

# French banana market

## 2003: a vintage to forget

While awaiting publication of import figures by the customs, *Fruitrop* makes a preliminary review of a 2003 season that was almost as disastrous as that of 2000. It is explained by the over-supply of the world market for a large proportion of the year and a particularly marked consumption crisis during the summer. The situation was aggravated for the French market by the refusal of supermarket chains in 2003 again to play as stimulating a role as they played before the application of the law on new business regulations ('*nouvelles réglementations économiques*', NRE).

**A**s promised by the results for the first half of the year, performance was poor in 2003. With an average season price of EUR 0.53 per kg, the French market had the second worst score of the past 12 years. The difference in price with 2000, remembered by operators as a major reference in terms of catastrophe, was less than 1 centime. The other community markets were affected by a similar slump. Only Spain—once again—was an exception, with an average annual price that seems to have been fairly close to that of 2002 and much higher than that of 2000.

### A disastrous first half of the year as a result of world market saturation

The community market was extremely difficult for most of the first half of 2003, and in particular from February to May. This first latent crisis that reached its worst in April was closely linked to the over-supply of the world market during this period. The substantial increase in supplies resulted from Costa Rica's return to a normal export potential after two years of shortfall (the increase was some 10 million boxes in comparison with 2002 and 3 million in comparison with 2001) and very large Ecuadorean production (shipments were up by 15 million boxes in comparison with 2002 and 20 million boxes in comparison with 2001). As a result, the situation worsened rapidly on all non-regulated world markets, especially as the war in Iraq strongly penalised trade in the Mediterranean area. Thus, faced

with limping North American and Mediterranean markets, South American exporters sought to saturate community quotas in priority.

### Very marked summer decrease in consumption

The critical summer period with a sudden drastic decrease in consumption is now sadly familiar. It even seems to have become a feature of the French banana market, as it has hit the sector three times in four years. But its scale was a surprise in 2003. The heat wave had twin negative effects. It reduced demand for banana and strongly increased local production of stone fruits, whose production was thought to be small and form little competition. After plummeting at the end of June, prices only recovered at the end of August.

### A French policy for supermarkets with serious consequences

Another well known factor is the NRE (new business regulations). This legislation has repeatedly penalised the French retail market since it was applied in spring 2001 and seems to have aggravated an already difficult situation. As is shown in the graphs (on following page), the indicators of retail stimulation operations for banana are once again bad, or even very bad in the case of promotion intensity, a percentage that enables evaluation of the number of banana promotions. In 2002, 27 percent of

major retailers ran an average of one promotion operation per week for banana. The figure decreased to 25 percent in 2003. This is 6 percent less than in 2000, the year preceding the application of the NRE. It is reminded that supermarkets account for 75 percent of banana sales.

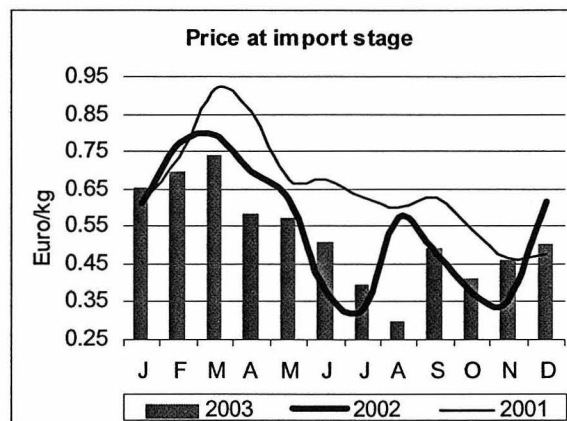
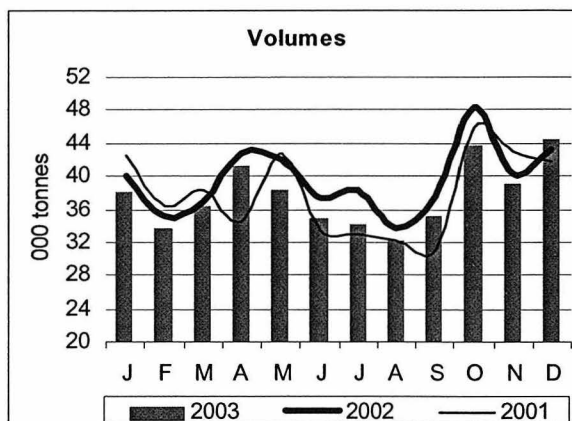
No mistake should be made concerning the fall in the retail price (- 2 percent in comparison with 2002). It is a minimum passing on of the strong decrease in on-quay prices. In comparison, large retail chain prices have decreased in Germany by a much more marked 6 percent, and have even dropped by 15 percent in the United Kingdom. Why has there been a singular steady worsening of the French market over the past three years? What are the reasons for the policy of large retailers? They simply profit from the situation, as is clearly shown by the new 2003 increase of the retail price:green price ratio to 3.15. With the NRE, the creed of all French retailers seems to be 'Let's sell less, but with a high margin'. The impact of this courageous policy is considerable of course, especially as it does not seem to be limited to bananas.

With regard to regulations, 2003 did not shed much light on the questions raised by the two close major deadlines of the enlargement of the EU, with 10 new members, and the switch to a tariff only system. All hypotheses can still be envisaged ■

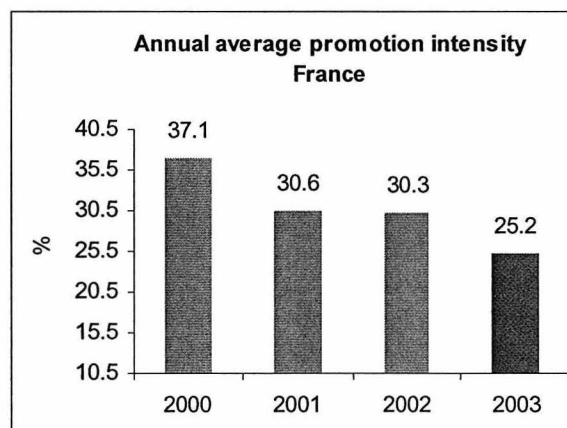
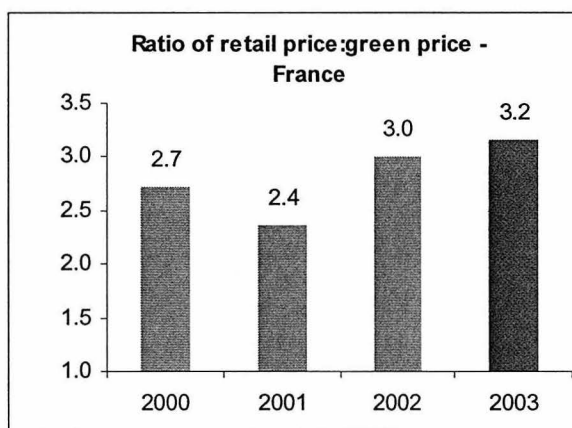
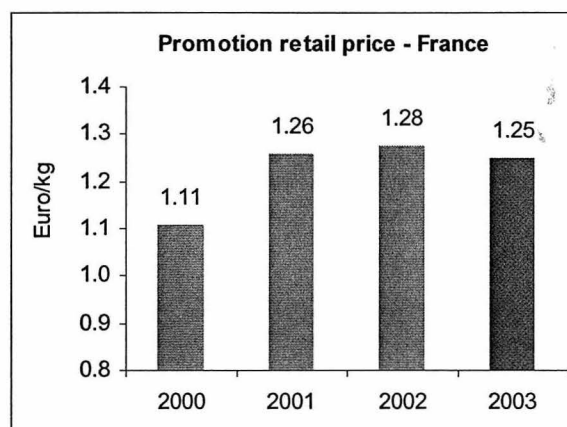
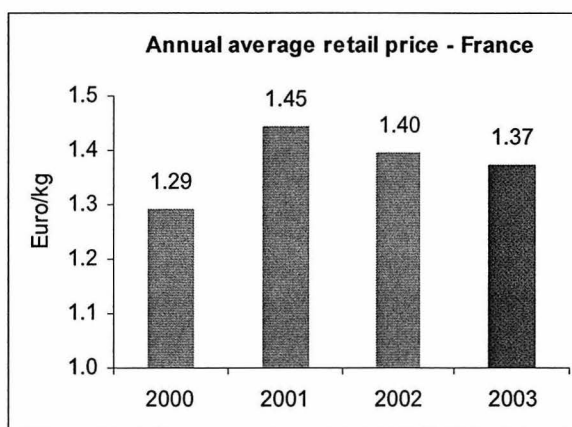
Eric Imbert, CIRAD-FLHOR  
eric.imbert@cirad.fr

Banana — Activity indicators in France and European Union

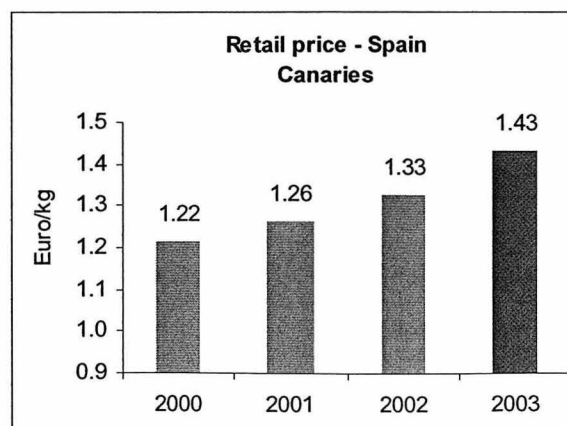
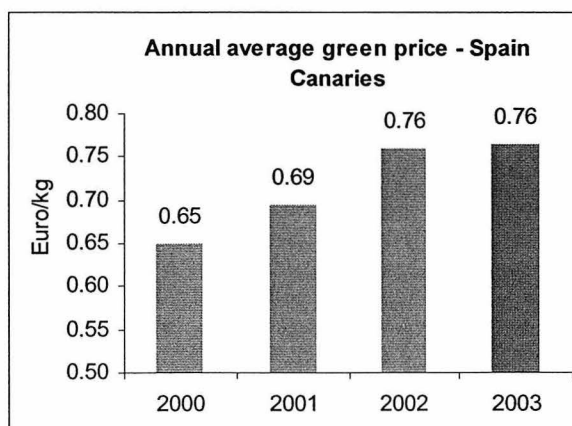
Green prices - volumes - France



Retail price - France

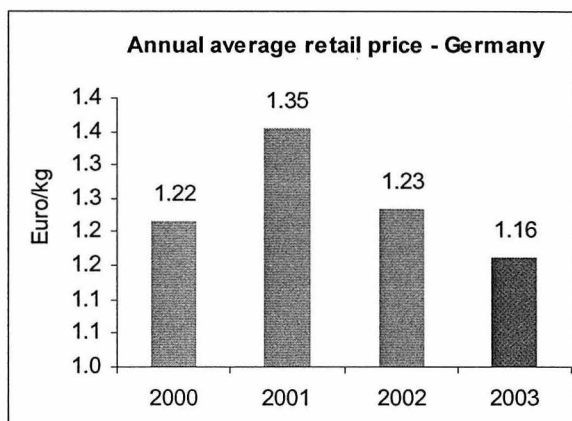
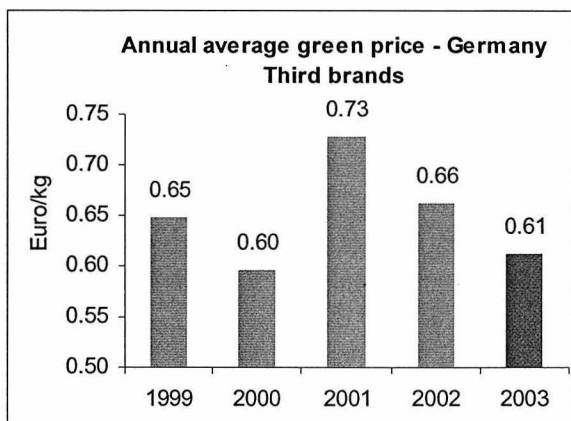


Green & retail prices - Spain

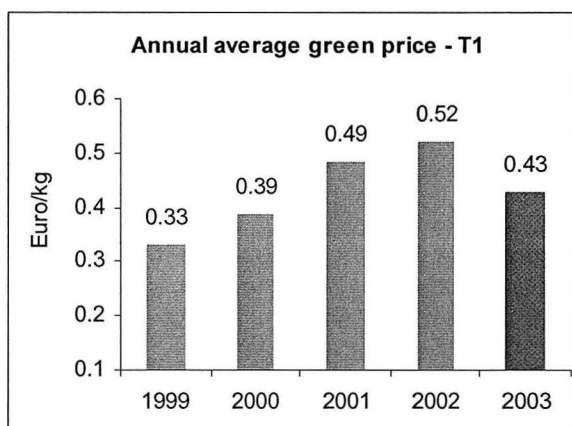
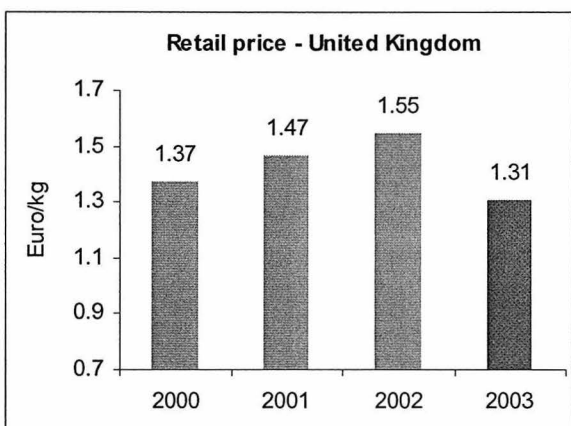


Banana — Activity indicators in France and European Union

Green & retail prices - Germany



Green & retail prices - Europe



Sources: CIRAD-FLHOR, SNM, TW Marketing Consulting, Secretaria subdirector general de precios

**www.VisualGlobalFruit.de**

The website [www.VisualGlobalFruit.de](http://www.VisualGlobalFruit.de) contains weekly banana reports by the CIRAD-FLHOR Market News Service and weekly TWM reports on exotic fruits, out-of-season fruits and citrus.

... born to change your business!