Multiples

A battle between giants

Beyond the question of the adaptation of the CMOB to the coming enlargement, the retail sectors in the future EU member countries are of considerable interest because of their strong effect on the banana market.

A practically continuous golden period for hypermarkets in Western Europe seems to be coming to an end. In France, there are currently 1 185 stores with sales areas of more than 2 500 m^2 (hypermarkets) and 8 000 supermarkets, displaying increases of sales of 0.7% and 3.5% respectively during the first five months of 2002. The economic effectiveness of hypermarkets is based on treating all customers in the same way. But shoppers now want a much more individualised approach and for this prefer neighbourhood shops that are more accessible and friendly.

Modernisation of the sector

In the past ten years in Eastern Europe, multiples have displayed an equivalent change to that of the past 25 years in Western Europe, with the switch from traditional local shops to modern distribution. Indeed, hypermarkets, supermarkets and discount stores are currently the three main types of retail outlet in Hungary, Poland, Slovakia and the Czech Republic. Their market shares are increasing rapidly as a whole but the rate varies from case to case. While 73% of Czech households prefer to do their shopping in one of the three types of new retail outlet, only 54% of Hungarians, 35% of Slovaks and 29% of Poles behave in this way.

In the Czech Republic, 23% of fresh products are sold in traditional shops but the proportion is decreasing rapidly. Sales are stagnating in supermarkets but increasing continuously in hypermarkets, with the market share increasing from 7% to 16% during the past two years. In 1999, only 15% of households purchased food in hypermarkets, but the figure reached 29% in September 2001.

In Hungary, traditional retailers account for 24% of sales of fresh products. Self-service stores (less than 400 m^2) are the second most popular type of shop.

In Poland (traditional shops: 36%), shoppers prefer specialised or neighbourhood shops.

Domination by international groups

A trend for the concentration of the retail distribution sector in the hands of the large international groups, in particular European companies, has been observed in recent years. The market share of the leading distributors increased from 51.5% in 1993 to 68.5 % in 2001.

Metro has thus strengthened its position in Central and Eastern Europe, becoming the market leader in the Czech Republic, Hungary and Poland. Tesco is now in second position in Eastern Europe, followed by Ahold. Only the Hungarian national groups still hold competitive positions.

The major retailers' strategic interest in this region is explained by the prospects of the 'catching up' of consumer purchasing power and the need to get a foothold on the market before the competition. The European stakeholders in the sector must also face saturated domestic markets in which expenditure on food is stagnating (+ 1% in 1999 in Western Europe) and the limiting of authorisations to open hypermarkets (the 'Raffarin law' in France). As distributors aim above all at selling goods in a context of growth, the main groups have every interest in opening outlets in emerging markets such as those of Central Europe. Distributor sales no longer display two-digit growth, especially in Poland since last year's economic slowing, but there are still promising opportunities there.

In Poland, food forms 70% of supermarket purchases. The average gross monthly wage is less than euro 580. Consumers are therefore very sensitive to special offers and aim for the lowest prices. Whatever the strategy used, the groups are engaged in a fierce price war resulting in competition in special offers. Price is still the argument because purchasing power is still low (a third to half of the European average) and this must be compensated by large sales volumes. It is still too soon for a sales strategy based on quality alone. This pressure is clearly illustrated in Budapest where Auchan publishes new special offer catalogues every week in contrast with one a month in France.

Taking advantage of the stress laid on price, discounters have increased their market share to nearly 16% in the Czech Republic and 25% in Hungary in contrast with 10% in France. The success in Poland of Casino group's Leader Price stores (250 supermarkets in 2000) confirms the continued buoyancy of this segment.

With an increasingly competitive market, the odds are that in the years to come distribution will concentrate and only the international groups will succeed ■

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POLAND

Taking delivery of nearly 300 000 tonnes, Poland is the seventh-largest banana importer in the world, accounting for almost 50% of total banana imports by the countries applying for European Union membership. In contrast with what might be thought, the country is not a hub for the reshipment of bananas in Central and Eastern Europe; Poland re-exports only 2% to 8% of its imports.

Poland's main suppliers are the Latin American countries, with Ecuador alone shipping 70% of supplies. It is followed by Colombia and Costa Rica. The contribution of ACP bananas to Polish supplies is very limited and even practically non-existent.

Numerous Polish operators now import bananas and there are many ripening installations. A large proportion of the fruits sold arrive via the ports of Gdansk, Gdynia and Katowice. Gdansk plays an important role in the supply of bananas from Ecuador.

Position with regard to the CMOB

Poland expresses two reserves with regard to the CMOB. Firstly the incompatibility of the latter with international trade rules (the WTO decision) and secondly the management costs that are too high for the Polish authorities (distribution of licenses and control of their use). The Polish government also fears an increase in the retail price of bananas and the halting of re-exporting, even if this is already limited. Poland rejects adoption of the present regime until the planned change takes place (the replacement of the quota system by a tariff-only system in 2006). The country justifies its position by stressing the fact that its banana consumption is increasing steadily. It is now 25 times that of 10 years ago. The regulation of imports could thus have a negative effect for both consumers and businesses.

Price war

Poland still displays dynamism in the image of the youth of its population. The 13 million Polish households share western desires and patterns of consumption more than their neighbours. Poland has the most international retail market after the United States and the European Union, with the presence of 13 of the world's 30 leading retail distributors. The country has adapted very well to the market economy in spite of a slowing of economic growth since the second half of 2000. Gradual recovery is forecast for 2003 and 2004 (+ 3 % and + 5 % respectively).

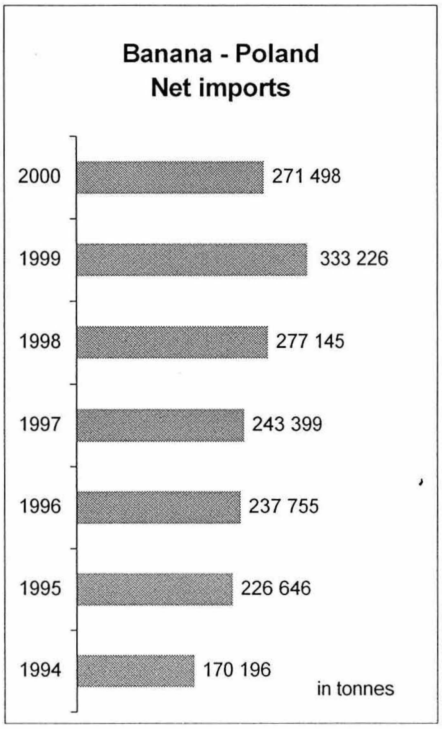
France became the leading foreign investor in Poland in 2001 (Euro 7.9 thousand million) ahead of the United States and Germany. The retail sector was thus the target of a quarter of French investment in the country, employing 2500 people and with plenty of room for growth. Indeed, 36% of Poles still buy food in traditional shops.

All the international retail names are now represented in Poland although a number of Polish companies have grouped to face the competition. This is the case, for example, of the Lewiatan chain of self-service stores with over

Banana – Poland – Import/Export

Tonnes	1994	1995	1996	1997	1998	1999	2000
Colombia	50 630	38 015	48 346	67 010	100 042	60 265	34 975
Costa Rica	1 047	39 623	61 803	29 733	76 994	29 203	18 276
Ecuador	123 950	163 612	144 898	170 578	120 403	251 654	219 775
Guatemala	2			1 512			
Honduras		1 693	2	80			539
Nicaragua							1 235
Panama	1		27	133	1 490	5 629	5 535
Venezuela	64						
Other dollar	609	1 575	368	225	744	669	342
Total dollar	**176 302**	**244 518**	**255 444**	**269 271**	**299 673**	**347 420**	**280 677**
% dollar	100.0	100.0	99.9	100.0	99.4	100.0	99.8
Cameroon					992		169
Côte d'Ivoire			148		20		472
St Lucia			20				
Domininica	5				20		
Dom. Rep.	6				777		
Ghana				18			
Total ACP	**11**		**168**	**18**	**1 809**		**641**
% ACP	0.0	0.0	0.1	0.0	0.6	0.0	0.2
Total imports	**176 313**	**244 518**	**255 612**	**269 284**	**301 482**	**347 420**	**281 312**
Re-exports	6 117	17 872	17 857	25 885	24 337	14 194	9 814
% re-exports	3.5	7.3	7.0	9.6	8.1	4.1	3.5
Net imports	**170 196**	**226 646**	**237 755**	**243 399**	**277 145**	**333 226**	**271 498**

Source: national customs authorities

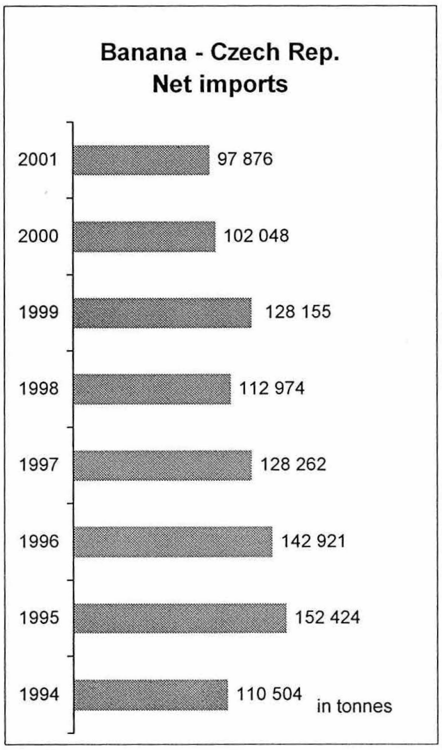


1 000 shops. The major chains are engaged in a price war and so supplier margins are very small. The quality of fresh fruit and vegetables also suffers from this competition to be the cheapest. They are generally sold loose, with shelf losses of 15 to 20%. This practice seems to be changing because consumers want better quality.

Some consider that the development of multiples in Poland should be slowed to prevent the asphyxiation of traditional shops. Some names are now grouping. This is the case of Tesco, which has announced the purchase of Hit, the German supermarket chain. Other people consider that the future of retailing in Poland lies in neighbourhood shops.

CZECH REPUBLIC

With an average of more than 110 000 tonnes per year, the Czech republic accounts for slightly more than 15% of banana imports by the candidate countries. Ecuador has been the main banana supplier since 1999. Colombia supplies an average of 30%. The volumes imported from Panama have recovered considerably since 1997 (average 21% for the period 1998/2000), in contrast with those from Costa Rica, which have decreased gradually to 10% against 35% in 1995. Supplies from ACP countries are marginal, with less than 2% being shipped by Côte d'Ivoire and Cameroon.



Banana - Czech Republic - Import/Export

Tonnes	1994	1995	1996	1997	1998	1999	2000	2001
Colombia	22 571	39 454	57 626	53 487	60 086	50 052	29 159	20 982
Costa Rica	38 819	46 525	42 508	25 020	19 178	12 093	9 551	10 934
Ecuador	32 046	45 874	20 200	28 565	9 614	37 855	31 760	34 151
Guatemala	89	1 386	1 910	2 501	1 766	1 260	3 241	21
Honduras	759	2 931	2 075	35	479		3 049	620
Mexico			284	735	0	22		0
Nicaragua	20			520	32	360	2 762	
Panama	14 695	13 969	10 183	7 786	10 373	22 131	19 494	26 642
Philippines	21							
Venezuela	532	436	1 279	2 349	60	4 438	1 023	164
Total dollar	**109 552**	**150 575**	**135 781**	**120 263**	**101 588**	**128 189**	**100 039**	**93 514**
% dollar	98.8	98.2	94.5	92.9	88.5	98.6	95.9	93.3
Cameroon				60	136	162	1 913	3 897
Côte d'Ivoire			1 251	7 450	11 649	1 506	1 809	2 697
St Lucia				20	506	5		
Dominica	2		21	123				
Belize				787				
Dom. Rep.	1 315	2 833	6 701	777	453	17		
Ghana					462	160	603	113
Total ACP	**1 317**	**2 833**	**7 973**	**9 217**	**13 206**	**1 850**	**4 325**	**6 707**
% ACP	1.2	1.8	5.5	7.1	11.5	1.4	4.1	6.7
Total imports	**110 869**	**153 408**	**143 754**	**129 480**	**114 794**	**130 039**	**104 364**	**100 221**
Re-exports	365	984	833	1 218	1 820	1 884	2 316	2 345
% re-exports	0.3	0.6	0.6	0.9	1.6	1.4	2.2	2.3
Net imports	**110 504**	**152 424**	**142 921**	**128 262**	**112 974**	**128 155**	**102 048**	**97 876**

Source: national customs authorities

LITHUANIA

Lithuania accounts for 5% of the banana imports of candidate countries and more than 60% of those of the Baltic countries. The authorities report imports averaging 30 000 tonnes. The banana market is not state-regulated and imports are not subject to customs dues. There are no regulation mechanisms such as import certificates. Neither are there any particular banana import agreements with third countries.

The main supplier countries are Ecuador, Costa Rica and Colombia. Bananas are imported via certain European Union member countries.

Banana - Lithuania - Import/Export

Tonnes	1998	1999
Total EU	**17 730**	**19 302**
% EU	74.0	68.6
Total others	**6 224**	**8 839**
% others	26.0	31.4
Total imports	**23 954**	**28 141**
Re-exports	9 496	10 183
% re-exports	39.6	36.2
Net imports	**14 458**	**17 958**

Source: national customs authorities

HUNGARY

More than 80% of the bananas sold in Hungary are imported from Latin America via Germany. However, increasing amounts are arriving via the port of Koper in Slovenia. According to customs figures, Hungary imports the largest volumes of ACP bananas (from Cameroon and Côte d'Ivoire). They form up to 16% of supplies.

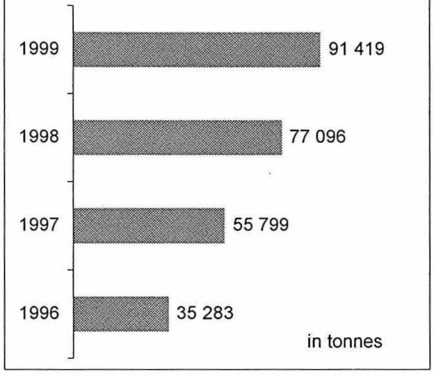
Bananas are redistributed by subsidiaries of international groups.

It would seem that future EU membership has caused a steady increase in the price of fresh products, causing a decrease in fruit consumption in particular. This can explain the steady decrease in banana shipments since 1999. The retail price of bananas thus increased by 25% in 2001, causing a decrease in consumption (- 9% since 2000 - source: *Eurofruit*).

Position with regard to the CMOB

With regard to the present configuration of the CMOB and the volumes imported by Hungary, the government has asked for a 70 000-tonne increase in the A and B quotas. The quantity requested is about 6 000 tonnes less than the 1997-1999 figure, with the difference corresponding—curiously—to average imports from ACP countries.

Banana - Hungary
Net imports



Banana - Hungary - Import/Export

Tonnes	1996	1997	1998	1999
Germany	**35 842**	**54 894**	**66 254**	**83 026**
% Germany	100	96.6	84.0	90.2
Côte d'Ivoire	0	1 917	10 295	464
Cameroon	0	31	2 345	8 512
Dom. Rep.	0			40
Total ACP	**0**	**1 948**	**12 640**	**9 016**
% ACP	0	3.4	16.0	9.8
Total imports	**35 842**	**56 843**	**78 894**	**92 042**
Re-exports	559	1 044	1 798	623
% re-exports	1.6	1.8	2.3	0.7
Net imports	**35 283**	**55 799**	**77 096**	**91 419**

Source: national customs authorities

SLOVAKIA

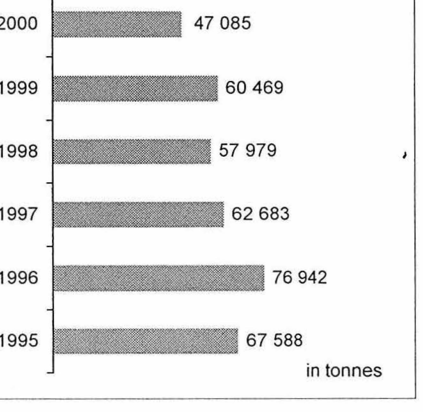
Slovakia imports an annual average 57 000 tonnes of bananas, forming 9% of candidate country imports. The main origins are the three largest banana exporters—Ecuador, Colombia and Costa Rica. Slovakia is one of the largest banana consumers of the candidate countries with 10.5 kg per capita per year in 2001 (13.9 kg from 1994 to 1997). Banana imports have decreased strongly since 1996.

Banana - Slovakia - Import/Export

Tonnes	1995	1996	1997	1998	1999	2000
Colombia	11 885	22 888	26 000	27 284	21 453	12 051
Costa Rica	30 028	24 114	10 115	14 457	10 151	6 935
Ecuador	19 977	18 497	20 019	9 058	19 661	15 646
Panama	8 503	5 801	3 107	5 252	6 720	5 370
Guatemala	598	3 870	2 350	1 908	1 133	3 438
Venezuela	228	362	955	21	1 656	1 832
Total dollar	**71 219**	**75 532**	**62 546**	**57 980**	**60 774**	**45 272**
% dollar	96.1	93.34	94.5	95.9	98.6	95.6
Côte d'Ivoire	0	102	944	1 110	0	40
Others	2 836	5 282	2 679	1 347	809	2 031
Total others + ACP	**2 836**	**5 384**	**3 623**	**2 457**	**809**	**2 071**
% others + ACP	3.8	6.7	5.5	4.1	1.3	4.4
Total imports	**74 055**	**80 916**	**66 169**	**60 437**	**61 583**	**47 343**
Re-exports	6 467	3 974	3 486	2 458	1 114	258
% re-exports	8.7	4.9	5.3	4.1	1.8	0.5
Net imports	**67 588**	**76 942**	**62 683**	**57 979**	**60 469**	**47 085**

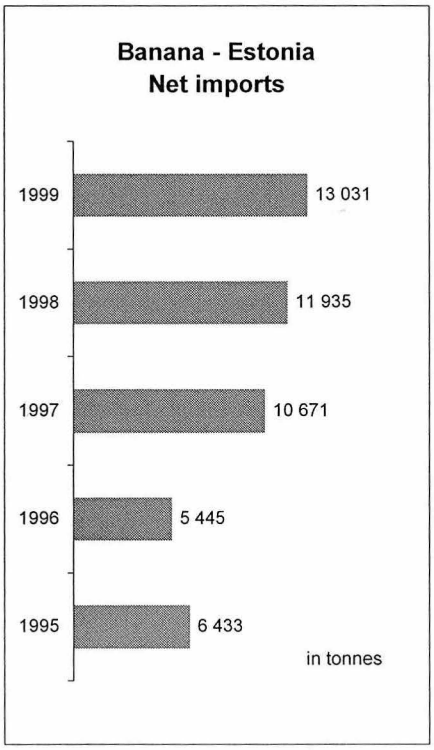
Source: national customs authorities

Banana - Slovakia
Net imports



ESTONIA

Estonia imported an average of 12 000 tonnes per year from 1998 to 2002, forming 20% of imports by the Baltic countries. Practically all the bananas are shipped from Latin America, and especially Costa Rica, Ecuador and Colombia.



Banana - Estonia - Import/Export

Tonnes	1995	1996	1997	1998	1999
Belgium	45	0	0	0	0
Germany	1	1	51	0	0
Spain	2	20	0	44	0
Netherlands	69	46	36	55	20
Gibraltar	13	11	0	0	0
Finland	424	210	0	53	0
Total EU	**553**	**79**	**87**	**99**	**20**
% EU	7.6	1.3	0.8	0.8	0.2
Central Africa	0	0	11	0	0
Côte d'Ivoire	0	0	0	10	5
Cameroon	0	0	11	0	0
Dominica	12	0	0	0	21
South Africa	0	0	0	1	0
Ghana	0	0	0	0	21
Total ACP	**12**	**0**	**23**	**11**	**47**
% ACP	0.2	0.0	0.2	0.1	0.4
Cyprus	0	0	0	0	19
Lithuania	20	0	0	91	216
Latvia	236	16	0	0	0
Total candidates	**256**	**16**	**0**	**91**	**235**
% candidates	3.5	0.3	0.0	0.7	1.8
Brazil	18	10	0	0	0
Colombia	356	328	447	825	2 756
Costa Rica	1 466	1 363	3 299	6 898	3 899
Ecuador	2 545	1 899	4 316	485	3 023
Guatemala	164	691	313	62	63
Honduras	0	0	0	518	0
Mexico	0	0	1 392	0	0
Nicaragua	7	0	0	0	0
Panama	660	100	204	2 541	2 956
Total dollar	**5 214**	**4 391**	**9 972**	**11 329**	**12 697**
% dollar	71.3	73.1	87.5	92.5	97.4
Philippines	0	0	0	2	6
Russian Fed.	0	0		0	7
United States	0	40	0	0	0
Vietnam	0	0	0	1	7
Not determined	639	739	657	358	13
Total others	**639**	**780**	**657**	**361**	**32**
% others	9.6	13.5	6.1	3.0	0.1
Total imports	**6 657**	**5 465**	**10 739**	**11 944**	**13 031**
Re-exports	*224	*20	*68	*9	*0
% re-exports	3.1	0.3	0.6	0.1	0.0
Net imports	**6 433**	**5 445**	**10 671**	**11 935**	**13 031**

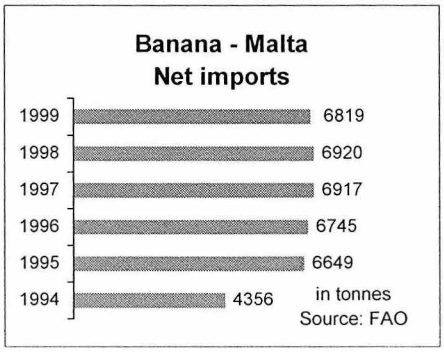
Sources: national customs authorities; figures marked with asterisks: FAO

CYPRUS

Cyprus is the only banana-producing candidate country. Production is located in the south-west of the island. Banana production made a 1.4% contribution to the national agricultural income in 1997. Nearly 600 families are directly involved in the sector. The country is practically self-sufficient as it occasionally imports only small quantities (735 tonnes in 2000 - FAO). Cypriot banana production was some 12 000 to 14 000 tonnes in 1997. Banana imports are currently subject to prohibitive customs dues. Application of the EU import regime will cause a significant decrease in market protection in Cyprus, whence the concern expressed by certain producers. In this context, Cyprus is requesting the EU for special technical assistance for its professional organisations in order to improve competitiveness.

MALTA

Malta does not produce bananas and imports an average of 7 000 tonnes per year. The main origins are the ACP countries. Malta is requesting that the tariff quota should be increased by the volume that it imports.



LATVIA

Latvia accounts for nearly 3% of the total imports of candidate countries for the period 1998/2000 and 30% of those of the Baltic countries. In spite of its Baltic frontage, Latvia imports most of its bananas via Germany, the Netherlands and Belgium. Its Baltic partners are supplying an increasing proportion of its banana supplies (25% in 1999).

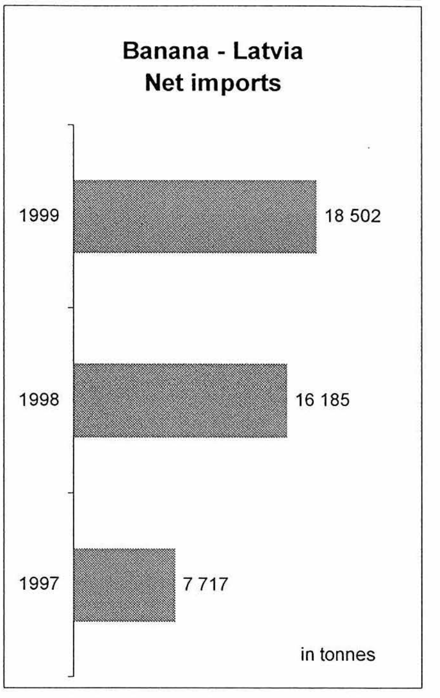
Position with regard to the CMOB

The country unconditionally accepts the entire community system.

Banana - Latvia - Import/Export

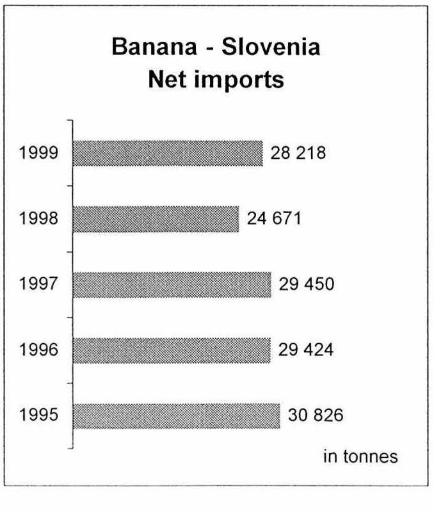
Tonnes	1997	1998	1999
Germany	2 385	1 199	1 250
Netherlands	4 234	6 828	10 703
Belgium	1 378	3 997	730
Denmark	130	1 543	1 714
France	0	144	0
Total EU	**8 127**	**13 710**	**14 397**
% EU	100	84.4	73.8
Lithuania		1 654	4 796
Estonia		9	0
Poland		0	168
Total candidates	**0**	**1 662**	**4 964**
% candidates	0	10.2	25.4
Ecuador		0	73
Colombia		21	0
Total dollar	**0**	**21**	**73**
% dollar	0	0.1	0.4
Vietnam		53	73
United States		801	0
Total others	**0**	**854**	**73**
% others	0	5.3	0.4
Total imports	**8 127**	**16 246**	**19 506**
Re-exports	411	61	1 005
% re-exports	5.1	0.4	5.2
Net imports	**7 717**	**16 185**	**18 502**

Source: national customs authorities



SLOVENIA

Slovenia imports an average 28 000 tonnes of bananas per year from Costa Rica, Colombia and Ecuador. After an increase in 1998, exports from ACP countries are now marginal. The Slovenian port of Koper is an emerging hub for the distribution of fresh products, and bananas in particular, to a large number of European countries. Because of its excellent geographical position (in the extreme north of the Adriatic), this port serves markets in Austria, southern Germany, Hungary, Slovakia, the Czech Republic and Poland.



Banana - Slovenia - Import/Export

Tonnes	1995	1996	1997	1998	1999
Austria	0	0	76	0	19
Belgium	0	0	0	18	0
Italy	338	46	0	0	64
Germany	39	20	0	0	0
Netherlands	80	62	0	0	0
Total EU	**457**	**128**	**76**	**18**	**83**
% EU	1.5	0.4	0.3	0.1	0.3
Dom. Rep.	208	95	11	167	0
Cameroon	0	0	129	5 806	1 113
Bahamas	0	0	0	105	0
Total ACP	**208**	**95**	**140**	**6 078**	**1 113**
% ACP	0.7	0.3	0.5	24.0	3.9
Brazil	2	0	0	0	0
Ecuador	28 931	26 543	25 024	15 226	19 295
Guatemala	0	0	39	131	0
Honduras	121	75	0	21	0
Colombia	905	2 123	3 436	1 081	3 316
Costa Rica	500	478	1 479	2 172	4 376
Mexico	0	0	7	0	63
Nicaragua	0	0	18	0	0
Panama	37	48	21	578	151
Puerto Rico	0	0	0	20	0
Total dollar	**30 496**	**29 267**	**30 024**	**19 229**	**27 201**
% dollar	97.5	98.8	99.1	75.8	95.8
Bermuda	127	129	0	0	0
Croatia	0	0	45	27	0
Turkey	0	1	0	0	0
Total others	**127**	**130**	**45**	**27**	**0**
% others	0.41	0.44	0.15	0.11	0.00
Total imports	**31 288**	**29 619**	**30 284**	**25 352**	**28 398**
Re-exports	462	196	835	681	179
% re-exports	1.5	0.7	2.8	2.7	0.6
Net imports	**30 826**	**29 424**	**29 450**	**24 671**	**28 218**

Source: national customs authorities