



European market banana supply in 2007

Asking for more

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In 2007, the supplying of the world banana market was anything but ordinary. The year was very strongly marked by a succession of serious natural calamities. Whether they resulted from climate change or probability is of no interest to producer countries. They suffered serious losses of life and also of production and infrastructure. The

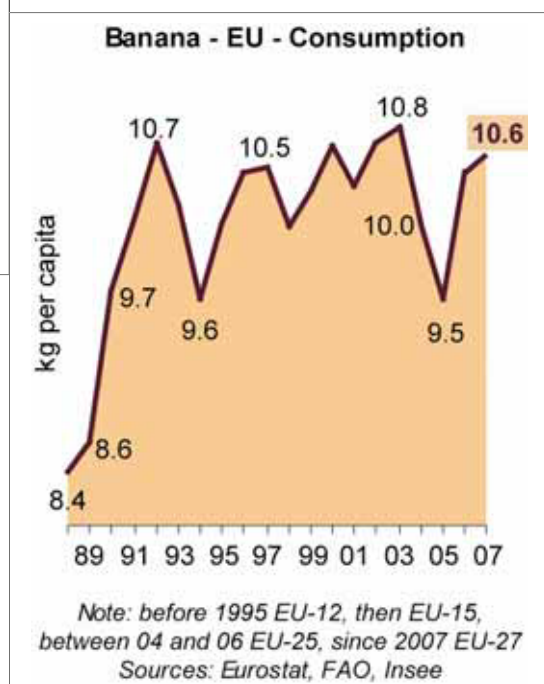
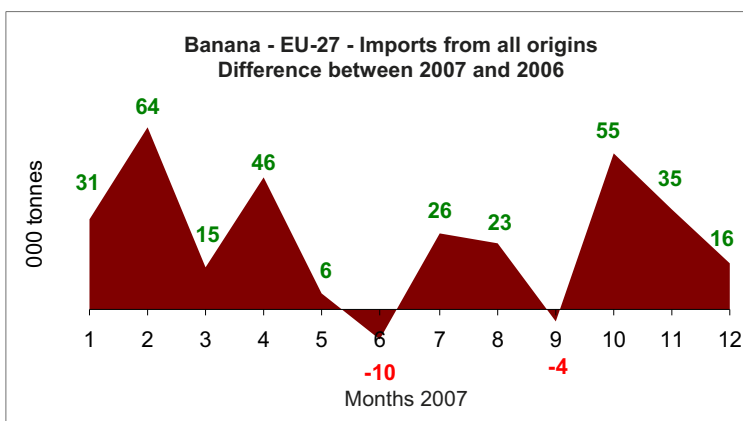
hurricane season was marked and long in the Caribbean. Production zones were hit several times and often devastated. Dean, one of the 2007 hurricanes, followed a disastrous route, starting to inflict damage in the Caribbean arc as it moved north and then shifted to the west, finishing far inland in Central America (*Fruitrop* 148, page 3).

Strong gales in Africa, floods in South America, weather that was too cold and too dry completed the apocalyptic picture. Martinique suffered considerably, with all the plantations flattened. Guadeloupe, the Dominican Republic (twice), St Lucia, St Vincent, Jamaica, Cameroon, Colombia, Ecuador, etc. all suffered serious damage to production to varying degrees.

However, banana is perhaps unique in the agricultural world as it can start producing again quickly—with recovery taking from a few weeks if bad weather has just slowed the production

cycle, to several months (6 to 8 months depending on the zone) when the plantations have been entirely destroyed. Furthermore, it is difficult to compare even serious damage caused by floods or cold spells in a country like Ecuador with that caused when hurricane Dean swept through the Caribbean. In the first case, a few thousand hectares were affected in a production zone that totals hundreds of thousands of hectares. In the second, 100% of the area was destroyed. Finally, products and exports should not be confused. By definition, export channels do not take 100% of production but a varying proportion that depends on world demand. It has become almost banal to say that Ecuador has the capacity to mobilise very large extra volumes from one week to the next. Proof of this was seen in March and April 2008 when the first reports announced the flooding of nearly 28 000 hectares; finally, weekly exports from Ecuador increased to levels even higher than the averages of recent years.

But we can be reassured. Retailers in Europe and North America have not run short of banana. Paradoxically, the opposite occurred. Wishing to profit from the under-supply forecast, unaffected sources of supply sought to fill the gap and even finished by overdoing it. This suction effect was felt above all during the last quarter of the year and mingled with the under-



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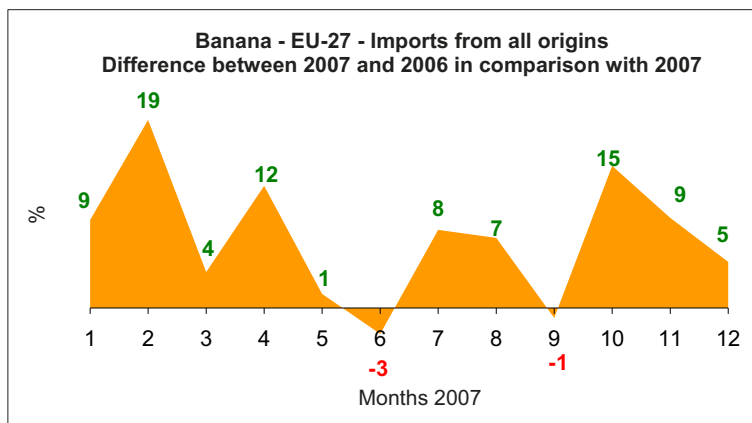
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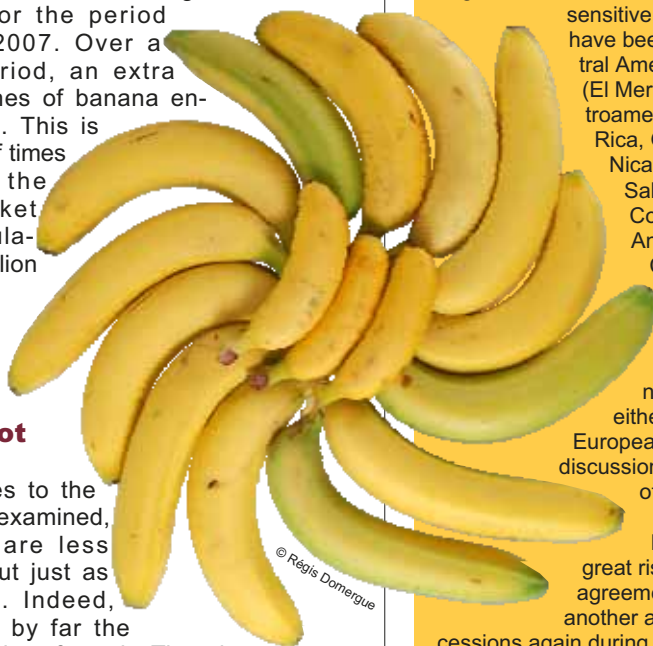


lying trend for a steady increase in imports that has been seen since 2006. Imports for 10 months in 2007 exceeded those of the preceding year, sometimes in colossal proportions as in February (+ 64 000 tonnes, i.e. 19% more than in 2006) and October (+ 55 000 tonnes, a 15% increase).

With a constant perimeter, the increase in EU-27 imports in 2007 was 300 000 tonnes in comparison with 2006. This is a gain of 7% and even 13% for the period 2005-2006-2007. Over a two-year period, an extra 750 000 tonnes of banana entered Europe. This is one and a half times the size of the French market and its population of 60 million people!

MFNs take the pot

If net supplies to the EU are now examined, the figures are less flamboyant but just as encouraging. Indeed, imports form by far the largest proportion of supply. The other part of supplies is accounted for by national production. The Canary Islands, Martinique, Guadeloupe, Madeira, Cyprus and Greece have supplied as much as 25% of European consumption in some years. In 2007, as a result of weather problems, the market share of European production fell to a tiny 11%, the worst score ever. Leading the supply table are imports from the dollar zone, or, in WTO terms, the MFNs (referring to the most-favoured nation clause). These supplies improved their performance again to more than 73% in 2007, 5% more than in 2006. ACP suppliers have long faces, with a market share of 16%, a 3% dip, the worst



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WTO dispute: not built for speed

The beginning and end of WTO negotiation is still the final settlement of the banana question. This comment might amuse the innocent but it is nonetheless true. Multilateral agreements will remain blocked until the settlement of the dispute between the European Union and certain Latin American countries—led by Ecuador. As we know, the problem concerns the customs dues (EUR176 per tonne or EUR3.20 per box) applied by the EU to banana imports from the MFNs. Indirectly, it also concerns the conditions of access to the EU market for ACP bananas. Indeed, these have been imported duty-free since the supplier countries signed economic partnership agreements (EPAs, replacing the Cotonou agreements) with the EU on 1 January 2008. Ecuador in December 2007 and then the US a few weeks later succeeded in obtaining the condemning of the EU without this changing the speed of overall WTO negotiations at all.

Discussions proceed very slowly at the WTO and the EU is involved in bloc by bloc bilateral negotiations in which banana is often a highly sensitive subject. Discussions have been started with the Central American common market (El Mercado Común Centroamericano, MCCA) : Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Salvador) and the Andean Community (Comunidad Andina, CAN): Bolivia, Colombia, Ecuador and Peru). They could also start with Mexico and continue with Mercosur. Things do not go very quickly there either. For example, the European Commission refuses discussions with the CAN because of Ecuador's complaint.

In addition, there is a great risk of concluding an agreement with one party or another and having to make concessions again during the WTO negotiation phase. This is why the Commission would like to sign a single final agreement. A sign that banana is like itching powder in bilateral discussions, Pascal Lamy, Director of the WTO and former European Commissioner handling the 'banana case' has agreed to the mediation mission proposed by Colombia and Panama.

Even if the procedures seem to be complex, the basic problem is clear. The factors involved are the lowering of the customs tariff and the extent and rate of such a reduction. The European front is fairly weak here. France seems to be alone, defending with the ACP countries the maintaining of the current tariff level.

figure in their history. A precise analysis of each of these three groups of supply sources is provided below.

Overall, these results call for two comments, repeated many times since 2006. First, the liberalisation decided in Geneva and put to music by Brussels functions perfectly well. Not counting the effect of successive enlargements, the EU has never eaten so much banana. Second, the figures show that the clear winners in this liberalisation—without any doubt whatsoever—are the MFNs. They have profited fully from the increase in European consumption and also from the last enlargement. The EU is the world's leading market and the MFNs are the leading suppliers. Under these conditions, it is difficult for these producer countries to defend any sort of situation of despair in international negotiations. Although the last two verdicts

of the WTO dispute settlement body seemed to lean towards the plaintiffs (Ecuador and the USA). Totally ignoring the real facts and making statements using measures that no longer apply, the arbitrators condemned the EU import regime. The reasons mentioned were the customs tariff of EUR176 per tonne that is not consolidated at the WTO and a preferential quota for ACP suppliers in the old system that is no longer in force! The incoherence of the great globalisation wizard seems to have no bounds. Consumption is increasing, this is benefiting MFN produce, producer prices have never been so high and ACP countries—presented by the MFNs as the great parasites of the system—are attempting to maintain their commercial positions but without success. What could add to the happiness of the dollar suppliers? A decrease in customs dues? In any case, this is what some of them are asking for, with Ecuador in the lead, while others—Costa Rica and Colombia, who are wiser and aware of their own interests—are trying to reach a compromise with the EU.

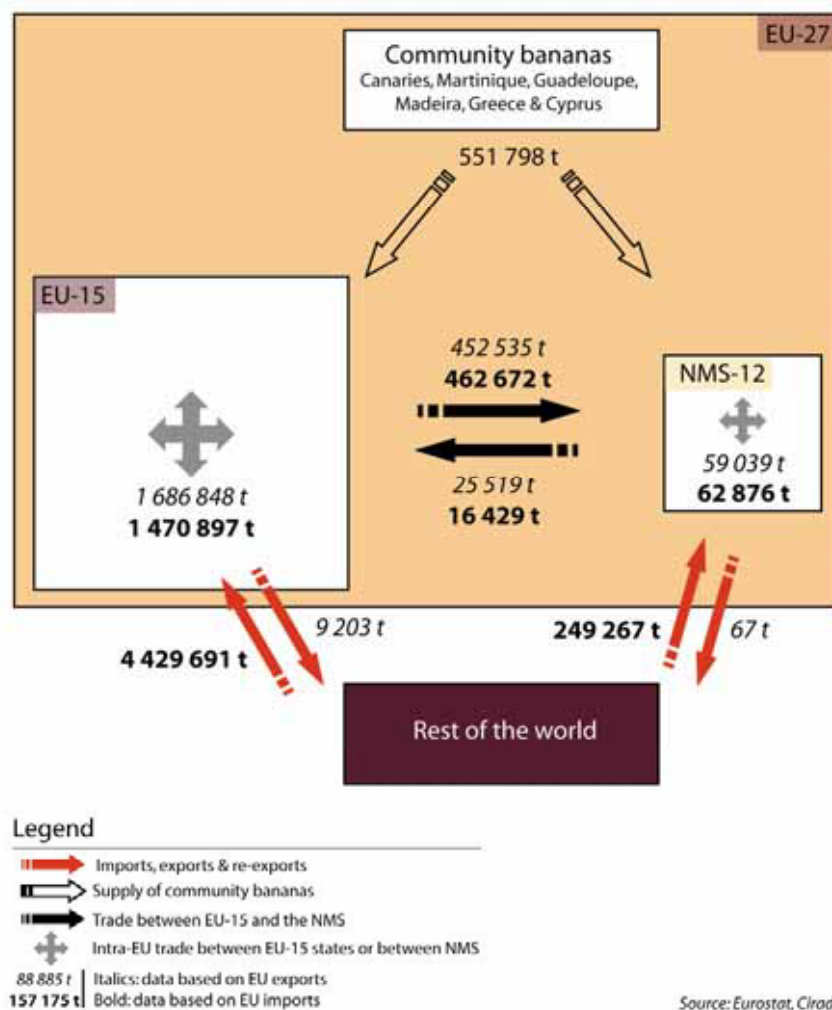
Marked increase in consumption

The liberalisation of the European banana market—in force since 1 January 2006—has had one of the effects hoped for, that of increasing consumption in the EU. This has increased by 1 kg per capita since 2005 and is now 10.6 kg. However, the effect is reduced when one takes into account the joining of Bulgaria (5.1 kg) and Romania (6.9 kg) in 2007 as these countries consume much less banana than the average for EU-25 and less still than EU-15. Average consumption masks considerable disparity. Most of the new member countries (NMCs) have a score of some 4 to 9 kg per year (average 6.7 kg) whereas the record, held by Sweden, approaches 17 kg. This is a fine performance in a food sector that is fighting to keep market shares, and is all the more exceptional as fruit and vegetables are becoming a lost cause.

It seems that excellent dynamics has become established and not only in Europe. Russia has been importing banana enthusiastically for two or three years (1 million tonnes in 2007, +15% since 2005). Russian operators are even ensuring supply security by investing in production, especially in Ecuador. Demand is also solid in the Mediterranean region, the Arab peninsula and in Asia. The United States is the second largest world market and after seeming to be set in a distinct downward movement has also contributed to market improvement. US imports have recovered and exceed the symbolic 4-million-tonne threshold that had not been reached since 2000.

The performance of the last two years has made people forget the unpleasant adjectives

Banana - EU-27 supply - 2007

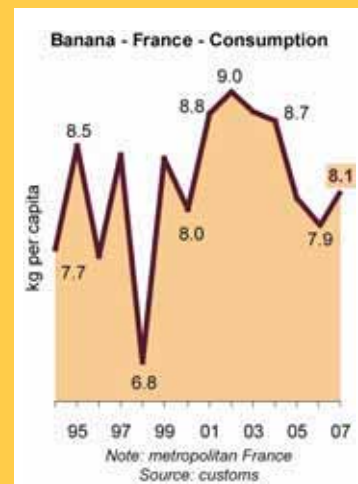
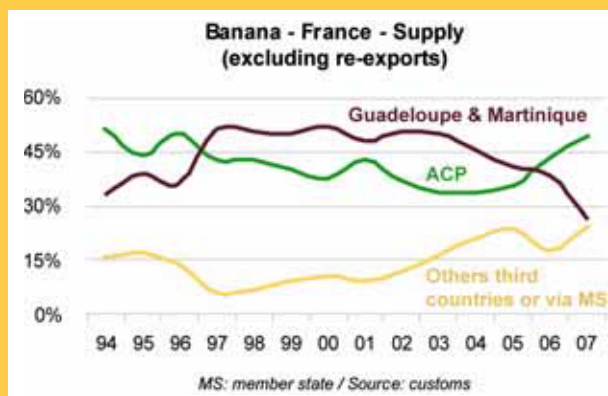
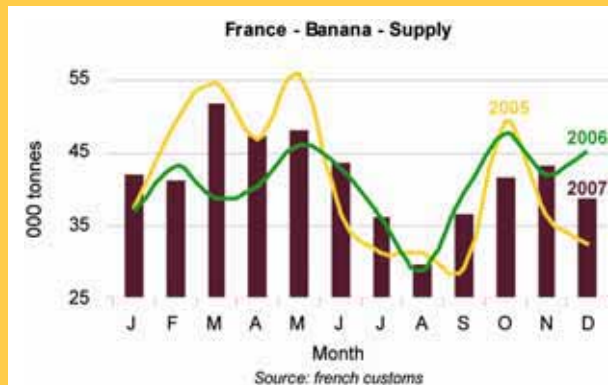


French market: try a little bit harder

The French are not great banana-eaters. The 2007 figures provided by the customs confirm the comparatively low per capita consumption of 8.1 kg per year. It has fallen by slightly less than 1 kg since the record set in 2002. But was 2007 the year of the reconquest of the market? The fall has been stopped and the curve has reversed, with a 200-g increase. Consumption has approached 500 000 tonnes, not counting trans-frontier movements of ripened banana. The other feature of 2007 was the inflow of banana from third countries. As experienced in 2005, more than 120 000 tonnes of dollar bananas were sold in 2007. This is 30% more than in 2006. Unsurprisingly, dollar and ACP (Africa and Surinam) banana supplies peaked in the months following the hurricane, profiting well from the partial absence of Guadeloupe and the total absence of Martinique. In the last quarter, banana imports from third countries (ACP and dollar) via other member countries averaged 27 000 tonnes per month in comparison with 21 000 tonnes in 2006 and 18 000 tonnes in 2005.

Analysis of a market by origin is difficult in a single market system in which goods come and go without strict control between states. So, with all the usual reserves, it would seem that, excluding re-exports,

the market share of French West Indian bananas fell to 26% in 2007 against 38% in 2006. ACP suppliers set a new record at 49% and the share of third countries other than ACP states increased to 24%. Re-exports marked time in 2007 at slightly over 150 000 tonnes. Two-thirds of this was shipped to Spain (30 000 tonnes), the Czech Republic (24 000 tonnes), Italy (24 000 tonnes) and the United Kingdom (19 000 tonnes).




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used to describe the world banana trade: lifeless, feeble or lethargic. Is this dynamics lasting and, above all, is there a risk of there being a decrease in added value throughout the chain? After analysis, it is difficult to conclude that there is a strong, single relation between 'supply volume' and 'import price'. Other parameters are involved, going beyond the classic

mechanism of increasing volumes and decreasing prices. We know, for example, that EU consumption is closely dependent on the weather and on supplies of competing fruits. As we repeat very often, this increase in consumption must be accompanied by an ambitious marketing plan combining

product innovation (variety, type of production, type of presentation, stage of ripeness, etc.) and an increase in consumption venues. Discussions between operators have been limited to price for too long, making this variable the lowest (and only) common denominator in the sector. It is now necessary to find the 'highest common denominator' of all the links in the chain to be able to continue to feed the virtuous circle that seems to have benefited banana for two years ■

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Banana — Consumption per capita in 2007	
	kg/year
EU-27	10.6
EU-15	11.2
NMS-10	6.8
NMS-2 (Bulgaria, Romania)	6.5
NMS-12 (10 + 2)	6.7

Source: CIRAD



Growth returns in the USA

Historic! The word is not too strong to describe the US market in 2007. Indeed, supply increased by 4%—unseen since 2002. And volumes even exceeded the symbolic 4-million-tonne level, and this had not happened since 2000. Unfortunately, this excellent news for the Latin American suppliers that ship practically all US banana supplies was perhaps a flash in the pan. If January 2008 figures are to be believed, there is again a fairly marked downturn with a 7% decrease. The classification of market suppliers has also changed considerably. Ecuador lost its leading position in 2007, sliding to third behind Guatemala and Costa Rica. In fourth position, Honduras increased shipments by 14%. Colombia is fifth with a 20% decrease in shipments (- 100 000 tonnes). Like Costa Rica, it chose to focus its efforts on the European market. Ecuador maintained its position in Europe and also strongly diverted its 'American' volumes to Russia.

