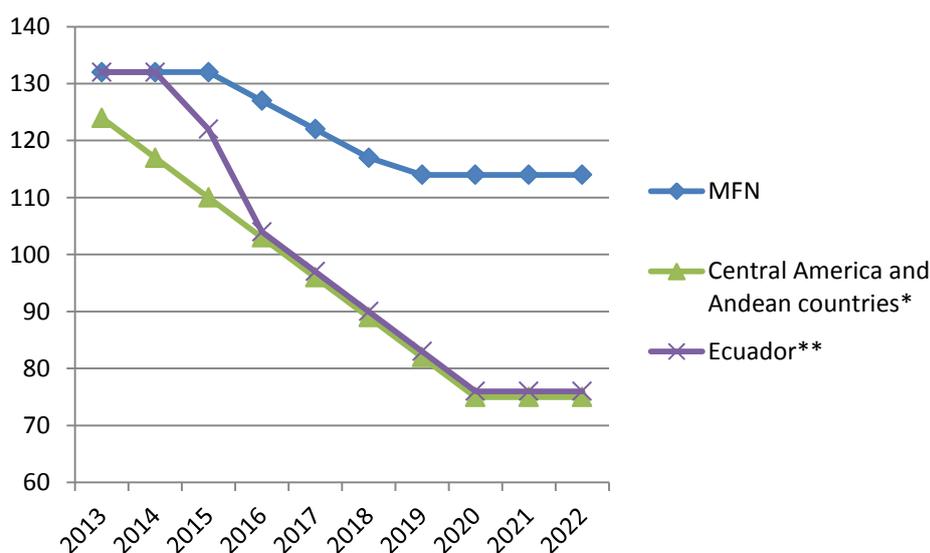
3. Trade policy and other factors driving market development

With regard to market access for bananas, the most important development over the last few years has been the official end of the banana trade wars between the EU and the Latin American banana producing countries in 2012. The main outcome was the commitments by

the EU to gradually reduce MFN tariffs. In 2013 the EU’s MFN tariff was 132 euros/tonne and it will be diminished to 114 euros/tonne by 2019 (Figure 7). At the same time, EU duties on bananas from Colombia, Peru and Central American countries have been reduced as part of the Association Agreements that these countries have recently signed with the EU. Under these arrangements, the preferential tariff for these countries was set at 124 euros/tonne in 2013, to be gradually reduced to 75 euros/tonne by 2020. ACP banana suppliers benefit from duty and quota free access to the EU market under the Economic Partnership Agreements (EPAs) with the EU. As such, Ecuador is the only major supplier to the EU market currently without preferential market access for bananas.

Ecuador is in the process of negotiating to be included in the EU-Andean Trade Agreement. Under the proposal that is being discussed by the EU an Ecuador, once the agreement enters into force, Ecuador would be paying a duty only 1 euro/tonne above the preferential tariff rate given by the EU to the Central American countries, Colombia and Peru during the 2016-2019 period, and it would be paying the same rate as these countries after 2019³. If the agreement goes ahead, in 2016 Ecuador would be charged 104 euros/tonne tariff, which would be 18 percent below the MFN rate it would otherwise be paying.

Figure 7 EU’s banana tariffs



* excluding Ecuador

** under the current EU proposal

With regard to market developments in short term, there seem to be good prospects for continued strong demand for bananas in the US and EU, and import prices have picked up again in the US during the first half of 2014. Russia’s imports of bananas, on the other hand, could be negatively affected by the economic slowdown and the strong depreciation of the

³ <http://www.freshfruitportal.com/2014/07/28/ecuadorian-banana-grower-group-reveals-likely-tariff-reduction-structure/>

ruble in the end of 2014. Ecuador is projected to continue recovery in banana exports during 2014, overcoming the shortfalls in production during 2012 and expanding its market share. The competition will continue to be fierce with many newer exporters, such as Peru, improving rapidly their growing and post-harvesting processes to increase productivity and quality, while also catering to organic and fair trade markets.

There are also threats to global supplies in the short to medium run, however, mostly linked to banana plant diseases. This particularly relates to race 4 (TR4) of the Fusarium Wilt, also known as Panama disease, which poses significant risks to banana plantations with predominately Cavendish banana varieties, which is the variety dominating the global trade. TR4 is present in the Philippines, mainland China, Taiwan Province of China and northern Australia. In 2013 the fungus was also reported on some plantations in Mozambique and Jordan and could spread to other banana-producing regions. This could have devastating consequences for banana production, in particular for the Cavendish mono-plantations in Latin America, if the appropriate prevention measures are not taken.

The estimates for Philippines suggest that approximately 5 percent of planted area were abandoned because of TR4, and an additional 10 percent are infested in varying degrees. In China, the second largest banana producer in the world after India, an estimated 40,000 hectares are now affected in varying levels, causing significant damages, although no reliable data exist on the volume of lost production. India, world's largest producer, is not yet affected by TR4, although a race 1 strain has already been reported to cause infection on Cavendish bananas. Being close to China, India is particularly vulnerable to the risk of TR4 spread. Countries, which do not cultivate Cavendish bananas as a monoculture are far less susceptible to the disease⁴.

⁴ Based on information provided via email by Dr. Agustin B. Molina, Senior Scientist and Regional Coordinator for Asia and the Pacific, Bioversity International