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APPLES & PEARS

Banana in Europe:
report on 2008 prices



FRUITROP
HALL 22 - STAND F03

European banana market: prices in 2008

Banana unaffected by the crisis

After 2007 affected by weather (hurricane Dean in the Caribbean, tornadoes in Africa, floods in the Dominican Republic, etc.), the sky was bluer for bananas.

The situation was satisfactory overall although the year was not an outstanding one.

An overview

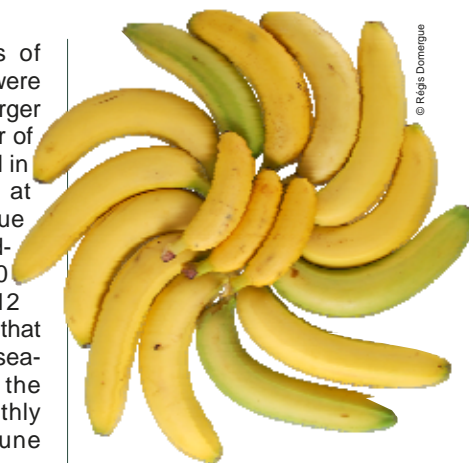
The first four months were strongly marked by a deficit in supply from the Caribbean. Growers in Martinique began to ship a few fruits at the beginning of March, with volumes becoming more substantial in early April. Shipments from the dollar zones and ACP countries were down by 14 and 5% in February and March respectively in comparison with 2007. Prices were high throughout this period, with the German import price (the Aldi reference price) flirting with a symbolic EUR18 per box. This has not been exceeded—or even reached—since the legendary year 2005!

Spring was more delicate for the banana trade. The depressive effects on prices of the resumption of production and marketing by French suppliers, especially Martinique, were feared—especially as

second quarter imports of dollar and ACP imports were nearly 150 000 tonnes larger than in the second quarter of 2007. Average prices held in April, with the Aldi price at EUR17 per box. It is true that they slumped considerably in May (EUR13.60 per box) and June (EUR12 per box), but to a degree that is fairly common for the season and nowhere near the EUR10.70 per box monthly average observed in June 2003.

The balance was not upset during the dangerous summer season. The great seasonal depression did not happen. The French import price even increased by 5 cents from July to August, reaching EUR0.66 per kg, that is to say EUR12 per box. The Aldi price held at above EUR11 per box. Supply was limited. The fear of a summer market collapse as in 2007 and 2004 made operators very cautious during this period.

But alas, the skies suddenly darkened at the beginning of the autumn. The traditional picture of strong banana consumption at the end of the

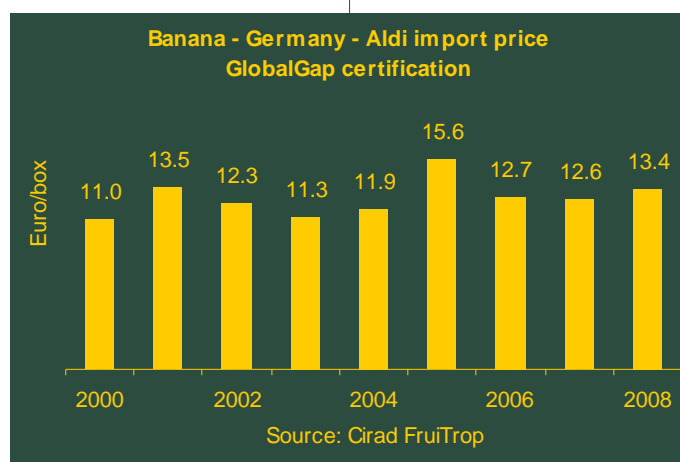


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school holidays was nowhere to be seen. The summer truce—a synonym for moderate supply—finished abruptly in September with 19% more fruits imported than in September 2007. From then until November the average monthly Aldi price stuck at EUR12.00 per box on a market that gradually became filled with gloom.

Then brisker consumption and the announcement of more limited supplies than in previous years as a result of the very serious flooding in Costa Rica resulted in a price increase of one euro per box in December with the year finishing well.

The French proverb that holds that 'the devil is in the details' is appropriate for the 2008 banana market. Average import prices in France and Germany and average retail prices in most European countries matched or were an improvement on the levels observed in 2007. Nothing would seem to have changed. The banana market would seem to have attained a kind of fulfilment. This is not true of course. The situation in 2008 must be examined under a microscope as the year was a rough one.





SCB

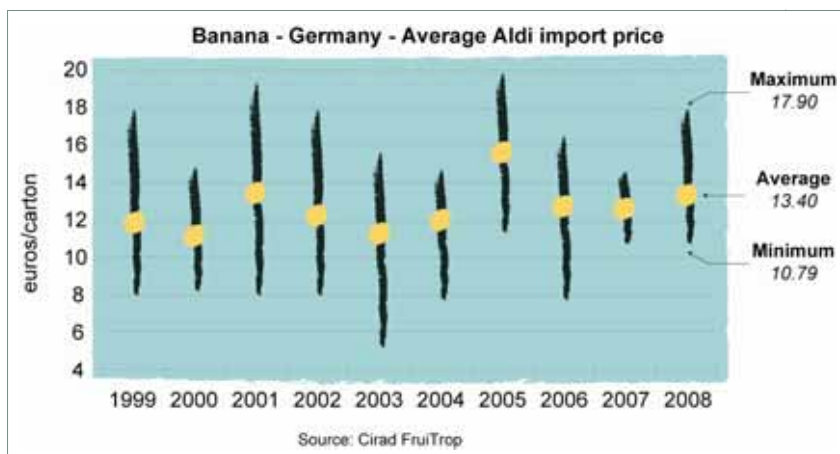
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Banana: star of the shelves

Logically, supply volume was the key factor in the functioning of the banana market throughout the year. However, the market also reacts to other influences such as the weather, competition from other fruits, consumption dynamics, the attitude of the major retail chains, world demand, etc. Conditions tended to be good in most of these areas in 2008. Indeed, competition from other fruits was contained. **FruiTrop's** monthly European market section was dotted with comments on the moderate supplies of apricots and stone fruits (July-August 2008), the limited quantities of grapes for the market (September 2008), higher-than-average prices of southern hemisphere apples (May 2008) and fairly low levels of apple stocks (February 2008).

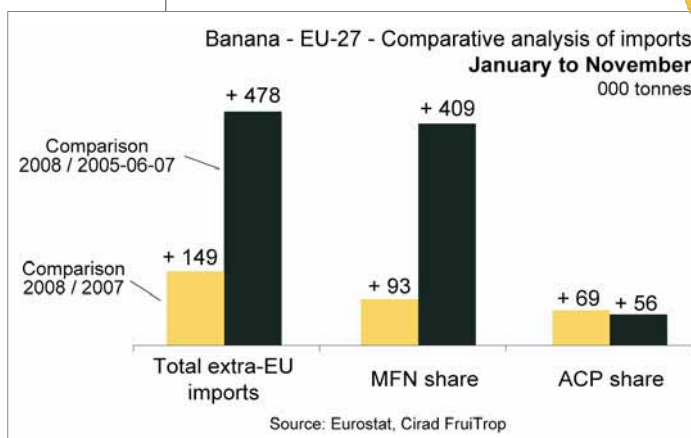
The fruit market was not as fierce as usual and banana prices also remained very competitive throughout the year on all the European markets except in Spain, a special case. Furthermore, supermarket chains made special efforts in the promotion of banana in France with a 2008 proportion (number of shops with banana special offers among those questioned) that was higher than the three-year average 9 months out of 12. The 30% mark was reached and even exceeded first in May and then every month from September to December.



Uncertainty, but opportunities too

But not everything is golden in banana land. The increase in the EU average import price (Aldi price: + 6% to EUR13.4 per box in comparison with EUR12.7 in 2007) conceals a worsening of the terms of trade. Indeed, factors of production

have nibbled at operators' sales performance. It is true that oil prices have decreased strongly, thus making it possible to reduce the transport surcharge for fluctuations in fuel





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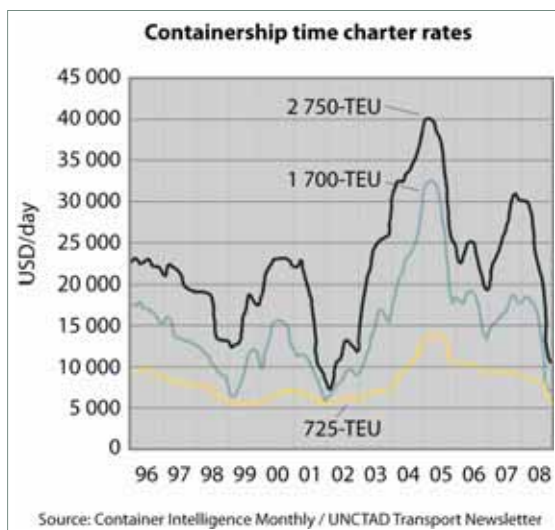
CREATING OPPORTUNITIES IN GLOBAL COMMERCE

We believe that creating opportunities is the key to success – in your business and in ours.

With our complete range of cold chain solutions, our dedicated reefer specialists take care of your perishables from pick-up to delivery.

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prices (the BAF, Bunker Adjustment Factor). It can be considered that inputs will follow suit. However, reefer freight costs (large reefers) increased again in 2008 by an average of 3% in comparison with 2007 and by 16% in comparison with 2005 (source: Reefer Trends). It is noted that the situation at the end of the year was not as difficult. However, prices should continue to increase as a result of the shrinking of reefer capacity and the stabilisation of demand (Fruitrop 162, December 2008, page 10 ff.). However, fierce competition with container transport makes this market unpredictable.

The movement of exchange rates is another parameter in the calculation of the economic performance of chains and operators. Here more than elsewhere, uncontrollable, unforeseeable changes in rates have different effects on each stakeholder. They may both improve competitiveness through the decrease in the value of the currency in a producer country against that of the currency of the importing country or generate extra costs when a country with a weak currency must pay intermediate costs in a strong currency. The typical case in this sector is that of Costa Rica whose currency, the colón, has lost considerable ground against the euro. It is therefore more competitive than its neighbour Colombia but must also spend more colóns when it pays the European import tariff of EUR176 per tonne. Colombia is in the opposite situation as the peso has risen against the euro. The present weakness of the rouble also leads to asking questions about the continuation of the Russian banana miracle.

Another area of considerable risk for the sector where devastating effects are possible for certain chains is the renegotiation of the present European import tariff of EUR176 per tonne (approximately EUR3.20 per box). There seems to be little room for manoeuvre for those who wish to conserve the status quo. The panels won recently by Ecuador and the USA, the European Commission's lassitude, the determination of most member-countries to wrap up the question and the stubborn determination of the Secretary-General of the WTO to finalise the question on the basis of the July 2008 compromise in Geneva leave little doubt as to the final result. The remaining questions concern the date, the accompanying measures for the ACP countries that wish to continue in the banana business and improve their competitiveness and the production sources that wish to leave the sector.

An anti-crisis formula



Today, in early 2009, uncertainty with regard to the economic aspects and regulations in the sector has not affected the optimism widely shared by operators with regard to the year to come. Although there is uncertainty there are also opportunities. One of them even considers that banana is a perfect anti-crisis item. It has consid-

erable advantages: the most competitive price:energy ratio on the market, recognised nutritional value, a very low retail price, a very high level of penetration in European households, etc. The sector should now capitalise jointly on this excellent image and spread and strengthen it ■

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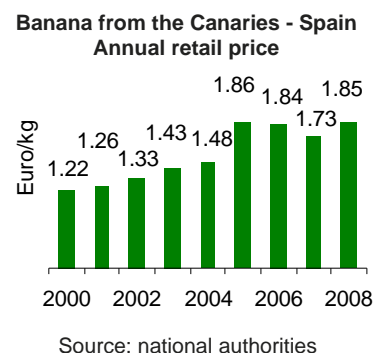
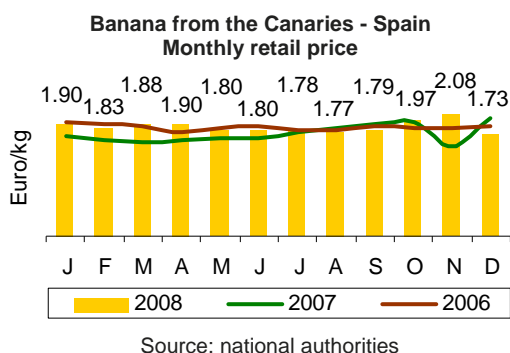
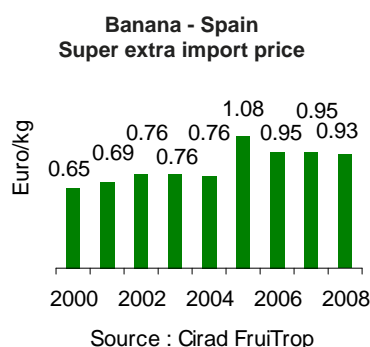
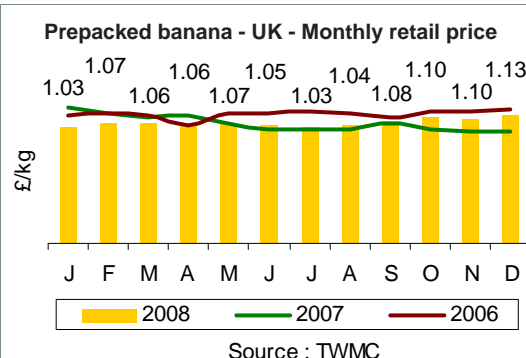
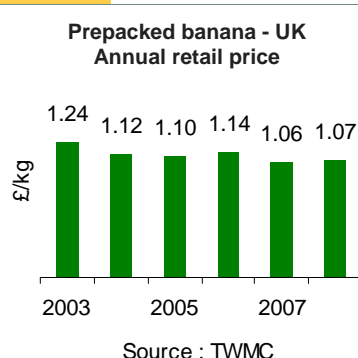
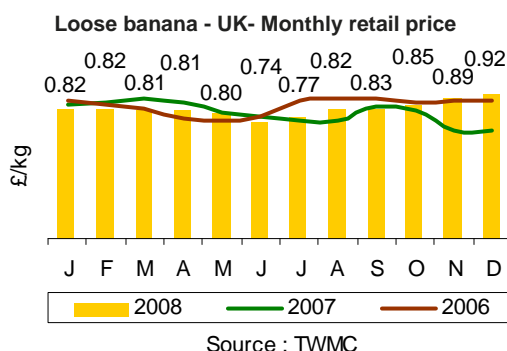


April 2009: a full analysis of the world banana market and, more specifically, the situation in Europe, including import and consumption figures, will be published in Fruitrop 166.

The movement of banana prices in Europe in 2008

United Kingdom

It is difficult to find any marked features in the retail price pattern in the UK. Indeed, the usual prices of around £0.80 per kg for loose bananas and £1.05 per kg for pre-packed fruits held again in 2008. There was just an upward trend at the end of the year, confirmed in the first weeks of 2009. The decrease in the pound against the euro makes purchase more expensive and is a partial explanation of the phenomenon. With regard to wholesale prices, the British market overreacted to the increase in import prices in Europe throughout the first quarter and then returned to the 2006 trend from May onwards.

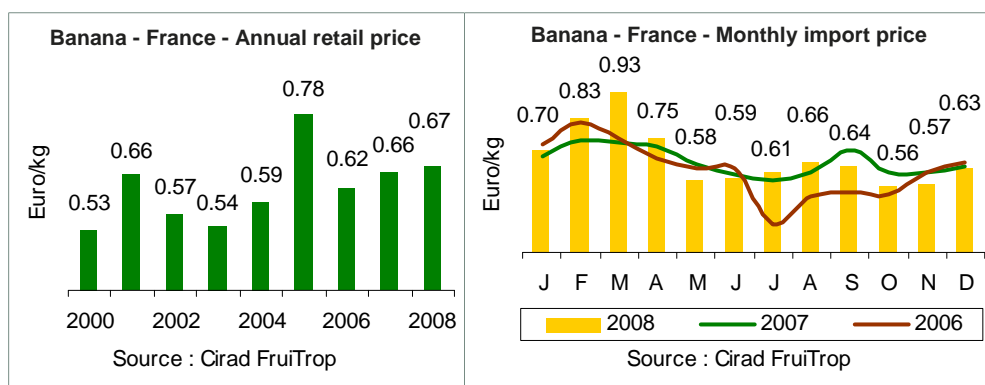
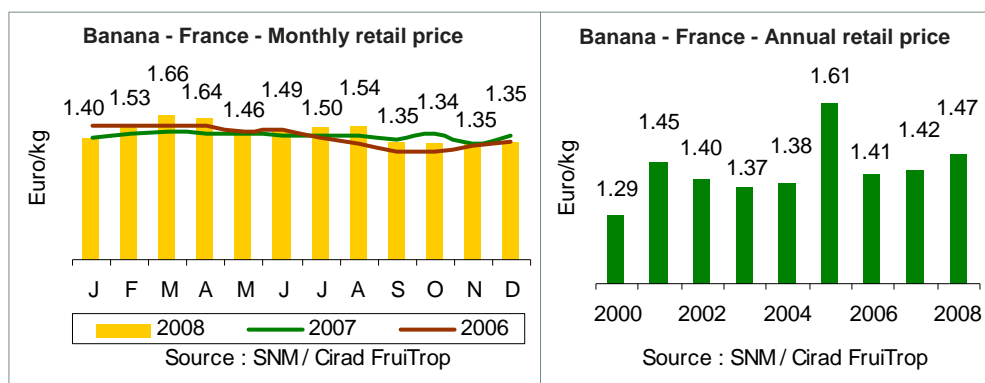


Spain

In 2008, Canary Island banana import prices (Super Extra category) weakened only very slightly to EUR0.93 per kg, that is to say 2% lower than in 2007. With the exception of the four first months of the year, import prices remained lower than those of 2007. The highest point was reached in Oc-

tober and December with EUR1.25 per kg and the lowest in May with EUR0.62 per kg. The seasonal pattern of Spanish prices differs considerably from that of the other markets. In 2008 again, the Spanish market showed proof of a certain independence with regard to what happens in the rest of

Europe. After easing in 2007, retail prices increased again in 2008 to the 2005 and 2006 level of EUR1.85 per kg for Canary Island bananas. The retail price of other bananas (EU, dollar and ACP) display the usual 35 cent gap, selling at EUR1.50 per kg (+ 5% in comparison with 2007).



Banana — Indicators			
Year	% special offer *	Retail price / special offer price euro/kg	
		Difference	Ratio
2000	32	0.68	2.26
2001	26	0.78	2.15
2002	27	0.79	2.40
2003	25	0.78	2.39
2004	25	0.77	2.26
2005	23	0.81	2.04
2006	24	0.79	2.26
2007	21	0.76	2.15
2008	25	0.79	2.19

* Percentage of stores surveyed (over 1 500 sq. m) running special offers / Source: SNM, CIRAD

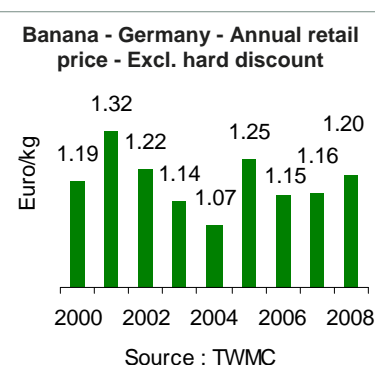
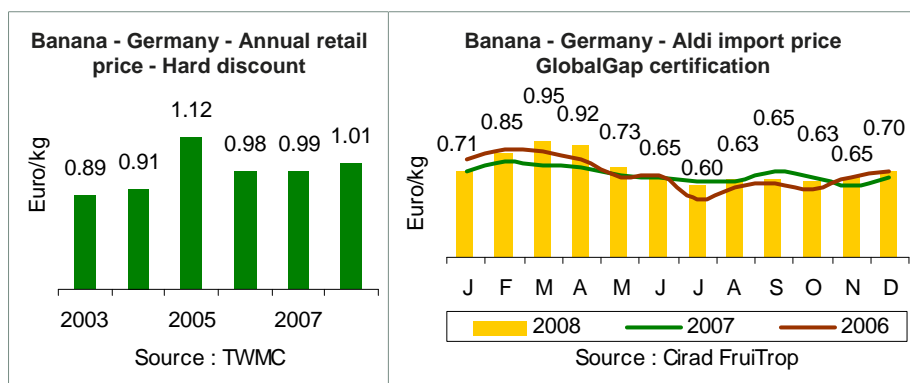
France

The average import price in 2008 was very stable at EUR0.67 per kg, a small 2% increase in comparison with 2007. A very good first quarter, the avoiding of a crisis in the spring and summer and a satisfactory end to the year made up for the slump in the autumn. As had been the case at the end of 2007, in the absence of fruits from the French West Indies at the beginning of the year, the market was divided between Africa with a market share of more than 60% and dollar sources that took some 30% of the market for nearly two months. Then when FWI

production peaked at the beginning of the summer, French bananas were neck and neck with African fruits—each with 42%. The foreseen decrease in FWI exports then allowed Africa to take more than 55% of the market and dollar bananas accounting for more than 20%.

The average retail price increased slightly (+ 3%) in 2008, reaching EUR1.47 per kg. The average special offer price rose to EUR1.30 per kg, 4% more than in 2007. It is particularly interesting to note that this firmness of retail and import prices was

supported by promotion efforts for banana by French supermarket chains. Indeed, the special offer rate increased from 21% in 2007 to 25% in 2008, with peaks of more than 50% when the market was at its most fragile in the autumn. Preliminary estimates of French consumption in 2008 also show that French consumption increased by between 5 and 10%. This is proof that banana has a fine future if all the stakeholders pool their efforts.



Germany

The Aldi import reference price increased by 6% in 2008, reaching EUR13.4 per box. The symbolic EUR13 level had not been exceeded since 2001, except in 2005, an unusual year. The German discount retailer kept its prices at satisfactory

levels throughout the year, displaying a degree of weakness at the beginning of the summer and in the autumn. The situation was euphoric in the second quarter with the Aldi price nudging EUR18 per box. The average annual price in German discount stores retail

prices remained firmly fixed at EUR1.00 per kg, but varied from EUR0.91 (summer and autumn) to EUR1.30 per kg (April). The average retail price in traditional retail stores gained 4% at EUR1.20 per kg, with peaks at EUR1.44 per kg in April.