

The EU banana market

Recent developments and features

The European Union and the United States are the world's leading consumer markets for banana. The 4 million tonnes sold in the EU in 2002 represent about a third of the total volume of bananas traded world-wide. However, thanks to its special supply system, the EU is undoubtedly the most profitable market in the world.

As shown in the graph below, prices in the European Union are considerably higher than those in Eastern Europe and the United States. The different exporting countries around the world therefore seek to saturate it in priority. The difference with the North American market used to vary between 40 and 80% and increased markedly in the first half of 2003 to reach the record level of 150%. The markets in Eastern Europe have been more profitable than that of the United States in recent months.

However, a structural downward trend in prices at the import stage is observed in certain countries. The degradation is particularly marked in France where the decrease has been nearly 30% in a decade (comparison of the averages in 2001/2002 and 1991/1992).

Some community markets are very seasonal. This is the case of France, Germany and the UK, where a steady increase in prices is observed

in the first quarter. This is followed by a decrease in the second quarter and then smaller upward and downward swings during the six months that follow. Paradoxically, prices are higher during periods when the largest quantities of bananas are available. The cyclic nature of these markets seems more related to the availability of competing fruits such as strawberries and pip or stone fruits grown in the EU. Overall, it is observed that banana prices at the import stage are always higher in the first half of the year than in the second half; the difference between the two periods is very stable and has been about 30% for the past four years.

Prices in Spain also display a certain cyclic nature. In contrast, movements are fairly different to those described for the previous countries. Prices fall steadily during the first quarter and even during the first half of the year and then recover during the second half of the year. In this particular case, these trends appear to be

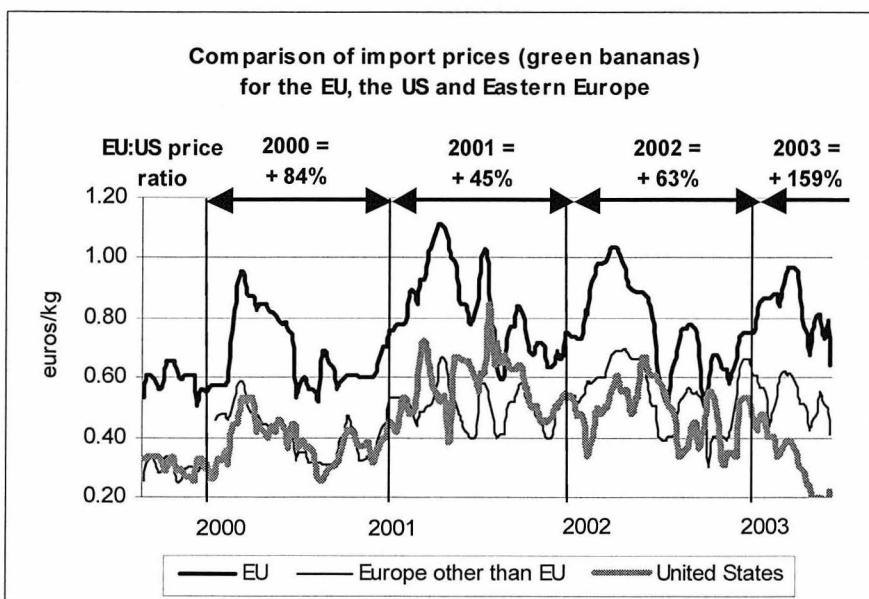
directly related to the volumes of Canary Island bananas available; these are always greater during the first six months of the year.

The cyclic feature is also seen in retail prices, except in the UK where the trend is in steps. The strong decrease in 2001 coincided with the signing of an exclusive supply contract for ASDA (Wal Mart group) by the Del Monte group. After a period of comparative stability lasting about a year, the renegotiation of the contract led to a fresh marked decrease. A distinct fall in retail prices was also observed in Germany from 2001 to 2003 as a result of fiercer competition between distributors and in particular between hard-discounters. In contrast, retail prices have been stable or have weakened very slightly in France during the same period. In parallel, a distinct decrease in annual average promotion intensity (percentage of supermarkets running special offers on the product) has been observed.

National supply features and countries acting as trade hubs

The supply of each EU state is fairly specific in terms of origins. These features are related to the existence or not of local production and the history of the different countries.

Canary Island bananas are eaten almost only in Spain. An effective marketing programme launched shortly after the setting up of the common market organisation of banana and financed by ASPROCAN (the Canary Islands producers' association) has distinguished Canary Island bananas from the other bananas imported to Europe. This has two results: Canary

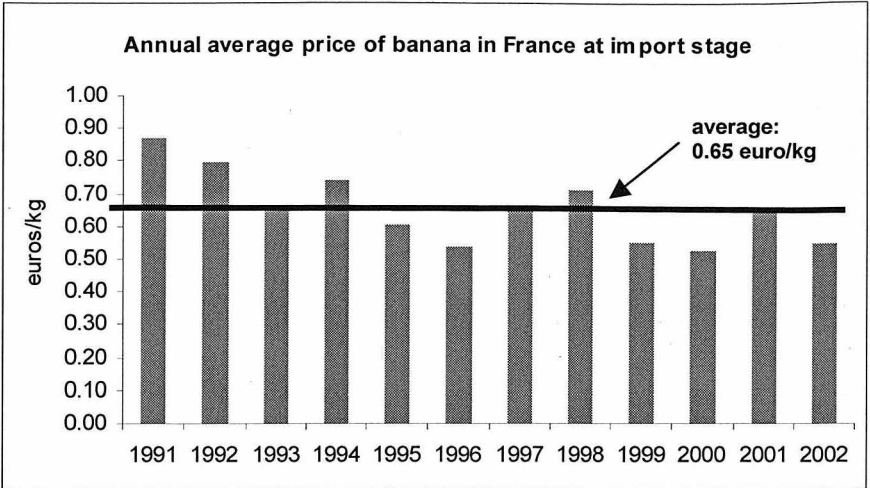


Source: CIRAD-FLHOR, Sopisico News

bananas rule in Spain (90% of banana consumption) and the Spanish market is little sensitive to fluctuations of the other markets in the European Union.

In France, community production from Martinique and Guadeloupe is also clearly present. However, it forms only about half of supplies, with the balance supplied by the African ACP countries (Cameroon and Côte d'Ivoire). Fruits from Madeira and Lakonia represent only a small proportion of the Portuguese and Greek markets; these are supplied mainly with fruits from the dollar zones.

UK sources of supply are very varied. Market distribution among origins has evolved considerably in



Source: SNM, CIRAD-FLHOR

the past 10 years in a context of strongly increasing consumption. The market shares of the Caribbean ACP countries—the historical suppliers of

the market—have collapsed because of serious problems of competitiveness. In contrast, the positions of the dollar origins, and especially Costa Rica and Colombia, have strengthened considerably (Honduras was very present until 2001 and then transferred to the US market in 2002). Likewise, imports from Cameroon have rocketed from less than 20 000 tonnes in 1998 to nearly 100 000 tonnes in 2002. The efforts made in favour of segmentation have also led to the strong development of arrivals from the Dominican Republic positioned in the organic/fair trade segment. Brazil is also emerging on this market (less than 3 000 tonnes in 1999 and nearly 30 000 tonnes in 2002).

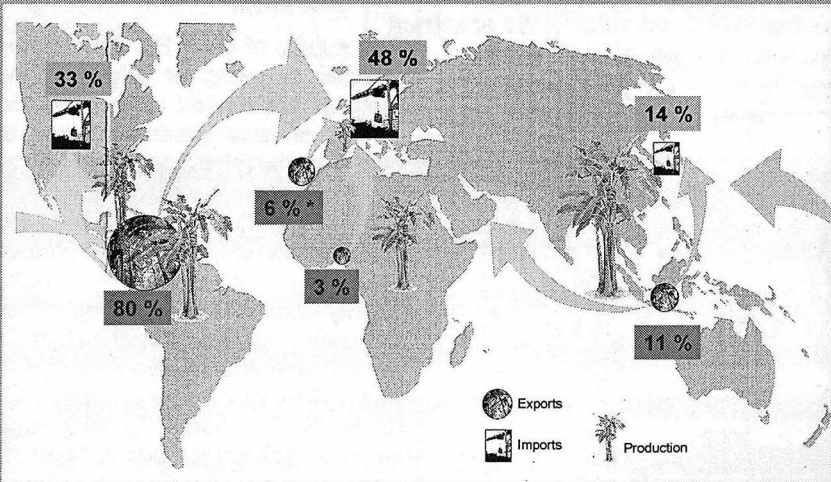
The profile of Italian market supplies has also changed markedly. Dollar origins continue to dominate the market fairly firmly (with Ecuador being the leading supplier). However, the market share of Cameroon has grown strongly in recent years.

Dollar origins are dominant in the other markets and even form the major part of supplies in northern Europe and Scandinavia.

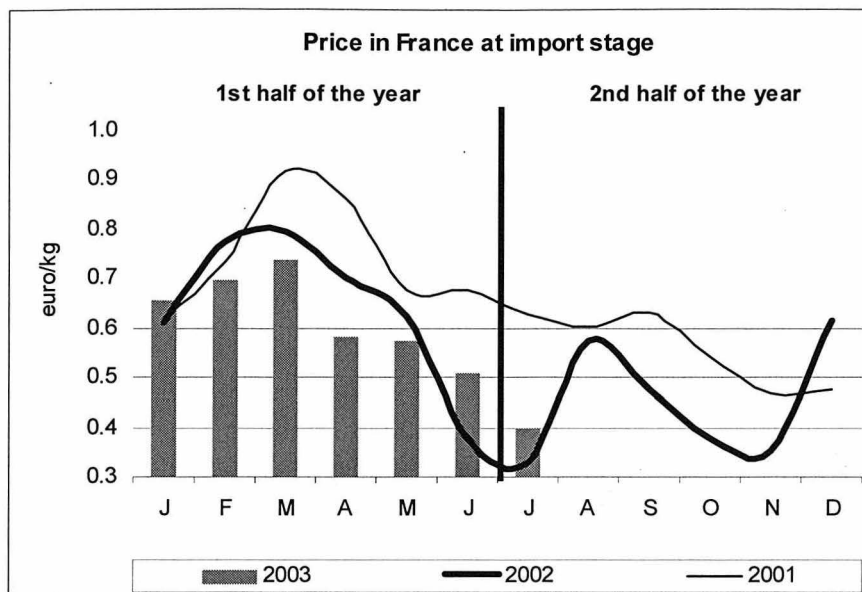
Some European community countries play the role of trade hub. Thus, large volumes of dollar bananas imported by Belgium and to a lesser extent by the Netherlands are re-shipped to the other EU countries. France also plays this role and supplies the markets in Germany, the UK, Italy and the Iberian peninsula with fruits from the West Indies and Africa. The balance of these re-export markets thus does not depend only on domestic trade

Overview of the world banana market

Banana and plantain dominate world fruit production, ahead of grapes, orange and apple. Production totalled some 95 million tonnes in 2000 and was fairly diverse with regard to variety. Cavendish formed only about 44% of the total, with the other cultivars being cooking bananas, plantains and other types of dessert banana. Banana also dominates the world fruit trade, being followed by pip fruits, citrus and exotic fruits. In 2000, 13 million tonnes of banana and plantain was sold, i.e. about 14% of world production. The figure is 20% when plantain is excluded, placing dessert bananas among the agricultural products in which trade is most highly developed. In contrast, the varietal diversity of production is not reflected in trade as Cavendish forms 98% of the volumes sold. The market grew by some 7% per year from 1985 to 1995 but has slowed in recent years. Asia dominates world production but accounts for only about 11% of the volumes exported. The main countries supplying the world market are in Latin America (80% of world exports). EU production (Canaries, French West Indies, Madeira and Lakonia) accounts for some 6% and Africa for 3%. The European continent takes about half of world production, North America about a third and the Far East nearly 15%.



* Community banana exports (Canary Islands, Martinique, Guadeloupe, Madeira, Greece)



but also on exports and is therefore more fragile than that of the other EU countries.

Practically single-variety supplies and strong concentration of trade operators

Market segmentation is very little developed in the European Union both in terms of modes of production and varieties. Organic/fair trade bananas form only 2% of total supplies. Cavendish banana reigns practically unchallenged. With imports of about 30 000 tonnes in 2002, plantains form less than 1% of imports. Other varieties such as pink bananas and mini-bananas are marginal.

Likewise, while trade is strongly concentrated on a single variety, it is also concentrated among a very small number of operators at both world and European levels. Indeed, five companies handle nearly 70% of the volumes traded in the European Union. With a little more than 20% of the market, Fyffes and Chiquita are competing for the leading position in the EU. Dole is third, followed by Del Monte and Bonita.

Per capita consumption in the European Union is some 10.5 kg, and has increased slightly in recent years. In comparison, the figure is 12.5 kg per person in the USA and less than 8 kg per person in Japan.

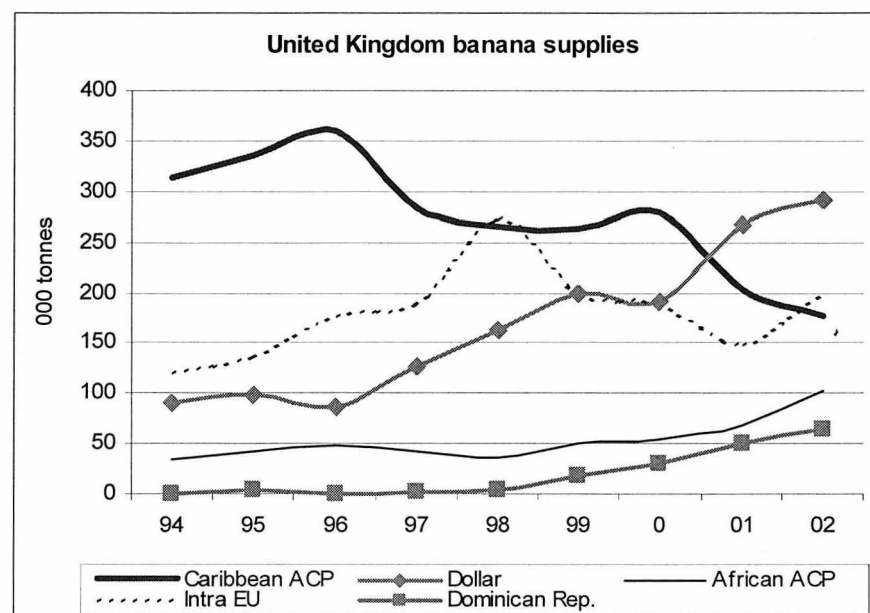
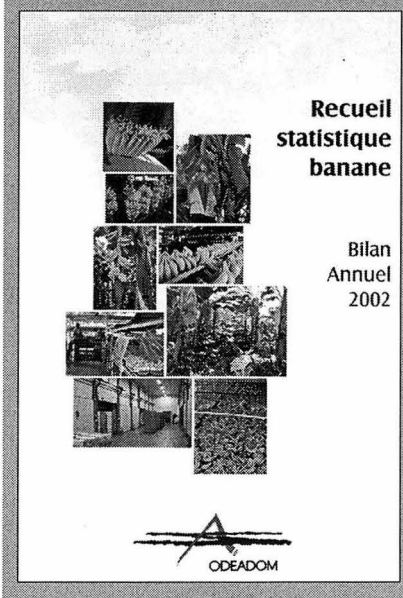
Dynamics differ strongly from one country to another within the European Union. Consumption has been practically stable in France since the early 1990s at some 8.5 kg per person. In contrast, it has increased markedly in the United Kingdom thanks to the promotion operations carried out by the Banana Group. It increased from about 9 kg per person at the beginning of the 1990s to 12.5 kg in 2001. This growth represents an increase in imports of some 200 000 tonnes, showing that there is considerable scope for increased consumption that deserves to be exploited, even on markets that are considered to have reached maturity ■

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The 2002 Banana Statistics Yearbook (*Annuaire statistique banane 2002* - in French) has been published

Distributed by *Office de développement de l'économie agricole des départements d'outre-mer* (ODEADOM) and published by the CIRAD-FLHOR Market News Service, this 38-page publication provides banana production, import, export and consumption statistics. It contains in particular very detailed information on European imports, community production, prices at all stages and consumption in France.

Information from
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The European Union: a regulated market

The functioning of the EU market is regulated by the common market organisation of banana (CMOB) set up in 1993. Supply is on a quota system and distributed between three groups of origins: community production (approximately 19% of the market in 2002), the ACP countries (approximately 19%) and the other so-called dollar origins (as they are mainly in Latin America) (approximately 63%). The external component of the regulations sets out the specific rules that apply to banana imports from third countries. Special measures also apply to community production and are defined in the internal section of the CMOB. They include in particular a support mechanism for growers consisting of compensatory aid for loss of income. Four EU countries grow bananas. Spain is dominant in terms of volumes with plantations in the Canary Islands (407 000 t shipped in 2002). The French West Indies (Martinique and Guadeloupe) are next with some 359 000 t in 2001 and are followed more modestly by Portugal (Madeira) with about 22 000 t and Greece (Lakonia) with 2 500 t. The volumes of community bananas have increased markedly in recent years—driven by the Canaries and the West Indies—and totalled some 791 000 t in 2002. The ACP countries have a 750 000-tonne quota. It was 850 000 t in 2001. Imports grew strongly and steadily from 1988 to 1996, reaching nearly 800 000 t. After a decrease of nearly 200 000 t from 1997 to 1998, the volume recovered and has been close to 730 000 t for the past two years. These fairly erratic movements are explained by deep-seated changes in the distribution of the quota by origin. Supplies from the Windward Islands and Jamaica used to be dominant but decreased strongly to the benefit of African origins (Côte d'Ivoire and Cameroon) and the Dominican Republic (organic/fair trade segment). The strong decrease in imports from Belize resulted from weather problems and that in shipments from Surinam was caused by economic problems, but both countries should return to more substantial production levels in the medium term. An important development operation is in the pipeline in Surinam (with an objective of exports of 100 000 t in 2006) thanks to a re-launching plan financed by the EU. Other ACP countries also benefit from support from the EU via technical and financial aid (TFA) budgets. The dollar origins dominate in terms of quantities imported. Volumes have followed the evolution of the quota—currently 2 653 000 t. Ecuador leads with 830 000 t exported to the EU in 2002, followed by Costa Rica (686 000 t) and Colombia (665 000 t). These origins have strengthened their positions in recent years. Ecuador's market share of this quota increased from 27% to 31% between the early 1990s and the early 2000s while the shares of Costa Rica and Colombia increased from 21% to 26%. In contrast, the share of Panama decreased, as has that of Honduras where the fall is even more marked. The latter origin has switched exports to the USA. Brazil is emerging but the quantities are still limited. Its exports to the EU, totalling about 4 000 t in 1999, cleared the 35 000-t mark in 2002. A significant increase in volumes is expected in the medium term thanks to the new industrial plantations estimated in the irrigated perimeters in northern Brazil. The Philippines, one of the world's main exporting countries, is not present in the EU, concentrating on the Middle and Far East. This supply system will change as the external component of the CMOB is to be reformed drastically in the middle and long term on the occasion of the WTO multilateral negotiations and the enlargement of the EU from 15 to 25 members. Finally—and this is the main date—the EU-US accord of April 2001 plans the elimination of quotas and a switch to tariff-only management from 2006 onwards.

European Union — Evaluation of banana supplies — Tonnes

Year	Banana type or origin				Sub-total	Exports	Supplies
	Community	ACP 12 ex-traditional ACP	Dom. Rep. & others ACP	Others (\$)			
1988	719 270	513 043	344	1 644 100	2 877 431	17 265	2 860 166
1989	698 925	542 628	855	1 716 500	2 959 541	13 415	2 946 126
1990	710 635	617 578	3 829	2 024 248	3 356 758	36 219	3 320 539
1991	695 402	584 516	9 681	2 286 019	3 577 837	53 468	3 524 369
1992	711 191	641 005	38 492	2 365 883	3 757 265	39 689	3 717 576
1993	646 242	683 583	61 662	2 219 721	3 614 083	36 138	3 577 945
1994	584 622	639 742	86 007	2 102 303	3 413 852	58 044	3 355 808
1995	658 206	687 162	75 046	2 405 180	3 827 352	43 082	3 784 270
1996	684 605	733 467	61 184	2 471 263	3 955 942	30 598	3 925 344
1997	810 537	640 532	46 520	2 464 412	3 968 003	16 571	3 951 432
1998	786 232	554 025	55 730	2 426 419	3 828 247	26 448	3 801 799
1999	729 303	631 548	42 125	2 522 455	3 927 751	27 359	3 900 392
2000	782 176	693 952	59 734	2 528 170	4 067 154	35 327	4 031 827
2001	767 268	639 104	89 672	2 474 665	3 970 709	34 284	3 936 425
2002	790 622	625 606	100 846	2 554 508	4 071 582	8 011	4 063 571
	(1)	(2)		(3)		(4)	

(1) 1988 to 1993 inclusive: Eurostat + European Commission data for Madeira and Greece. From 1994 onwards: supplementary aid data.

(2) Cameroon, Côte d'Ivoire, Somalia, Cape Verde, Madagascar, Belize, St Lucia, Jamaica, Dominica, St Vincent, Grenada, Surinam.

(3) Eurostat data: all imports from non-community and non-ACP countries.

(4) Duty-paid bananas (released for free circulation) in one of the EU member countries and then exported outside EU-15.

General note: Before 1994: dessert bananas + plantains / From 1994 onwards: dessert bananas. Before 1995: EU-12 / From 1995 onwards: EU-15. The study concerns extra-community import data for ACP and dollar bananas and re-export. The rules of operation of the common market organisation of banana (1993 version) have been applied to the data from 1988 onwards in order to give comparable results. Publication of the results in the supplement to *Info Banane* No. 71 published by CIRAD-FLHOR for ODEADOM.

Source: Eurostat (CD ROM sup 2-1997, sup 2-2002 and 4-2003), European Commission / Processing: CIRAD-FLHOR Market News Service