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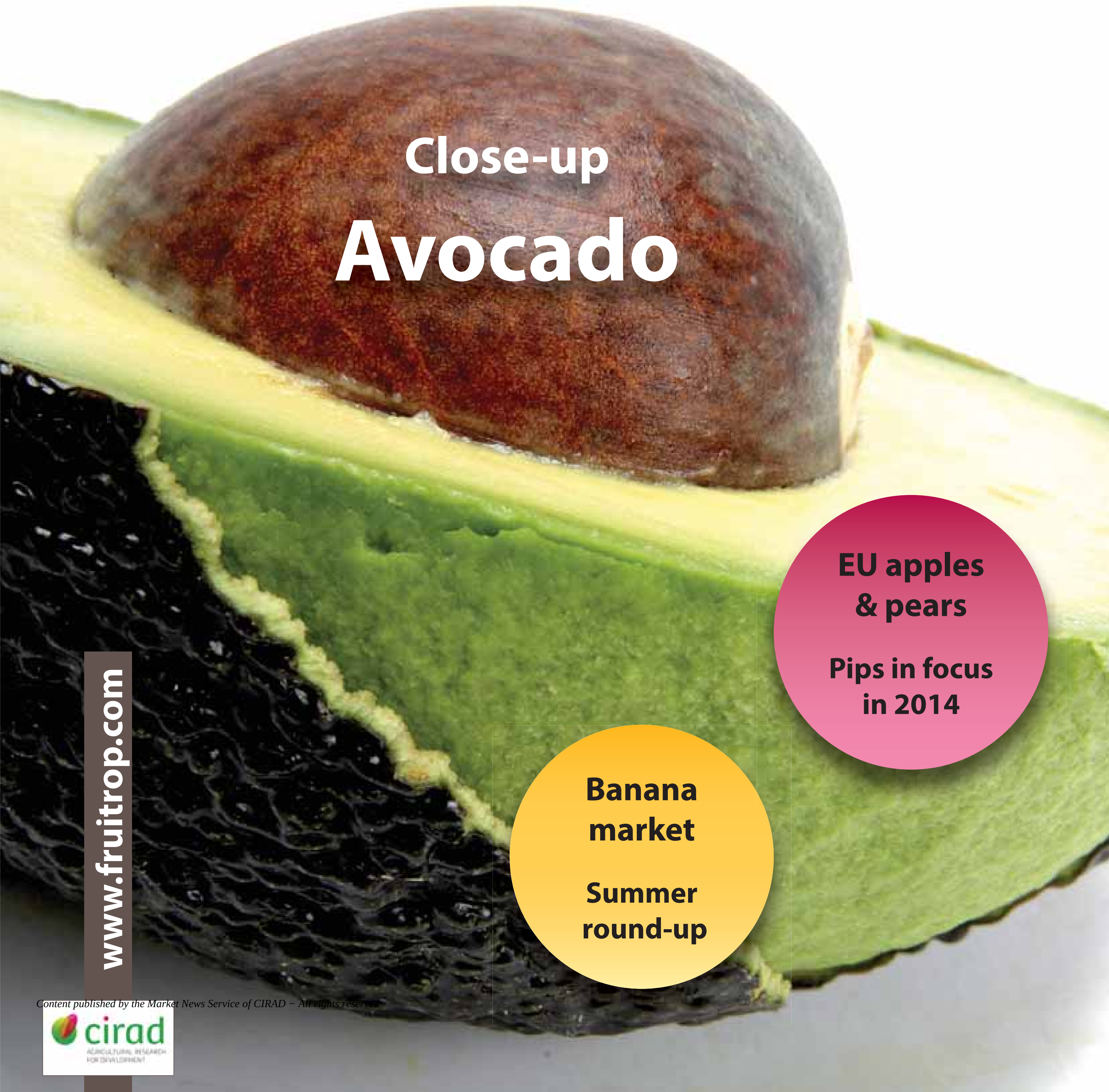
English edition



Close-up
Avocado

EU apples & pears

Pips in focus in 2014

Banana market

Summer round-up

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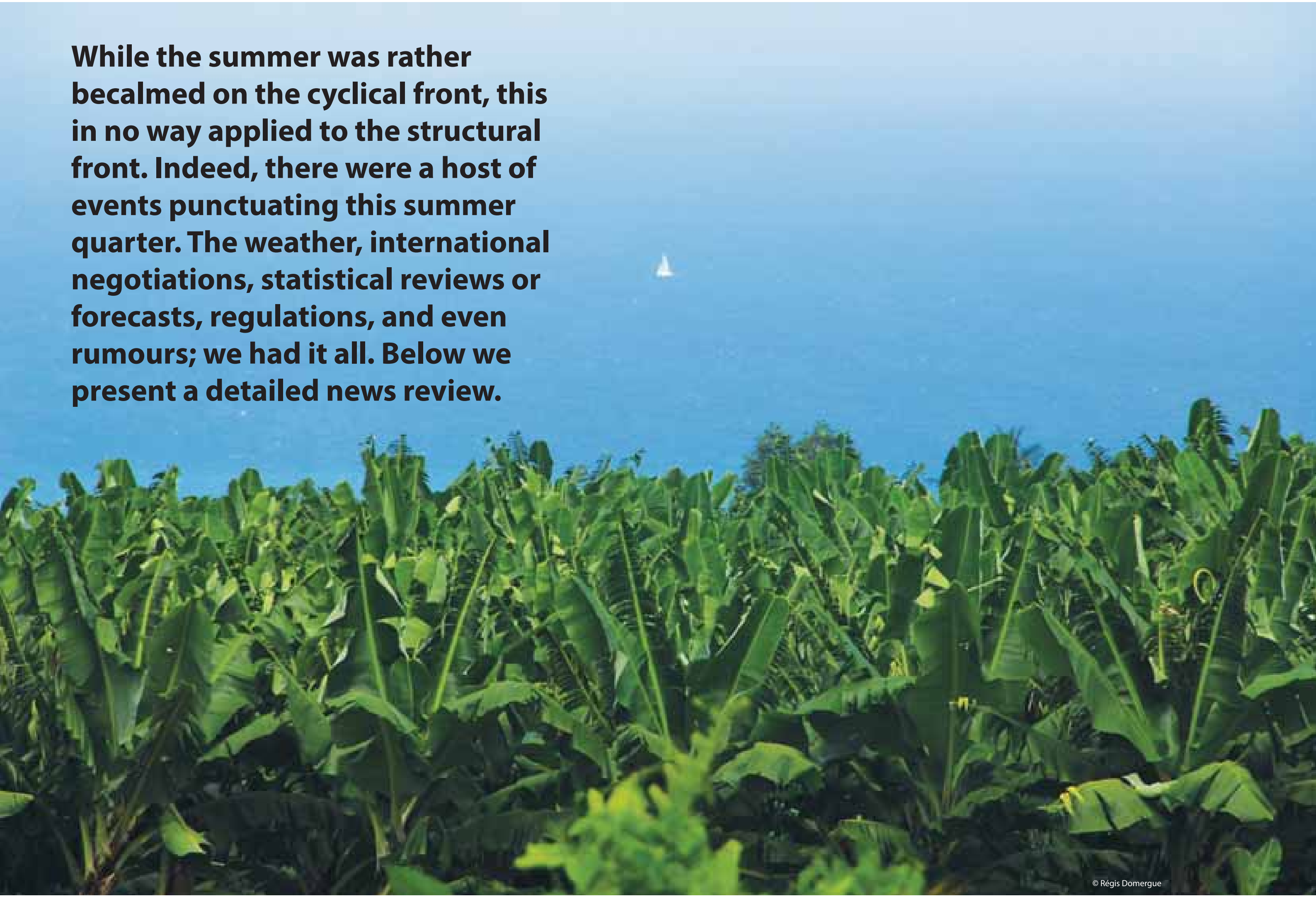
Banana market

Summer round-up

While the summer was rather becalmed on the cyclical front, this in no way applied to the structural front. Indeed, there were a host of events punctuating this summer quarter. The weather, international negotiations, statistical reviews or forecasts, regulations, and even rumours; we had it all. Below we present a detailed news review.



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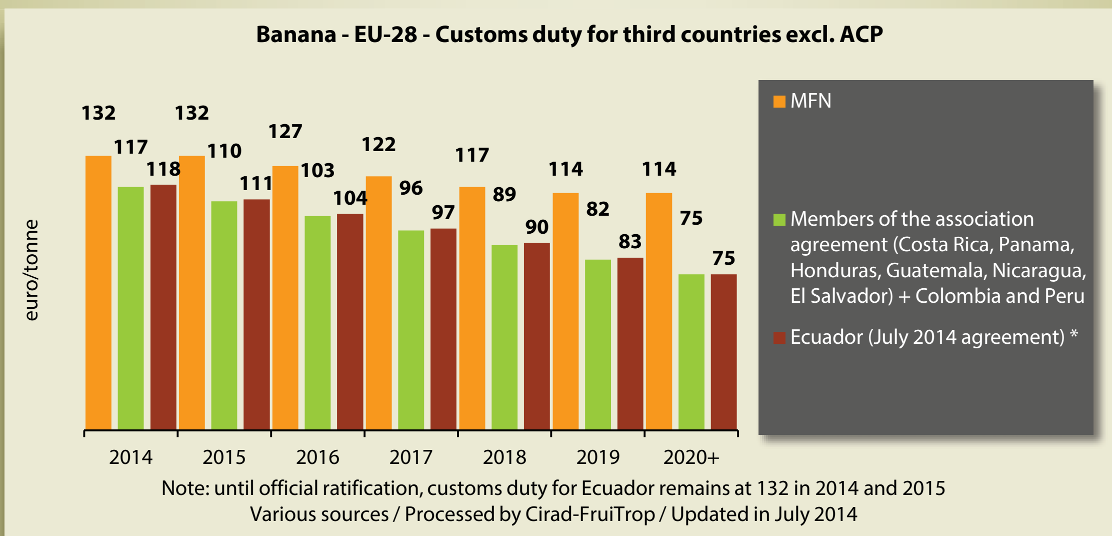
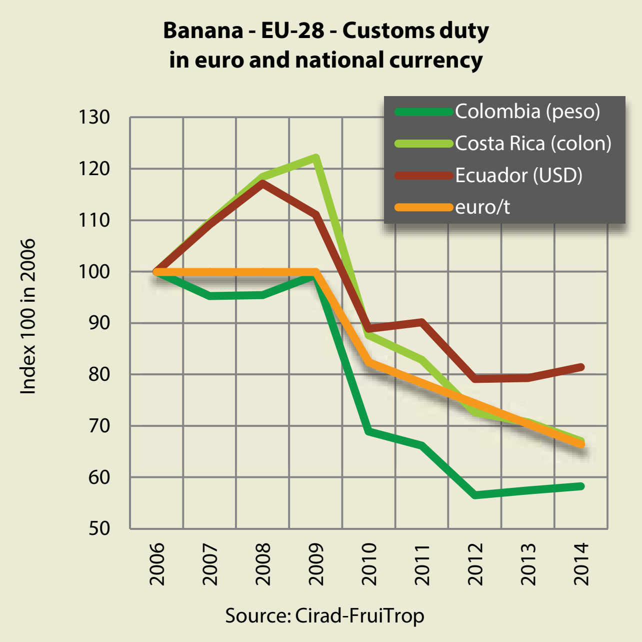
Let's start this round-up with the item on international negotiations. Ecuador and the European Union — finally! — reached agreement, in July 2014, on the level of customs fees to be applied to Ecuadorian banana imports into Europe. So after the official ratification, the Ecuadorian banana will be treated more or less like the bananas from eight other sources in the zone (Costa Rica, Colombia, Peru, etc.).

We say more or less, since while these types of discussion are generally pretty serious affairs, the negotiator's calculators actually rounded up the preferential duty levied on the Ecuadorian banana upon entering the EU; and this duty will apply only from 2016. Until then, the world's leading exporter remains subject to the common regime of 132 euros/tonne. From 2016, the duty will fall steeply down to 104 euros/t (as opposed to 103 euros for the earliest signatories), and then 97 euros in 2017. The reduction process will end in 2020 with a floor of 75 euros/t. But there is plenty of time for things to change by then. Many hope, and others also fear, that this threshold will not remain inviolate for long.

Ecuador coming to its senses

For Ecuador, it was high time to shake things up. Operators were seeing the gap with their Colombian or Costa Rican competitors widen. In 2014, it is 15 euros/t (0.27 euro/box), and will be 22 euros/t in 2015 (0.40 euro/box). Based on 1.3 million tonnes shipped to the EU, the profit loss for Ecuadorian exporters would have amounted to more than 200 million euros between 2013 and 2019. The Ecuadorian lobby did its job by persuading President Correa to stop holding up the agreement. Not to do so would have once more been very poorly received by the exporters, who seem to be the Government's bête noire. There are stacks of regulations to make the banana sector a haven for fair remuneration of the labour of workers and small producers.





In this context, the Government's gesture has lifted exporters' spirits. Especially since simply converting the European customs duty into the local currency shows how far Ecuador is behind its competitors. Taking 100 as the reference point in 2006, i.e. 176 euros/tonne, converted into the local currency, Ecuador is now at a mark of 81 in 2014 (mean exchange rate as at 1 September 2014), Costa Rica has fallen to 67 and Colombia to 58. Furthermore, for Ecuador, customs duty is falling slower in the local currency than in euros. The exact opposite is happening for Colombia. Unless the exchange rates take a radically different trajectory, without the July agreement, the chasm would have gone on widening.

A few cents here for salaries or for customs duty, a few cents there for Panama Canal transit, and then a few more cents handed over to the government… that is how operators were depicting the threat of a radical loss of Ecuador's market appeal. But let's leave aside the posturing and arguments more suited to lobbyists, and get back to the nitty gritty: the export figures. Since, while not being the alpha and omega of any economic analysis, the evolution of export volumes provides a rough idea of a country's appeal on the international market.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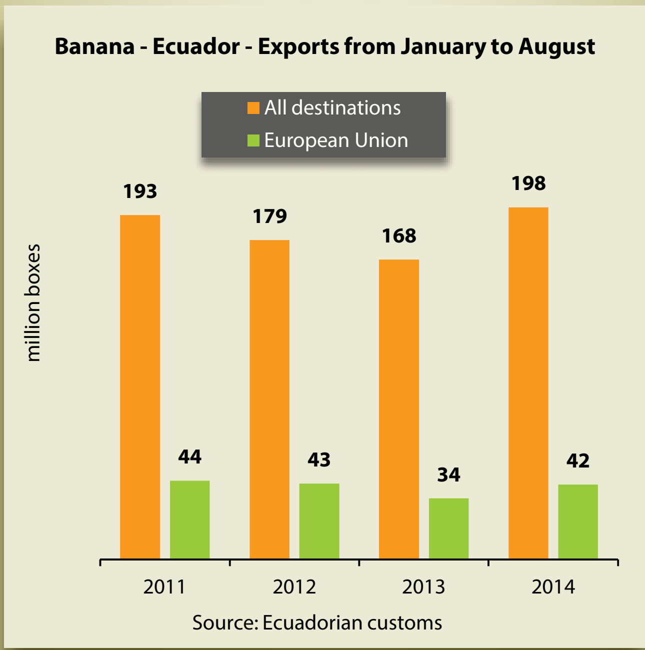

And in this case, we cannot help but see that Ecuador is holding up rather well, to the point that it is tough to see the deterioration in its competitiveness, except through labour and environmental measures. As proof of this, according to the figures of the Interprofessional Association of Ecuadorian Exporters (AEBE): shipments to the EU over the first 7 months of 2014 literally shot up from 2013, in a leap of 39 %! If we take into account the 2011-2012-2013 three-year average, to smooth out the depressive effect of 2013, we still have a gain for 2014 amounting to 17 %.

If we extend the trend, 2014 could be the year to break all the records. If we look at exports to all destinations, the performance of 2011 will be easy to beat. At the end of August, we already had 198 million boxes, as opposed to 193 million in 2011. Ecuador will end the year at between 280 and 290 million boxes, which would be an absolute record. And El Niño will be in no condition to cut down world production to size. Each new reading says that the phenomenon is losing speed, or even completely out of action. This is good news for the populations who pay a very heavy toll every time it comes around, but it is cause for concern for the future of the worldwide market.

For the moment, everything going ok!

For the moment optimism is prevailing, since although the trend has been confirmed to the end of the year, or even for the first months of 2015, Ecuador is apparently only making up for the shortfall of volumes due to the losses declared in Colombia due to the early summer winds (several thousand hectares), the tough climatic conditions in Costa Rica or the truly staggering floods in Côte d'Ivoire, in the Niéky region (more than 1 000 ha ravaged).

In addition, on the demand side, growth is still in place. Imports into the EU have registered a performance up + 5 % over the first 6 months of 2014, i.e. an excess of 120 000 t from 2013. The dollar sources are on the rise, relatively, a bit less quickly than the ACP sources: + 6 % for the ACPs (+ 31 000 t) and + 4 % for dollar sources (+ 89 000 t). All the dollar sources are up, with the exception of Colombia, which is stagnant, and Brazil, which is continuing on its downward trend. As for the ACPs, the Dominican Republic,

Unpredictable Russia

Outside of the banana sector, another event this summer stands out in the memory: the Russian embargo on certain European products, especially fruits and vegetables. The consequences of this embargo for the world banana market are difficult to appraise. Whatever else, they will be big. This announcement coincides with a truly alarming forecast for the European apple season… since we are set for masses of them. As the World Apple and Pear Association has announced, it is the best harvest for ten years. In this very edition, Cécilia Celeyrette (infofruit.fr) provides a detailed analysis of the situation. Apple production is set to climb 9 % from 2013, and exceed the three-year average by 12 %, reaching practically 12 million tonnes! Just under one third is produced in Poland. As our partner Richard Bright (reefertrends.com) underlines elsewhere, big Northern Hemisphere sources are also set for steep rises: + 11 % for the United States, + 4 % for Russia and even + 10 % for Ukraine. Conversely, production is set to fall in China (- 7 %), Turkey (- 24 %) and in the Balkans (- 31 %).


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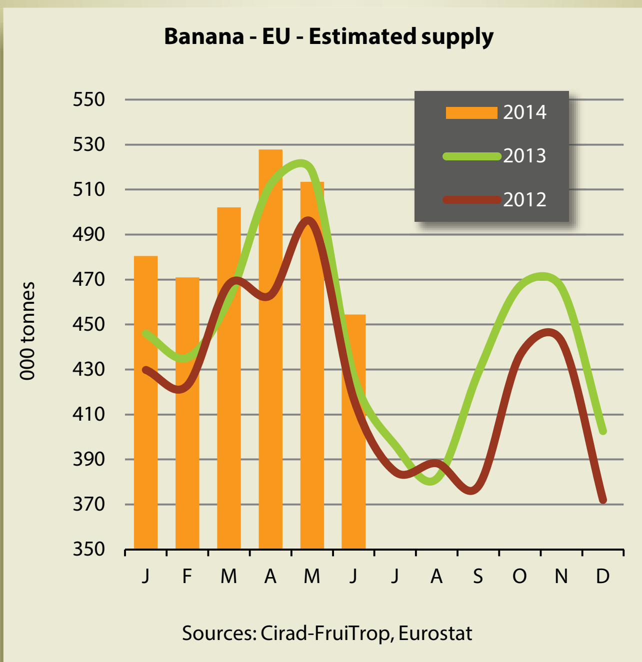
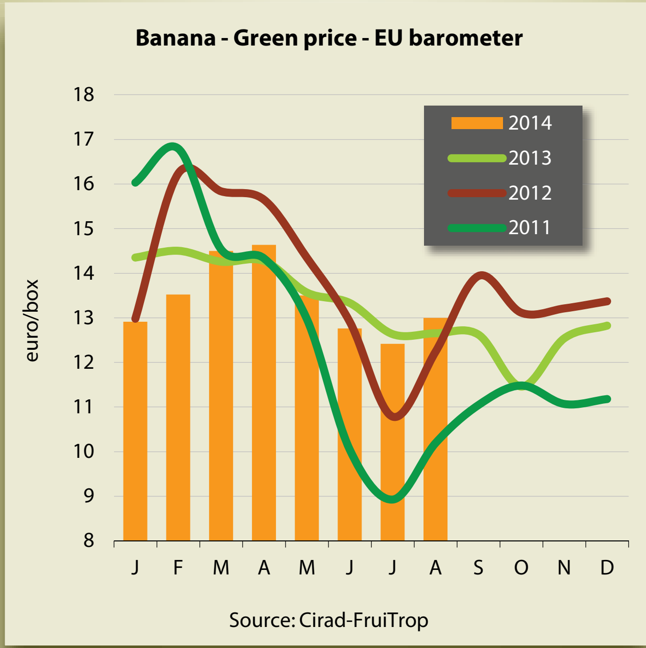


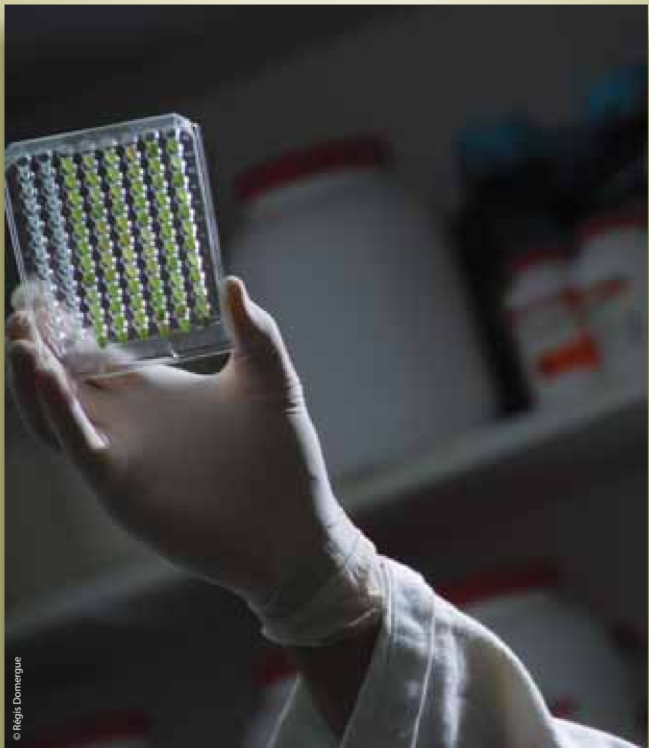
A massive importer of European apples, and in particular Polish apples, Russia absorbs 7 % of the EU's production, and 57 % of the EU's total exports (2013 figures). But it is also a big consumer of European pears, peaches, nectarines and citruses… as well as vegetables. In total, the European Commission estimates the value of European fruit and vegetable exports to Russia at 2 billion euros. A major increase in worldwide apple availability, closure of an essential outlet for European fruit (and vegetable) production and increased Russian apple production potential are raising fears of imbalances that could work for or against the banana.

Since while Russia has said that it would take advantage of this trade war to develop import flows from other sources, especially for the apple, its consumption could also affect the banana, of which the Russians are very fond. The Ecuadorian surpluses could find a natural outlet, since the South American source already supplies 97 % of Russian consumption. That is behind the scenes; the main action is being played out within the EU. Poland, the other big European apple producing countries and their neighbours could act on the temptation, through price cuts, to consume the surpluses which will no longer find a taker in Russia. That would be double trouble for the banana market: a depressive effect on banana prices, and a fall in consumption.

My dearest summer

A catastrophe on the horizon, or a grain of sand in the machine; no-one can say as yet. That is a shame since, hitherto, the banana sector was enjoying a favourable trend in terms of import price, while more and more bananas are being consumed. While 2014 did not hit the highest heights, the balance for January to August shows an import price (reference: EU barometer developed by CIRAD) of 13.4 euros/box, slightly above the 2011-2012-2013 three-year average. Taking the summer period (July-August) on its own, the situation is better still, with the average price reaching 12.7 euros/box. This takes us





slightly above the excellent summer of 2013, and 2 to 3 euros per box up on the anni horribiles of 2011 and 2012.

So for the moment, everything is working for the best. There are no stocks being deferred from week to week, there is a clear shortfall throughout Europe and prices are strong. Now we need only pass this information on to the supermarket sector, which wants to roll out its traditional autumn promotions programme without taking into account the changes in world availability. This is one of the great classics. A few years ago, FruiTrop demonstrated how Aldi managed its retail prices (i.e. its green purchase prices) completely regardless of the international cyclical conditions.

But how long will the prevailing optimism last? That is the big question. Since while there is a shortfall due to the climatic damage, a return to production will follow. If the drive from Ecuador were to persist, the second half of 2015 could see a surplus situation. But, as the worst is never certain, above all in the banana sector, let's enjoy this period of relative calm.

Rumour: the oldest medium in the world

We will end this detailed review of summer 2014 by touching on a rumour which has shaken the industry. Who would have thought that the banana, as well as all the import fruits, could be caught up in the Ebola fever virus ravaging West Africa? Indeed, the rumour, which could have rapidly turned into hysteria, spread throughout Europe. The word was that all fruits imported from Africa were carrying the disease. The European distribution sector quickly asked the import sector for explanations. The pressure eased after German's highest sanitary authorities in the field ruled out any risk of the disease spreading in Europe via fruit imports. Let's hope that this vicious rumour has joined the pantheon of true-false news, such as the imminent extinction of the banana (2003 and then 2014), the carnivorous banana (Mozambique, 2011) or even the notorious Euro-myth that the European Commission imposed regulations on the curvature angle of bananas (1994) ■

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