



## Banana in Russia

### A star in the hands of a few czars

**B**anana imports in Russia had levelled out in recent years but now seem to be growing strongly since the beginning of 2007. Given the remaining scope for development and solid economic growth, this trend is probably not conjunctural and is playing a structuring role on the world market by helping to maintain good prices on the open market.

#### A fruit market boom

Russian consumer interest in fruits is clearly increasing. The banking crisis at the end of the 1990s that strongly hit a fruit and vegetable import sector that was still in its infancy is a thing of the past. The volumes imported, dipping below the million-tonne mark in 1999, attained nearly 3.5m tonnes in 2005, giving an annual growth rate of 24%!

#### Banana in the number 1 spot of the imported fruit hit parade

This was a period during which banana consolidated its position as the leading imported fruit. The volume reached 860 000 t in 2005, an increase of nearly 500 000 t since 1999. It took Russia five years to become the fourth-largest import market in the world after the EU, the United States and Japan. The volumes shipped to these countries form 6% of world trade and are the equivalent of the annual average consumption of a country like Great Britain, the second largest market in EU-25.

Apple, Russian consumers' favourite fruit, is only in second position in imports because domestic production is large in the orchards in the Kras-

nodar, Volgograd and Samara regions. Orange comes third with slightly less than 400 000 t.

#### Strong return to growth in 2007 after a period of stability

It is true that the period 2003-2006 was marked by the comparative stagnation of banana imports. However, the first 2007 figures seem to indicate that growth is back and that a new record may be set. Volumes to mid-May exceed 23 million boxes, i.e. about 425 000 t, an increase of nearly 40% in comparison with 2005 and 2006.

Is this increase a flash in the pan? Probably not as it seems to have solid foundations—strong economic growth devoted largely to consumption and the generalisation of modern trading that means banana is



© Cabinet Levesque

Russia — Fresh fruit imports — Tonnes

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Banana</b>	<b>397 224</b>	<b>378 049</b>	<b>660 647</b>	<b>477 115</b>	<b>377 891</b>	<b>502 950</b>	<b>612 210</b>	<b>649 959</b>	<b>802 073</b>	<b>858 124</b>	<b>863 503</b>
<b>Pip fruits and stone fruits</b>	<b>474 916</b>	<b>550 371</b>	<b>533 966</b>	<b>530 619</b>	<b>255 817</b>	<b>341 514</b>	<b>531 304</b>	<b>612 371</b>	<b>929 427</b>	<b>1 150 208</b>	<b>1 238 107</b>
Apple	407 695	427 999	356 990	358 760	154 270	200 139	324 595	362 071	608 299	705 277	723 580
Pear and quince	48 570	86 914	137 478	122 784	70 617	76 808	132 058	162 010	210 600	260 103	313 390
Peach and nectarine	12 232	27 080	26 729	23 448	22 576	37 161	46 303	61 684	52 905	76 787	100 569
Apricot	729	3 073	6 558	11 493	4 295	10 215	12 066	13 787	11 958	22 869	32 923
Cherry	203	959	911	3 609	849	5 818	4 244	4 123	17 032	30 248	33 786
Plum	5 487	4 345	5 299	10 524	3 210	11 373	12 038	8 696	28 633	54 924	33 859
<b>Exotic fruits</b>	<b>7 033</b>	<b>12 823</b>	<b>9 839</b>	<b>11 638</b>	<b>4 856</b>	<b>5 387</b>	<b>13 994</b>	<b>19 727</b>	<b>23 045</b>	<b>29 592</b>	<b>28 101</b>
Avocado	130	336	477	950	825	385	689	1 057	1 106	1 669	2 369
Pineapple	6 526	11 640	8 357	10 651	4 012	4 967	13 251	18 596	21 831	25 189	22 870
Others	378	847	1 005	37	19	35	54	74	108	2 734	2 862
<b>Citrus</b>	<b>381 069</b>	<b>378 967</b>	<b>555 328</b>	<b>541 746</b>	<b>282 277</b>	<b>472 114</b>	<b>561 904</b>	<b>701 276</b>	<b>780 175</b>	<b>853 276</b>	<b>951 849</b>
Easy peelers	56 603	89 284	147 884	135 709	65 385	113 502	131 206	162 526	188 495	243 514	335 351
Grapefruit	14 516	13 063	16 295	18 155	4 456	13 826	21 933	33 025	32 449	44 762	45 593
Lemon	71 678	64 905	112 841	96 439	51 735	95 140	135 364	144 020	155 443	166 322	179 773
Orange	238 272	211 715	278 309	291 443	160 700	249 646	273 401	361 705	403 788	398 678	391 132
<b>Others</b>	<b>28 504</b>	<b>102 725</b>	<b>115 100</b>	<b>66 141</b>	<b>23 789</b>	<b>79 397</b>	<b>122 643</b>	<b>125 645</b>	<b>188 441</b>	<b>303 175</b>	<b>348 694</b>
Fig	1	132	7	1 443	1 544	3 051	2 777	2 385	5 316	293	327
Kiwi	6 824	10 828	22 306	17 032	5 218	4 033	20 292	20 776	25 652	37 679	43 519
Grapes	21 220	91 227	91 308	44 806	16 314	71 545	97 788	99 747	154 472	257 551	291 163
Strawberry and other berries	459	537	1 478	2 860	713	768	1 786	2 737	3 001	7 652	13 685
<b>Total</b>	<b>1 288 747</b>	<b>1 422 934</b>	<b>1 874 880</b>	<b>1 627 259</b>	<b>944 630</b>	<b>1 401 361</b>	<b>1 842 055</b>	<b>2 108 978</b>	<b>2 723 161</b>	<b>3 194 375</b>	<b>3 430 254</b>

Source: FAO



Russia — Banana imports — Tonnes

	1998	1999	2000	2001	2002	2003	2004	2005
Ecuador	306 491	240 970	442 890	567 996	592 235	723 274	789 176	791 057
Colombia	98 630	89 306	22 771	20 935	15 712	21 231	39 323	28 005
Philippines	7 524	3 700	2 921	14 215	13 892	20 824	22 485	20 806
Costa Rica	44 757	32 024	4 200	-	933	17 469	989	15 468
Panama	4 817	10 360	15 738	2 412	5 430	7 239	3 905	3 948
China	786	506	754	814	504	822	2 131	2 284
Honduras	10 179	-	891	1 464	14 695	7 458	-	1 915
Guatemala	-	-	9 158	-	2 411	71	-	18
Vietnam	1 682	969	2 507	1 371	1 256	1 293	-	-
Others	2 249	56	1 120	3 003	2 891	2 392	115	2
<b>Total</b>	<b>477 115</b>	<b>377 891</b>	<b>502 950</b>	<b>612 210</b>	<b>649 959</b>	<b>802 073</b>	<b>858 124</b>	<b>863 503</b>

Source: FAO

available in parts of the country not covered until now.

### Buoyant economic growth

Economic growth of between 6.4 and 7.4% per year since 2003 is certainly a factor in the boom. Average annual income per person is still increasing more strongly than inflation, which is nevertheless one of the scourges of the Russian economy. It is true that the average income is still comparatively low (a little less than USD 7 000 per capita in 2006), but the proportion available for consumption is much larger than in most developed countries. Taxes are low, the proportion of owned homes is high and the Russians—still intimidated by the 1998 banking crisis, have few debts. As a result, development of the retail trade is even stronger than economic growth and runs at some 10 to 12% per year.

### Commercial structures are growing strongly, and not only in large urban centres

The rapid increase in the number of modern retailing facilities encourages this spending fever, especially as the Soviet state shops are not very far in the past. Supermarket chains were marginal until 2004 outside the large urban centres St Petersburg and Moscow but are now spreading in the provinces. Cities with populations of 300 000 to 500 000 habitants have been targeted since 2005-2006 by leading groups in the country such as Piaterotchka, the German chain Metro and the Turkish company

Ramstor. Kopeika and Perekrestoc have already moved into provincial urban centres with populations of over 50 000. The market share of modern retailing thus quadrupled from 2003 to 2006, increasing from 8 to 32% at the expense of open-air markets and specialised kiosks. The phenomenon may accelerate as world leaders like Wal-Mart and Carrefour seem to have plans to set up shop in Russia.

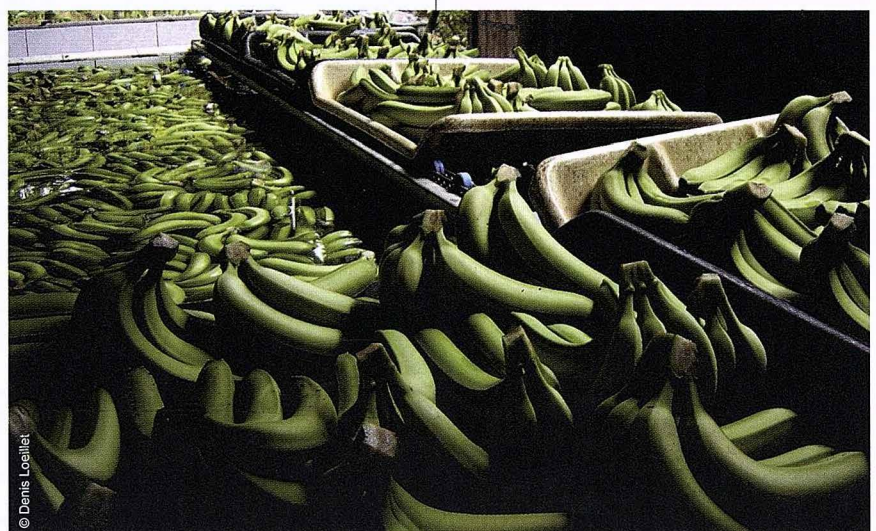
### Banana is going beyond large urban centres

Banana is no longer reserved for the large metropolises in the north-west especially as in parallel road infrastructure has been modernised and developed and importers have established national networks of cold stores fed by vast fleets of refrigerated lorries. Banana is now available in most of the 'fertile triangle', the zone consisting of the European part

of Russia and south-west Siberia where three-quarters of the population live.

### Enthusiasm for fruit and vegetables and other 'healthy' foods

Another consequence of the rise in the standard of living is that quality products and especially those with a good health image are tending to replace standard products. A survey conducted by the Nielsen Group in 2004 showed that the consumption of fresh dairy products and fruit and vegetables had increased distinctly since the early 2000s at the expense of meats, sausages, pasta and butter. Banana is benefiting considerably from this trend and in just a few years the status of the fruit has changed from that of exotic during the Soviet era to that of a basic fruit today. Costing about USD1 per kg at the retail stage, it is the most acces-





### Logistics, a key feature and perhaps a limiting factor in the medium term

Russia is a vast country but its western seaboard is limited. However, most of the population lives in the western part of the country. Importers therefore have a limited choice of available ports. Some 90% of banana imports are unloaded in St Petersburg, located close to the large consumption areas. However, 'ice class' ships with strengthened hulls are required in the Baltic in the winter. But the ice ship fleet is growing old. Many of the 'Sun' family used by Sunway are more than 25 years old, and the same applies to the 'Crystal' used by JFC and the 'Baltic' that belong to Sorus—often more than 30 years old. Is a shipping capacity shortage approaching that might bridle market growth in the future? It seems that there is no reason for alarm even if there are currently no large-scale plans for building these expensive ships for the moment. Technical solutions do exist for adapting conventional reefer ships to the constraints of the Baltic by strengthening their hulls. Furthermore, the development of the banana market is giving these players financial resources and scope for credit. The alternative of making more use of the port of Novorossiysk in the Black Sea does not have great credibility. Only 10% of banana imports arrive there. It is true that access to it is easy in the winter but it is much further from the major urban centres than St Petersburg and its ageing installations mean that unloading takes much longer.



sible of the fruits sold during the autumn-winter period.

### A very concentrated market

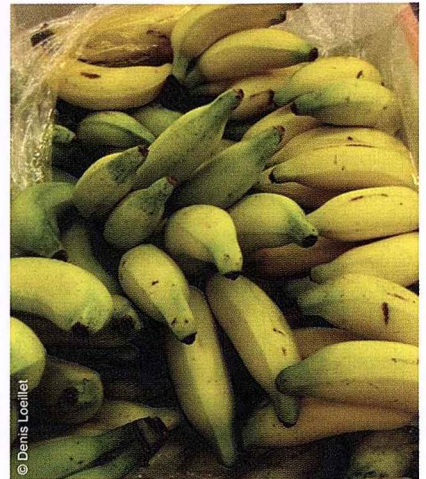
Who are the stakeholders in this development? The Russian market mirrors the world market, being concentrated in the hands of a very limited number of players. But unlike the United States, Italy or northern Europe, the market is not dominated by a handful of well-known multinational corporations but by local stakeholders. Three importers alone control about 70% of the quantities sold: JFC, the largest, followed by Sorus and Sunway. Five other operators—Palmar, New Trading System, Optifood, Fruit Brothers and Banana Exchange—share the rest of the market.

### Marked vertical integration by the 3 leading importers

Vertical integration is one of the keys of the success of the three main operators. All have their own sea freight capacity. The fleets run by these operators total some 25 to 30 vessels and this is an undeniable advantage in the light of the share of freight in cost price: Guayaquil-Saint Petersburg is currently available at USD 6 or 7 per box on the spot market, that is to say about 50% of the CIF price. Furthermore, sea freight prices have tended to increase strongly in recent years for reasons of lack of capacity and increased bunkerage costs, accentuated in the case of delivery to the port of St Petersburg by the need to use rare—and costly—special ships during the winter (see box on logistics).

The other importers do not own shipping and group to purchase the capacity they need from a specialised charterer (generally the Baltic Shipping company).

These major importers have also invested very heavily in their own production facilities. According to professional sources, JFC, Sunway/SWT Trade and Sorus/Banafresh



possess a total of some 6 000 to 6 500 ha of banana plantations. But this figure seems far from final and purchases of banana plantations are in full swing. JFC and Sorus have gone further in integration. In addition to their plantations and packing stations, they own their own aerial crop spraying companies and bunch bag manufacturers. One operator is reported to be negotiating the purchase of a box factory.

This strategy is aimed not only at ensuring an even and satisfactory level of fruit quality. It also assures minimum supplies to fill a proportion of the ships. Furthermore, it provides good information about the production situation so that goods can be purchased at the best price as, according to professional sources, the plantations owned by these companies appear to cover only 25 to 30% of their requirements. This is also one of the reasons why Russian importers have chosen to set up in Ecuador. The fruits are competitive in terms of both price and quality and there is also a free market allowing the purchase of large quantities of goods.

### Ecuador, leading supplier of the Russian market

Ecuador supplied two-thirds of Russian market requirements at the end of 2000 and has since strengthened its leading position. It has had a market share of over 90% since 2001. Shipments from Colombia and Costa Rica are merely complementary (20 000 to 40 000 t per year). However, supplies from these



**Russia — Characteristics of the main importers**

	<b>JFC</b>	<b>Sunway</b>	<b>Sorus</b>
Sales (2005 - Uralsib Corp.) - million USD	363	241	
Sales (1st half of 2006 - Uralsib Corp.) - million USD	196.3		140.2
Date founded	1994	1993	1994
Subsidiaries in Russia (2006)	10	9	17 (9 wholly owned)
Share of imported fruits market (2004 - Rosbank)	17%	12%	9%
Share of Russian banana market (1st half of 2006 - Uralsib Corp.)	27%	23%	23%
Ripening capacity (2006 - Rosbank) – in boxes per week	210 000	170 000	110 000
Main clients	supermarkets	supermarkets	wholesalers
Logistics/transport	7 owned ships 'Crystal' + 2 time charters (2006)	4 ships (2006) 'Sun'	12 ships (2006)
Logistics subsidiary		Farnell World Inc.	Saptari
Subsidiary in Ecuador	JFC Ecuador SA	SWT trader SA	Banafresh
Date of establishment in Ecuador	2000	2000	2000
Brand	Bonanza	Sunway	Don Carlos, Dorita
Date of first plantation	2004	December 2005	2004
Plantation area	4 000 ha (2007)	1 000 ha (2006)	1 200 ha (2006)
Exports in 2006 (million boxes - AEBE)	11.8	10.2	10.2
Export ranking and % of total (2006)	6th (4.85%)	8th (4.19%)	7th (4.21%)

Source: Cirad

countries could increase significantly in the near future because some Russian operators seem to wish to diversify their sources of supply. Projects for setting up operations in these countries appear to be in the planning stage. In addition, 20 000 to 22 000 t from the Philippines complete supplies in the eastern fringe of Russia.

### Structuring effects on the world market...

This developing industry has consequences on the world market. The

cumulated volume handled by Russian operators forms a large proportion of Ecuadorean exports (over 16% counting just the three leaders and Banana Exchange), placing them in third position among the leading players in the country, just behind Noboa and Ubesa. Furthermore, whether they are integrated or not, they purchase all or part of their supplies on the open market and thus contribute to its balance. This is one of the factors that account for the very good behaviour of Ecuadorean spot prices since the beginning of the year. As an illustration of this, the search for

the last volumes needed to fill the ships due to sail to St Petersburg generally leads to the rocketing of prices on Thursdays in the port of Guayaquil.

This suction effect is definitely not conjunctural and should increase as the market has an enormous potential for development. Consumption is currently only 6 kg per person per year. This is 40% less than in the EU and Russia has a population of nearly 140 million.

### ...but this might be a dash of cold water for the EU market!

Positive effects can thus be observed but also the rise of new players on the EU market. Sorus has clearly announced its intentions and is setting up a subsidiary in the north of the Netherlands. This is called Green Group and its business is the development of the Dorita brand of EurepGAP Ecuadorean banana in western Europe. Might a Siberian wind be blowing in the direction of the EU banana market? ■

**Eric Imbert**, Cirad  
eric.imbert@cirad.fr

