

CLOSE-UP:

APPLES and PEARS

<http://passionfruit.cirad.fr>

Banana prices in Europe in 2010:
fasten your seat belts!

Citrus and exotics:
monthly reviews

FRUITROP
HALL 22

F-03

Banana prices in Europe in 2010

Fasten your seat belts!

Big dipper enthusiasts had a marvellous time in 2010. With no let up in momentum, prices soared and swooped throughout the year. In the end the average price was the same as in preceding years. But this was no comfort for operators whose production costs had increased. Bananas were saved by capricious weather once again. But until when?

Analysis of markets is necessarily a very relative operation and should always be approached in a measured manner. It is rare to be able to show clear lines, monolithic profiles or major trends.

The banana market is an exception to this rule. This is doubtless one of the features that make it fascinating for analysts, overflowing with opportunities for commercial operators and terrifying for the banks handling the cash side. For various reasons, the banana market has surprises for us every year. It takes the most hardened forecasters by surprise, twists econometric models and sends round the bend the politicians who would like a year, just one year, without their being asked to explain, negotiate, calculate and take specific measures for one or other member of the sector.

One could warble on for a long time about the specific character of the banana trade. You first talk about fresh produce that is very sensitive to weather (especially when the latter gets out of hand), very political, much purchased, very internationalised and finally interacting very closely, or possibly dependent on, other food chains, especially in the fruit sector. In short, banana is a living item that is part of the diet of hundreds of millions of people and cannot be handled at the international level in the same way as nuts and bolts or banking services. But that is another story...

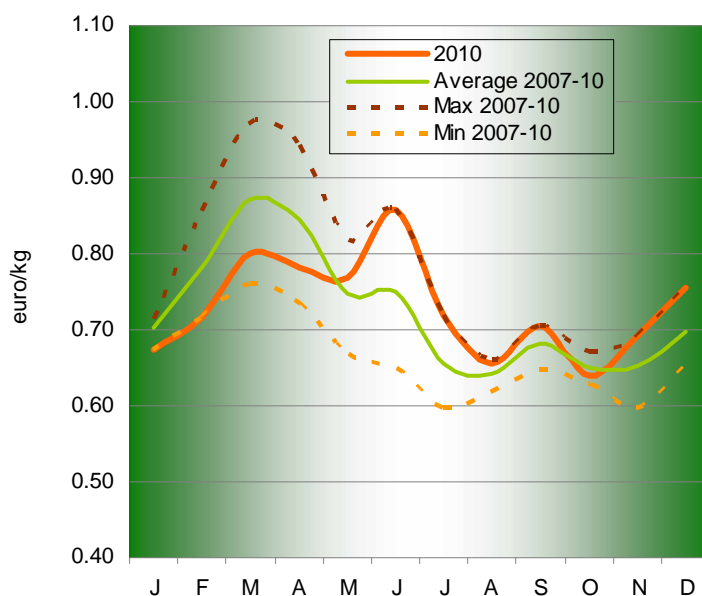
Having got that out of the way, let's get back to what happened in 2010. The morale of operators was tested to the limit. Surprisingly, this serious depression was not reflected in the movement of average import prices (the reference being the Aldi import price). These fell by 4% (from EUR

14.0 to EUR 13.5 per box) in comparison with 2009, which had been a comparatively good year. Comparison with the 2007-09 three-year average did not show an unfavourable trend either. 2010 prices were thus stable. So the explanation for the very morose climate in the banana business should be sought elsewhere. We have long known that the banana sector is not exactly peaceful. Shocks are numerous and unpredictable in both regulations and trades and their effects are incalculable. Switches in trend are also very fast. The year 2010 is a condensed version of all this. We have swung from one extreme to the other throughout the year, with no time to breathe. In the end, the average is like those of previous years but the dynamics throughout the year has been closer to madness than to the classic pattern—if such a thing exists—of the market.



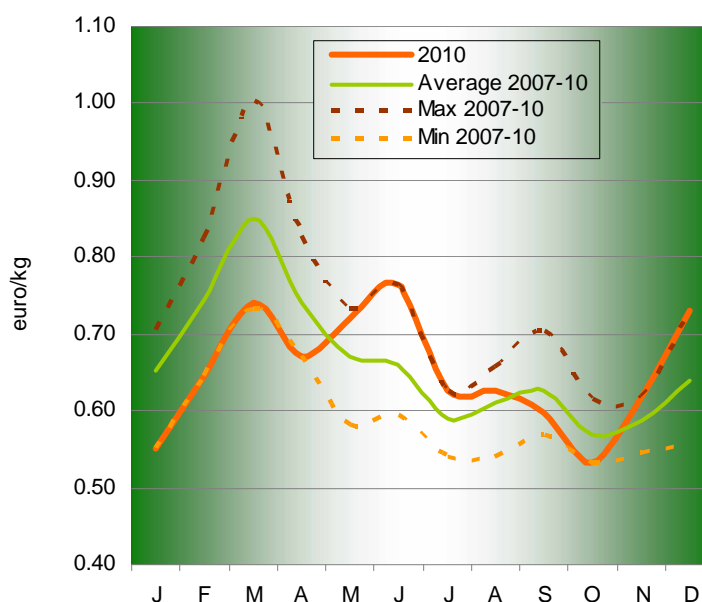
© Denis Loeillet

Banana - Aldi import price in 2010



Source: Cirad-Fruitrop

Banana - Import price in France in 2010



Source: Cirad-Fruitrop

Not for nervous people

The graph opposite shows the unreasonable extent of variations. For eight months of the year the Aldi import price was either rock bottom or sky high (with the reference period being the four years from 2007 to 2010). Only the spring (from March to May depending on the country) escaped these sudden variations as the transition from low to high prices was slow. The market woke up early but slowly, especially in Germany. Indeed, it took three months (from March to May) for the market to swing from an extremely low price (the lowest of the decade) to a high point (the highest of the decade with the exception of 2005). The improvement was late but much sharper in France, which was late starting as the market was stuck in a very unfavourable situation until April before going from one extreme to the other in just a few weeks.

In France again, the trade situation was very poor from August to October whereas Germany seems to have mastered risks during the summer for some years now. Everybody remembers summer 2006 as the war games played then have left traces. Supply schedules now seem to be better controlled. This is doubtless one of the explanations for the favourable movement of prices during this period. Another is the structure of the supply of competing fruits—this is radically different in the two countries. French summer fruit production is large and France is a hub for the shipment of Spanish produce and so sensitivity to supply variations is strong during the summer.

What is all the more harmful for France is that keeping the banana market in good order during the summer makes it possible to get off to a good start when schools open again in September after the holidays. In any case, this is what



© Régis Domergue

DAMCO FRESH PRODUCE DIRECT

The end-to-end logistics solution for grower exporters of fresh produce delivering directly to wholesalers and retailers around the world



WE ARE LOCATED JUST AS CLOSE TO YOUR POTENTIAL CUSTOMERS AS WE ARE TO YOU

We have on the ground presence and fresh produce expertise in all major export and import markets, helping you optimize wholesale channels while increasing direct sales to retail.

Damco Fresh Produce Direct is designed to make this possible; starting the cold chain at the farm, improving insurance risk and coverage, and securing ocean and airfreight space allocation and ensuring service and cost transparency at destination.

All it takes to get started is a meeting with a specialist from our Fresh Produce Team. Email us at freshproduce@damco.com or visit www.damco.com/freshproduce for more information.



Your customers' favorite taste...



... now sustainable.



UGPEBAN RCS Fort-de-France 450 833 31/4

Banane
DE GUADELOUPE
& MARTINIQUE

Visit us at the Berlin trade fair
from 9th to 11th february 2011
France Lounge – Exhibition Hall 22 – Stand 17
www.bananedurable.com



These logos give evidence of the origin and the quality of an agricultural production cultivated in areas located in French European Union, called overseas regions. They guarantee the respect for the current social and environmental regulations in the European Union.



COMMUNICATION CAMPAIGN CO-FINANCED BY THE
EUROPEAN UNION AND THE OFFICE FOR THE DEVELOPMENT
OF THE OVERSEAS AGRICULTURAL ECONOMY (ODEADOM)





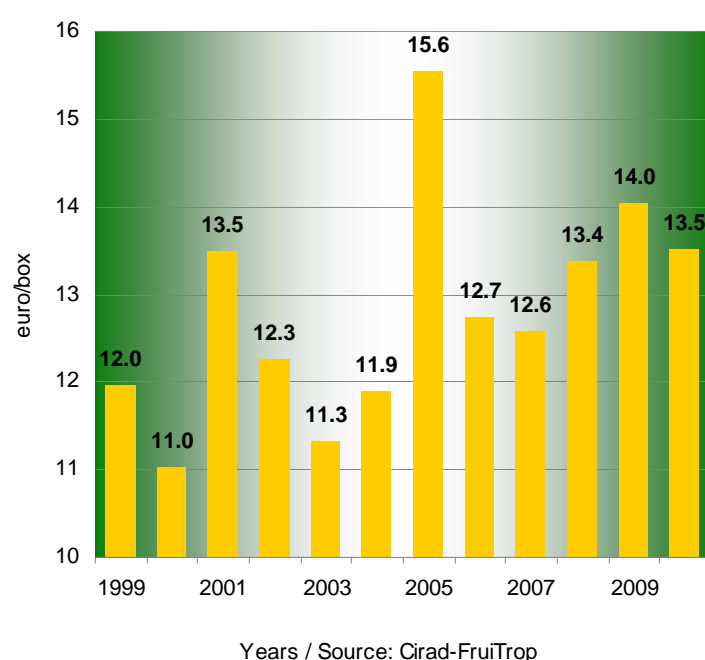
© Régis Domergue

Banana — Europe — Retail prices

	2009	2010	Variation	
			Euro	%
United Kingdom				
Loose banana	0.83	0.88	+ 0.05	+ 6
Prepacked banana	1.21	1.23	+ 0.02	+ 2
Spain				
Banana from Canaries	1.44	1.38	- 0.06	- 4
Other origins	1.89	1.7	- 0.19	- 10
Germany				
Traditional distribution	1.21	1.17	- 0.04	- 3
Hard discount	1.03	0.99	- 0.04	- 4
France				
Average price	1.41	1.43	+ 0.02	+ 1
Special offer price	1.26	1.21	- 0.05	- 4

Sources: TWMC, SNM, national authorities

Banana - Aldi import price



Years / Source: Cirad-Fruitrop

comparative examination of prices indicates. In September, France paid once again (prices fell by 5% from August to September) while in Germany prices remained at their highest August and September levels for the last four years. October was more difficult almost everywhere. Finally, the market recovered very violently in November.

The year was thus bad for nerves and cash balances even if the situation differed a little from one country to another. Mention can be made of the disastrous 2010 season in Spain. In spite of the policy of voluntary withdrawal of produce by growers (8 to 10% of the volumes shipped to mainland Spain), green prices did not get very far, even at the end of the year when they rocketed everywhere in Europe. The average import price of Super Extra category fruits fell to EUR 13.3 per box, 25% lower than in 2009. Such a level had not been observed since 2001!

A squeeze on margins

The situation was dramatic for the first four months of the year in all European countries and this strongly affected annual economic figures. During this period, prices fell by 4 to 8% in Germany and from 9 to as much as 16% in France (in comparison with the 2007-10 average). The fact that it was a period of strong banana consumption made it even worse. It is when French banana consumption is 38% (2009 figure) of annual total supply. Finally, as regards comparison of neighbouring markets, sudden price movements were a feature of France in 2010. Falls and increase both reached 15%. As said above, the annual average price is a very poor reflection of this true market depression. Indeed, the transaction price does not incorporate changes in cost structure and the prices of some items increased tremendously. Oil was at more than USD 90 per barrel at the end of 2010 (after dipping to USD 40 in early 2009), paper pulp increased by 20% in 2010, taking the rise to 50% since the low point observed in March 2009. And there were other clear signs. All the large multinationals announced plans to reduce their supply schedules. They wish to work on improving their margins.

Banana saved by a deluge

The year 2010 was thus full of ups and downs. Trying to find explanations for these repeated breaks shows that, as often, there is not necessarily a single explanation. However, it would seem that a fairly classic examination of supply is necessary to understand the situation. The European market was strongly encumbered in February and March. Monthly EU supply in

Fruidor, cultivating quality

A major operator on the French market with more than 240 personnel at 12 sites in France, Fruidor supplies a full range of selected fruit and vegetables from the best French and foreign producers.



The leading ripening network in France

with 9 facilities spread over the whole of the country, **Fruidor bananes is the French banana market leader** with output of nearly 180,000 metric tonnes in 2010 (bananas from Guadeloupe & Martinique, Africa, Latin America and the Caribbean).

• Aquitaine (Bordeaux)	+33 (0)5 56 49 99 83	• Ile-de-France (Rungis)	+33 (0)1 45 12 82 00
• Brittany-Vendée (Nantes)	+33 (0)2 40 12 10 13	• Alsace-Lorraine (Metz)	+33 (0)3 87 73 60 50
• Brittany-Vendée (UNAPA)	+33 (0)2 40 71 01 70	• Mediterranean (Cavaillon)	+33 (0)4 90 76 14 00
• Flandres-Artois (Lomme)	+33 (0)3 20 22 65 70	• Rhône-Alpes (Mions)	+33 (0)4 72 23 47 20
		• Tours (Centre)	+33 (0)2 47 44 11 52

COME AND SEE US AT
FRUIT LOGISTICA 2011
FROM 9 TO 11 FEBRUARY
FRENCH PAVILION (22)
STAND F-15



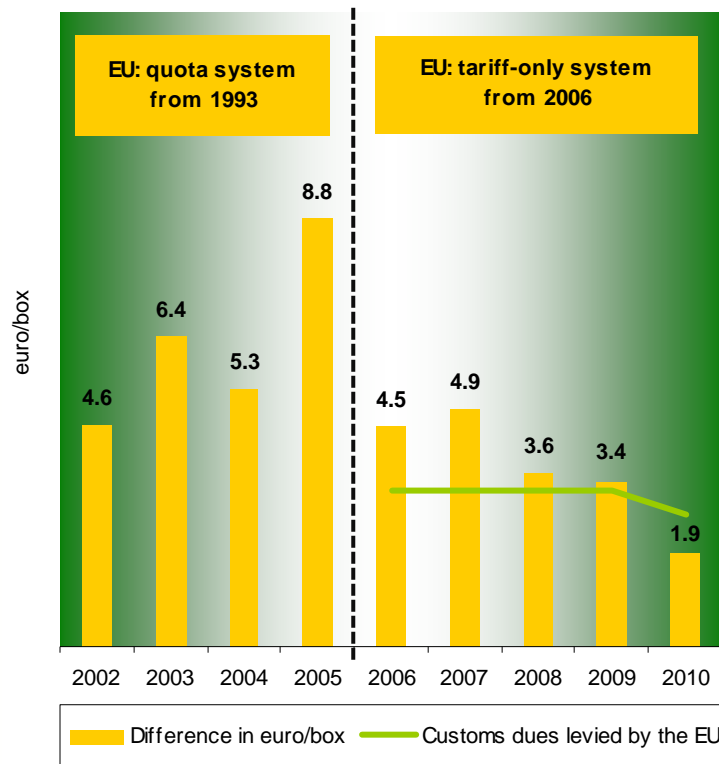
Established in the main production regions of France (northern France, Brittany-Vendée, Aquitaine) and Belgium, **Fruidor terroirs** selects the best produce from carefully chosen growers (potatoes, carrots, French endives, onions and other vegetables and fruits).

• Aquitaine (Bordeaux)	+33 (0)5 56 49 99 83	• Aquitaine (Tonneins)	+33 (0)5 53 84 08 32
• Flandres-Artois / Brittany-Vendée / Belgium (Erquinghem)	+33 (0)3 20 30 41 41		



© Régis Domergue

Banana - Movement of the difference between the Aldi price for EU imports and the spot price in the United States



Sources: Cirad-Fruitrop, Sopisco News

March (CIRAD estimates) increased by 8% in comparison with March 2009. A full study will be published in the traditional Focus on Banana to be published in the May issue of **Fruitrop** devoted to banana. Fortunately, the market was not very generously supplied with competing fruits—especially citrus!

But the real turning-point of the season was in the spring when the market was saved by floods and execrable weather conditions that hit red fruit production in Spain and Morocco. Even summer fruits were affected, leaving a clear market for banana, the last fruit that Europeans would dream of eating when the weather turns warm.

Unfortunately, the strong pressure of world banana supply exceeded demand again from August onwards. Exports from Colombia were an average 17% greater than in 2009 for two months. Everybody thought that this was another period of strong depression—the second in just a few months—even if once again the new 2010-11 citrus season from October onwards took a while to get going and to be felt on the market.

More than this was needed to turn the market around. And the heavens came to the rescue of the banana sector once again! Good news kept on coming, at least for the green banana market. On the one hand, poor weather conditions reduced the supply of fruits to Europe once again—pip fruits this time. On the other, floods, cold weather, hurricanes, storms and quality problems reduced the export potential of almost all the banana production zones. Sighs of relief! The market had been saved again. The price curve finally reversed at the end of October and absolute records for increases were beaten week after week until the end of the year. Prices even exceeded EUR 14 per box during the week before Christmas.

The annual supply balance is not yet available but it can already be said that the relation between the movement of green prices and that of the volumes sold is more than enigmatic. It is seen below that green prices and retail prices in the United States are peaking and that consumption is breaking historical records in spite of it all. In the EU, in spite of the excitement as regards volumes mentioned above, low prices have not favoured a consumption recovery. The volumes sold in the first nine months of 2010 were stable in comparison with those of 2009 (+ 2%) and a balance should be achieved at the end of the year. Retail prices are not the cause. In contrast, they have fallen almost everywhere. The United Kingdom stands alone with prices that are tending to rise. Here again, the annual average hides periods of ferocious price wars between retail distributors. But it is also the sign of a British market where there is a great deal of contractualisation of import volumes. A kind of US market on a small scale.

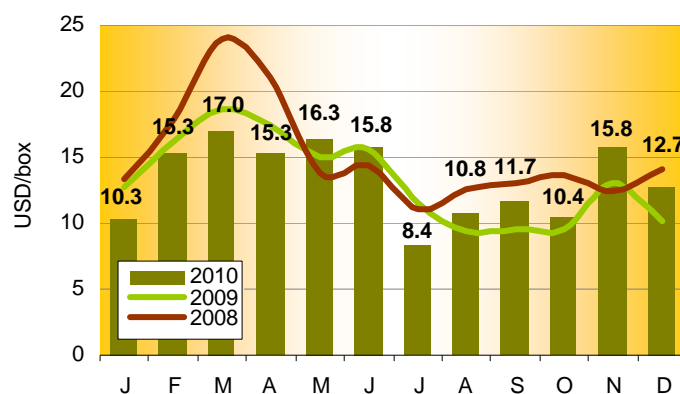
Russia: multiplied by two

As in neighbouring Poland, the Russian market is one in which excess is dominant. Prices vary by 100% from one week to the next. The low point was hit this summer with slightly more than USD 8 per box CIF St Petersburg and the high point was in March with USD 17. The market seems to have gained a certain balance in 2010. Indeed, except for this volatility, annual price movements are markedly out of phase with what is observed in the EU. It is true that January was particularly difficult but in February prices obeyed a classic trend that lasted until the end of the year, remaining at a good level but not rocketing as they did in Western Europe. The annual price was finally stable at USD 13.3 per box.



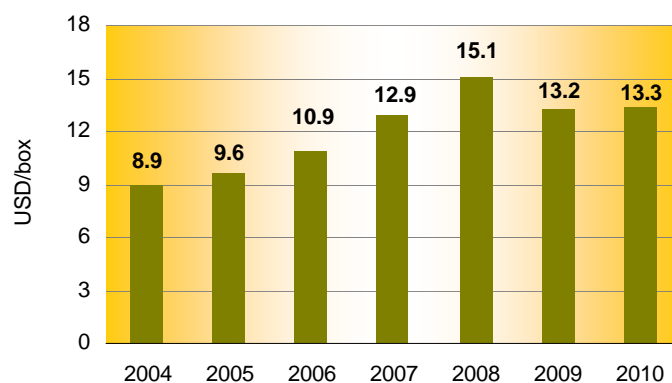
© R. J. S. Domingue

**Banana - Russia - Monthly import price
CIF St Petersburg**



Source: Cirad-Fruitrop

**Banana - Russia - Annual import price
CIF St Petersburg**



Source: Cirad-Fruitrop

Something to think about

But is everything that I have just described related to or independent of the deregulation of the banana market that was set in motion in 2006 and that has accelerated since the end of 2009? In a previous issue of **Fruitrop** (183, November 2010, pages 15 to 21), we discussed at length the idea that the European market is becoming increasingly vulnerable and henceforth only weather damage can serve the regulation function that used to be partly served by the common organisation of the banana market. The year 2010 is a striking example of this new situation, which has the advantage of simplifying forecasters' work. The European banana market is now directly indexed to water surface tempera-

tures off Ecuador (the El Niño and La Niña phenomena). Liberalisation is thus operating. Reality now closely matches the forecasts of the gloom-mongers who were against deregulation. But at what price? It seems that the United States is refusing to follow this path. The country of 'Deregulation? After you.' can be proud of its excellent banana balance. All the signals are green. Consumption is at a record level. It took only ten months of supply in 2010 to match the total for the whole of 2009! The target is annual growth of 20%. As regards prices, the market has held at above USD 15.5 per box for three years (see box). This performance amazes many ■

Denis Loeillet, CIRAD
denis.loeillet@cirad.fr

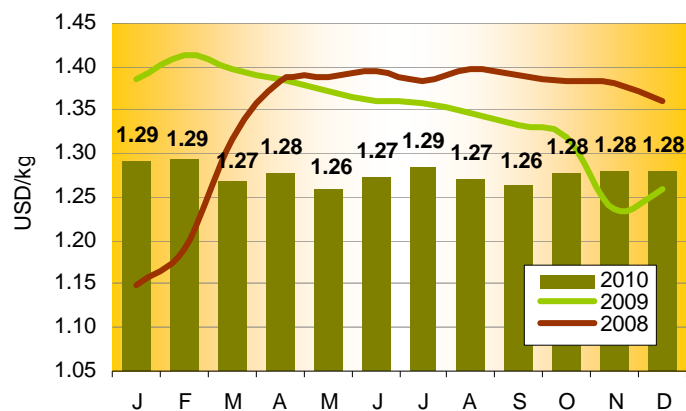
USA 1, EU 0

In 2010, the average price of banana (not volume-weighted) was USD 15.7 per box, that is to say EUR 11.8 (using an exchange rate of EUR 1 to USD 1.33). Allowing for the customs dues of EUR 2.7 per box to be paid for the same produce landed in Europe (not counting differences in logistics costs), this price level ($11.8 + 2.7 = \text{EUR } 14.5$ per box) means that the US market is much more profitable than Europe. Indeed, the monthly Aldi reference price was EUR 13.5 per box in 2010. The USA clearly has the edge. Estimated value-added is around one euro per box! But what is the mysterious reason that causes the American market to hold its ground while the European market plummets? It is very simple. The American market is not organised by means of regulations but by traders who release produce on the market. Without even mentioning agreement, use of annual contracts is widespread in the US. This gives the market rigidity that benefits established suppliers and gives them more protection against external events, and especially fluctuations in supply. In 2008, all American operators succeeded in imposing a substantial rise in green prices on retail distributors, arguing that this was necessary because intermediate costs had rocketed. In March 2008, oil was more than USD 100 per barrel (USD 144 in July 2008) and the international price of paper pulp (NBSK) reached USD 900 per tonne. The 2008 economic downturn followed, easing pressure on the prices of inputs and sea freight. But this did not lead to a fall in prices in the US. Quite the opposite. They even reached an average of USD 16 in 2009, an all-time record. It will be very instructive to see whether the market maintains its original position in 2011. There is no reason for a change as the same causes have the same effects and the prices of intermediate costs started to increase again in 2010 and this should logically lead to maintaining the same price policies.

In terms of dynamics, the American green price followed the pattern of the European green price very closely but at a higher level. Prices were comparatively poor at the beginning of the year and then rose strongly in the spring, nudging USD 19 per box in July. The East Coast stood out throughout the year. The Gulf market was particularly sluggish at the beginning of the year until the trend changed.

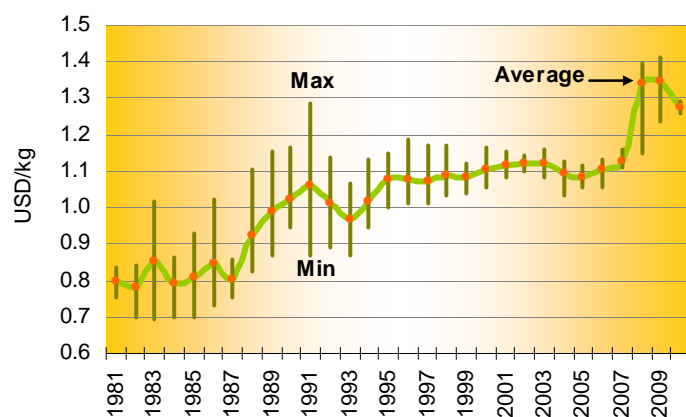
The retail price remained fairly high in 2010 at USD 1.3 per kg. The index fell by 5% after two years at a very high USD 1.35 per kg. There is no seasonal variation. Prices fluctuated between USD 1.26 and 1.28 per kg throughout the year.

Banana - United States - Retail price



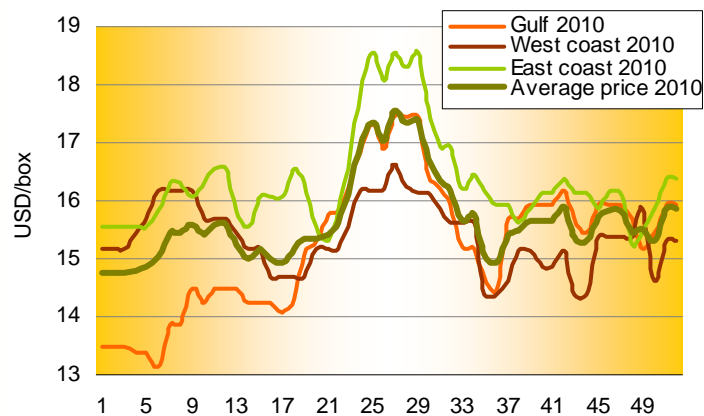
Source: National authorities

Banana - United States - Retail price



Source: Bureau of Labor Statistics

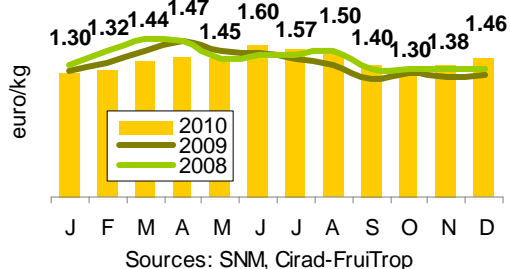
Banana - United States - Spot import price



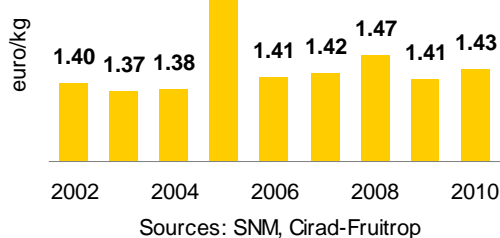
Week / Source: Sopisco New s

France

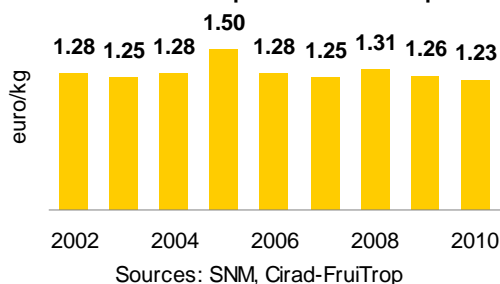
Banana - France - Monthly retail price



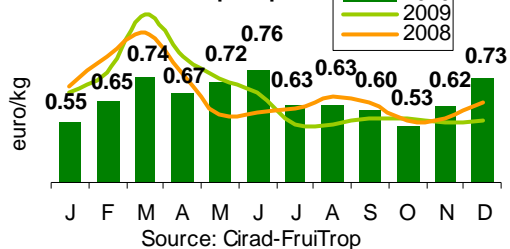
Banana - France - Annual retail price



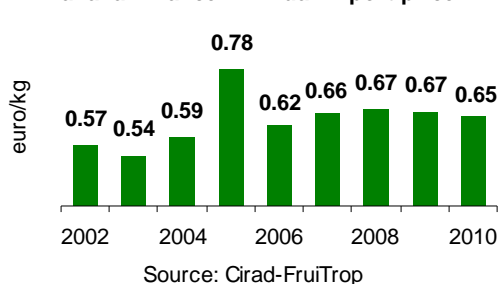
Banana - France - Special offer retail price



Banana - France - Estimated monthly import price

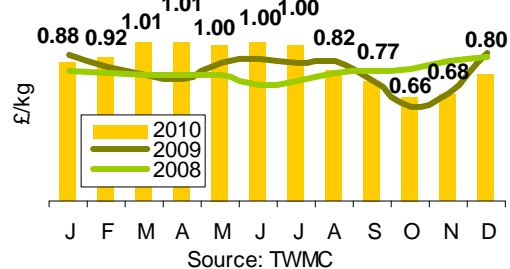


Banana - France - Annual import price

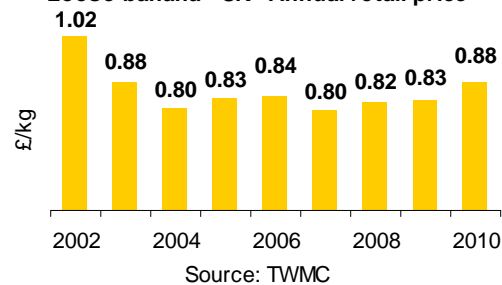


United Kingdom

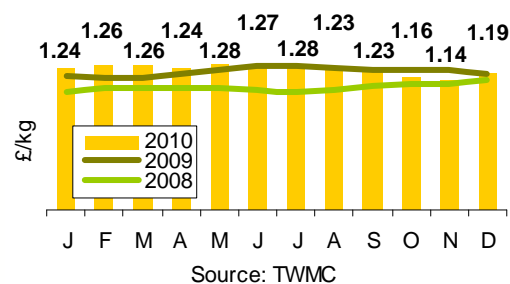
Loose banana - UK - Monthly retail price



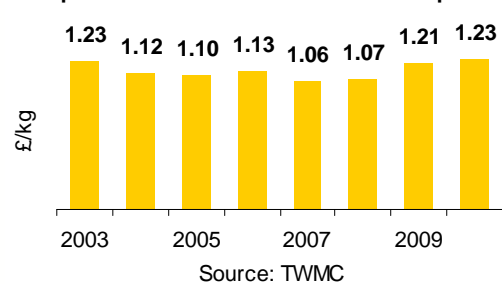
Loose banana - UK - Annual retail price



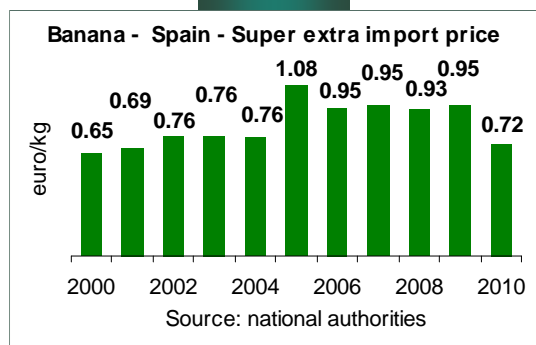
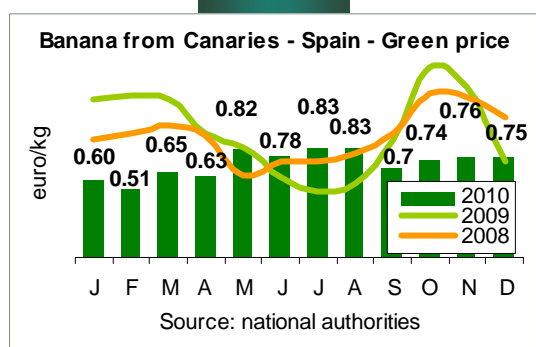
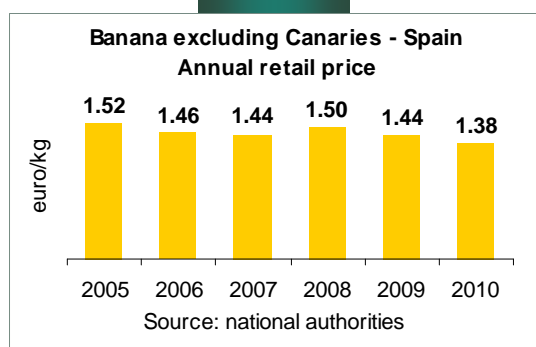
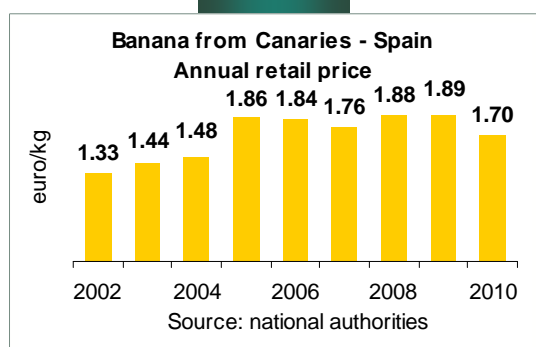
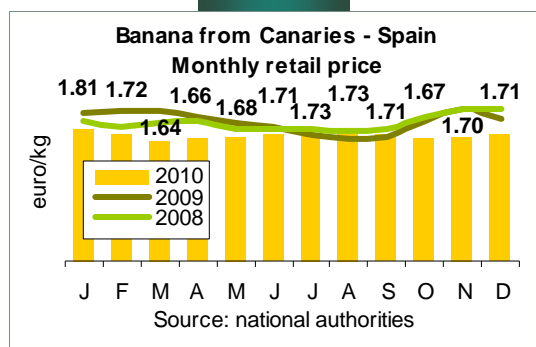
Prepacked banana - UK - Monthly retail price



Prepacked banana - UK - Annual retail price



Spain



Germany

