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French banana market Shrinking? Non!

European apples & pears Prospects for 2009

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Dynamics of the French banana market

Shrinking? Non!

Always criticised for its lack of dynamism, its turbulent character within Europe and its obsolete, sclerotic structures, the French banana market has been having its revenge for several months. It is running counter to the European trend, showing insolent vitality in the first half of 2009. Indeed, French consumption increased by 5% during this period. The symbolic 300 000-tonne level was exceeded, with a final figure of 306 481 tonnes. This is nearly 16 000 tonnes better on a year-on-year basis and an improvement of some 58 400 tonnes since 2006, that is to say a 24% increase!

So France is not condemned to have an apathetic banana market. At any rate, this is the main conclusion that can be drawn from a study of the supply of the French and European banana markets in the first half of 2009. The figures are clear. Net supply to France increased by 5% while European imports decreased by 6%.

The performance is excellent news for several reasons. It is first of all the proof that this fruit—considered as ageing and lacking dynamism, in short banal—still has potential for growth. It is also living proof of the rapid and intense effects of trade operators' voluntaristic policy as regards consumption levels. Finally, it shows that the French banana market is not imprinted with some kind of morbid determinism or bound to the larger destiny of the European market. Because while it has grown, the EU market has shrunk. It has now been demonstrated that the same causes do not necessarily have the same effects.

All else being equal, the main explanation that can be put forward for the decrease in European imports is that world banana supply displayed a serious deficit during the period in question. Costa Rica is the third largest exporter in the world and its exports to all destinations decreased by 23% (from January to June). Colombian exports decreased by 6%. And even if the giant Ecuador did 4% better than in 2008, the total is far from normal. The deficit in shipments from these three sources in the first half of the year was some 9 million boxes, that is to say 160 000 tonnes. This is more or less the volume lost by the EU during the period. When the losses suffered by Honduras and Panama are added, the table of sources with shortfalls is complete.

The French exception

Two lessons can be drawn from this trend. The EU seems very dependant on world supplies and France is less so, and perhaps not at all. Its market structure explains its singularity. Indeed, France has substantial national production in the Caribbean (Martinique and Guadeloupe). Hurricane Dean caused serious damage at the end of summer 2007 but the situation is returning to normal little by little. Even though the deficit is still serious in Martinique, France is concentrating on developing consumption. When world supplies are low, that fact that its own production strongly targets the domestic market maintains regular supplies. This is obviously not the case when world supply is plethoric. In this case, both the French and European markets are fully exposed to pressure.

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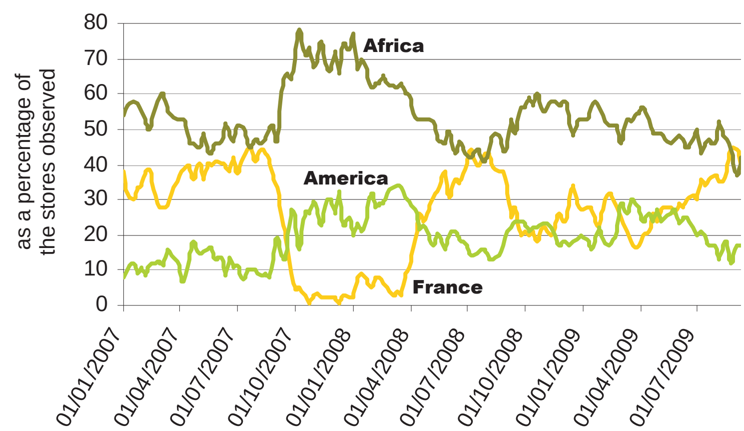
On the subject of the organisation of the French market, it can also be considered that the major restructuring at the end of 2008 (see **FruiTrop 161**,

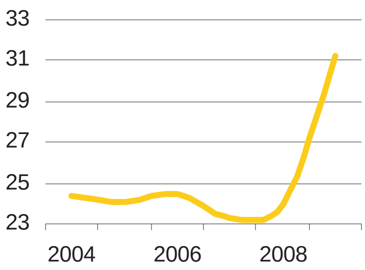
Banana - France - Presence in supermarkets and superstores by source



Source : SNM / Processing: CIRAD

page 3), and especially the changes that allowed the main supplier sources operating in France to master the downstream end of the chain by purchasing ripening facilities, had a positive effect on market dynamics.

Banana - France
Large retailer promotion rate in the first half of the year

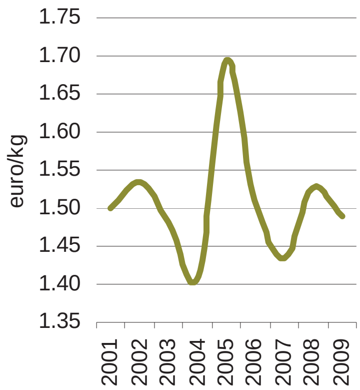


in percentage of shops with a promotion operation in relation to total shops surveyed

Source : SNM

Furthermore, Banana consumption in France has a historical lag behind European consumption at 8.3 kg against 10.8 kg per person per year. Reaching the European level means hoping for growth potential of some 160 000 tonnes per year. But this potential has to be awakened! This is where promotion operations come in, even though measuring their effectiveness is difficult. But you cannot go too wrong in attributing part of the awakening of the market to the marketing plan developed by West Indian producers themselves, with a degree of aid from EU and French funds (Odeadom). For even if West Indian fruits are highlighted, spinoff finally benefits banana overall, whatever the sources of the fruits available. The simple fact of talking positively about bananas benefits the entire sector. Segmentation of banana by origin has not yet been adopted by consumers. Shelf labelling is often fanciful and the fruits little differentiated and differentiable. Indeed, it is difficult to build up new supply on a market where variety, presentation, taste, etc. do not yet have a differentiation value.

Banana - France - Retail price



Average of the 1st half
Source: SNM

The good consumption figures observed are all the more promising in that they were not artificially and temporarily inflated by a shortage in the supply of competing fruits. In 2009, FruiTrop has noted that strawberry supply 'was plentiful, 'large European stocks [of apples] remained to be cleared' and that 'the large volumes of 'Navelate' remaining to be sold kept the market under pressure'. Other fruits were thus available in large quantities at very competitive prices. Bananas held up to this pressure, helped by the voluntaristic policy of French retail distributors. The figures speak for themselves. In the first half of the year, promotion operations were 30% up on 2004. In 2009, one shop in three had a special offer in bananas. Proof of this French singularity is that sales slowed in Germany. The index used to gauge activity fell by 5% in the first half of the year from 111 (2007 or 2008) to 103. The weekly index even fell strongly from Week 15, with average decreases of 9% and dips to - 19%!

Growth without the destruction of value

In this context, the hypothesis that banana is the perfect fruit for a slump should be qualified. It is true that banana is the most competitive fruit in France, with retail prices half to a third of those of the other major fruits. But this is neither a recent phenomenon—it is a basic feature of the fruit market—nor one reserved to the French market. It can just be considered that consumers are even more aware of the lowest prices during periods of downturn.

But have prices been the adjustment variable in the increase in consumption in France or in the shrinking of the EU banana market? The reply is 'No' as regards retail prices. The average price in France has remained fully in line with those observed in preceding years, with the exception of 2005, an atypical year. The same applies to promotion prices, still around EUR1.30 per kg. The same trends are seen in Germany, with discount store prices down by a small 1% to EUR1.12 per kg. Might prices at the import stage start to provide an explanation? 'No' once again. The green price has firmed both in France (+ 7% to EUR0.78 per kg) and in Germany (Aldi price up by 5% to EUR0.86 per kg).

Banana — France — Supply

Tonnes	1st half 2008	1st half 2009	Difference	Difference in %
Supply from all origins	**290 740**	**306 481**	**15 742**	**5**
incl. French overseas departments	88 886	101 370	12 484	14
Martinique	71 106	79 473	8 367	12
Guadeloupe	17 781	21 897	4 117	23

Source: customs / Processing: CIRAD

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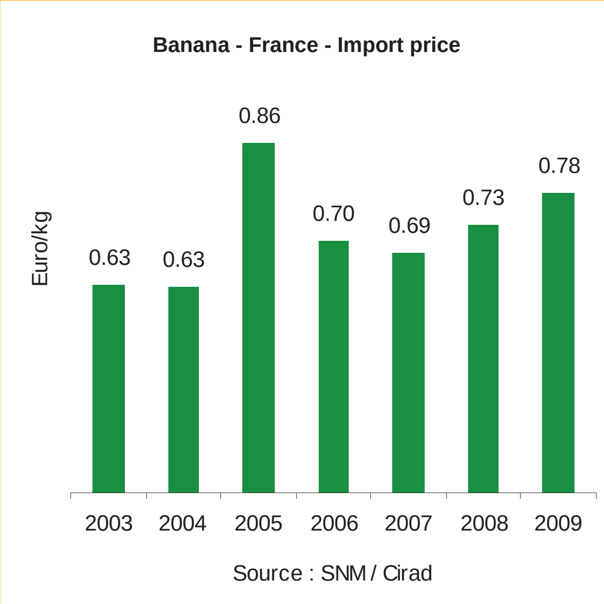
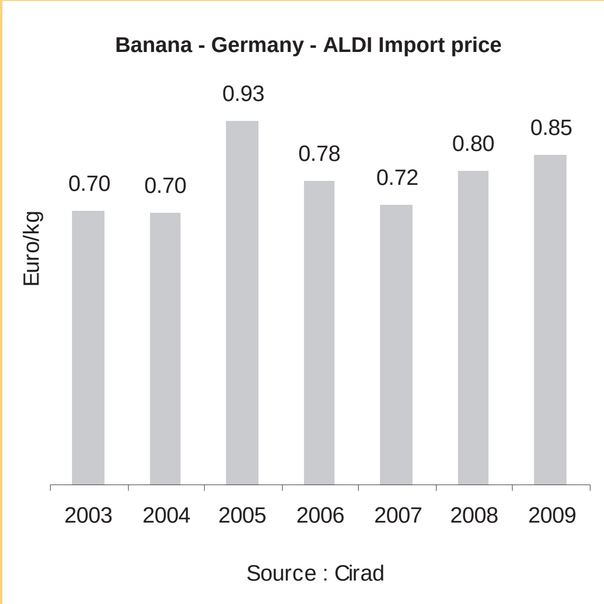
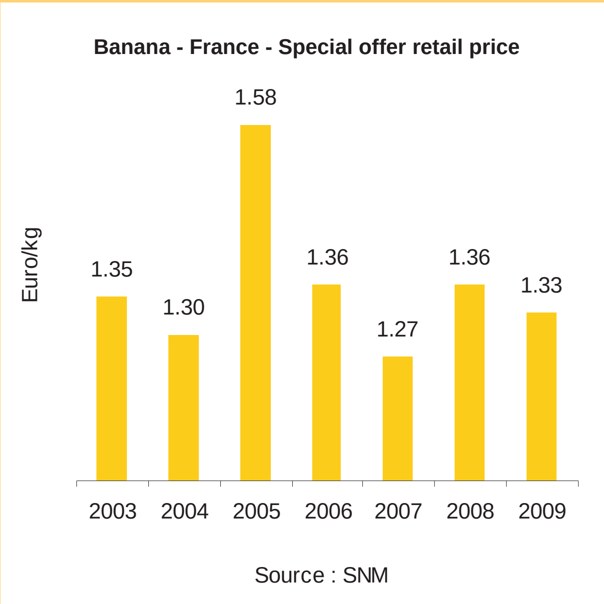






Banana — EU-27 — Imports

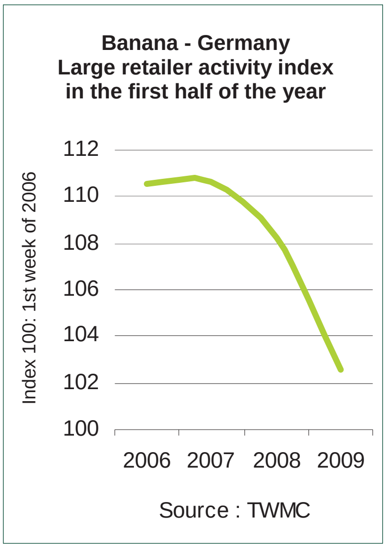
	January to June provisional - Tonnes					Variation			
						In tonnes		In %	
	2006	2007	2008	2009	2006-2008 average	2009/2008	2006-2008 average	2009/2008	2006-2008 average
Total Extra EU	**2 247 345**	**2 400 849**	**2 486 499**	**2 343 562**	**2 378 231**	**- 142 937**	**- 34 669**	**- 6**	**- 1**
MFN	1 813 849	1 960 817	2 036 531	1 879 335	1 937 066	- 157 196	- 57 731	- 8	- 3
ACP incl.	433 495	440 032	449 968	464 228	441 165	+ 14 259	+ 23 062	+ 3	+ 5
ACP Africa	248 704	226 370	273 955	260 872	249 676	- 13 083	+ 11 195	- 5	+ 4
ACP others	184 792	213 662	176 013	203 356	191 489	+ 27 343	+ 11 867	+ 16	+ 6

Customs code: 8 030 019 / Source: EUROSTAT

Banana — United States — Imports

	January to June provisional - Tonnes					Variation			
						In tonnes		In %	
	2006	2007	2008	2009	2006-2008 average	2009/2008	2006-2008 average	2009/2008	2006-2008 average
Total	**1 934 496**	**2 039 361**	**2 013 680**	**2 012 020**	**1 995 846**	**- 1 661**	**+ 16 174**	**0**	**+ 1**

Source: Department of Commerce



In short, we are going to be like the prophets who announce the imminent end of the financial and economic crisis. We are going to be positive and consider that the French banana market has confirmed its excellent trend in terms of volume consumed without destroying value. These are very good signs at a time when banana sector stakeholders are on the point of forming an inter-branch organisation. This will strengthen the general trend to everybody's benefit, including consumers, who remain substantial winners whatever the situation. This initiative is all the more urgent as the risk of the opening of the European market is approaching dangerously. The instability resulting from the decrease in customs tariff must be compensated by a strong inter-branch organisation able to open up prospects for a French market that wishes to grow ■

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The 2008 Banana Statistics Yearbook (Recueil statistique Banane 2008 – in French) has been published

Distributed by Office de développement de l'économie agricole des départements d'outre-mer and published by the CIRAD Market News Service, this publication provides banana production, import, export and consumption statistics. It contains in particular very detailed information on European imports, community production, prices at all stages and consumption in France.

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