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Banana market — half-year review:
All good things come to an end

Panama disease is back:
a major concern for the banana world

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Banana market: half-year review

All good things come to an end

There was much news in the European banana market in the first half of 2011. Although the basic movements remained the same, revolutions, a sanitary crisis and early competing fruits hit the trend hard. Financial returns were fairly good in the first part of the half-year period but it is feared that the poor spring conditions might worsen this summer.

All good things come to an end. The formula is a bit succinct but effective in explaining the situation on the banana market in recent months. For although European banana prices have remained very high since the end of October 2010, the downward swing has taken real shape since Week 15 (mid-April), and the end of the first six months was marked by a very poor situation. There is nothing very surprising about this extremely classic cyclical pattern.

Indeed, the European market operates with a system of long periods. The high season runs from the end of the year until the end of the first quarter. In the spring, an intermediate season of variable length forms the link between the high season and the low season that starts at the end of the spring and lasts right through the summer or even until the autumn. The back to school period in September sometimes gives the illusion of a recovery of an upward movement in prices but it is often only a real phenomenon towards the winter or right at the end of the year.

The seasonal feature is thus very marked. But this is a fresh produce market that is strongly dependent on both downstream (demand) and upstream (production) conditions, weather conditions and the supply of competing fruits (a cut and thrust market). These two factors explain the week-to-week health of the market whatever the conditions.

Strange events everywhere

Nevertheless, numerous factors had a strong impact on

the banana market in addition to this basic trend. Examination of the first half-year is an occasion to examine a few of them, with some being very strange.

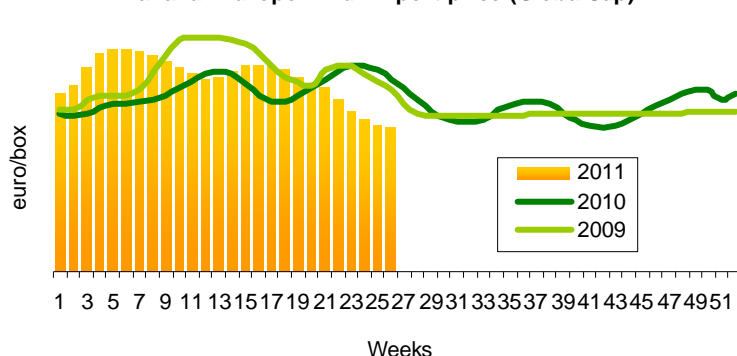
As regards political and social events, we give less space to the strikes in the French West Indies, these sometimes being considered as in the 'recurrent effect' category, than to the civil war in Côte d'Ivoire. Although the banana road to Europe was only blocked partially or even completely for two or three weeks at departure from Abidjan, the pre- and post-settlement disturbances less affected the volumes sold than the quality of the pro-



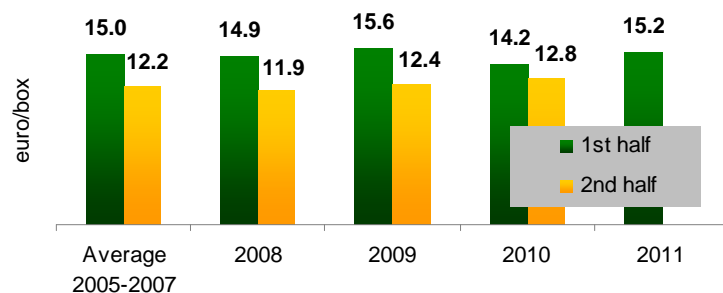
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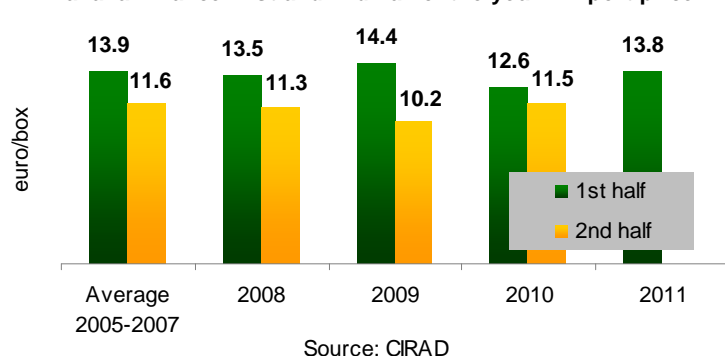
Banana - Europe - Aldi import price (GlobalGap)



Banana - Germany - 1st and 2nd half of the year - Import price (Aldi)



Banana - France - 1st and 2nd half of the year - Import price



duce delivered. The return to normal was rapid (in June) and production capacity was intact. The Arab spring, that will certainly be followed by a socially very intense summer in this part of the world, still affects the trend by complicating the supplying of these markets and as a result changing the balances in the Mediterranean zone.

The other baroque event was the media storm focused on Spanish vegetables, when after weeks of hesitant wandering the German sanitary authorities finally found that the guilty party was seeds germinated by a local farm with organic certification. But what is the connection between sprouting seeds and bananas? None at all, except for the psychosis generated and the way in which a number of European consumers were put off fruit and vegetables, with some people no longer putting a foot in the fruit and vegetable department for fear of contamination! In the light of this type of behaviour, it will doubtless soon be necessary to run a communication campaign to explain to women that they will not get pregnant if they go near a jar of baby food and to men to explain that they won't lose their pot bellies by gazing, even for hours, at the trainers displayed in the sport department of their supermarket.

As regards the more orthodox effect, it should be stressed once again that the banana market had an excellent period from the end of October to the end of February as a result of the very serious meteorological problems in the main export banana production zones: Central and South America and the Caribbean. The climatic phenomenon La Niña hit the banana economies of several countries very hard, for example Colombia and even Ecuador, with too much or not enough rainfall and strong falls in temperature depending on the zone. A very active hurricane season was added to the other damage, reducing or in some cases even destroying export capacity in the Caribbean arc, especially in St Lucia, St Vincent and Martinique. The decrease in world supply, brisk demand on the North American market (see box) and weather problems for autumn fruits, especially in Europe, resulted in the peaking of the banana market. The import price in Europe (Aldi reference) reached EUR 17.50 per box in Weeks 5 and 6, an all-time record for the period. The market then worsened with a downward movement until Week 12 (EUR 15.10 per box); this was followed by a modest recovery

Banana – EU-27 supply estimate

	January to April provisional			Difference
000 tonnes	2009	2010	2011	2011/2010
Total supply	1 744	1 819	1 770	- 3%
Total import, incl.	1 560	1 609	1 585	- 1%
MFN	1 260	1 262	1 276	+ 1%
ACP Africa	175	197	167	- 15%
ACP others	125	149	142	- 5%
Total EU, incl.	184	210	185	- 12%
Martinique	48	63	44	- 30%
Guadeloupe	14	9	14	+ 62%
Canaries	115	132	120	- 9%
Madeira, Greece, Crete	7	6	7	+ 16%

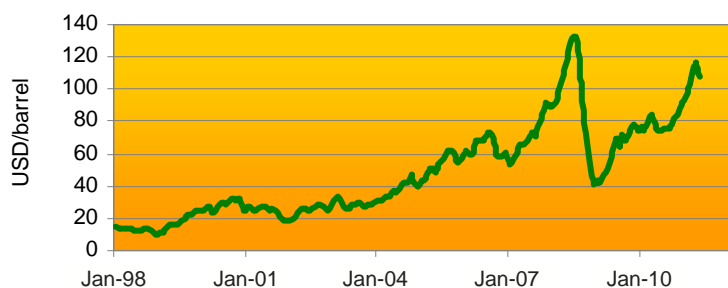
excl. domestic EU production / Sources: CIRAD, Eurostat

Cyclone season in the Atlantic

From 1st June to 31 October	Average season	2011 season forecast
Named storms, incl.	11	12 to 18
Cyclones	6	6 to 10
Major cyclones (categories 3, 4 and 5)	2	3 to 6

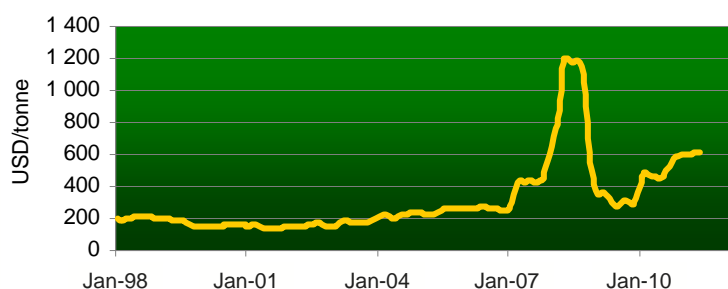
Source: NOAA

Crude oil international price movement



Source: Pink Sheet

Diammonium phosphate (DAP) international price movement



Source: Pink Sheet

(EUR 16.20 in weeks 15, 16 and 17) before the large pre-summer slump (EUR 11.50 in Week 25).

A hot, very hot summer

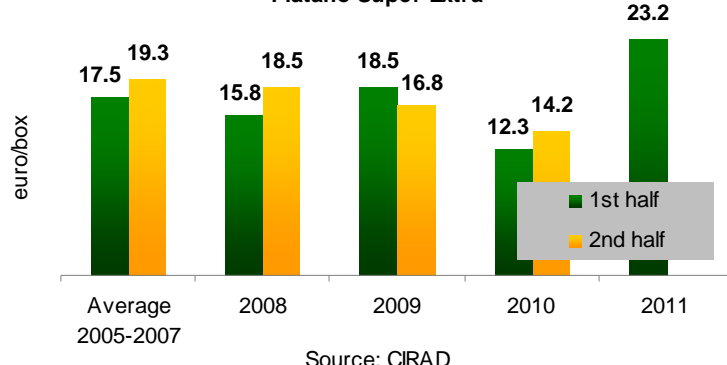
This overall fall on all the markets was accompanied by a strong increase in the cost of raw materials and especially energy. The quiet or at least the stability that took shape at the end of 2010 did not last long, reducing operators' margins.

Finally, the half-yearly performance was not very good. It is true that the average Aldi import price (unweighted) gained EUR 1 per box in comparison with 2010 (EUR 15.20 against 14.20) but the second quarter was disappointing, with worsening of the market even gathering speed as summer approached. France, Italy, Poland and Russia of course were all affected by the trend. Spain, with its Canary Island bananas, was practically the only country to display a reverse trend, with hallucinating proportions. Proof of this is that the 2011 half-yearly average is practically double that of 2010 (EUR 23 per box in comparison with EUR 12 for Platano SuperExtra) and more than 30% greater than in 2009. This will reassure Spanish producers who have been complaining about the very poor market since autumn 2009 (Fruitrop 189, May 2011, pages 39 to 41).

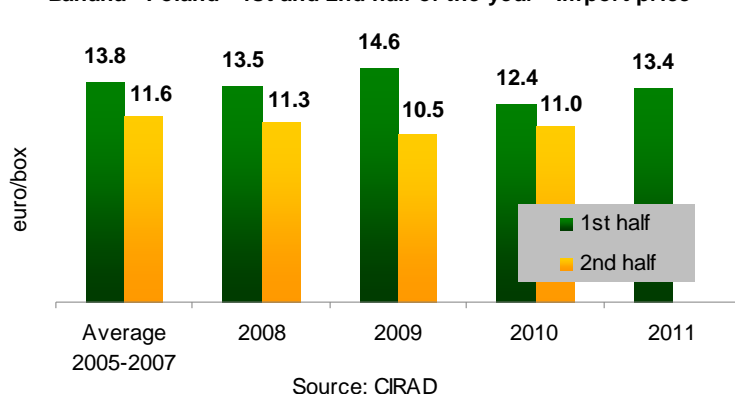
Supply data for the first half of the year will only be available at the end of August, but preliminary figures indicate a perfect matching between the rise in prices and the moderation of volumes. CIRAD estimates that supply to EU-27 decreased by 3% in the first four months of the year. ACP and community sources (between -10 and -12% in both cases) had the greatest impact on the trend while dollar bananas did better than resist as exports to the EU increased by a tiny 1%. In April, the last month for which data are known, supply increased strongly from dollar sources (+5%, that is to say +17 000 tonnes) and the Caribbean ACP sources (+4% with +2 000 tonnes); this amply compensated the plummeting of shipments from Africa (-21% with -11 000 tonnes). This switch in supply trend will doubtless be confirmed in the figures for May and June.



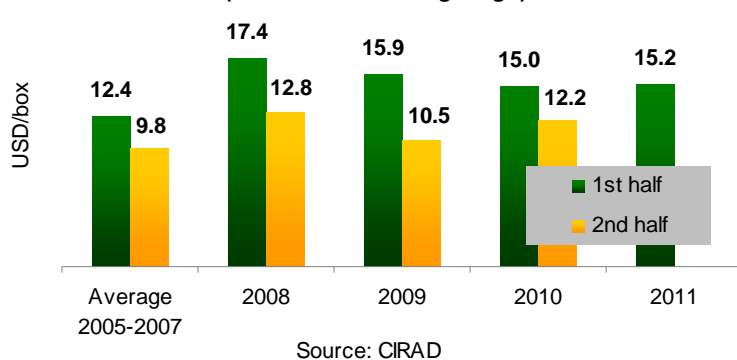
Banana - Spain - 1st and 2nd half of the year - Import price
Platano Super Extra



Banana - Poland - 1st and 2nd half of the year - Import price



Banana - Russia - 1st and 2nd half of the year - Import price
(at CIF St Petersburg stage)



The worst might never happen

The first half of 2011 was therefore both classic and atypical. It was classic because the main market movements were followed and atypical because the peak in Weeks 5 and 6 was four to six weeks earlier than in recent years. This lag will remain throughout the first half-year. What operators now fear with the start of summer is a situation like that of 2006 when the usual stabilising of prices, even at low levels, never happened. The real price on the French market has already swung to below EUR 10 since mid-June and at the time of writing there are no signs of a radical improvement. We already hear occasional mention of sales at EUR 5 per box. The crisis of confidence in fruits and vegetables, extremely early summer fruits and an increase in the supply of bananas (from Ecuador, Africa, the Caribbean, Surinam, etc.) weigh on the trend. Fortunately, moderate production is forecast in Colombia and Costa Rica this summer, but not at the scale of the historic deficit in the Canary Islands, which will leave the Spanish market more open to dollar, ACP and community bananas.

To top it all, the hurricane season that started on 1 June this year is forecast to be more intense than usual. La Niña is finally coming to an end but its effects will last for a fair part of the hurricane season. In addition, the surface temperature of the Atlantic is higher than average. It will be remembered that hurricane Tomas, the 19th and very last of the 2010 season, unfortunately destroyed infrastructure and plantations in the Caribbean, sending the market into a virtuous circle that lasted for nearly six months ... for those who still had bananas for sale.

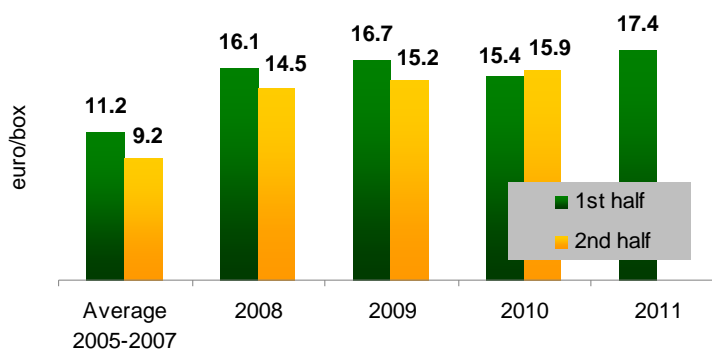
To affront this somewhat pessimistic view of the future, we suggest a quote from Solon, Athenian politician and poet (638-558 BC): 'If all is uncertain, why fear anything?'. Because even in the banana trade, all bad things come to an end, but we don't know the precise date ■

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The United States: well-ordered charity...

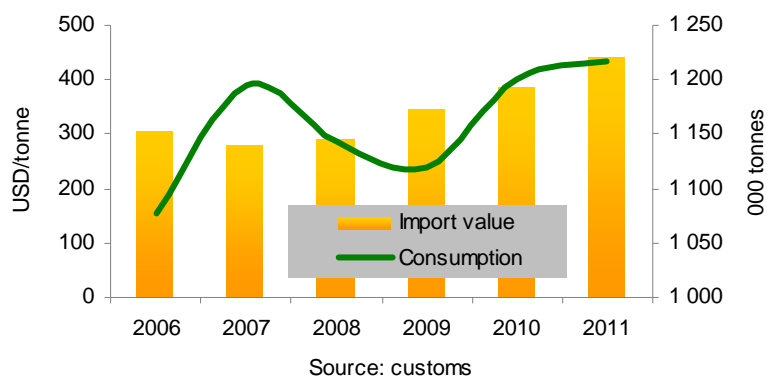
While Europe and the neighbouring markets are worried about the near future, The United States is continuing its virtuous route, as we have noted for years. It is true that the increase in consumption was modest in the first four months of 2011, but it was there at a small 1%. For the first time, the 1.2 million-tonne mark was exceeded in the first four months of the year. This fine performance should be compared to the import value declared to the customs which has continued to rise (data for the first four months of the year): USD 280 per tonne in 2007, USD 345 in 2009 and now USD 443 in 2011. Import price levels (source: Sopisco News) confirm this dynamics of creation of value. The unweighted average (spot market) was USD 17.4 per box for the first half-year of 2011 in comparison with 15.7 a year previously. This fine performance should be seen alongside with the lifelessness of the other markets, whether European, Mediterranean or Russian. What Europeans will or should remember is the capacity for creating value possessed by the operators working on the North American market, doubtless through the particular commercial organisation set up, while most of the same operators did all they could for nearly 15 years to destroy a European market that had nevertheless protected this value for decades. It seems that not only does charity begin at home, it stays there.

Banana - USA - 1st and 2nd half of the year - Spot import price



Source: Sopisco News

Banana - USA - Volume and value - January to April



Source: customs