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Banana in Europe:  
2009 price review

Blueberries from Chile:  
Small but on the up and up...

# Banana in Europe: 2009 price review

## What a pity!

The traditional review of the 2009 banana year is in two parts once again. This issue of FruitTrop contains a price review and then a full review of the volumes sold and bought will be published in April 2010, to provide the time required to gather and analyse all the information.

**A traditional greeting at the Chinese New Year is 'Congratulations and best wishes for a prosperous New Year!'. It is a pity that this only came true in the first half of 2009 and not for the entire year. Import prices had nevertheless moved very well everywhere in the world while retail prices remained very sensible, making banana the anti-slump fruit par excellence. The recovery of world export potential throughout the second half of the year and stronger competition from competing fruits spoiled the part. Finally, the average annual price was identical to those of the two previous years.**

This article could be entitled 'When the weather replaces political and trade regulation' as the variation in the volumes available world-wide from the end of 2008 marked the general evolution of markets in 2009. The import price in France reached EUR 0.67 per kg (EUR 12.2 per box); this was similar to prices in 2007 and 2008 and 6% higher than in 2006. However, as with all annual averages, the result hides extremely contrasted situations. A quick look at the past is needed to understand the optimism that dominated the whole of the first half of 2009 before suddenly changing to disappointment and then concern throughout the second half of the year.

**A magnificent first half of the year**

Import prices in the EU increased a little in the last weeks of 2008 after very serious flooding in Central America. Costa Rica, Panama and Honduras suffered very heavy human and

material losses, with the banana sector particularly hard-hit. Reports at the time mentioned some 10 000 hectares affected to varying degrees in Costa Rica alone. This followed other weather damage in 2007 that had reduced the 2008 export potential in many areas.

As some people's misfortunes spell good fortune for others in the banana trade, the resulting decrease in the quantities of bananas available world-wide strongly affected the international situation in the first half of the year. In Germany (Aldi reference figures), import prices reached new heights in February, with transaction at about one Euro per kg, that is to say EUR 18 per box. Prices approaching this had not been seen since February 2005. The situation was the same in France, with good performance in the first half of the year with prices at about EUR 0.74 per kg (EUR 13.40 per box).

The second quarter (EUR 0.75 per kg or EUR 13.60 per box) was excellent even

though this spring period is particularly difficult to handle because of strongly increasing supplies of local fruits. The performance was all the more remarkable since certain red and stone fruits were strongly present. The apple market—difficult throughout the year—should be seen in conjunction with this. The banana market was thus clearly satisfactory during this period. Volumes from the dollar zone were measured, as were those from the French West Indies and Africa and this strengthened import prices.

**A tasteless half of the year**

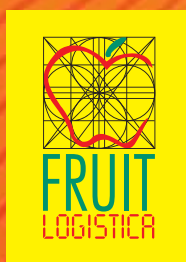
The second half of 2009 proceeded much more in ups and downs. Unfortunately, the summer months—July and August—held no surprises. The import price decreased by a quarter from June to July, falling to EUR 0.55 per kg (EUR 10.00 per box). And, in contrast with 2007 and 2008, it did not recover in August. Subse-



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# Tombez sous le charme



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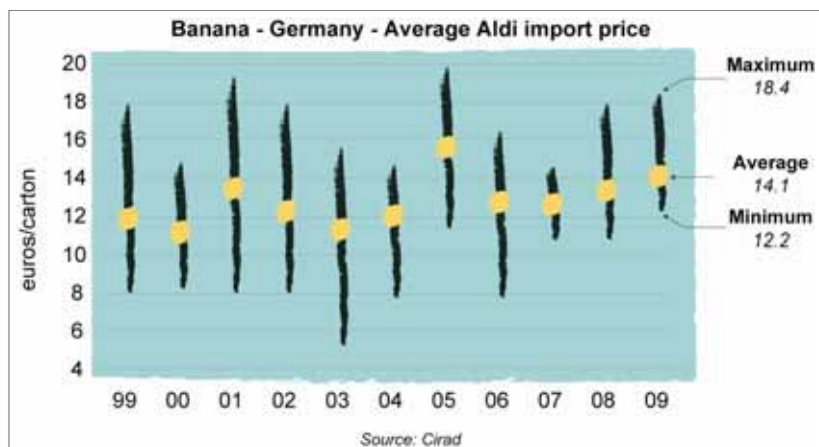


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*Banane*  
DE GUADELOUPE  
& MARTINIQUE

*C'est pour ça qu'on l'aime.*



quently, nothing happened as regards the hypothetical positive effects of the start of the school term on sales, a phenomenon less and less expected by operators. Worse still, the level set in July remained the norm or reference threshold not to be exceeded until the end of the year. From July to December, the average monthly price in France varied from EUR 0.53 to 0.57 per kg, that is to say a variation of two centimes per kg around a central EUR 0.55! The standard deviation for the second half of the year is the smallest ever recorded at around EUR 0.013 per kg in comparison with eight or ten times this figure in preceding years. This smoothing phenomenon is thus a recent one and particularly disturbing. Examination of the statistical series drawn up by the CIRAD Market News Service dates the phenomenon—which started in 2007 and has become stronger ever since.

### Green prices rising and retail prices falling

2009 will go down in history as the year in which import prices remained firm for six months while retail prices fell! The latter continued to lose ground in line with the downward trend in import prices described above. In France, both standard and special offer prices fell to 4% lower than those of 2008. This was a return to traditional levels: EUR 1.41 per kg standard and EUR 1.26 per kg for special offers. As always, these average prices conceal a very broad range, especially as regards special offers. Prices that hardly cleared EUR

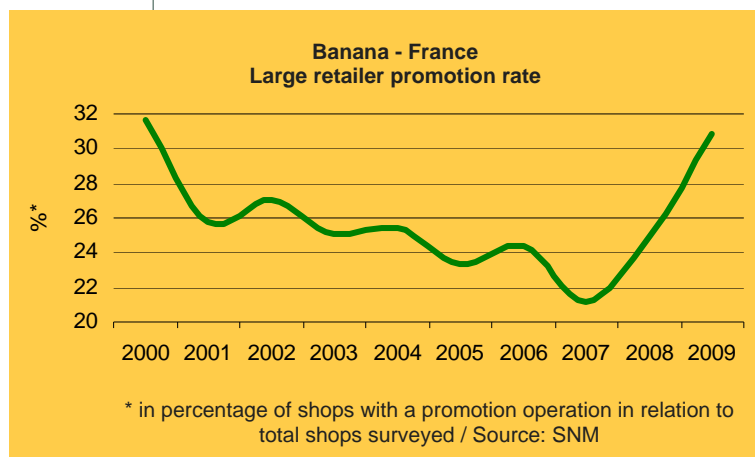
0.60 per kg were seen throughout the year in local, one-off promotion operations.

The strong competition in supply with import prices holding steady should be compared to the still partial figures for French consumption in 2009. The sector has every reason to rejoice. The review to be published by Fruitrop in April may confirm that banana consumption has increased again in France, especially during the first part of the year when import prices were at their highest. This kind of squaring of the circle merits further explanation in order to be repeated. An example is that in March 2009 the import price reached EUR 0.97 per kg (5% higher than in March 2008), retail prices were down by 14% and consumption up by 22%.

### Banana, the slump-beater

It is difficult to pinpoint just one cause for this phenomenon. A few explanations were put forward in the September 2009 issue of **Fruitrop (No. 170)**. For example, France is less sensitive than the other EU member-countries to a decrease in world supply because it has a substantial production base in the West Indies and West Africa is also an important, historical stakeholder in this market. It can also be considered that the marketing efforts made by Martinique and Guadeloupe stimulate demand. Finally, the 'slump-beating' value of the fruit can also be considered. As we announced here precisely a year ago and as was subsequently confirmed in practice, the excellent price:energy value of banana played its role fully in 2009.

Retail chains clearly participated in this fine dynamics, profiting from a very widely consumed item at a very competitive price, not only in fruit and vegetable departments but also in







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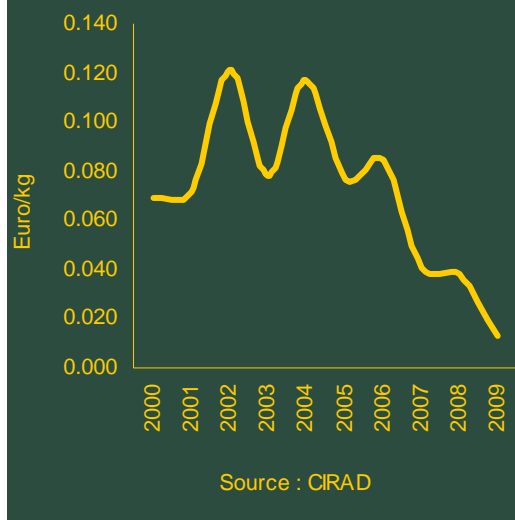
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**FRUIT LOGISTICA : HALL 22 STAND A 13**

### Banana - France - Standard deviation of import prices in the second half of the year



relation to other departments. Bananas were promoted as never before. During the six of the twelve months of 2009, promotion intensities (PI measured by SNM) reached levels that had not been attained in the preceding decade. In terms of annual average, 2000 was the last year in which the PI was slightly higher than in 2009: 32% in 2000 against 31% in 2009.

The French market stood out from the other European markets in 2009 in this strong retail business in bananas. In Germany, the activity index that measures sales dynamics in supermarkets fell in 2009 by a whopping 7%. This feature can be seen in EU supply statistics. Even though Eurostat and certain member-countries such as Belgium are slow to publish import data, it is estimated that supply from third countries decreased by more than 10% in 2009. Full report in April.

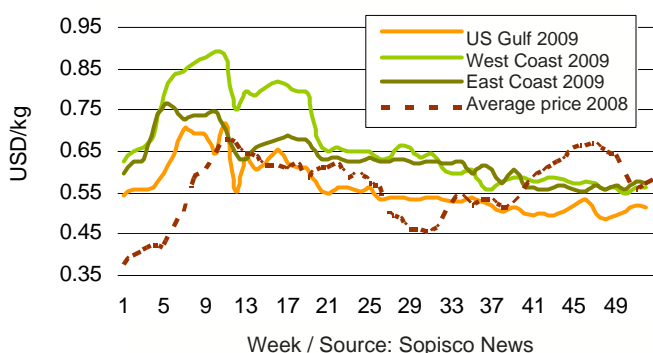
In contrast, a feature common to many European countries was sensitive retail prices. In Germany, the leading consumer country, prices stabilised in both traditional retail outlets (EUR 1.21 per kg) and discount stores (EUR 1.03 per kg). In Italy, retail prices gained a tiny 2% but displayed a downward trend at the end of the year (12% lower in December 2009 than in 2008). The same trend was observed in the Czech Republic, where the average annual price was CZK 31.4 per kg, well below the CZK 36 per kg of 2005. In Spain, the price of Canary Island bananas was stable at EUR 1.89 per kg whereas bananas from all other sources fell by 5% to EUR 1.44 per kg. The situation was more complex in the United Kingdom. The price of loose bananas remained stable at £ 0.83 per kg thanks to the price war re-



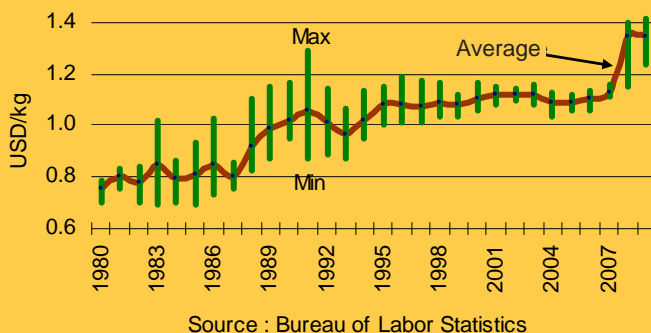
### United States

Exceptional ! The spot price on the US market set a new euro and dollar record in 2009, reaching nearly USD 16.00 per box (EUR 11.5). This is 4% better than in 2008. The increase is even greater when calculated in euros: +10%. The US customs confirm the trend, with a unit value declared up by USD 100 per tonne, a 30% increase. The pattern of spot price movement was the same as that on the European markets, except that the price fall was not as sharp in the second half of the year. Prices were rarely lower than those of 2008 in the second half of the year. The fragility of the spot price in the southern USA (Gulf of Mexico) should be noted. Retail prices remained very high and close to the all-time record set in 2008, but with clear weakening from November onwards.

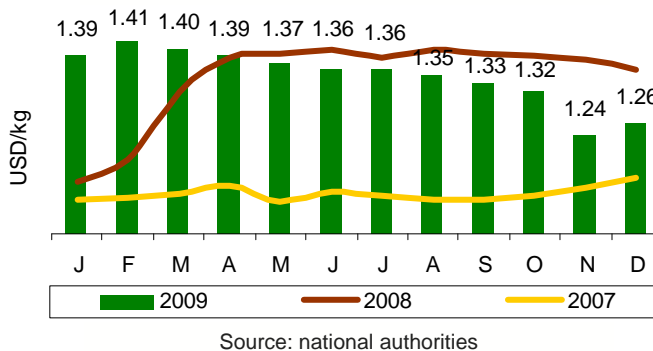
#### Banana - United States - Spot import price

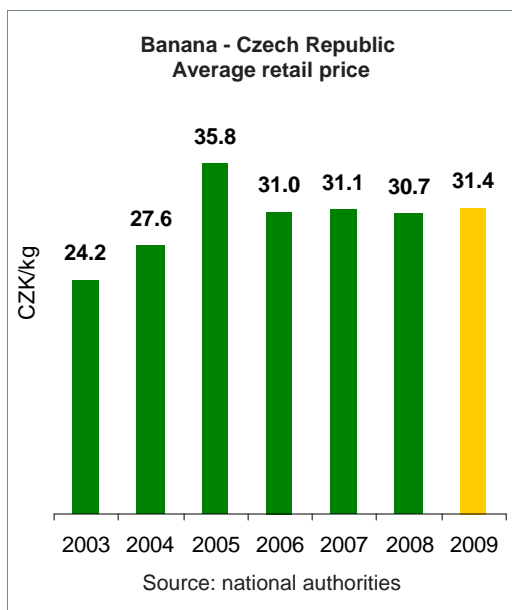


#### Banana - United States - Retail price



#### Banana - United States - Retail price





launched by ASDA in October. In contrast, the price of pre-packed fruits increased strongly by 13% from £ 1.07 to 1.21 per kg.

### Returns to producers: prospect of a hard fall

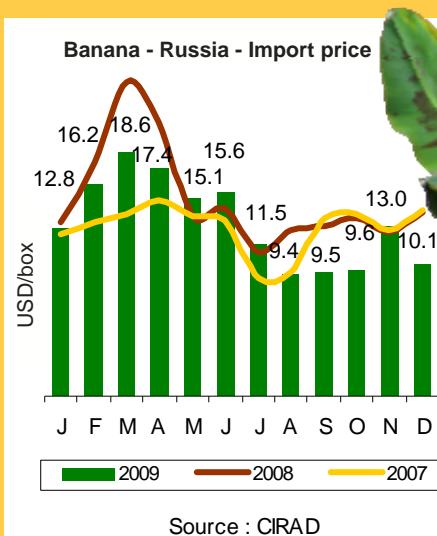
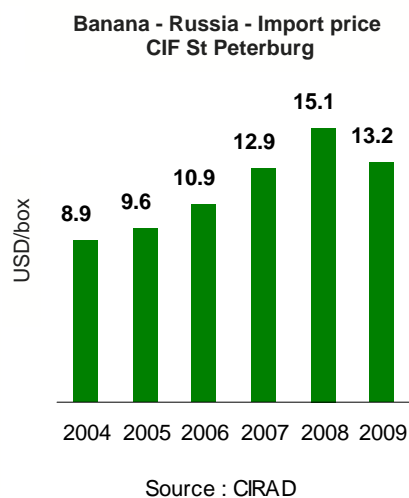
Did the production sector weather 2009 successfully? It is difficult to give a general reply. The increase in the guaranteed minimum price in Ecuador (USD 5.40 per kg from July 2009, after USD 5.05 in March 2009 and USD 3.75 in July 2007) and in Costa Rica (USD 8.66 per kg in comparison with USD 7.17 in 2008 and USD 5.85 in 2007) is a clear sign of a substantial improvement in producers'

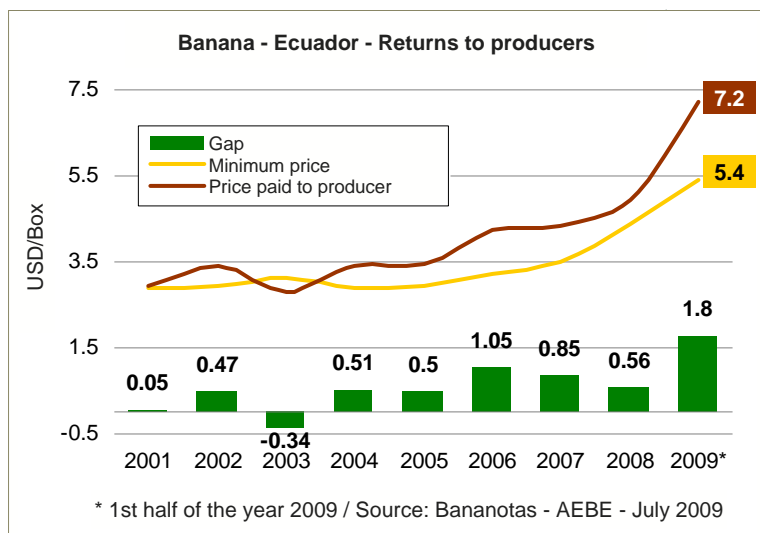
incomes. The journal Bananotas, published by AEBE (Association of Ecuadorian Banana Exporters), confirms the trend and stresses the fact that actual returns were higher than the minimum guaranteed prices because world supply was considerably reduced at the end of 2008. It reports a return to prices of USD 7.20 per kg in the first half of 2009, that is to say 42% more than the minimum price. The full 2009 performance will doubtless be less glorious as the second half of the year was more patchy, especially towards the end when world banana supplies increased.

This rise in prices for Latin American producers might seem surprising as the situation was not as good for producers in the West Indies (EU and ACP) and Africa. This is explained to a

## Russia

The 2009 Russian market was not one developing strongly, centred on solid commercial structures. Phenomenal variations in the St Petersburg import price reveal the difficulties experienced. The withdrawal of a major market operator seems to have opened the door to a host of small operators who try their luck each week. All this is in a context of a consumer slump and a reduction of at least 4%.





considerable extent by the euro:dollar exchange rate. High prices in the euro zone and a very low US dollar (USD 1.3 to 1.5 to the euro throughout 2009) automatically increase returns in the zones operating in dollars, especially as intermediate costs—a subject for considerable concern in 2007-08 in particular—were in the background in 2009. Oil prices fell considerably and both reefer charter and container shipping transport costs decreased strongly. World economic recovery and the increase in banana shipments from Latin America could change the situation in 2010.

### A banana horoscope for 2010

Forecasting is always delicate and dialectic caution often wins against clear conclusions. But there is no need to beat about the bush for 2010. The banana year is going to be difficult. Practically all the warning lights are flashing. The dollar production zones will be back to full production. Ecuador and to a lesser degree, Colombia, may well turn in record

performances. African potential is intact or perhaps better and EU production should reach traditional levels, especially in Martinique. Intermediate costs could increase again (oil, freight, inputs, etc.). There is a little bit of hope with regard to competing fruits—not on the apple market where competition will be intense but in citrus, where supplies of both oranges and easy peelers will be short. The Spanish strawberry season should be moderate, at least at the beginning, as a result of unfavourable weather conditions. Finally, 2010 is a

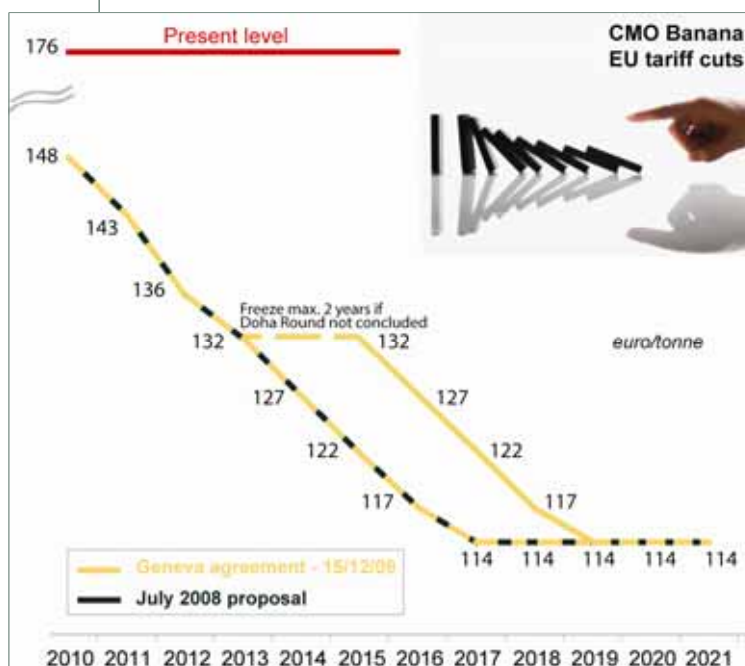
negative alternate bearing year for stone fruits (cherries, peach, nectarines and apricots).

The disorganised Russian market that upsets Eastern European markets is also a reason for concern. This is a pity as market growth in 2007 and 2008 and a degree of grouping of market releases had a stabilising effect on Russian demand for the EU market.

European deregulation makes things worse. Indeed, the customs tariff decreased on 15 December 2009 (from EUR 170 to EUR 148 per tonne). This results in a price decrease of EUR 0.50 per box—demanded by European retailers—and a strong psychological effect leading all suppliers to

considering that the European banana market is a machine to make them happy. They should all remember the irrational behaviour of certain importers and exporters in spring 2006 when the European market switched from a quota to a single-tariff system. The opening of the market attracted operators who thought that they had won the jackpot but finally flattened the European market for months. Econometrists will never be able to measure the true effect of the customs tariff at EUR 176 per tonne as world banana supplies have been reduced by meteorological disasters since 2006. But they will be able to do it with the new rate of EUR 148 per tonne. These statistical magicians will be able to cancel all their forecasts and grovel. But this means leaving astrology for the fourth dimension! ■

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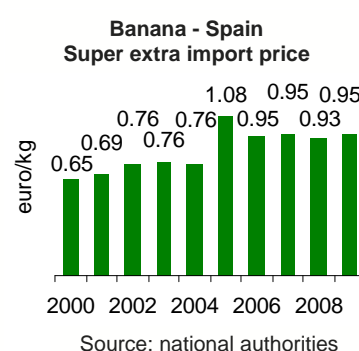
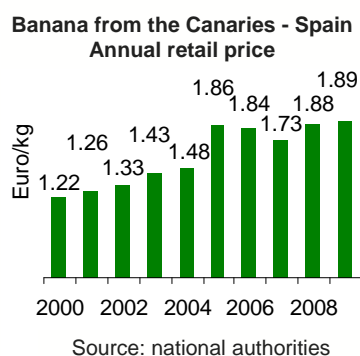
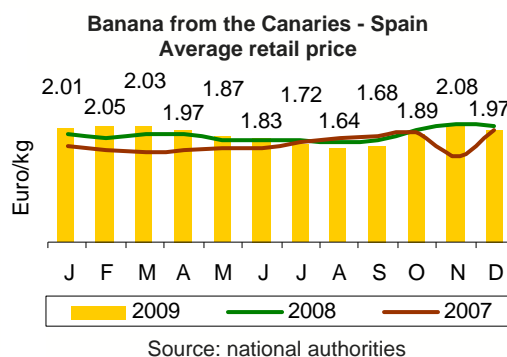
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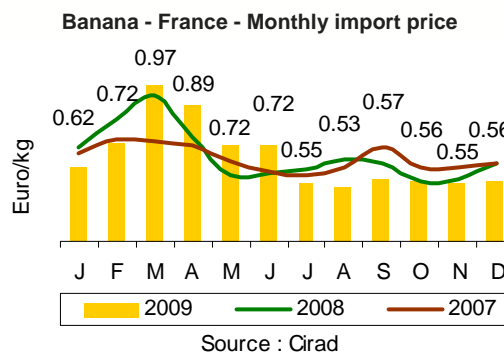
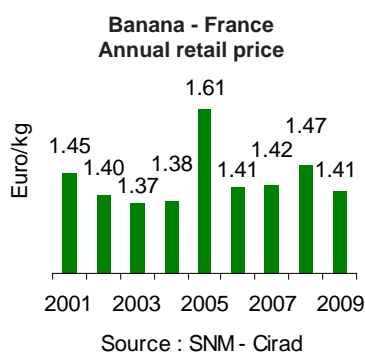
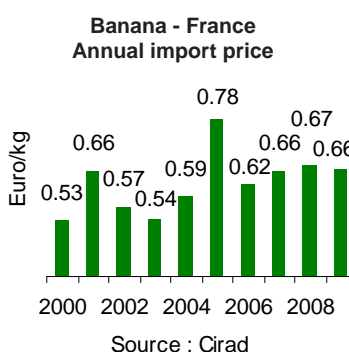
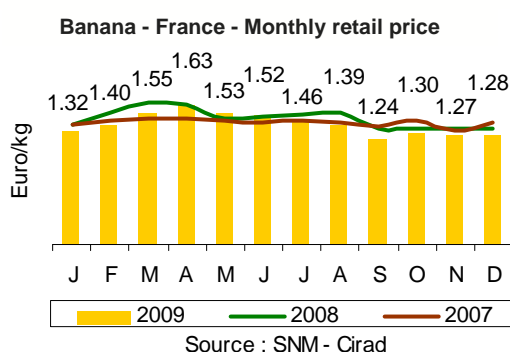
# The movement of banana prices in Europe in 2009

## Spain

The major feature of the Spanish market is the increasingly strong competition between Canary Island bananas and those from elsewhere in the world. In 2009, the difference between the retail prices of the two types of banana broadened considerably. In the shops, Canary bananas were a third more expensive than the others (often from the dollar zones), whereas the difference had still been 15 to 20% in the last four years. However, a feature that is more worrying in the long term is the increase in the price of Canary Island fruits, which for months exceeded the psychological threshold of EUR 2.00 per kg, while other bananas cost less than EUR 1.50 per kg. It is clear that this movement in the retail prices of Canary Island bananas can be seen in both wholesale and import prices. In the autumn, you could even purchase two kilos of dollar bananas for the price of a kilo of Canary Island fruits!



## France



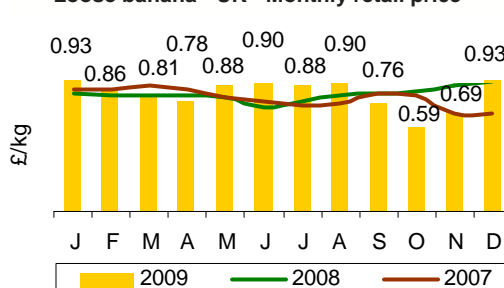
'Reasonable' would be a good description of the movement of retail prices in France. Although there were a few geographically isolated killer promotion operations, retail prices neither soared nor weakened. Special offer and standard retail prices were both at 2006 and 2007 levels. Retail prices behaved as elsewhere in Europe, at least during the first half of the year, with a difficult start at the beginning of the year and then an increase. However, the fall was sometimes heavier in France in the second half of the year with a worsening in the summer and a poor end of the year.

## United Kingdom

The British market obeys the rules. The retail price is fixed according to the annual contracts between banana operators and major retailers. Unless a retailer upsets this beautiful mechanism. And that is what ASDA (a subsidiary of the US chain Wal-Mart) did by deciding to start the umpteenth price war. This hit the loose banana segment with extreme violence! In the autumn, prices practically halved from £ 0.90 to £ 0.46 per kg. The trend did not change until December.

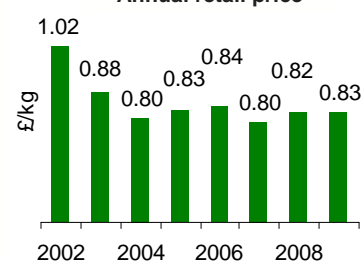
Wholesale prices in Britain rose in February, peaked in March and June and then fell rapidly, finishing the year with a downward trend at the same level as in preceding years.

Loose banana - UK - Monthly retail price



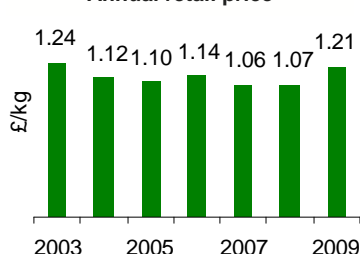
Source : TWMC

Loose banana - UK  
Annual retail price



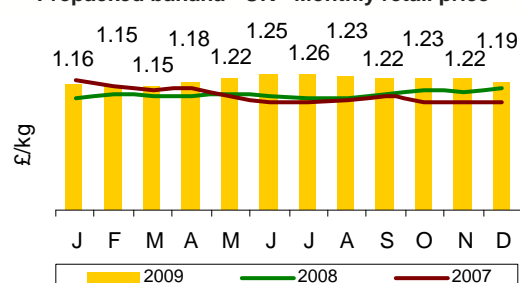
Source : TWMC

Prepacked banana - UK  
Annual retail price



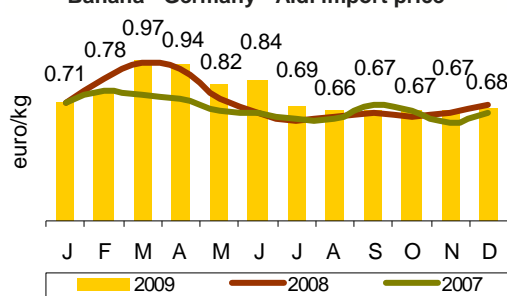
Source : TWMC

Prepacked banana - UK - Monthly retail price



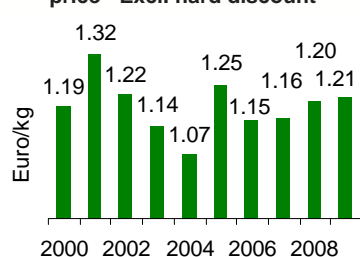
Source : TWMC

Banana - Germany - Aldi import price



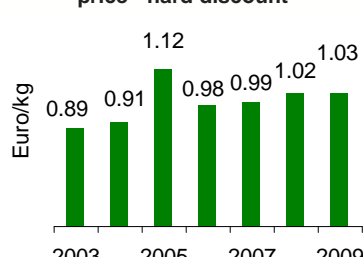
Source : CIRAD

Banana - Germany - Annual retail price - Excl. hard discount



Source : TWMC

Banana - Germany - Annual retail price - hard discount



Source : TWMC

## Germany

The trends in Germany were fairly similar to those elsewhere in Europe. Retail prices were stable. Wholesale prices were slightly higher than in previous years, even when they fell all over Europe in the second half of the year. The movement of the Aldi price—the reference price for imports—was stranger. It remained at a comparatively high EUR 12.20 to 12.60 per box for almost the whole of the year, without any apparent change in the weekly situation. It is known that offers were made to certain retail chain purchasing centres at much lower prices, so one can wonder whether the Aldi price is truly representative. To be continued... !