

No. 262

January 2019

FR*ui*TROP **magazine**

fruitrop.com

English edition

Banana in the eye of the cyclone



Late easy peelers
2018-19 forecasts

Southern Hemisphere pears
A fairly wide varietal range

The pineapple in Costa Rica
Producer country file

The avocado in South Africa
Producer country file

Counter-season melon
Still jostling for position!



TRUST THE AUTHENTIC



1 on



naturally
Seductive!



naturally
Seedless!



naturally
Sweet!

The 100% authentic Nadorcott that stands out by its premium quality, exceptional taste and natural seedlessness.

www.morocco-nadorcott-seedless.com

Editorial



Narrowing the range of thought.

Newspeak is the official language of Oceania, invented by George Orwell for his novel "1984". One of the characters in the work, responsible for the Newspeak dictionary, explains its aim: "Don't you see that the whole aim of Newspeak is to narrow the range of thought? In the end we shall make thoughtcrime literally impossible, because there will be no words in which to express it". A no-doubt irreverent Tweeter (@PaulFaburel), clearly a fan of Orwell or just simply sensible, coined a new entry for this dictionary - "agrology". He even provides a definition: when agronomy teams up with irrational beliefs such as astrology (biodynamics), for the purpose of scaring people. Beyond this nod of the head, every passing day shows that this is the approach used to treat most subjects relating to agriculture, agri-business and food. Beliefs have replaced argument, facts and scientific proof, definitively muddying the debates, which are no longer guided by info. Crime is now impossible since there is no longer knowledge, there are only "experts". Worse still, among this learned assembly which seemingly grows with every passing day, researchers are not uncommon. The complexity of the subjects, in the agricultural sector alone (glyphosate, CRISPR-Cas9, mutagenesis, ecological intensification, etc.), does nothing to help things, since we are discussing (a grand term for it) living things. It is of course quicker and more practical to be guided by your own opinion – which you can share with yourself repeatedly, and without difficulty... "Move along, nothing to see here!" Nowadays, we might add on the end "... and no talking!"

Denis Loeillet



Annual subscription: EUR 360 pre-tax / www.fruitrop.com / info@fruitrop.com

1 subscription = 2 sources of information

FruiTrop Magazine: 5 issues, paper and .pdf editions

+ FruiTrop online: forecasts, reviews, and news

Publisher: CIRAD, TA B-26/PS4, 34398 Montpellier cedex 5, France; Tel: 33 (0) 4 67 61 71 41; Contact: info@fruitrop.com; website: www.fruitrop.com

Publishing Director: Eric Imbert; **Editor-in-chief:** Denis Loeillet; **Editor:** Catherine Sanchez; **Computer graphics:** Martine Duportal;

Website: Actimage; **Advertising Manager:** Eric Imbert; **Subscriptions:** www.fruitrop.com; **Translators:** James Brownlee and Tradeasy;

Printed by: Impact Imprimerie, n°483 ZAC des Vautes, 34980 Saint Gély du Fesc, France

ISSN: French: 1256-544X; English: 1256-5458; **Separate** French and English editions; © Copyright Cirad

This document was produced by the Markets News Service of the PERSYST department at CIRAD, for the exclusive use of subscribers. The data presented are from reliable sources, but CIRAD may not be held responsible for any error or omission. Under no circumstances may the published prices be considered to be transaction prices. Their aim is to shed light on the medium and long-term market trends and evolutions. This publication is protected by copyright, and all rights of reproduction and distribution are prohibited.

Cover photograph © Verne Ho

Contents

4 Direct from the markets

Banana supply to the USA – Banana supply to the European Union – Banana consumption in France – Banana in Ecuador – Pineapple in Costa Rica – European lime market – Avocado in California – Avocado in Australia – Avocado in Peru – Avocado in Colombia – Easy peelers in California – Citrus in Tunisia – Berries in Spain – Southern Hemisphere pears – 2019 weather forecasts – Cashew nut market.

20 Counter-season grape

It's not about seedless at any cost (*Cécilia Céleyrette*)

24 Late easy peelers

2018-19 forecasts (*Eric Imbert*)

34 Counter-season melon

Still jostling for position! (*Cécilia Céleyrette*)

38 The avocado in South Africa

Producer country file (*Eric Imbert*)

50 The pineapple in Costa Rica

Producer country file (*Carolina Dawson*)

86 Southern Hemisphere pears

A fairly wide varietal range (*Cécilia Céleyrette*)

92 Sea freight

H2 2018 (*Richard Bright*)



Close-up Banana

prepared by
Denis Lœillet



58 European market

In the eye of the cyclone

67 Retail price in Europe

Consolidation of margins in the distribution sector

68 United States market

Stability

69 Russian market

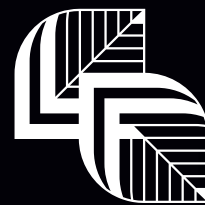
Consolidation?

70 Retail and import price

France, United Kingdom, Spain, Germany

72 2019 prospects

The banana market from A to Z



LilotFruits

A NATURAL WEALTH OF TASTE

— BY CAPEXO —

Join us

created by: J'articule ©Cherrystone

Beyond the seas and oceans, to find our best produce,
providing subtle, exceptional and precious tastes...

AT THE HEART OF OF OUR NATURAL RESERVE,

at the Fruit Logistica show, from 6 to 8 February, Hall 23, stand F-17.



HIGH-TECHNOLOGY
RIPENING CENTRE



5300
M² WAREHOUSE



CERTIFICATION



PACKING
DEPARTMENT

CAPEXO . +33(0) 1 41 73 23 00 . www.capexo.fr

Banana supply to the USA: treading water, except for organic.

The US market is playing on its stability. Over twelve months (November 2017 to October 2018), it was up by only 28 000 tonnes to settle at 4 237 000 tonnes, i.e. a gain of 0.7 %. As was the case in Europe, the US supply leapt up by 5.3 % in October 2018, after a big downturn in September (- 10.7 %). Over two months, the market nonetheless lost 19 000 tonnes. On a flat market in terms of volumes, organic was a big hit, registering a dazzling rise of 38 % over ten months. Its market share was 12.4 %, with a total of 504 000 tonnes. Fortunes were mixed in terms of the origins. Costa Rica and Honduras lost ground. Guatemala was stagnant, to the point of slipping slightly. Ecuador, Mexico, Colombia and Peru registered at times remarkable rises (14.4 % for Peru).

Source: CIRAD

Banana – EU & USA – Supply from January to October 2018 (provisional)

000 tonnes	2016	2017	2018	2018/2017 difference
EU-28 - Supply	5 086	5 364	5 459	+ 1.8 %
Total import, of which	4 524	4 875	5 008	+ 2.7 %
MFN	3 559	3 966	4 149	+ 4.6 %
ACP Africa	532	532	499	- 6.2 %
ACP others	431	378	360	- 4.8 %
Total EU, of which	562	489	452	- 7.5 %
Martinique	170	115	113	- 1.2 %
Guadeloupe	56	40	23	- 43.0 %
Canaries	320	317	299	- 5.6 %
USA - Import	3 875	4 063	4 058	0 %
of which organic	307	365	504	+ 38 %
Re-exports	468	485	477	- 2 %
Net supply	3 407	3 577	3 581	0 %

EU sources: CIRAD, EUROSTAT (excl. EU production) / USA Source: US Customs

Banana supply to the European Union: weaker growth.

Despite a record supply level in October 2018 (594 000 tonnes!), on a twelve-month sliding scale (November 2017 to October 2018), European consumption went up by only 109 000 tonnes. One year previously, the rise was more than 310 000 tonnes. Of course the surplus remains (1.3 million tonnes since 2010), but the annual growth rate fell to 2.1 % as opposed to 5 % for the previous two years. For example, September was a very bad month, though we can assume that the record October was able to offset this dip. February, March, June and August also hit the trend hard. The fact remains that we are still in a growth phase. Over the first ten months of 2018, dollar banana imports were up by 2.7 %, while imports from the ACP plummeted by 6.2 % for Africa and by 4.8 % for the rest. Imports exceeded the 5-million tonnes mark for the first time. On top of that came an estimated 450 000 tonnes of European production.

As for the dollar origins, only Colombia was in negative figures over ten months (- 3.6 %). All the rest were up on the European market, with indeed two-figure growth for Ecuador (+ 10 %) and Guatemala (+ 33 %). Five out of the top six dollar origins set new records. As for the ACP, there was disappointment since among the big suppliers; only Côte d'Ivoire (+ 1 %) and Ghana (+ 5.5 %) saved themselves, albeit on an import market with an overall rise of 2.7 %. Cameroon, the Dominican Republic and Belize all sank, each for very different reasons. While we might assume that the Dominican Republic was in a post-cyclone recovery phase, the future looks bleaker for Cameroon (with one of the operators shutting down completely) or Belize. Meanwhile Surinam seemed to be on the slide month after month (- 5 %). Some steady progress, albeit still limited, should be noted for Angola (3 000 tonnes).

Source: CIRAD





Ripe, you shall be!

On the right sight of the force our products are,
as adhere to the ripening time we do.

Objective: **100 % customer satisfaction.**

WWW.SOLYIMPORT.COM



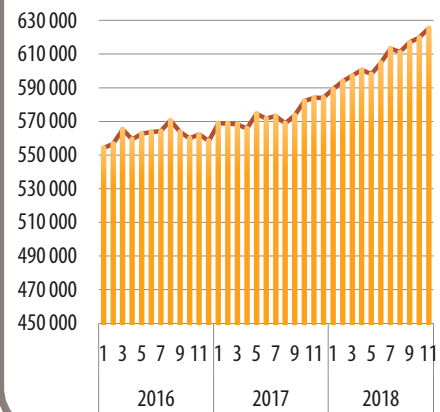
PACKED
WITH SATISFACTION

Banana consumption in France: a new feat in 2018.

Over the last twelve months (December 2017 to November 2018), the French market leapt up by 7.1 % to reach 625 000 tonnes. October and November were extremely heavily laden, with an unprecedented monthly supply of 55 000 tonnes, which represents respectively + 5 % and + 11 % compared to the same months in 2017. Over the first eleven months of 2018, the supply was 579 000 tonnes, i.e. a rise of 8 %. In the relative absence of French production (persistent effects of previous climate damage), the French market took in twice as much dollar bananas as two years ago: more than 220 000 tonnes by annual rate as at the end of 2018, as opposed to barely 100 000 tonnes at the end of 2016. Volumes of ACP bananas were up too, though in very restrained proportions: 460 000 tonnes today (over twelve months), as opposed to 420 000 tonnes at the end of 2016. Introductions via the other Member States of the EU have dropped drastically for the past two years. Re-exports from France remain stable in the short term, but are tending to fall over the long term.

Source: CIRAD

**Banana - France - Net supply
on a 12 sliding months basis**
(in tonnes | source: French Customs)



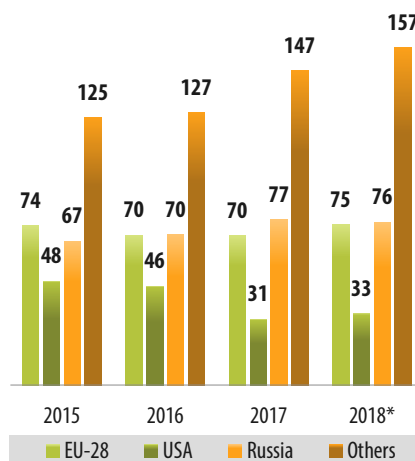
Banana – France – Supply from January to November 2018 (provisional)

in tonnes	2016	2017	2018	2018/2017 difference	
				tonnes	%
Martinique and Guadeloupe*	239 877	160 347	151 173	- 9 174	- 6 %
ACP	376 712	394 706	420 346	+ 25 640	+ 6 %
Dollar	94 872	179 425	208 722	+ 29 297	+ 16 %
via a member State**	27 858	33 566	28 921	- 4 645	- 14 %
Total	739 319	768 044	809 162	+ 41 118	+ 5 %
Re-exports	227 360	230 529	230 370	- 159	0 %
Solde	511 959	537 515	578 792	+ 41 277	+ 8 %

* UGPBAN data / ** i.e. loss of the notion of origin / Sources: French Customs, UGPBAN / Processed by CIRAD-Fruitrop



Banana - Ecuador - Exports
(*2018 estimate | in million boxes | source: AEBE)



Banana in Ecuador: a record year.

According to preliminary professional figures, Ecuadorian exports should beat a new record, with approximately 340 million boxes (+ 5 % on 2017). Ecuador continued to strengthen its positions in the EU-28, more than ever the country's number one market, and maintained a level of shipments well above average to Russia, the Mediterranean and Asia. The only blot on the landscape for Ecuador was its ongoing failure to make up lost ground in the USA, despite a slight rise in volumes.

Source: AEBE



*We have gone to the ends of the Earth to find avocados par excellence,
real nuggets of flavour, which benefit from all our expertise
as a ripener for an enhanced taste.*

*How about another mouthful of sunshine?
+ 33 (0) 4 78 42 64 48 or at solyimport.com*

Soly

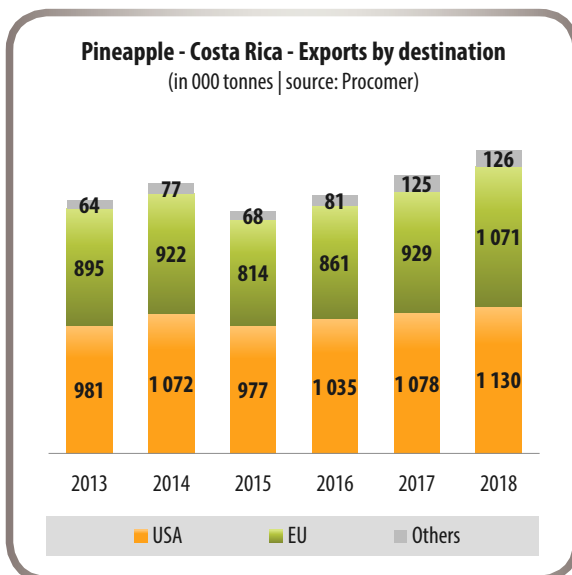


**Bon
Voyage**

Pineapple in Costa Rica: a historic campaign.

The Costa Rican giant was bigger than ever in 2018. According to preliminary figures, exports across all destinations should exceed 2.3 million tonnes: a figure up by more than 9 % on the previous year, and never previously reached (+ 200 000 t on the previous record dating from 2017). Shipments to the EU-28 should register an unprecedented level, of slightly more than 1 million tonnes (+ 15 % on 2017). The rise in exports to the United States was reportedly slightly less than 5 %. The FOB price out of Costa Rica across all destinations, of around 440 USD/tonne, reportedly registered a fall of approximately 3 % from the previous season, though it remained well above average.

Source: Procomer

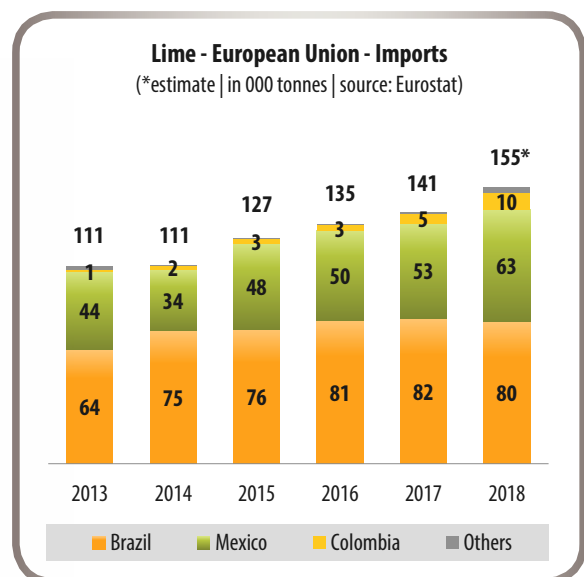


© Guy Behringer

European lime market: strong growth continuing.

The still provisional figures for 2018 confirm the fine lime sales dynamic in the EU-28. Imports should exceed 150 000 tonnes, a figure 10 % up on 2017. This fine performance confirms the underlying upward trend in sales, which over the past five years have registered mean annual growth of 7 %. The market breakdown between supplier countries is changing, although the two main protagonists are still the same. Brazil maintained its leadership, though the 2018 figure showed signs of levelling off in terms of its exports to the Old Continent, at approximately 80 000 t. Conversely, Mexico was up in terms of volumes, gaining market share (40 % now as opposed to just over 50 % for Brazil). An outsider is now emerging at a rate of knots: Colombia. Exports from this country to the EU-28, still less than 1 000 t in 2013, should approach 10 000 t in 2018. Acidic citrus fruits are in fashion, since lemon consumption is also exhibiting growth, of approximately 5 % per year.

Source: CIRAD



© Régis Domingue

KINOBÉ

GROUPE



Au coeur de l'Europe, au plus près de la qualité
In the heart of Europe, with quality close at hand



La Méditerranée, et plus encore
The Mediterranean and further afield



Des goûts venus d'ailleurs, le service en plus
Tastes from other lands, with service included



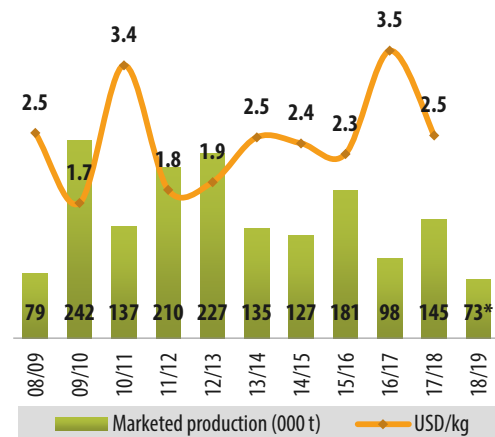
Logistique sur mesure
Tailormade logistics

Avocado in California: heatwave.

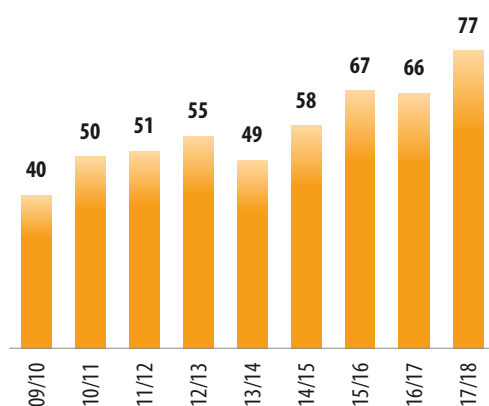
The 2019 avocado harvest will bear the wounds of climate change. California, in recent months ravaged by fires that have taken a terrible toll, also suffered a heatwave of unprecedented intensity in early July 2018. The central valleys of the south of the State saw temperatures exceeding 45°C. And production is set for major consequences in 2019. According to an initial estimate by californiaavocadogrowers.com, the harvest could be around 70 000 to 75 000 t, the lowest level ever recorded, half the 2018 level. The 2020 harvest could also be affected by this extreme climate episode.

Source: CAC

Avocado - California - Production and economic returns
(*estimate | source: CAC)



Avocado - Australia - Production
(in 000 tonnes | source: Avocado Australia)



Avocado in Australia: export ambitions.

The Australian industry is confirming its upsizing process. The review of the 2017-18 campaign, recently published by Avocado Australia, shows production constantly increasing, now approaching 80 000 t. The projection drawn up by Avocado Australia for a harvest of 115 000 t in 2025 appears fully credible. Growth remains strong, in North and Central Queensland, as well as Western Australia province. Given this surge, Australian professionals are planning to step up their exports. The share of this outlet, currently marginal, could increase from 5 % to 10 % by 2021.

Source: HAL



Share our passion...

THE AVOCADO



Hall 18
A 06



montosa

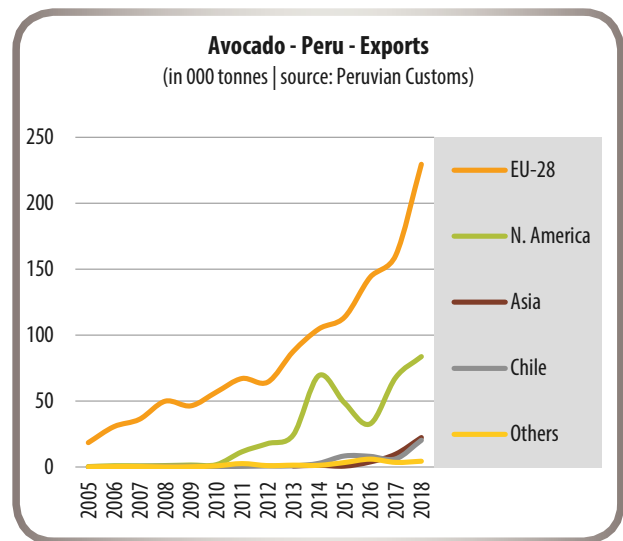
the avocado society

www.frutasmontosa.com

Avocado in Peru: Asia, more than a strategic outlet.

Peruvian exporters have decided to redouble efforts to increase their exports to Asia. Prohass has announced the launch of a promotion campaign in China in 2019 (budget not yet fixed). Furthermore, the doors to the Malaysian and South Korean markets should open between late 2018 and early 2019. This is a major challenge for the Peruvian avocado industry. Finding alternative outlets to the European Union and the United States has become a pressing need in the face of the huge production growth prospects. The 33 000 hectare cultivation area recorded by Prohass at the end of 2018 should make it possible to export approximately 500 000 tonnes within five years' time, i.e. 150 000 tonnes more than during the exceptional 2018 season.

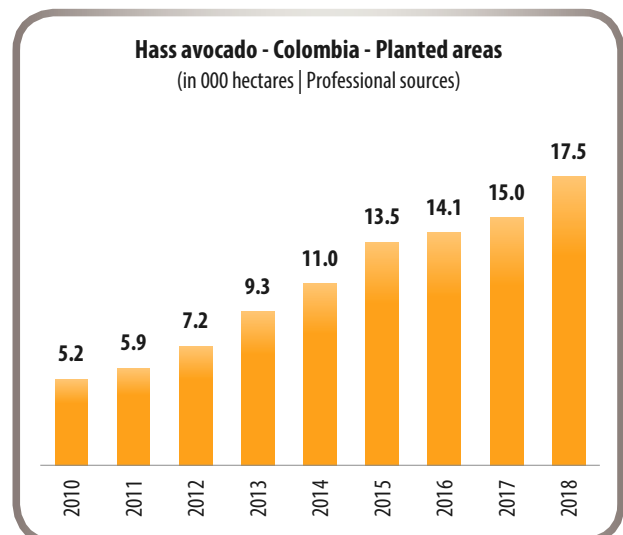
Sources: Prohass, professionals



Avocado in Colombia: Camposol, soon to be the number one Colombian producer?

The Peruvian agribusiness group has started to invest heavily in Colombia. The objective is to obtain an export potential of Colombian Hass of approximately 40 000 tonnes by 2025. These volumes would give Camposol a large in-house production capacity year-round. According to the Colombian press the group had already planted approximately 1 000 ha of plantations by mid-2018, in the departments of Quindio (Salento, approximately 320 ha), Caldas (approximately 600 ha in Aranzazu and Manzales) and in Valle del Cauca (130 ha in Sevilla). A packing station should be built in Quindio in 2021, the predicted start date of the first exports. The Colombian Hass cultivation area was estimated at 17 500 ha in 2018, with exports nearing 30 000 t in 2017-18.

Sources: Camposol, Cronica del Quindio



Georges Helfer SA Avocado Hunter since 1972



40 years of
experience

2 WAREHOUSES:

Rungis (94) and Plan d'Orgon (13)

8 sales executives

6
origins

8 ripening
rooms
in Rungis

8,000
tons per year

innovative machines:

**MATURITY CONTROL
OF THE AVOCADO**

2 TRAY SEALERS

**4 BAGGING
MACHINES**

Contenu publié par Georges Helfer SA. Toute reproduction interdite.
Georges Helfer - RUNGIS
1, avenue de l'Europe - Ent. 133
Tél : +33 1 45 12 36 50

Georges Helfer - Plan d'Orgon
Z.I du Pont - 717, avenue des Vergers
Tél : +33 4 90 73 19 19

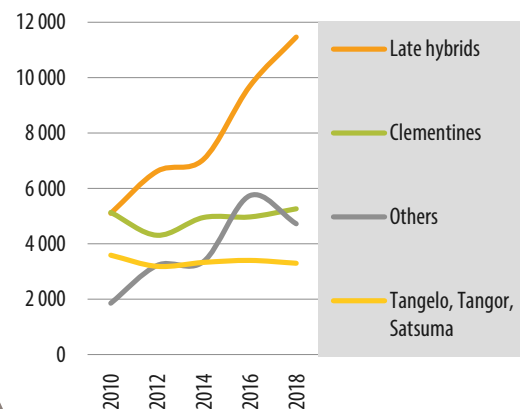
www.georgeshelfer.com
contact@helferfrance.fr

Easy peelers in California: ever more late hybrids.

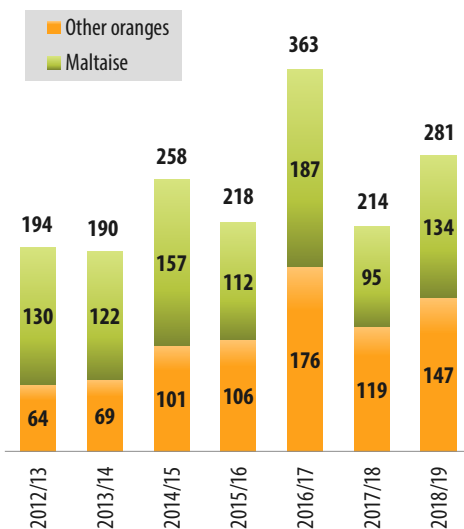
The US easy peelers cultivation area is continuing to expand. The latest survey conducted in California, where more than 95 % of the country's production is concentrated, shows that surface areas doubled between 2010 and 2018, nearing 25 000 ha. It is clearly late hybrids which are behind this increase. While the growth in Nadorcott surface areas has slowed down (+ 1 000 ha since 2010, reaching 4 100 ha), the Tango cultivation area, now the country's number one variety ahead of clementines, has increased fivefold since 2010 to reach 5 700 ha. Despite this growth in surface areas and local production, easy peeler consumption per capita in the USA remains among the lowest in the developed world (approx. 2.8 kg/year, as opposed to 5 kg in Western Europe).

Sources: USDA, NASS

Easy peelers - California - Planted areas by variety
(* Nadorcott, Tango, G Nugget, S Gold | in hectares | source: USDA)



Orange - Tunisia - Production
(in 000 tonnes | source: Gifruit)



Citruses in Tunisia: back to good production.

Gifruit is forecasting a good harvest level for 2018-19, after a lean 2017-18 campaign. The alternate bearing phenomenon has been favourable and rainfall has been abundant, even causing some flooding which has caused damage to limited surface areas of approximately 1 000 hectares. The 440 000 t expected represents a level approximately 15 % above the six-year average, and is nearly 30 % up on last season. This bounce-back illustrates the expansion trend of the Tunisian cultivation area, going from approximately 22 000 ha in 2010 to 27 000 ha in 2016. Production of the Maltaise orange, the country's main export variety, has reportedly achieved a big rise from 2017-18 (+ 42 %), albeit with only an average level of approximately 135 000 t. This variety is not enjoying the general dynamic of the sector: just 21 ha was planted, out of the more than 600 ha established across all varieties in 2016, further accentuating the stock's ageing trend (50 % of the trees are more than 40 years old). Which is a shame, since the "queen of oranges" has not been unseated by any in terms of taste, and enjoys real renown on its main (and practically only) export market, France, where it is also managing to stand out from the Spanish giant.

Source: Gifruit



one stop citrus shop

- We offer fresh citrus to our customers year-round.
- We control the process from tree to shelf—we grow, pick, pack and ship.
- We offer unparalleled service—one call meets all your citrus needs.

Call your citrus sales representative at
661.720.2500 or 956.205.7400 or go to Wonderfulcitrus.com

Wonderful citrus™



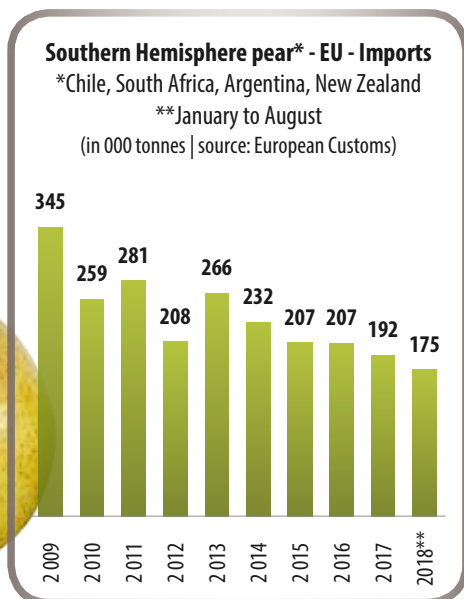
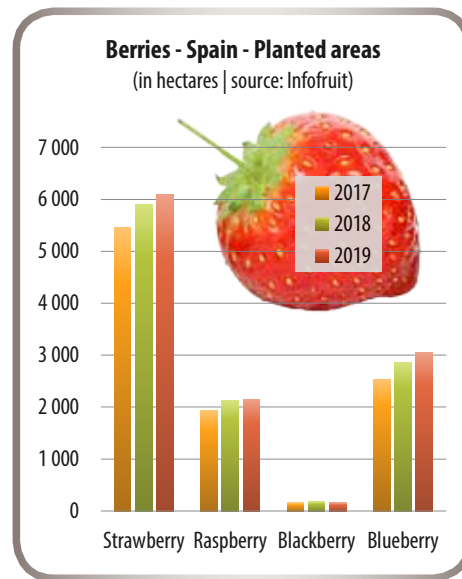
"Susie"

Berries:

Spain continuing in the same vein!

The Spanish berries campaign was a bit delayed this year in Spain, after the heavy autumn rains. Hence raspberry volumes were only significant in late November, and strawberry volumes in mid-December. Surface areas are continuing to expand, and should reach 14 464 ha this campaign for the berries range as a whole (+ 2.8 % on 2017-18). This increase translates into renewed activity for the strawberry (6 095 ha, i.e. + 3 %), with producers placing all their hopes in the new local varieties developed by FNM, which should enhance the quality image of the Spanish strawberry. The blueberry is continuing its increase, with surface areas set to break the 3 000-ha mark (+ 7 %), with the planting of early varieties. Conversely, surface areas are shrinking for the raspberry, and should drop back below 2 150 ha (- 3 %). Similarly, an 11 % fall has been registered for the blackberry (160 ha).

Source and processing: Infofruit



Southern Hemisphere pears: a mixed 2018 campaign depending on variety.

After a short period of stabilisation, European pear imports from the Southern Hemisphere dipped again in 2018, with just 174 600 t. While the fall in previous years above all expressed the loss of competitiveness in Argentinean pears, last campaign's fall highlighted structural issues due to the development of the varietal range in Chile and South Africa, with Abate plantations directly overlapping with the end of the Italian season. Hence imports from Chile were down by 20 % from 2016-17 (45 600 t), and imports from South Africa by 15 % (75 192 t). Conversely, Argentinean Williams and Packhams found their place, enabling this origin if not to regain the number one spot at least to being the number two supplier to the EC (53 400 t, i.e. + 16 %).

Source: European Customs / Processing: Infofruit

2019 weather forecasts: an even hotter year than 2018.

Ultimately, 2018 was only the 7th hottest year since 1900, and not the 4th as was believed, with record highs having abated for the past two years. However, it was marked by a hot anomaly over the Northern Hemisphere, especially in Northern Europe as far as Scandinavia (> 30°C), which had not seen such high temperatures since 2003. Consequently, there were numerous fires ravaging the Boreal forest, and Japan registered an absolute temperature record (41.1°C). The Northern Hemisphere was also hit by a cold anomaly at the beginning of the year in the USA (storm Grayson in January), and Europe (- 15 to - 20°C in February). Cyclone activity over the Atlantic was intense (15 cyclones as opposed to 12 on average), though without major phenomena. The probability of a serious El Niño phenomenon occurring, pushing up world average temperatures, is 75 to 80 % over the next three months, the World Meteorological Organisation (WMO) stated in late 2018. However, it should not be a high-intensity episode.

Source: Infofruit



Hall 5.2 – D02



YOUR AVOCADO
SPECIALIST
FOR MORE
THAN 25 YEARS.

Our ambitions, to offer you ripening solutions tailored to your requirements. Backed up by a structure with cutting-edge technologies, our know-how dedicated to ready-to-eat and triggered fruit, and all types of packing, is based primarily on the experience of our teams.

Our commitments, providing you with a daily service from the sources Brazil, Chile, Colombia, Dominican Republic, Israel, Kenya, Mexico, Peru, South Africa, Spain, Tanzania, Zimbabwe... with optimum quality ensured all year round.

Our expertise, the ability to develop partnerships based on quality projects, and jointly anticipate new market developments.

WORLD WIDE PRODUCER AND FRENCH
LEADER IN AVOCADO DISTRIBUTION.



Visual: Getty Images

Cashew nut: after the speculation, a fall in prices.

After falling by more than 25 % between March and October 2018, rates for unshelled cashew nuts climbed slightly over the last two months of the year. The spectacular fall in prices, which started at the beginning of March 2018, was in large part the consequence of excessive speculation by market players in 2017, reminding everyone that all things cashew are now played out in Vietnam.

We should recall that the 2017 campaign was marked by very poor production in Vietnam (16 % of world production), but by very good harvests in West Africa (45 % of world production) and India (21 % of world production).

During this 2017 campaign, the very many processors based in Vietnam (50 % of the world processing sector), fearing a lack of raw material and losing market share against Indian processors, drove each other into a speculative bubble, purchasing raw cashew from West Africa at sky-high prices, and causing a crazy increase in prices across the market. Prices only subsided slightly once the 2017 supply campaign had finished, in the latter half of 2017, the market finally taking into account the excellent production in West Africa.

In February 2018, Vietnamese processors approached the new campaign with a very different analysis. On the one hand, their production seemed distinctly better than the previous year, and on the other hand, large stocks of raw cashew imported during the previous campaign were still available in their warehouses.

Despite mediocre raw cashew production in India, which drove Indian processors to import much more raw African



cashew than in previous years, Vietnamese processors approached this new campaign with a clearly smaller-scale outlook, cutting back and deferring by several months the bulk of their imports of African cashew.

Ultimately, the 2017 and 2018 campaigns were similar in terms of balance between world supply and demand, though the Vietnamese producers had a completely different perception, and in this context, the evolution of world rates reversed its course.

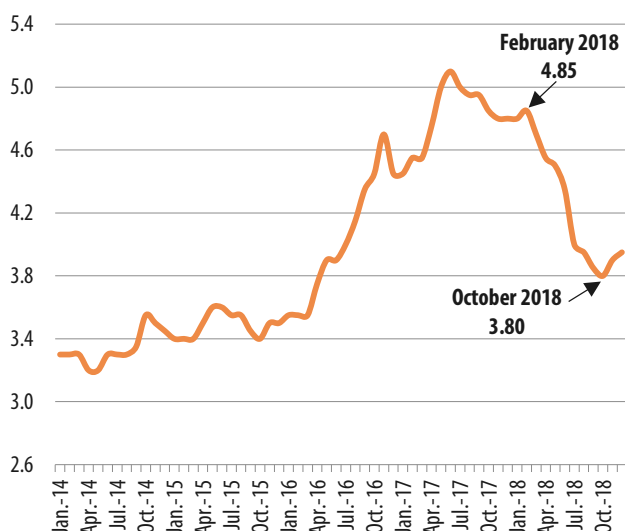
Only the surprise decision of the Tanzanian government in November 2018 to purchase via the army all of its production (9 % of world production) and process it locally finally put an end to the downward spiral.

The beginning of 2019 will depend greatly on this surprising interventionist policy. Tanzania (the biggest producer in the Southern Hemisphere and therefore the main raw cashew supplier on the world market between December and February) may never have the means to locally process all of its production. Its established processing capacity is less than 50 000 tonnes of raw cashew per year, and the Tanzanian government has already purchased more than 200 000 tonnes from its producers (i.e. two-thirds of the estimated production). Building new factories would take at least a year. So Tanzania will need to resign itself to exporting its production in raw form.

If it decides to do so, prices could even slip a little, but as long as it does not, the Vietnamese and Indian processing industries will again be under pressure from a lack of raw material, and the potential for a fall in prices remains very limited.

Source: Service N°Kalô - Nitidae

**Cashew nut - Average monthly price for grade WW320
cashew kernel FOB India (USD/lbs / source: Service N°Kalô)**





RG

Reyes Gutiérrez

tropical fruits

HALL 23
STAND E-01

365 **days**

Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

SANOS X NATURELEZA



**FRUIT
LOGISTICA**

6|7|8 FEBRUARY 2019, BERLIN

It's not about seedless at any cost

Although seedless varieties have given the counter-season grape market a second wind, especially in Northern Europe, the high prices of the licensed varieties and the fact that their taste level is well below that of the South European produce are curbing development in Southern Europe. That is why prices are still subject to adjustment, with an undeniable benefit for the most competitive origins.

© Vanessa Ringler



THE TROPICAL FRUITS REFERENCE IN MOROCCO



FRUIT
LOGISTICA

Hall 1.1
A 04

PACKFRUIT

Kénitra - Morocco

Tél : + 212 5 22 22 24 88 - Fax : +212 5 22 22 14 96

Email : stationpackfruit@gmail.com

Contenu publié par l'Observatoire des Marchés du CIRAD - Toute reproduction interdite

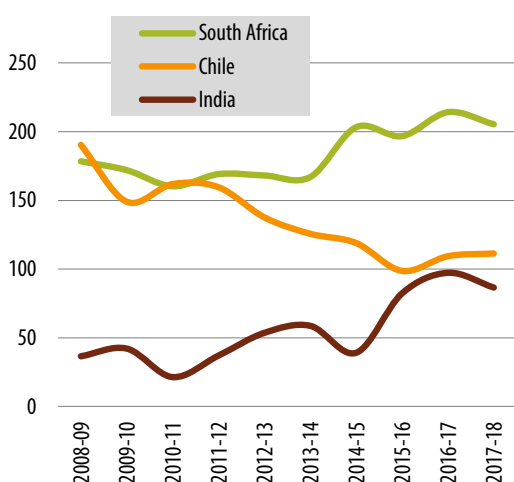


A rates war in 2017-18

The balance was hard to strike in 2017-18, due to a lack of volumes from Peru and India. Procurement was particularly complicated, which led to high price levels. The South African season began at the end of 2017 in a very lean context, in the absence of Brazil and Peru, and given the early end to the campaign in Europe with the summer drought. Prices reached historic levels in November (> 4.50 euros/kg for Peruvian Red Globe), and then started to adjust in December, albeit remaining extremely high for the time of year (approximately 3.50 euros/kg for Red Globe). The market remained under-supplied in January, with small volumes from Namibia and South Africa, and a shortfall in the early Indian production zones due to the bad weather. Rates continued to fall, though they remained above average for the season at the end of the month (nearly 3.00 euros/kg for Peruvian Red Globe). The supply finally got going in February with the South African season in full swing, topped up to some extent by Peru, though it remained below average for the season due to the delay to the Indian campaign, incoming shipments of which rose significantly only at the end of the month. From this date, rates fell more significantly, which helped sales get going (< 2.00 euros/kg for Indian Red Globe). March had a more decent supply, with large quantities from India, though volumes fell in parallel from South Africa and Peru. Chilean volumes, also behind schedule this year, were on the low side. Rates then climbed to just above 2.00 euros/kg on average for Red Globe, though sales were hesitant and unable to capitalise on the delayed Chilean campaign.

Hence the quantities imported into Europe fell slightly (526 062 t, i.e. - 1 % on 2016-17), albeit with good performance from the early production zones such as Namibia (24 900 t, i.e. + 31 %), which took advantage of the Peruvian shortfall. Tonnages from South Africa were slightly down (205 400 t, i.e. - 4 %), after a good performance in 2016-17. The downturn was especially significant from India (86 500, i.e. - 11 %), although this performance is better than for the last three seasons. Chile held up (111 363 t, i.e. + 2 %) in spite of a difficult campaign. Volumes from Argentina remained marginal (now less than 1 000 t).

Counter-season table grapes - EU-28 - Imports
(in 000 tonnes | source: Eurostat)



Counter-season table grape – EU-28
Imports from main supplier countries from September to June

in tonnes	2017-18	Compared to	
		2016-17	Last 3-year average
South Africa	205 413	- 4 %	0 %
Chile	111 363	+ 2 %	+ 2 %
India	86 560	- 11 %	+ 19 %
Peru	62 747	0 %	- 5 %
Brazil	34 381	+ 21 %	+ 26 %
Namibia	24 869	+ 31 %	+ 30 %
Total	526 062	- 1 %	+ 4 %

Source: EUROSTAT

Good quality/price ratio from South Africa

South African operators are counting on a good comeback this year, with surface areas in this country still steadily expanding. They have reportedly reached 21 500 ha (+ 2 % on 2017-18), with a marked rise in the northern provinces, as well as in Berg River, and to a lesser degree Orange River. The planting trend is still focused on seedless varieties, which now dominate the South African range (89 %), with red grapes in the majority (47 %); when added to the white varieties, they make up 76 % of seedless grapes. Crimson Seedless remains the flagship variety of the stock, with 20 % of surface areas, ahead of Prime Seedless (8 %), Thompson Seedless (7 %) and Flame Seedless (5 %).

Although the campaign fell behind schedule this year in the early zones, as late as the end of 2018 SATI was sticking to its forecast of a good harvest, of around 63.2 to 70 million boxes (i.e. + 5 to + 10 % on 2017-18). This forecast is based on expanding surface areas, improving climate conditions, with rains having helped eradicate the drought in the Western Cape, and the good yields from the new varieties. However an impact of the high temperatures over recent weeks cannot be ruled out, with some delay already for production from Orange River. The European market should remain the target for South African exporters, since it represents 77 % of export volumes (205 400 t in 2017-18), whereas the other destinations, both Asia (26 400 t) and the Middle East (11 600 t), registered a fairly big downturn last year (- 26 % and - 33 % respectively).



Chile to be a bit short

The forecasts are a bit less optimistic for Chile, where surface areas are down again (- 400 ha,) after a period of stabilisation at 48 000 ha. Seedless varieties represent the bulk of the supply (75 % of surface areas). The Thompson Seedless variety remains a must, still making up nearly a quarter of surface areas, followed by Crimson and Flame Seedless which represent 30 % of the cultivation area on their own, albeit the latter has a decreasing share. Other more modern varieties are entering production, such as Arra-15, Sweet Celebration, Timco, Alliso or Ralli. The share of Red Globe remains high in the supply to the Asian market (24 %). The overall potential was set to be close to the level of the previous two years (900 000 t according to the USDA), though the harvest was cut short at the beginning of the season by the hailstorms in November. The north of the country was hard hit, especially the O'Higgins zone, and to some degree certain production regions further south. Their impact should be less marked at the end of the season. Exports held up last year at around 730 000 t, around average for the past three years, with equivalent volumes, or even slightly higher volumes to Europe (111 363 t, i.e. + 2 % on 2016-17), though down to the USA (328 100 t, i.e. - 5 %), where competition from Peru is increasingly strong. They are continuing to increase to Asia (163 800 t, i.e. + 15 %), especially to China.

Double or quits for the Indian grape

So the Indian grape, along with the Peruvian grape, is the adjustment variable on the EC market, and was particularly significant last year. Although surface areas are stable, we should expect further progress from this origin, since the production potential is 3 million tonnes. US experts are already reckoning on an increase of at least 6 % in exports for this campaign. Half of export tonnages is for the moment aimed at Europe (EU-28 and Russia), though exports to Asia should increase in the coming years, especially to China which is taking a close interest in this origin. Many big Chinese companies have recently set up in the main production region, Maharashtra in the west of the country, to assess the sanitary protocols in place. The impact should not yet be too marked, although the export bodies are banking on a 200 % increase in shipments to China by 2020. Export tonnages were approximately 1 000 t in 2017 ■

Cécilia Céleyrette, Consultant
c.celeyrette@infofruit.fr

Late easy peelers

2018-19 forecasts

The late-season easy peelers campaign (January to April) is a useful fallback for many Mediterranean producers, often faced with unrewarding prices, even below production cost level, during the mid-season.

© Eric Imbert

Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite



6/7/8 FÉVRIER 2019
Hall 1.2 D-02

MEHADRIN INTERNATIONAL
696, chemin du Barret, ZA du Barret — 13160 Chateaufort, France
• Tél. +33(0)4 32 60 62 90 • Fax. +33(0)4 90 24 82 54
benchadod@mehadrin-inter.com — www.mtex.co.il

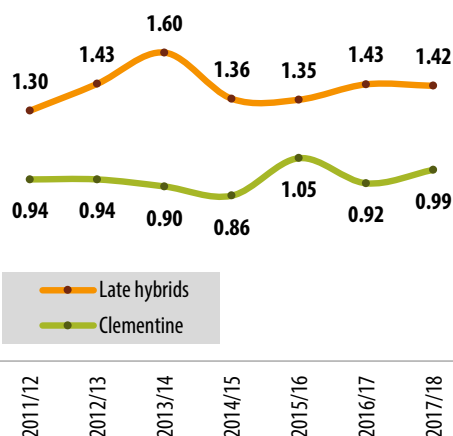


The late-season easy peelers campaign has in recent years remained a safe bet, despite considerable growth in the supply during the period January to April. Our average price indicator for the campaign has since 2014-15 peaked at a reassuring level of approximately 1.40 euro/kg, while the supply has risen by 25 %, i.e. 100 000 t.

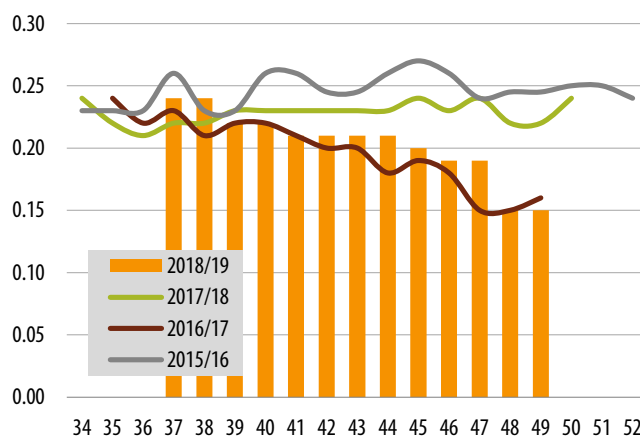
A difficult market context

This fallback represented by late-season easy peelers will this season be more akin to a lifebelt this season, so calamitous was the first part of the campaign. The production levels of the main supplier countries to the EU-28, ranging from very high for Spain to record for Morocco, needed very open markets. Yet everything seems to have been conspiring against the citrus trade since September. The late start to the season, due to the extension of the Southern Hemisphere campaigns, and above all the delayed maturity of Mediterranean production, resulted in the loss of two or three precious weeks' trading. Thereafter, the "yellow vest" social movement in France complicated logistics to all European Union consumer countries, and weighed extremely heavily on the French market, which remains an outlet of vital importance for Spain (approximately 20 % of the country's total exports). Spanish citrus volumes sold between the beginning of the season and early December registered a fall of 15 to 20 %, according to several large-scale operators. Finally, the very mild temperatures and very high cumulative rainfall in the Valencia region (more than 330 mm between September and November, as opposed to less than 25 mm in 2017) could weaken the shelf life of the Nules clementines and hit the market context in early January, a time when the late varieties are starting to make their presence felt.

Easy peelers - France - Indicator of average campaign price at import stage
(in euro/kg | source: CIRAD)



Clemenules - Spain - Weekly average price paid to producers
(in euro/kg | source: Gen. Valenciana)



Orri Mandarin

Unmistakable
taste and quality



THE ORRISISTIBLE
MANDARIN

Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

orcspain.es



**Orri Running
Committee**

Record volumes for all late cultivars in Spain

Unsurprisingly given the expanding cultivation area, the late-season easy peelers supply promises to be considerably bigger than in 2017-18. In Spain, production has reached record levels for the end-of-season varieties, with the plantations set up in recent years coming into their prime. The Nadorcott harvest should rise by approximately 12 % to in excess of 230 000 t. There should be a distinctly less marked increase in the Valencian Community (+ 23 %) than in Andalusia and in the Murcia region (approximately + 5 to 6 %). Volumes shipped should be around 205 000 t. The supply should rise in more modest proportions, by approximately 8 % for Orri (nearly 56 000 t expected). The alternate bearing phenomenon is in place, after volumes doubling between 2016-17 and 2017-18. Conversely, the Tango supply should more than double to reach 60 000 t.

Stability or back to average in Morocco and Israel

Growth in volumes will not be as high for the two other players on this market. Despite young orchards entering production or coming into their prime, the Nadorcott harvest should barely be bigger than in 2017-18 for Morocco. The climate conditions have been unfavourable, especially during flowering. Hence exports should be practically stable, at approximately 175 000 t. In Israel, the Orri harvest level will rally after the deep trough seen in 2017-18, though it will remain average nonetheless. The 135 000 t of production expected should enable exports of approximately 95 000 to 100 000 t, volumes which are still below the record of 104 000 t, from 2016-17. With the shekel climbing against the euro, the outlet diversification trend to the dollarized markets of Asia and above all North America should continue.

Easy peelers – Late hybrids – Exports from EU-28 supplier countries

in 000 tonnes	Varieties	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19*	2018-19 trend
Morocco	Nadorcott	42	67	65	99	106	126	171	175	+ 2 %
Spain	Nadorcott	122	135	132	150	157	156	183	206	+ 13 %
	Orri					26	26	52	56	+ 8 %
	Tango							25	60	+ 140 %
Israel	Orri	49	49	53	67	65	104	62	95	+ 52 %
Total		213	251	250	316	355	412	493	592	+ 20 %

* Forecasts / Professional sources



ORRI MANDARINS

GALILEE EXPORT

Farmers with over
50 years of experience

Management, control
and traceability
from the orchard
to the end customer

International
quality standards
and certification



GALILEE EXPORT FRANCE

New address at Rungis market: **36/40 rue de Perpignan bât C3 94642 RUNGIS**

Tel.: +33. (0)1.46.87.94.52 e-mail: ely@galil-export.com



Hall B
City cube
C16c

www.galilee-export.com



Overall supply up by approximately 100 000 t for the 2018-19 season

Volumes available across all origins and varieties should therefore be approximately 600 000 t, a rise of approximately 100 000 t from the previous season. Should we be afraid of an increase of this sort? The market's reaction to the increase in the supply over recent seasons enables us to be reasonably optimistic. The great steadiness of our price indicator in recent campaigns, while volumes have increased considerably, is indicative of the solidity of demand. We should recall that these varieties have a wide trading window (until April, or even early May for Orri), which covers the last period when consumption still seems able to rise. True, there is a bigger leap to make this campaign (probably just under 100 000 t, given the increase in shipments outside the EU-28, as opposed to 80 000 t in 2017-18 and 60 000 t in 2016-17). The context will play a key role. Given the delay in the Nules trading schedule, it seems clearly less favourable than in 2017-18, even if the shelf life of this variety and the others present in the mid-season holds up.

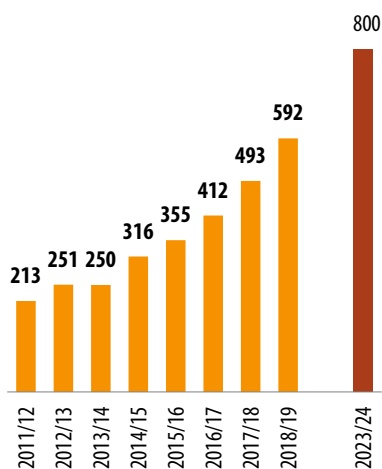
200 000 tonnes of additional production within five years

The updated cultivation area survey for the late varieties makes it possible to make a rough projection of the volumes to come in the medium term (within the next five years). Orri surface areas have stabilised at 5 000 ha in Israel, after some uprooting in zones not suitable for this demanding variety. The export potential should eventually be around 120 000 to 125 000 t. Similarly, the Moroccan Nadorcott cultivation area is now stagnant. The 7 600 to 8 000 ha planted should take the export potential to reach 260 000 to 270 000 t within five years.

The situation in Spain is more mixed. The planting quotas opened by the administrators of the Nadorcott and Orri varieties have been exhausted. Surface areas have stabilised at approximately 5 400 ha for Nadorcott and approximately 2 000 ha for Orri, with export potentials eventually expected to reach 200 000 t and 70 000-75 000 t respectively. Conversely, planting is still ongoing for Tango. The cultivated surface areas are estimated at approximately 3 000 to 3 500 ha. They should provide an export volume of approximately 120 000 to 140 000 t. Hence the supply of late-season varieties should be around 800 000 t within five years, i.e. 200 000 t more than today. If we take into account the current breakdown volumes by market, approximately 160 000 t should be earmarked for the EC market.

Easy peelers - Late hybrids Export potential

(in 000 tonnes | professional sources)



Easy peelers – Late hybrids – Main EU-28 supplier countries

	Varieties	Areas	Long-term export potential	Observations
Morocco	Nadorcott	7 560 ha (2017)	260 000-270 000 t	Cultivation area stabilised
Spain	Nadorcott	5 370 ha (2017)	200 000-210 000 t	Cultivation area stabilised
	Orri	1 960 ha (2017)	70 000-80 000 t	Cultivation area stabilised
	Tango	3 000-3 500 ha	120 000-140 000 t	Cultivation area still expanding
Israel	Orri	5 000 ha (2018)	120 000-125 000 t	Cultivation area stabilised
Total			770 000-825 000 t	

Easy peelers –Late hybrids – Other major cultivation areas

	Varieties	Areas	Potentiel export à terme	Observations
Turkey	Tango	1 000 ha (2018)	40 000 t	Cultivation area expanding - Part marketed in the EU
	W. Murcott	7 000-10 000 ha	230 000-330 000 t	Cultivation area expanding - Not marketable in the EU
Egypt	Tango	500 ha	20 000 t	Cultivation area expanding - Target markets mainly non-EU

Professional sources

WE CITRUS

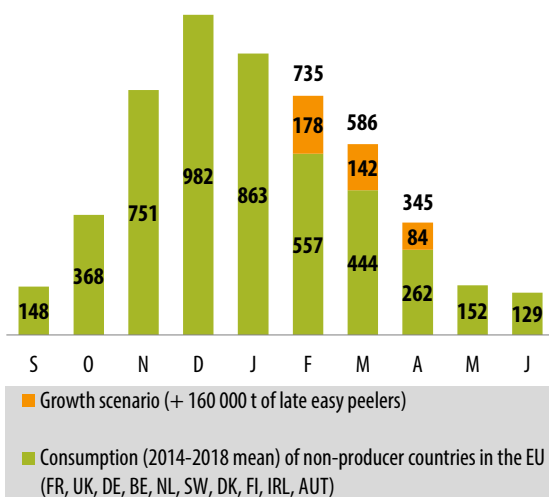


Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

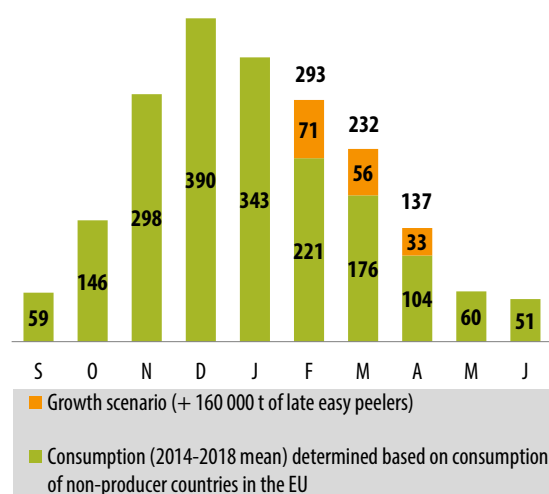
 + 33 (0)3 20 20 79 00  contact@pulpfruits.fr

 **pulp**
fruits

Easy peelers - Western Europe
Monthly consumption per capita
 (in g/capita | sources: Eurostat, CIRAD)



Easy peelers - Western Europe
Monthly consumption
 extrapolated to the total population of Western Europe
 (in 000 tonnes | sources: Eurostat, CIRAD)



Toward a fragile balance on the EC market?

Is the EC market able to absorb these volumes without a deterioration in the profitability level, currently vital for the upstream segment? True, the average annual increase in the supply may seem moderate (160 000 t over five years, i.e. approximately 32 000 t per year). Moreover, the late-season easy peelers slot is the only where some growth seems possible. Yet this can only go so far. In an attempt to estimate the possible margins for growth on the late-season market, we have tried to identify monthly demand for easy peelers, under certain hypotheses. The analysis shows that consumption levels are already extremely high in January (the number two month by volume after December). Positioning the 160 000 t of additional volumes from February to April would involve increasing consumption by more than 30 % over this period. When these additional volumes are distributed over the three months using current distribution keys, the consumption level for February would be similar to November. This analysis remains highly schematic, yet it shows that currently planted surface areas are already harnessing very big margins for consumption growth.

Turkey getting in on the EC market for late-season hybrids

We also need to take into consideration the other producer countries which have also embarked on significant growth in surface areas of top-end late-season hybrids. Egypt has a cultivation area of approximately 500 ha of Tango. This relatively modest production should be earmarked primarily for the Persian Gulf markets. Surface areas should be considerably bigger in Turkey. According to estimates, approximate given the lack of serious surveys, the W. Murcott cultivation area is around 6 000 ha. These "unlicensed Nadorcott", which cannot be sold in the EU-28, will probably be earmarked for Turkey's other traditional markets (Russia, Eastern Europe not in the EU-28, Middle East). Conversely, the country apparently has a cultivation area of approximately 2 000 ha of Tango, which should be sold on the EC market, at least in part.



© Régis Domergue

Need for regulation of Tango surface areas

Given these prospective volumes, it seems important to redouble efforts to diversify the outlets and develop shipments to alternative markets (North America, Asia, etc.). Furthermore, prudence should also be the watchword in the planting programmes: as the rights holders for Nadorcott and Orri have realised, by freezing cultivation areas and effectively combating illegal planting. The work conducted by the Orri Running Committee is exemplary in this respect, thanks to the innovative control tools developed (geolocation of authorised orchards) and to a policy of systematic prosecution of fraudsters (more than 100 legal actions implemented during the period 2017-18). Conversely, the total absence of regulation of the Tango variety is dangerous, in particular in a context where the market balance over the coming years seems fragile to say the least. Producers wishing to invest must be well aware, especially since the court proceedings between Tango and Nadorcott breeders is still not complete ■

Eric Imbert, CIRAD
eric.imbert@cirad.fr



Miles import

MIN DE RUNGIS

Your partner for grapefruit

Origin : ● Florida ● Mexico ● South Africa

5 rue de la Corderie, Centra 310, 94586 Rungis Cedex France — Tél. : 33 (0) 1 41 80 10 10 — Fax. : 33(0) 1 41 80 10 15
Contact : Guy Lesvenan - g.lesvenan@milesimport.com

Still jostling for position!

The counter-season melon market is continuing to take shape. However, last campaign, performances were less than extraordinary on the European market, which should encourage operators to consolidate their holdings and target other destinations.

© Pauline Feschet

CLIMACTIVE



**THE MOST ADVANCED
TECHNOLOGY TO DELIVER
FARM FRESHNESS TO YOU**



VISIT US AT
HALL 23, E03



Contenu publié par l'Observatoire des Marchés du CIRAD - Toute reproduction interdite
6/7/18 FEBRUARY 2019, BERLIN



Brazil making the best of it

EC imports amounted to 370 000 tonnes last campaign, down by just 2 % on 2016-17, a record season. This year, there should be no increase in the number of operators and origins, or even the export potential. Hence certain origins, especially Latin America, are withdrawing from the European market. The 2018 season is already disappointing for Brazil, despite a production potential hinting at a good campaign. However, the market has not seen any water shortages, unlike in previous years when growers had to drill deep. The rains have even filled the reservoirs. The difficulties lie rather in selling the product. Exports saw heavy competition from the leftover Spanish and Italian produce during the autumn, while excessive retail prices curbed consumption of Brazilian melons according to exporters, who also point to a slowdown in local consumption. Shipments did not exceed 86 000 t between August and November 2018, i.e. a fall of 26 % on 2017, with decreases to the three main destinations, i.e. Spain (- 17 %), the United Kingdom (- 31 %) and the Netherlands (- 31 %). Certain varieties, such as yellow melons, particularly suffered from the situation since their potential increased to the detriment of other varieties such as Cantaloup, which is not aimed at the export sector. So shipments seem to have reached their maximum last year with a total of 224 000 t, the same as the previous year, with 99 % aimed at the European market.

Melon and watermelon – EU-28 – Extra-EU imports (October to May)

in tonnes	2014-15	2015-16	2016-17	2017-18
Brazil	174 670	188 954	206 355	199 080
Costa Rica	56 642	51 705	49 818	49 802
Morocco	40 041	42 889	48 934	40 786
Honduras	35 480	39 191	45 788	49 440
Senegal	11 486	11 423	14 407	17 758
South Africa	1 519	1 854	7 633	5 671
Turkey	747	1 527	3 901	3 386
Panama	5 599	4 366	2 467	1 580
Total melon	332 142	344 980	379 186	370 993
Total watermelon	139 268	188 598	209 111	276 976

Source: EUROSTAT

It is still difficult to make any forecasts for the other Latin American origins, although operators are confident, and hopeful of seeing a good potential. The campaign began in mid-December in Honduras. Exports for this origin have risen steadily, though they are still below producers' expectations. So they are continuing to expand their customer portfolio to get away from the US and European markets (49 440 t imported into Europe in 2017-18, i.e. + 8 % on the average for the last 3 years), which are saturated and competitive. Efforts are focused mainly on the Asian markets, and are starting to bear fruit. Thus producers have put in a lot of work with the sanitary authorities on the Mediterranean fly monitoring programme. The agreements obtained should this year translate into the shipment of eight containers per week to Taiwan, while other destinations could open up, such as Japan, with talks in progress. The operators are also targeting the Latin American markets, with in last April the opening up of the Mexican market, and eyes already on the Chilean market.

The other Latin American origins, especially Costa Rica (49 800 t), and to a lesser degree Panama (1 500 t) or Guatemala (500 t), provide a top-up supply to Europe, though they are struggling to find a place on an already well-supplied market. They also have a good potential this year.

Senegal not easing up

The situation seems slightly more stable for Senegal this year, unlike last campaign when more traders were interested in the origin. They should remain in place, though each will doubtless seek to consolidate its position. No big increase in volumes is expected this season, although we need to bear in mind the origin's development. Hence volumes remained restrained at the end of 2018, though they should flesh out a bit in the spring. The origin is still in the midst of development, with the support of the Senegalese authorities which have just enacted an agriculture budget increased by 3.93 % in 2019. Nonetheless exporters are aware that development will also depend on expanding the customer portfolio, since progress is too slow on traditional destinations such as France or Spain. So they are targeting other markets such as Belarus or the Middle East. Last campaign was complicated, with a late start to the season, in March for some, and some logistical problems forcing operators to favour road-freight over sea-freight. The operators then took advantage of the delay in Moroccan production to sell volumes. The campaign finished in May.

Morocco hanging its head

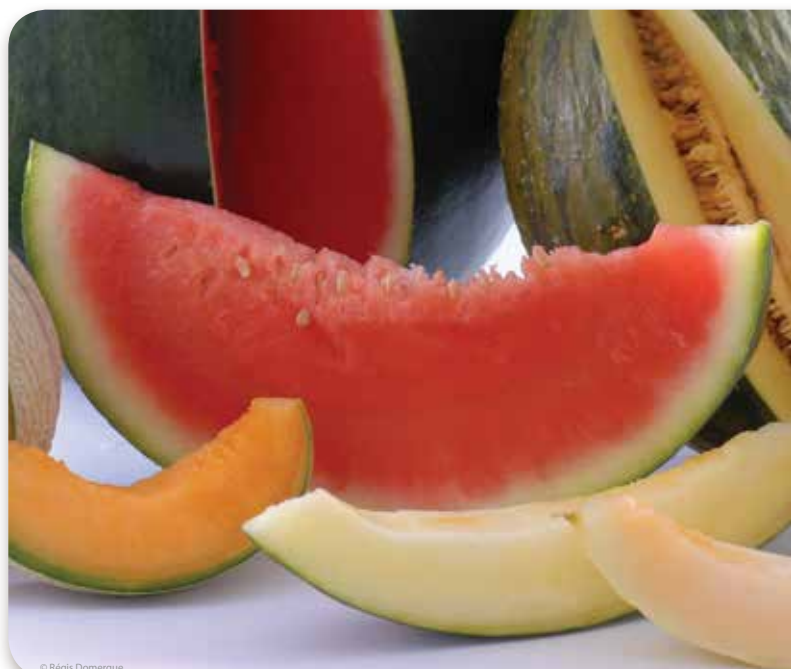
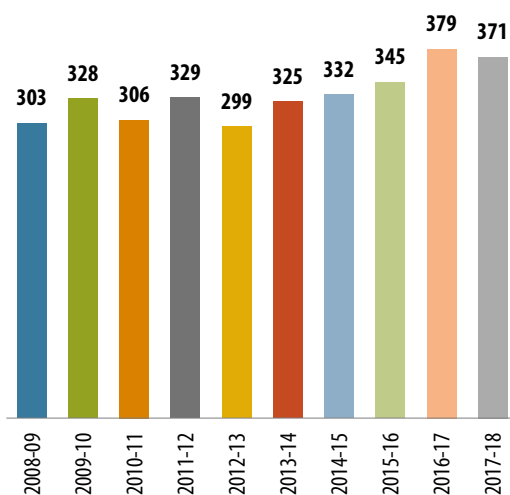
The market conditions were unfavourable for Moroccan produce to earn value last campaign, although marketing was concentrated. EC imports dropped to 40 700 tonnes (- 17 % on 2017). However surface areas saw a small decrease (1 400 ha of Charentais according to the figures published at Medfel, i.e. - 1 %), with the exception of the Agadir/Taroudant zone (- 23 %). They remained stable in Marrakech (1 250 ha), with the supply concentrated and an increase of approximately 10 % in greenhouse areas at the expense of tunnels, and saw an adjustment in Dakhla (300 ha, i.e. - 5 %). The campaign got underway late, with quantities only really significant in late February with the cold weather. It was then very uneven. Hence volumes were short for the Easter holidays, which fell early at the beginning of April (week 12). The first production peak in Dakhla took place just before Easter, followed by a trough which extended until the delayed surge from Marrakech. The greenhouses made a very hesitant start in weeks 16/17, and quantities remained small with streaks on the first fruits until weeks 17/18. The open field segment was also well behind schedule, with volumes only arriving in mid-May. In addition, the campaign was disrupted by logistical problems in Tangiers due to poor climate conditions, and then by the long weekends in May due to the two public holidays in week 19. The competition then intensified with Spain, which was not so far behind schedule. Morocco remains the number 4 non-European supplier to the EU, earning the highest value.

Watermelon getting too big for its boots!

Last year, the watermelon did not live up to all the hype. The competition stepped up with expanding surface areas, while the climate conditions were detrimental to the transition between campaigns. The European market was oversupplied (276 900 t from third countries, i.e. + 32 % on 2016-17). Hence Moroccan production increased late, in fits and starts, and overlapped with Spanish produce, still on the increase. Last year Morocco exported 116 700 t of watermelons, i.e. 50 % more by volume than the previous campaign (109 % above the 3-year average), i.e. as much as Spain (116 400 t, i.e. - 6 % on 2016-17), where surface areas are still expanding. Hence planted areas of watermelon in Almeria went from 8 940 ha to 9 208 ha this campaign, up by 3 %, to the detriment of the melon, whose cultivated surface area is continuing to shrink (2 042 ha, i.e. - 8 % on 2016-17). In Murcia, they extend over 2 500 ha, with 80 % seedless watermelons so as to stand out from the competition. Production should be stepped up in Senegal, which already exported 13 400 t to Europe in 2017-18 (+ 35 % on 2016-17). Turkey provides irregular top-up volumes (19 000 t in 2017-18). However, while volumes are still on the increase in spring, growth seems to have reached its limits in the counter-season. Imports hit a ceiling of around 114 000 t for the three main counter-season origins, i.e. Brazil, Guatemala and Panama ■

Cécilia Céleyrette, Consultant
c.celeyrette@infofruit.fr

**Melon - EU-28 - Extra-Community imports
from October to May**
(in 000 tonnes | source: Eurostat)



Producer country file

The avocado in South Africa

by Eric Imbert

South Africa, a historic player on the European counter-season avocado market, is the world number four avocado supplier. The country's export potential, which proved to be in excess of 90 000 t for 2018, should continue their rapid rise in the coming years, thanks to a cultivation area which has recently seen an accelerating rate of expansion. South African professionals, faced with the rise of Peruvian competition on the European market, on which they remain 95 % dependent, are seeking to boost their competitiveness and diversify their outlets (local market, Asia, USA).





**VISIT
THE AVOCADO
EXPERTS
IN HALL 5.2,
STANDS D-02
AND D-03**



6|7|8 FEBRUARY 2019, BERLIN

Location

The majority of the South African cultivation area, covering approximately 17 500 ha in 2018, is packed into the north-east of the country, mainly in the “Lowveld” (low-altitude plains) with its subtropical wet climate characterised by hot and wet summers, and mild and fairly dry winters. Approximately 60 % of the national harvest comes from Limpopo province, situated in the far north of the country. The Tzaneen region is the main production centre of the province and the country. The rest of this zone’s cultivation area is situated further north, in the Levubu valley at the foot of the Soutpansberg. Mpumalanga is the number two province, packing in approximately 30 % of national production. The orchards are situated mainly in the “Crocodile River” valley near the city of Nelspruit and further north around the villages of Hazyview and Kiepersol. The rest of the country’s production is situated further south, mainly in KwaZulu-Natal, a cooler region with a later production calendar (hot and wet summers, but cooler and slightly wetter winters). The orchards are concentrated in the medium-altitude zones (approximately 1 000 m) of the “Natal Midlands” (Richmond, Howick, Kranskop) and further north (Melmoth, Eshowe). To extend the trading calendar even further, plantations have been set up in recent years in zones which are even cooler, due to being further south (George in Western Cape and Patensie, Hankey, Adelaide in Eastern Cape) or at higher altitude. The plantations, all irrigated, have a mean surface area of 45 ha and a yield of around 9 t/ha. The main sanitary constraints are *Phytophthora* root rot (well controlled thanks to resistant rootstocks and to chemical management methods), anthracnose and cercosporiosis, especially on the green varieties. The climate can sometimes be a limiting factor (hail, drought). The sector covers approximately 420 farms (of which nearly 80 emerging) and comprises nearly 8 000 permanent employees and more than 7 000 seasonal workers.



TROPS

The brand that makes the difference



Campaña
financiada
con la ayuda
de la UE



Visit us!

HALL 25 STAND C06

Contenu publié par l'Observatoire des Marchés du CIRAD - Toute reproduction interdite

6|7|8 FEBRERO 2019, BERLÍN

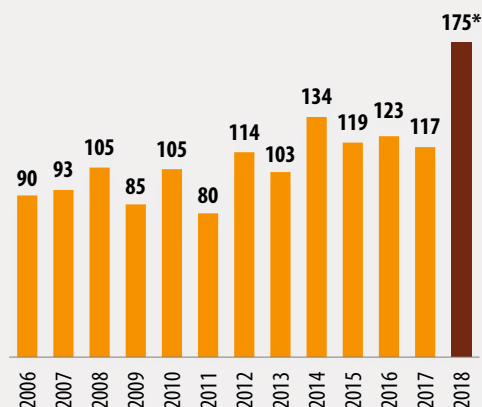
Passion for Tropical Fruits
www.trops.es

Production

The avocado, introduced by colonists in the late 17th Century, started to be cultivated toward the early 1930s, with the first plantations established on the Westfalia Estate by Dr Hans Merensky. However, it was only during the 1960s that the industry really took off, in particular to replace the citrus plantations afflicted by Huanglongbing. Production saw big growth until the 1990s, when several seasons of drought coupled with rising costs and a less open international market led to a near-stagnation in volumes. The excellent economic results registered since the beginning of the decade helped planting pick up again, with a distinct increase in the last few years thanks to the country's increased plant production capacity. The planting rate went from 1 000 ha per year, between 2010-11 and 2016-17, to 2 200 ha in 2017-18, with approximately 3 700 ha forecast for 2018-19. Hence production, after stabilising up to 2014 at between 90 000 and 110 000 t barring climate vagaries, took an upturn, reaching a record level of approximately 175 000 t in 2018. Producers are in particular targeting climate zones or varieties able to extend the trade calendar, particularly in the late-season slot. SAAGA, an association bringing together approximately 85 % of producers, has provided a liaison, representation and technical support role since its creation in 1967. The main working areas are the opening up of new markets and increasing competitiveness in view of the boom in volumes from the Peruvian competition (improved plant stock, fertilisation and irrigation, increased density).

Avocado - South Africa - Production

(*estimate | in 000 tonnes | source: SAAGA)



SO MUCH MORE...

Our journey began in 1890 by a family with a purpose to build a fresh produce business of integrity.

Today, we are still as passionate about growing and caring for our people and our partners as we are about growing and caring for our produce. Our community initiatives and sustainable farming have been a part of our DNA from the very beginning.

Our commitment is to bring our customers, who have always remained at the heart of our business, along this fruitful journey with us.



**We invite you to the Halls stand at Fruit Logistica.
To book a meeting with us, contact our sales team:**

UK: +44 1892 723488 or eusales@hlhall.co.uk

France: +33 (0) 1 82 39 00 30 or ventes@hlhall.co.uk

Netherlands: +31 (0) 174 791 040 or info@hallsbv.nl

Spain: +34 (0) 9 10 632 925 or ventas@hallsiberia.es

Germany: +49 (0) 1529 0044492 or info@hallsgermany.de

Passionate since 1890.

www.halls.co.za



**FRUIT
LOGISTICA**

Kakuzi, Kenya's largest grower & exporter of avocado, will partner with Halls at Fruit Logistica

Hall 7.2c, Stand A-07



Trading calendar and varieties

Hass type varieties are predominant, and represent a growing proportion of national production (approximately 60 to 65 %). They have made up approximately 75 % of new planting since 2015-16 (50 % for Hass, approximately 15 % for early-season Hass like such as Maluma and Carmen, and approximately 10 % for late-season varieties such as Gem or Lamb). The trading calendar is extending thanks to these cultivars and the expansion of planting over an increasingly broad range of latitudes. The Hass season now runs from mid-March to early October for exports, with significant volumes remaining available for the local market until November. Green varieties continue to represent significant volumes: approximately 20 % of the harvest for Fuerte, 12 % for Pinkerton and 8 % for Ryan.



Avocado — South Africa — Harvest calendar by variety and production zone

Varieties	Zones	N	D	J	F	M	A	M	J	J	A	S	O
FUERTE	Levubu												
	Tzaneen												
	Nelspruit/Hazyview												
	Southern KwaZulu-Natal												
HASS	Levubu												
	Tzaneen												
	Nelspruit/Hazyview												
	Southern KwaZulu-Natal												
	Eastern/Western Cape												
PINKERTON													
RYAN													



FUERTE



HASS



PINKERTON



A premium

selection



Avocados & Mangos supply all year round

Contenu publié par l'Observatoire des Marchés du CIRAD - Toute reproduction interdite

47 Rue des Antilles - Bat I2 - CP10116 - 94538 RUNGIS CEDEX

Tél : +33 (0)1 41.73.41.50 - Fax : +33 (0)1 45.60.53.36 - E-mail : sun7fruits@sun7fruits.com

Exports

The sector has been built on feeding and developing via active marketing the European counter-season avocado market. It maintains closely links to the European Union, taking advantage of this market's growth, but aware that its dependence level is nearly 95 %. Exports remained fairly stable, generally between 50 000 and 55 000 t, between 2010 and 2017, with climate vagaries counterbalancing expansion in the cultivation area. Conversely, the share of Hass increased over the same period, going from approximately 50-55 % to 60-65 %. 2018 was a breakthrough year, revealing the true export capacities of the country in an ideal production context, with shipments across all destinations exceeding 90 000 t. This export potential should continue to increase over the coming years, given the even higher growth in its cultivation area. Due to logistics, Holland is a major hub. However, the United Kingdom, France and Scandinavia are the main markets for South African avocados. Non-EU export volumes are increasing, though they remain minor (approximately 2 000 to 3 000 t, primarily aimed at Russia, the Middle East and Asia).

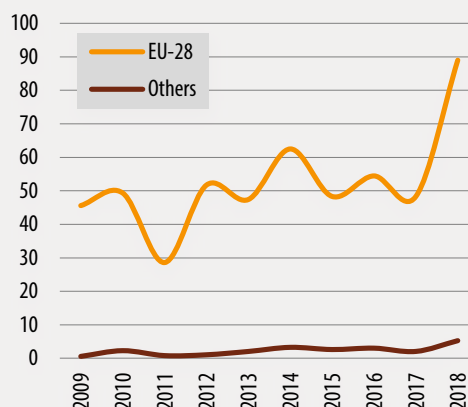
The profession is striving to open up the US market and certain Asian markets (China, India, Japan, Thailand and Vietnam). Moreover, SAAGA is providing its members with solid technical, sales coordination and marketing support.

The export sector comprises fifteen or so companies, though more than 80 % is concentrated between five major producers/exporters: Westfalia, which controls 45 to 50 % of volumes, and Afrupro, Halls, ZZ2 and Univeg, whose market shares are around 10 to 15 % apiece.



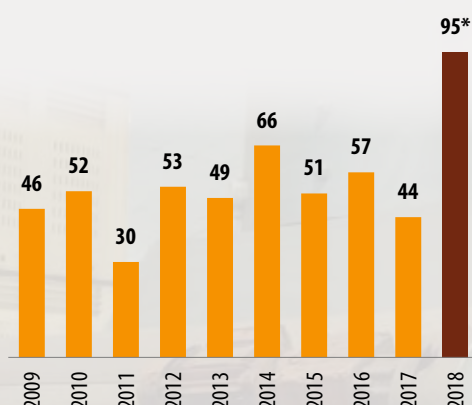
Avocado - South Africa - Exports

(in 000 tonnes | source: Trademap)



Avocado - South Africa - Exports

(*estimate | in 000 tonnes | source: Trademap)



AVOCADO

THE WORLD'S MOST ADVANCED

NETWORK

Beautiful, ripe avocados, year-round. It's what we do.



world's finest avocados

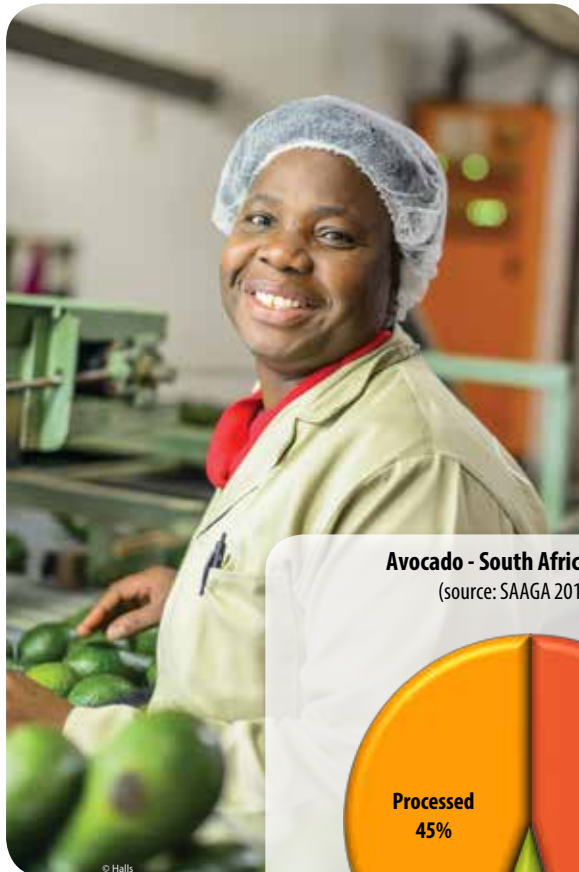
Visit us at Fruit Logistica
Booth #23 / C-04



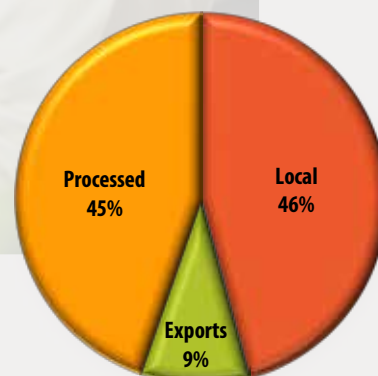
Our vertical integration and global partnerships gives us the unique ability to provide a consistent year-round supply of the world's finest avocados. We control every aspect of the supply chain and expertly manage every detail throughout our global network to ensure consistency and quality in every order. Our industry leading ripening technology and custom-tailored solutions have become a global benchmark for quality and service. With over 35 years of experience, Mission has developed expertise relied upon by our retail and distributor partners all over the world.

Outlets

The industry remains mainly focused on exports, which takes in approximately 45 % of production. However, the local market is being strengthened thanks to the promotion campaigns initiated by SAAGA and to an increasingly wide trading window, enabled by the extension of the production calendar. Approximately 50 % of volumes are sold via “fresh produce markets” in the country’s big cities, which are markets open to producers, who sell via an intermediary paid on commission. The informal sector remains large, with “hawkers” (small-scale street traders) accounting for approximately 35 % of local sales. Furthermore, direct sales to the supermarket sector are progressing. There are still very large margins for market growth, as the country’s 58 million inhabitants still have an annual consumption level of slightly less than 1 kg per capita. The derivatives industry, concentrated between five companies, processes fairly stable volumes of around 10 000 to 13 000 t into pulp or oil, barring years of under- or over-production.



Avocado - South Africa - Outlets
(source: SAAGA 2014-15)



Logistics

After packing, the fruits are loaded into refrigerated lorries or directly into containers with a controlled or modified atmosphere. The fruit is then transported by road to the port of Cape Town (a journey of approximately 2 000 km, i.e. between 24 and 48 hours in transit). Some volumes (approximately 4 %) are shipped via the port of Durban. A mandatory outgoing quality inspection is conducted by a para-public body, the Perishable Products Export Control Board (PPECB), before the ships are loaded. Times between harvest and arrival in Europe are around 25 to 26 days.

Avocado – South Africa – Sea freight

Market	Main lines		Transit time	lines
	Port of departure	Port of arrival		
EU	Cape Town	Rotterdam	13-17 days	Safmarine, Maersk, DAL
		Algeciras	10-13 days	
		London Gateway	16-19 days	



Avocado at its best

"Year round supplies of the finest varieties from the best sources in the world"

Gabriel Burunat



**Let's all respond to consumer expectations
and increase sales by supplying ripe fruits!**



Marchés du CIRAD
Commercial Fruits
www.commercial-fruits.com

31, Avenue de l'Europe - Zone des Entrepôts - Bât. 19
BP 70122 - 94538 Rungis Cedex - FRANCE
Tel +33 (0)1 46 87 30 00 - Fax : +33 (0)1 45 12 96 74
gabriel.burunat@commercial-fruits.com

Producer country file

The pineapple in Costa Rica

by Carolina Dawson

Thanks to the success of the MD-2 variety (or Extra-Sweet), Costa Rica has become in the space of less than twenty years the world's number one fresh pineapple produce and exporter, toppling all the competition. Despite high production costs, the Costa Rican sector has been able to take advantage of the country's political stability, excellent pedoclimatic conditions, its high competitiveness (high technical level, economies of scale) and a favourable exchange rate for the colon against the euro or dollar. However, a proliferation in producers and increasingly massive MD-2 production have led to a slump in supply quality, and devaluation of the variety. Unregulated increase in world production has contributed to the appearance of cyclical crises on the main importer markets, which have weakened the profitability of the product and industry, as well as producer revenue. In addition, the sector has for a decade been under fire from environmental and social controversies. Better regulation of the supply could contribute to preventing destructive cycles, which have now become predictable.





**REEFLEX.
THE MOST ADVANCED
SOLUTION FOR TRANSPORTATION
OF LIQUIDS.**



VISIT US AT
HALL 23, E03



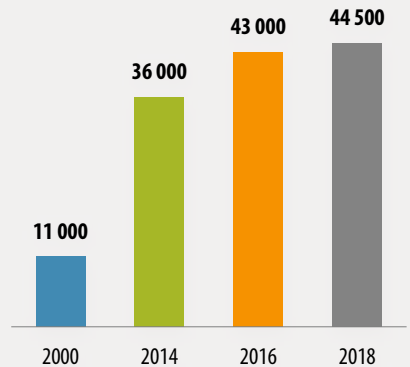
Location

After recorded found 11 000 hectares in the early 2000s, a record of 44 500 ha was set in 2018 according to official sources (CANAPEP). Surface areas are concentrated mainly in three big production zones:

- Northern zone: 24 653 ha, i.e. 56 % of the total;
- Atlantic zone: 11 188 ha, i.e. 25 % of the total;
- Pacific zone: 8 659 ha, i.e. 19 % of the total.

However, other sources indicate a more marked expansion in the crop. More than 66 000 ha were surveyed by satellite images in 2017. The crop's historic development zone is the Pacific, situated in the south in Puntarenas province. It was there that Del Monte developed the MD-2 (Extra-Sweet) on its vast industrial plantation Pindeco, near the city of Buenos Aires. The pineapple sector employs more than 30 000 people directly, and creates 120 000 indirect jobs. It accounts for 2 % of the country's total GDP, and more than 30 % of agricultural GDP. Planted surface areas have seen particular progress in the northern region in recent years, while remaining relatively stable in the Pacific and Atlantic zones.

Pineapple - Costa Rica - Evolution of areas
(in hectares | sources: INEC, CANAPEP)



Source: CANAPEP 2018

Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

Production

With more than 3 million tonnes produced in 2017 (FAO), Costa Rica is the world number one pineapple producer, ahead of Brazil (2.7 million tonnes) and the Philippines (2.6 million tonnes).

The emergence of the Costa Rican pineapple industry is relatively recent, and closely linked to Del Monte. The first stage in its development was the establishment in 1978 of Pindeco, a cutting-edge industrial plantation dedicated to exports of the Champaka variety. Production had reached 450 000 t by the end of the 1980s, before levelling out, since this variety, whose skin remains green on maturity, did not make the breakthrough onto certain major markets. The introduction on this same plantation of the MD-2 pineapple (Sweet or Extra-Sweet), with low acidity and well-suited to sea-freight, allied with the power of a multinational in terms of production structure and marketing, marked the beginning of an exemplary success story. It radically changed the world market in the space of a few years, practically wiping out certain pineapple suppliers such as Côte d'Ivoire, the number one supply source for the European market since the 1960s, and replacing within a few years the hitherto predominant Smooth Cayenne variety.

It was thanks to the climate conditions and excellent rich soils for this crop, as well as to the high political stability favourable for investment and the presence of big high-tech groups that production embarked on rapid development from 1996, to keep up with the big commercial success achieved in the USA and Europe.

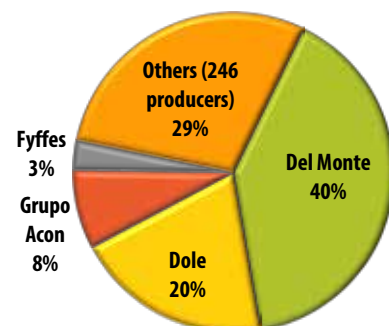
The official entry of this variety into the public domain in 2003 caused a boom in cultivated surface areas and the number of exporters, both in Costa Rica and other Latin American, African or Asian countries. The dizzying and disorganised increase in volumes was behind the emergence of overproduction crises, leading to the collapse of prices on the import markets, and consequently in producer revenue. These crises were initially expressed by a slump in volumes exported by other Latin American countries, while Costa Rica continued its rise thanks to high yields (two or even three harvests per year in certain cases thanks to the high technical command of the first production cycle) and to an exchange rate against the dollar or euro highly favourable for export. Thereafter, Costa Rica too succumbed to the intensifying crises, in particular after that of 2014-15 during which many producers, mainly small and medium-sized, went into bankruptcy. Hence the production sector has become highly concentrated. In 2018, Canapep recorded 250 producers, while 71 % of volumes produced came from the four biggest companies: Pindeco (a subsidiary of Del Monte), Dole, Grupo Acon and Anexco (a subsidiary of Fyffes).

With 3 % of surface areas, organic pineapple production is still marginal, but on the rise. It is estimated that approximately 1 400 ha are dedicated to this crop (FIBL, 2016), with Dole the main player responsible for production of 50 % of volumes, in plantations situated in the northern zone of the country.

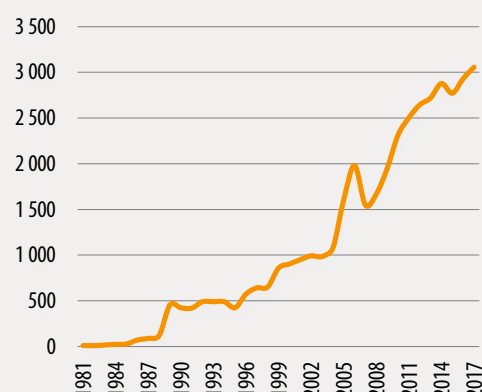
Since the 2010s, the sector has faced numerous controversies, both environmental (water and soil pollution) and social (exposure of workers to pesticides, exploitation of workers) raised by NGOs and the international press.



Pineapple - Costa Rica - Market shares by producer in 2017 (source: CANAPEP)



Pineapple - Costa Rica - Production (in 000 tonnes | source: FAOSTAT)



Exports

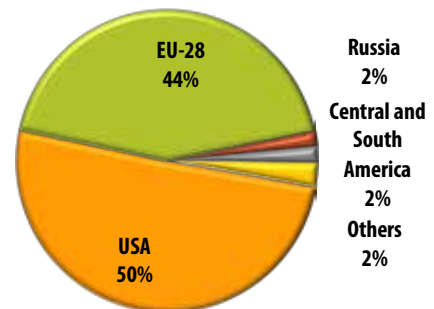
Costa Rica's number two agricultural export product behind the banana, the pineapple saw its exports peak at 2.13 million tonnes in 2017, i.e. the best performance after the record set in 2014 (2.12 million tonnes). More than 95% of volumes are earmarked for two main markets: the USA (50 % of exports) and the European Union (45 %). Although shipments to these two destinations have risen constantly year on year, the origin is facing emerging competition from other origins, especially Mexico and Honduras in the USA, and Colombia on the European market. In addition, it is suffering from regular low prices crises generated by the saturation of these markets. Other destinations such as Russia or Central & South America remain marginal, and have been stagnant for many years. Hence the quest for alternative outlets is a constant concern for Costa Rican exporters.

In March 2017, China authorised the Costa Rican pineapple to enter its territory. This much-covered news item was welcomed as the salvation of the sector, given the supposedly infinite potential of the Chinese market: 6 098 tonnes were shipped there in 2017. However, these shipments rapidly faced major constraints in terms of price (low-cost competition from local and Philippine pineapples) and logistics (high transport cost and lengthy time, from 28 to 30 days, while the recommended time to ensure optimal quality is 20 days).

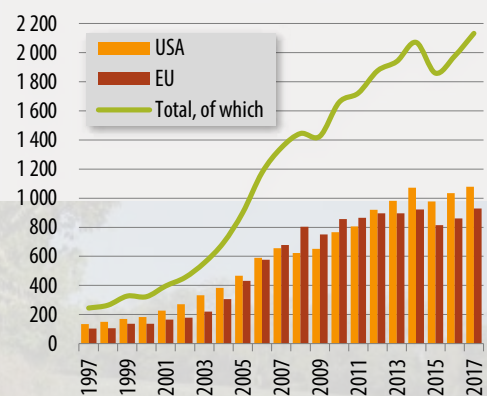
Volumes of organic pineapples exported by Costa Rica have been clearly on the rise since 2016. In 2017, 30 000 tonnes were shipped mainly to the USA (70 % of volumes).

There are 145 export companies and packing 58 stations, down from the 170 exporters and 72 packing facilities recorded in 2013.

Pineapple - Costa Rica - Main destination markets in 2017 (source: CANAPEP)



Pineapple - Costa Rica - Annual exports (in 000 tonnes | source: Customs)



Outlets

While world pineapple production is mainly aimed at local consumption and processing, Costa Rica stands out from the other producer countries through its high specialisation in exports. Practically all of its production is aimed at the fresh export sector (98.8 % of volumes exported). Dried, canned or other forms of pineapple totalled just 1 410 tonnes in 2017, i.e. less than 1 % of the total.

The Costa Rican pineapple supply includes organic and Fairtrade/organic volumes.

Pineapple – Central America and Mexico – Minimum price and Fairtrade premium

Fairtrade	EXW (ex. works)		FOB	
	Conventional	Organic	Conventional	Organic
Minimum price	0.53	0.70	0.66	0.83
Premium	0.06	0.06	0.06	0.06

Source: Fairtrade International 2018

Logistics

The majority of fruits are shipped by road to the port of Limón (Caribbean side), from where 90 % of pineapple volumes are exported by dedicated ships or containers to two main markets, the USA and Europe. The port of Caldera (in the west, on the Pacific coast) saw 10 % of volumes pass through in 2017. Very modest quantities pass via the ports of Paso Canoas (border between Costa Rica and Panama in the south-east of the country) and Peñas Blancas, as well as via Santa María, the airport of the capital San José.

Pineapple – Costa Rica – Sea freight

Main shipping lines		Transit time
Port of departure	Port of arrival	
Puerto Limón	Northern EU	14-20 days
	USA (Houston)	12-15 days
Puerto Caldera	EU	26-30 days
	China	28-30 days



A report by
Denis Lœillet

Contents

- p. 58** European market – In the eye of the cyclone
- p. 67** Retail price in Europe – Consolidation of margins in the distribution sector
- p. 68** United States market – Stability
- p. 69** Russian market – Consolidation?
- p. 70** Retail and import price in France, United Kingdom, Spain, Germany
- p. 72** 2019 prospects – The banana market from A to Z



Banana



Du Roi

LABORATORY

Du Roi Laboratory, established in 1994, specializes in the production and distribution of disease-free, virus-indexed tissue culture plants, with a focus on the banana and sugarcane industry. The Laboratory produces over eight million plants annually for supply to local and international customers in more than 25 countries. As an ISO 9001 accredited facility for banana tissue culture production, Du Roi Laboratory provides customers with quality plants that has complete traceability from foundation block to the grower.

For more than plants

www.duroilab.co.za • Tel: +27 15 345 1217

Email: info@duroilab.co.za

Accredited by:
ISO 9001 – since 2011 • DGAL NPPQ France



**All of our material is indexed
for the following:**

Viruses - CMV, BBTV, BBrMV, BanMMV, BSV

Bacteria - Xanthomonas, Ralstonia
Solanacearum

Funguses - Fusarium Wilt
TR4, Mycosphaerella

Banana European market

In the eye of the cyclone

by **Denis Loeillet**, CIRAD
denis.loeillet@cirad.fr

2018 could be summed up by two words - illusion and upheaval. The entire first part of the year brought illusion, with prices throughout the EU (and elsewhere) reaching historic levels. Then came upheaval, with the market ultimately slipping into a period of real crisis, and to take a very cynical viewpoint, we can now rely only on climate vagaries to put the system right.





EVERYBODY SAYS YES

#PremiumBananas

#SustainablyGrown

Sustainable crop production

Product **quality** and **purity**

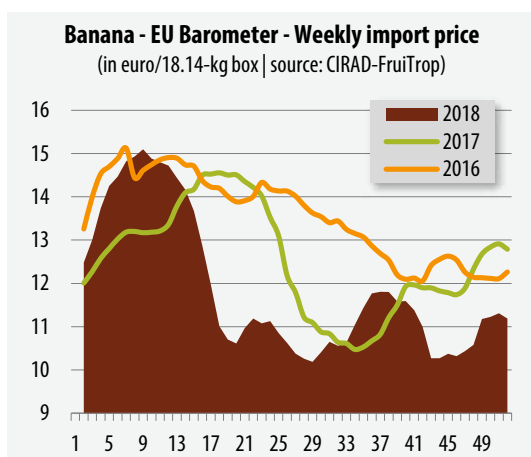
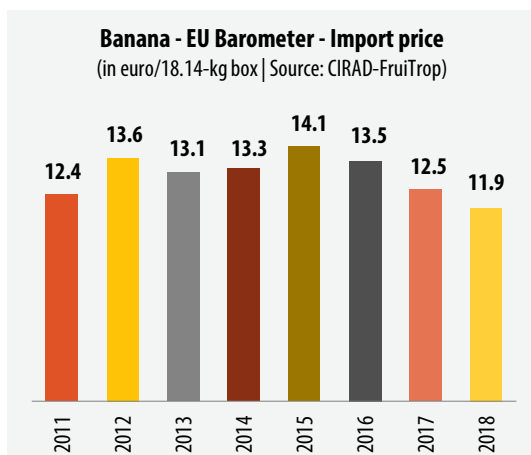
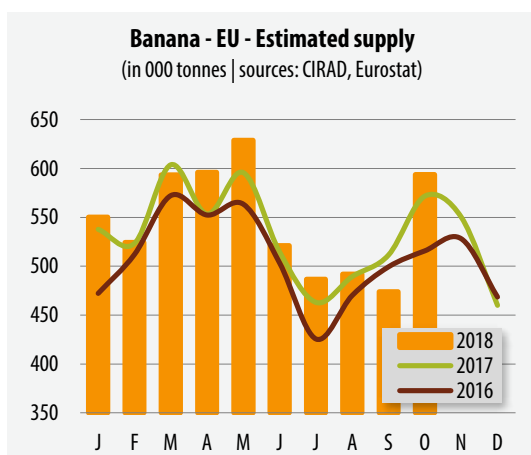
Integrated waste management

Resource **conservation**



Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

The illusion took shape in Q1 2018 when, against all expectations, green banana prices soared to reach peaks rarely seen: 15 euros per box for the European reference price (Cirad Barometer) in week 8. It is true that a wind of optimism was already blowing back in late 2017. From week 46, prices were reinvigorated, rapidly exceeding 12 euros to reach practically 13 euros in week 50. The very high consumption dynamic, combined with the illusion of a falling dollar supply, fuelled this euphoria which culminated in mid-February. The upward trend was favoured by a very short supply of competing fruits, especially a historically small stock of apples and pears.



From euphoria to despair

From this high point, there was only a long, long slide, taking the market to a first low point in week 19 of 2018 (early May). The European import price dropped to below 11 euros per box, an extremely low level never previously seen at this time of year. The market imploded under the joint effect of an extremely high banana supply (late production peak from Ecuador coupled with peaks from Costa Rica and Colombia), heavily disrupted sea-freight logistics (difficulties in supplying containers at the departure ports) and an extremely feverish Mediterranean market taking in smaller dollar volumes. The serious geopolitical problems in the Mediterranean and the weakness of certain currencies in the zone (especially the Turkish lira) meant spot dollar banana volumes being bounced back to the EU.

The European monitoring system (Taxud), just like Eurostat, confirms an influx of dollar bananas over this period. According to Taxud, 9 % more dollar bananas crossed into Europe in April and May 2018 compared to the same period of 2017, which was already a historically heavily laden period. And in fact neither the ACP producers nor European producers were overdoing it, quite the opposite. For the past two years now, there has been an annual shortfall of more than 100 000 tonnes per year across the ACP, and under the effect of cyclones in the Caribbean, European production has gone down by more than 150 000 tonnes per year.

After the first low point (week 19), the market had a technical upturn (without a modification to the general trend) – as it is known in financial circles – which lasted four weeks (weeks 20 to 23), with the European import price climbing back above 11 euros per box. As this is traditionally a tricky period (change of season and therefore range), hope was very quickly quenched, especially since the French West Indies supply made a sudden comeback, and the dollar banana registered a new supply record for June. So between weeks 24 and 28, the market suffered another deterioration, reaching a second annual low point of 10.2 euros/box.

From weeks 29 to 39, i.e. throughout the summer period of July and August, plus part of September, the market rallied to within sight of the 12 euros per box mark, and almost attained it (weeks 36 and 37). This convalescence of the market lasted practically until the end of September, due to a highly restrained tempo of incoming shipments across all the origins.

Only our experts know where to find the best flavors **around the world.**

Benefit from the strengths of a French leader

- More than 60 varieties of fruits and vegetables
- 600 producers of French bananas and 200 partner producers
- 450 employees for a personalized support
- 15 sites in France and Belgium for an optimal logistic network

Let's meet at the Fruit Logistica trade show in Berlin, from 6 to 8 February 2019.



**FRUIT
LOGISTICA**

**Hall 22
Stand F12**

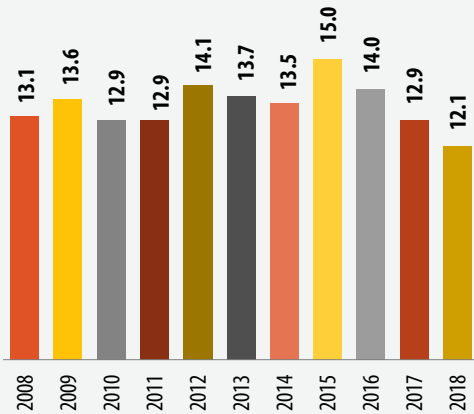


**FRUITS
du
MONDE**

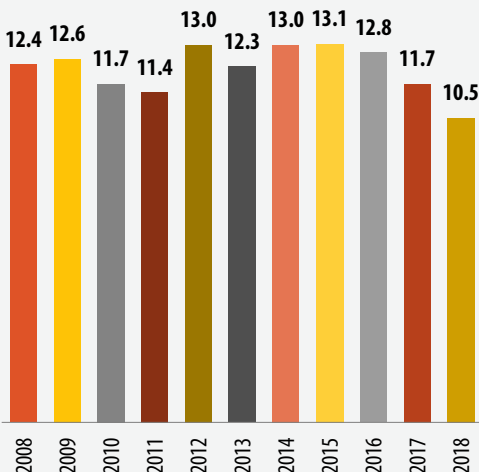


A second crash...

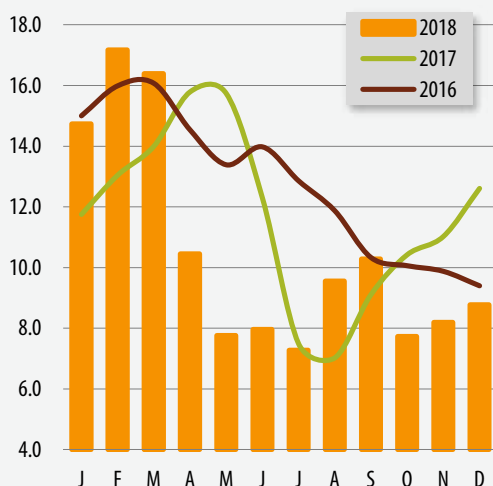
Banana - Germany - Annual import price
2nd and 3rd brands
(in euro/18.14-kg box | Source: CIRAD)



Banana - Poland - Annual import price
(in euro/box | source: CIRAD-FruiTrop)



Banana - Poland - Green price
(in euro/box | source: CIRAD-FruiTrop)



The second significant annual crash lasted from weeks 40 to 45/46. So a third annual low point was reached (10.3 euros in weeks 42 and 43), corresponding precisely to a new high point in terms of volumes, especially for dollar bananas (October 2018). There was finally a brief upturn from weeks 46 and 47 until the end of the year, albeit a very modest one. The minor bounce-back at the end of 2018 bore no comparison to the end of 2017, an upturn which at the time ushered in the dizzying rise of early 2018. It barely reached 11.3 euros/box. Between weeks 42 and 52 of 2018, sales accounts were on average short by 1.6 euros per box! Again, it was the dollar supply pressure which explained the trend. This soaring supply had an especially great depressive effect since it came on top of an extremely abundant apple supply, especially in Eastern Europe.

So the year ended with a big reduction in average price (- 5 %), going for the first time in its history to below 12 euros/box (11.9 euros). It was above all the third consecutive downward year. Between 2015 (high point) and 2018 (low point), the average European green banana price (Cirad barometer) went down by 2.2 euros/box.

Going back to the original idea, the illusion only held up for a few weeks before giving way to a feeling of upheaval; since 2018 comprised a very long sequence of the banana markets exhibiting atypical workings. European regulations, and then climate vagaries, sometimes even the two combined, largely saved the European market from going into an abrupt neo-classic mode. Since on the one hand banana demand was regulated solely by the supply, which was often lean, and on the other hand, the supply of competing fruits was small at the transition periods, the market was running on an illusion (we will come back to this), or rather on a misunderstanding. But what goes up must come down! Although there were positive effects on added value (it remains to be seen which links took advantage), it was a market operating on smoke and mirrors, removed from normality. Hence the turnaround of the market brought all the operators (back) to earth.



*A COMOÉ a day,
keeps the doctor away*

Importer Distributor

Sipef, Belgique

Contact : fruits@sipef.com

+ 32.3.641.97.37

www.sipef.com/bananas.html

Producer Exporter

Plantation Eglin **GLOBALG.A.P.**

Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

Côte d'Ivoire





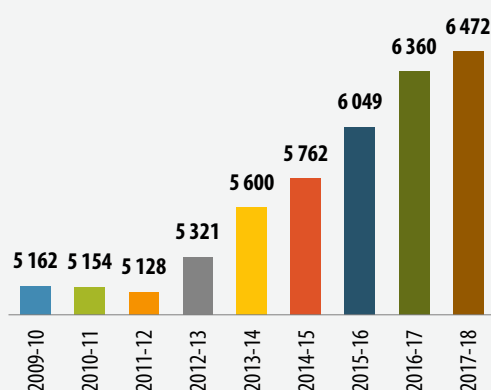
Dollar banana winning the pot

Things have certainly changed in the past decade. In the space of eight years, the EU's annual banana consumption has increased by 1.3 million tonnes (figure as at end of October 2018). And it is only the dollar origins that have benefitted from this growth in volumes. Between 2010 and 2018, the dollar banana supply went from an index of 100 to 140, while the market only went from an index of 100 to 126! The dollar banana currently represents a 75.4 % market share, as opposed to 15.6 % for ACPs and only 9 % for the European banana (data over the first ten months of 2018).

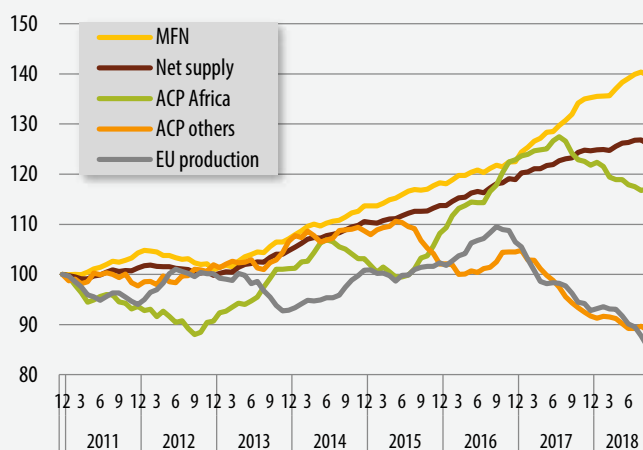
European production has attempted to withstand the dollar armada, yet after two consecutive cyclones, the French share of this production needs to get back on its feet. As regards the ACP, Africa is attempting to retake the initiative with growth in Côte d'Ivoire and Ghana, but has been handicapped with activity in Cameroon in recent times (and doubtless for the long term) greatly disrupted by political disorder in one of the two production regions. Nowadays the Dominican Republic is the only one in the group still with a chance of keeping afloat, but times are hard for its organic positioning, since as elsewhere, there is head-on competition from the dollar origins (Ecuador, Peru, etc.). Finally, the American contingent of the ACP (Surinam and Belize) is not in great form (phytosanitary pressure and labour management). Its target is at best to maintain its production capacities before even thinking about recovery.

So the dollar banana has an open road. True, deterioration of added value is hitting the health of the sector hard, but there is always another more competitive origin. Guatemala is the one playing this role, and other suppliers in the zone are adapting or disappearing. Costa Rica is banking on its high levels of productivity, and on the big firms based in the country. Ecuador is racing ahead, stepping up its production every year to reduce its marginal costs. It is also investing, with some success, in new segments (organic) and new markets (Asia). Colombia is improving its productivity, and similarly playing the organic card, while also taking advantage of an attractive exchange rate. Peru has long been flourishing in two segments: organic and Fairtrade. Finally, Mexico is harnessing its proximity to the North American market and the organic segment, with apparently no very clear plans for development in Europe.

Banana - EU-28 - Estimated supply
12-month period (November to October)
 excl. Community bananas marketed in the production zones
 (in 000 tonnes | sources: CIRAD, Eurostat | updated 15/02/2018)



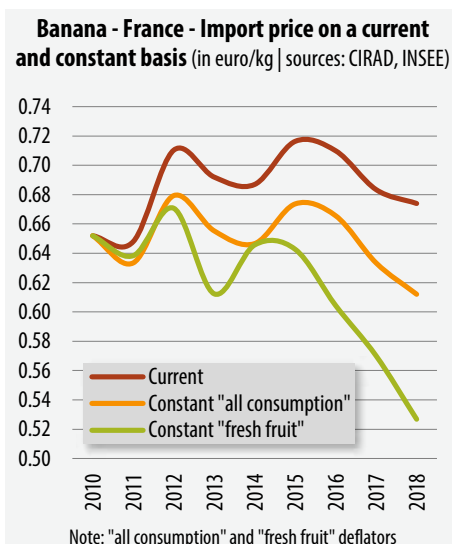
Banana - EU-28 - Supply on a 12-month sliding basis
 (Index 100 = year 2010 | source: CIRAD-FruiTrop)



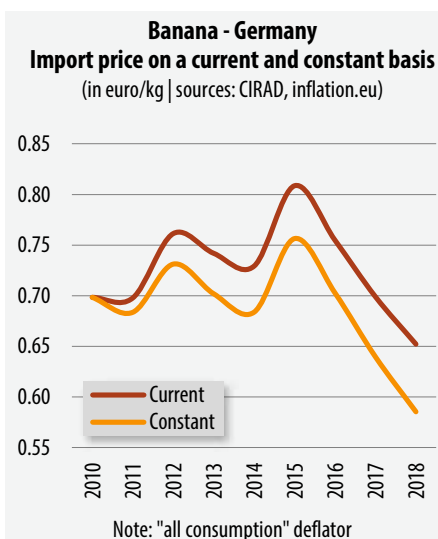


Destruction of value and volatility ahead

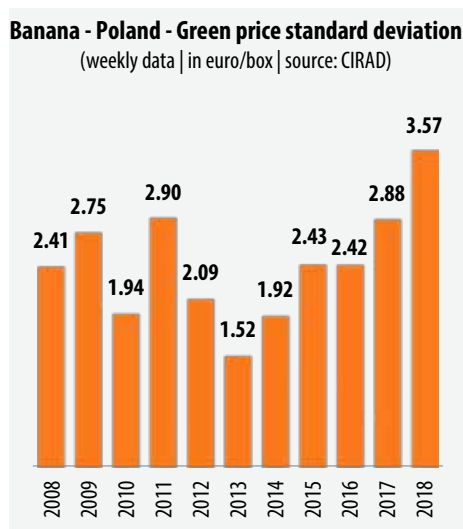
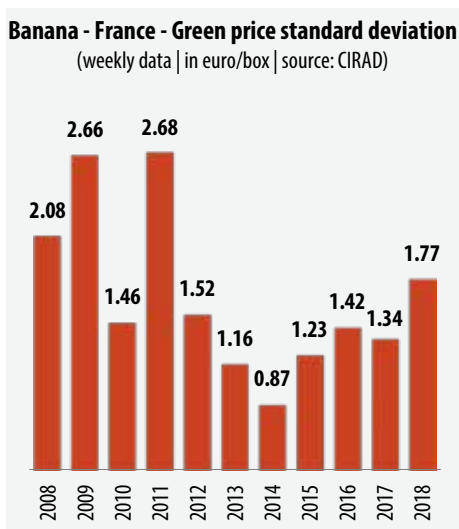
So yes, the market has deteriorated greatly, but the banana world is continuing to turn. 2018 has only confirmed this rule. Let's take as an example the French market. While the annual import price in 2018 remained practically the same as in 2017, i.e. 12.5 euros/box, with the help of inflation, the industry once again was subjected to destruction of value. Over one year alone, with inflation picking up slightly, the annual average price on a constant euro basis dropped by another 3 %. If we evaluate the current price (non-corrected nominal value of price variation) in relation to the constant price (actual value) over a long period (between 2010 and 2018), the loss is 6 % with reference to the general consumption price index, and 19 % specifically taking into account the fresh fruit sector price index. So since 2010, there has ultimately been a loss of 2.3 euros per box.



The same study was conducted on import prices into Germany. They too have taken a hard hit, with a loss of 2 euros per box between 2010 and 2018, taking into account only the general consumption price index. Specifically, in Germany, under the effect of declining contract prices, destruction of value took place entirely between 2015 and 2018. Unfortunately, it is on this market that the trend is clearest. On a constant euro basis, over both the most recent and most disappointing period (2015 to 2018), there was a loss of practically 3 euros per box of bananas, i.e. 165 euros/tonne! With an estimated price in 2018 of 12.1 euros, a historically low price level has been reached, on a current euro basis. Thus there has been a loss of three euros in three years, with practically perfect regularity (one euro per year): a real nightmare for operators trading on the German market.



If proof were still needed that 2018 was a very tight year, across the board we observed an increase in import price volatility, while for the past 4-5 years it was very much restrained. There are two examples where this volatility is still more or less apparent (Poland and France), thanks to lower penetration than elsewhere of contract sales. In Poland, the mean standard deviation of weekly import prices in 2018 made a historic leap to more than 3.5 euros/box! The previous record, dating back to 2011, was just under 3 euros. In France, it was less abrupt, but just as revealing in terms of the sensitivity and extreme fragility of the market: the weekly standard deviation in 2018 was 1.8 euro/box, as opposed to 1.3 in 2017.



Fyffes makes a prudent withdrawal

In the face of this deterioration in value and the hyper-sensitivity of the market, it is unsurprising that the transnational Fyffes threw in the towel during the round of negotiations with Aldi, for the 2019 contracts. Since at the moment there is still a good deal of resistance to lowering green banana prices. Nonetheless, there seem to be operators prepared to supply at these prices, since contracts appear to have been signed. It will be very interesting to see whether the fortunate(?) newly selected operators can meet their commitments without too many breaches.

Supplying at less than 12 euros year-round (there are even some rumours of 11.5 euros) with the quality, regularity and service demanded by the German distribution sector is a challenge for many operators questioned. Between the perishability of the product, the long distance between production zones and consumption zones, climate vagaries, etc., operators cannot sell at cost price the whole time. Or, perhaps they are gambling on gains in anticipation of a fall in intermediate costs such as energy, freight, fertilisers, etc., and on favourable evolution of the euro. A rise in the European currency against the Colombian peso, Costa Rican colon or the US dollar (Ecuador) would really help improve the revenues of the intermediate operators. It might also be a kind of non-recoverable investment, for setting up on a market with an operator as big and iconic as Aldi. However, on reading the financial reports of the big international operators, it does not seem to be the right time for low-price offensives, but rather for seeking added value and cutting costs.

So to keep pace with falling green banana prices is a risky gamble. There will be no winners in the upstream segment. The distribution sector can play on the eternal synergy between fresh produce at miserly prices and agro-industrial, or simply industrial products: the former bringing in regular customers, who will purchase the latter. This is a strategy as old as the banana market itself, but is reaching its limits. Because where is the sustainability in all that? No doubt it is overshadowed by profits and losses, consecrating a loss of any sense of history in favour of a short-term vision which in every case is doomed to deadlock.

Agro-ecology: dare you!

Since, there should be no doubt, natural systems will not for much longer be able to withstand the impact of deaf and blind intensive agriculture, with its fatal consequences. Unfortunately in the short term, the sector seems afflicted by amblyopia; which is a difference in visual acuity between the two eyes. The part of the brain processing information from one eye does not work as well as the other. It would be insulting to the operators, especially in the downstream segment, to claim that they are clueless about the dire straits in which agriculture finds itself, having failed to undertake an agro-ecological revolution. Yet not all the decision-making circles seem to be getting the message. Very few of them are taking the necessary measures to harness the agronomic paradigm shifts implemented in some industries, especially in the FWI and Africa. While there are already possible technical solutions, which in some zones have already become routine, they have eyes only for organic and Fairtrade. And yet it would be delusional to believe that these two segments will not be treated in terms of added value, like the mid-range (see photo opposite). So yes, there are multiple commitments and "agro-ecology" has become a trendy watchword alongside "zero waste", "zero additives", "zero pesticides", etc. Yet this portmanteau term must now translate into actual progress in the field, and revaluation of products derived from these new agricultural practices, often costly to roll out and difficult to manage on a daily basis: they go hand in hand.

So while we should be conveying a positive message to push forward a general change, we are doing exactly the opposite, in giving out a bad price signal. In late 2017, at the World Banana Forum (WBF) Geneva conference, Cirad's call for a "Double Zero" revolution (zero insecticides – zero nematocides)" (see FruiTrop 253, page 21) did not get a warm reception, quite the contrary. Producers immediately feared new constraints imposed by the downstream segment and not offset by improved sales accounts. The distribution sector had nothing to say at the time. Yet it seems that Aldi has put its head above the parapets, bellowing what others are whispering. The German chain has in some respects become their spokesman, and the message is crystal clear: lower prices every day, and damn the consequences ■



Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

Banana

Retail price in Europe

Consolidation of margins in the distribution sector

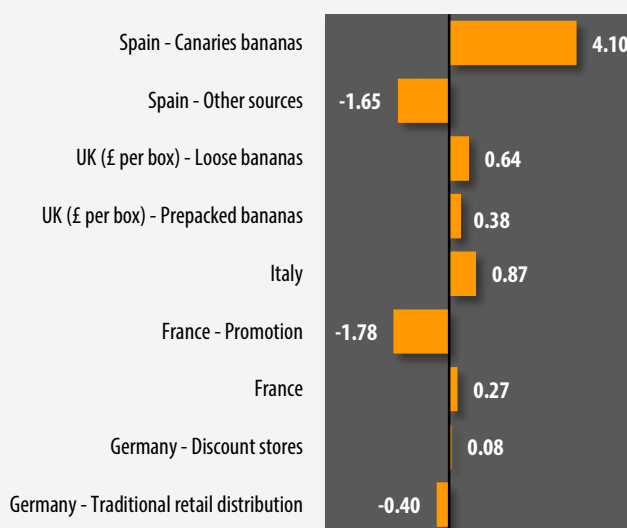
by **Denis Loeillet**, CIRAD
denis.loeillet@cirad.fr

It is always tricky to compare retail prices in different EU countries. Counting methods and calculation methodologies are very different. Hence the analysis below does compare absolute price levels between different countries, but evolutions over the years for the same country. Over time, we have identified various evolution scenarios. The behaviour of the European distribution sector ranges from “tracking”, which follows increases or decreases in the green banana price, to “profiteering”, which goes against downward movements in green banana prices, as well as to “relentless discounting”, which slashes prices regardless of the upward trend in green banana prices.

In 2018, it is clear that the green banana price took another step back, finishing the year with a fall of approximately 5 % (barring the extremely depressed East European markets). However, it cannot be said that all distributors have passed on this fall in green banana prices. In Germany, France (outside of promotions) and Italy, retail prices fell less quickly than green banana prices, or even saw big increases. The case of the United Kingdom is significantly different; it is outside of the euro zone and prices are labelled in sterling. With the pound falling slightly against the reference currencies in recent months (after the Brexit vote), imports labelled both in USD and euro have automatically become more expensive, perhaps explaining a slight bounce-back in retail prices, especially for the loose segment (+ 5 %). The spectacular case, albeit limited to Spain, is the soaring price tags of the “Canaries plátano”, gaining 11 % in one year (supply shortfall in the second half of the year). On the non-Canaries banana market (dollar or ACP), retail prices flagged to a similar extent to the European green banana price, or even a little more so (- 7 %). In France, it was the promotional price which came undone, dropping by 7 %.

In summary, it is hard to pinpoint any uniform behaviour in the European supermarket sector. We can only say that barring local factors (exchange rate or specific positioning of the Canaries banana), we have seen a consolidation in the margins of the European distribution sector, in a period of falling green banana prices ■

Banana - Retail price - Difference between 2018 and 2017 prices
(in euro/box | sources: TWMC, RNM, CIRAD, national authorities)



Banana

United States market

Stability

by **Denis Lœillet**, CIRAD
denis.loeillet@cirad.fr

The world's biggest regulated market has once again ploughed its own furrow. Its tight-knit organisation, achieved not through legislation but rather a sort of age-old tradition observed by the big operators, makes this market relatively predictable in terms of volume (stable consumption), and highly lucrative for the happy few.

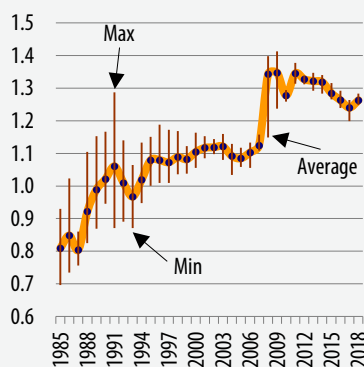
Let's first take volumes. The final figures for 2018 are not yet known, but there is no uncertainty over the market's lack of vitality this year. It should round off the year in a balanced position, i.e. between 4.2 and 4.3 million tonnes. In terms of price, the market was more disrupted, as regards the spot segment at any rate. The US market is very highly contractualised. We can only refer to the spot price, although it only represents a tiny part of transactions. Its evolution shows an extreme volatility, which in fact was non-existent. Conversely, inter-annual comparison of these prices is interesting since it expresses a trend subsequently passed on to the contracts. Surprisingly, the spot price saw a positive trend this year: + 4 % to an average of 17.6 USD/box. This is exactly the reverse of what happened in the rest of the world, especially in Russia and the EU, which goes to show the peculiar workings of this market.

The retail price is a monument to stability both in terms of annual average but also monthly average: 1.26 USD/kg. Over the long term (ten years), there is a downward trend: from 1.35 USD/kg in 2008 to 1.26 today. Which, taking inflation into account, shows as elsewhere the destruction of added value, estimated at more than 25 % since 2008 ■

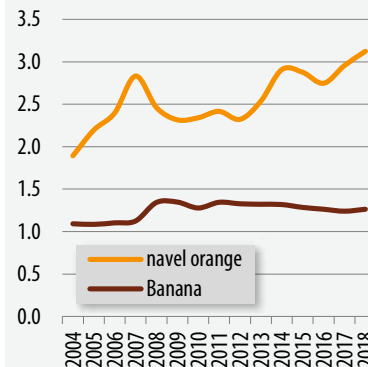


© Guy Beinhart

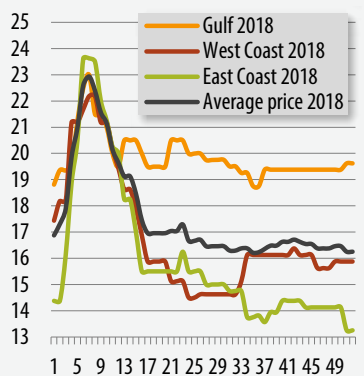
Banana - USA - Annual retail price
(USD/kg | source: Bureau of Labor Statistics)



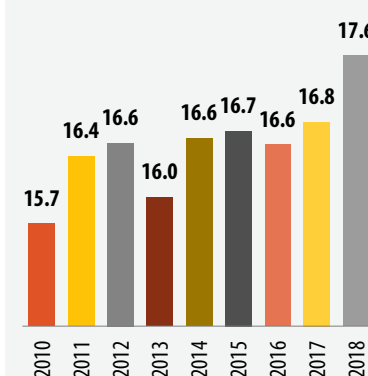
Fruit - USA - Annual retail price
(USD/kg | source: national authorities)



Banana - USA - Spot import price
(USD/box per week | source: Sopisco)



Banana - USA - Annual spot import price
(USD/box | source: Sopisco)



Banana Russian market

Consolidation?

by **Denis Loeillet**, CIRAD
denis.loeillet@cirad.fr



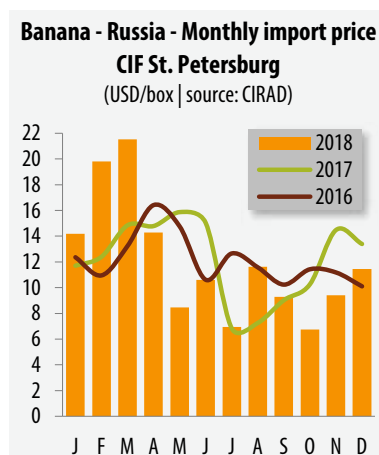
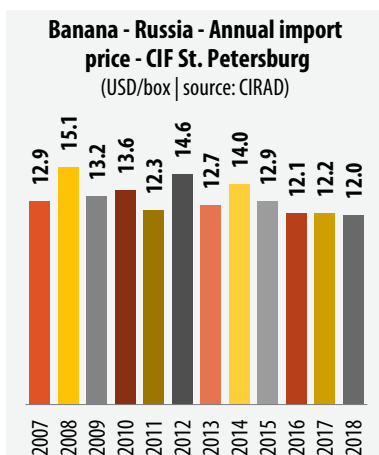
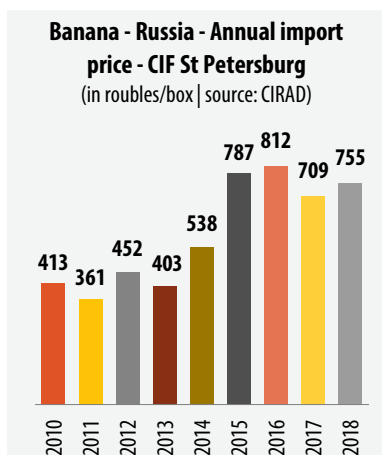
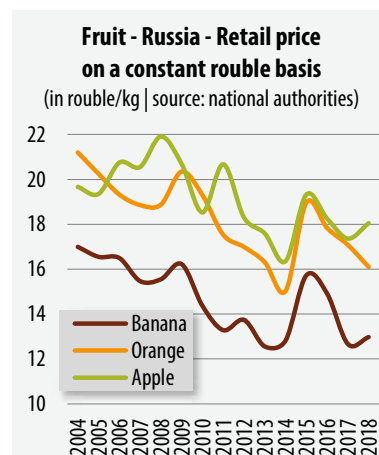
© Régis Domergue

The Russian banana market is, as usual, a sounding box for the state of the international market. So 2018 was a year marked by extreme volatility (a record standard deviation of 4.9 USD/box), by very low price levels at certain times of year (less than 7 euros/box in June and October), and very high at other times (more than 20 USD in February and above all March). As an annual average, the price per box dropped by 13 USD cents to settle at 12 USD. In so doing, a new historically low price record was set, a long way from the 13 or 14 USD seen in 2015 or 2014.

Russian volatility is a highly conventional trait of the market. However, more structurally, two things for the moment seem to be getting back to normal, leading toward a degree of normalisation: an inflation rate which dropped back below 4 % in 2018, as opposed to 7 % in 2017 and 13 % in 2016, and an exchange rate fluctuating at around 60 to 65 roubles per 1 USD, indicating the economy recovering its stability. Given the small fall in USD import prices, the value in roubles of a box increased, though in acceptable proportions for the industry: 755 roubles/box, as opposed to 709 in 2017. This is a long way from the crisis of the mid-2010s, in which the price per box went from 538 to 787 roubles between 2014 and 2015.

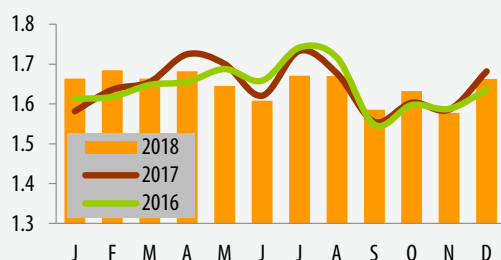
This relative normalisation is manifested in the retail price and in the volumes consumed. While in-store prices leapt up in 2015 at the height of the liquidity and raw materials crisis to 16 roubles/kg (prices in constant roubles), they have fallen considerably since, stabilising at approximately 13 roubles. Yet perhaps the most important thing is the difference with the other big fruits, all also imported: the orange and apple. For the orange, the difference seems to be stabilising at around 25 %, therefore making the banana more competitive as far as consumers are concerned. Things seem to be more unsettled with the apple, with over the very long term (two decades) a difference which has halved, though it has remained nonetheless 40 % still in favour of the banana. The high availability of European apples, especially from Eastern Europe, should contribute to reducing this gap in 2019. The fact remains that the banana is by a very long way the most competitive fruit, and even more so than in the Europe the staple of the fruits section, and the choice of the hard-up.

Despite this highly attractive in-store positioning, the situation is worrying in terms of volumes. The initial data for 2018, still partial (just three quarters), show a static market doing no more than consolidating. It went up by just 1 %, as opposed to 14 to 15 % in the previous periods. The projection for 2018 would appear to give the Russian market just under 1.6 million tonnes. There were hopes for better, yet Ecuador is practically the sole supplier, and remains the world's biggest source of spot bananas "with no fixed customer", which has an already proven destabilising effect on the markets ■

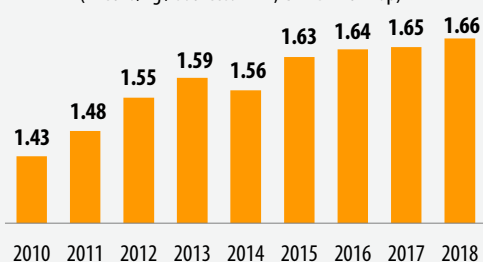


France

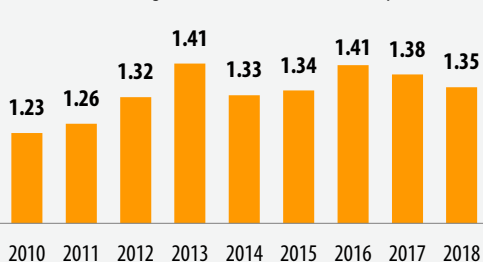
Banana - France - Monthly retail price
(in euro/kg / sources: RNM, CIRAD-Fruitrop)



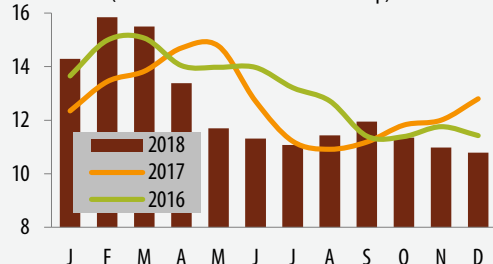
Banana - France - Annual retail price
(in euro/kg / sources: RNM, CIRAD-Fruitrop)



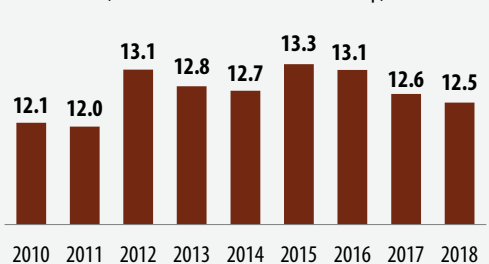
Banana - France - Annual promotional retail price
(in euro/kg / sources: RNM, CIRAD-Fruitrop)



Banana - France - Estimated monthly import price
(in euro/box / source: CIRAD-Fruitrop)

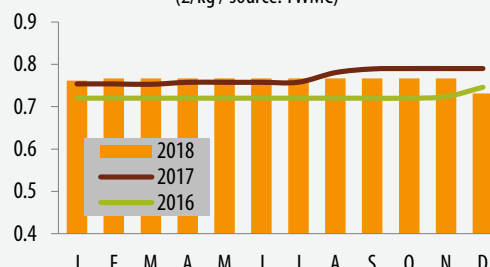


Banana - France - Annual import price
(in euro/box / source: CIRAD-Fruitrop)

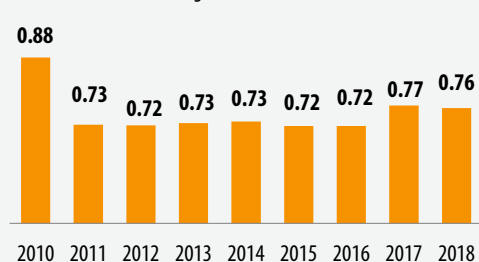


United Kingdom

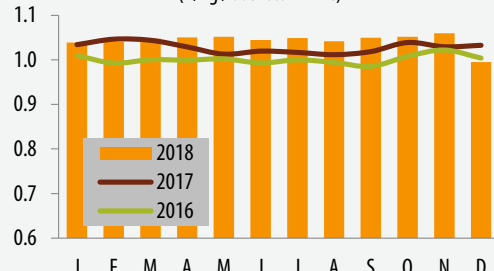
Loose banana - UK - Monthly retail price
(£/kg / source: TWMC)



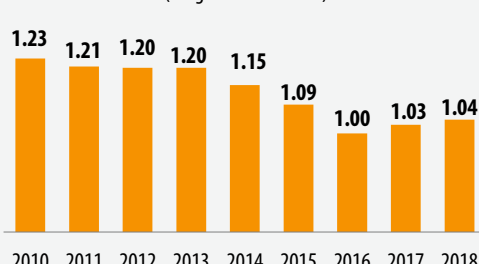
Loose banana - UK - Annual retail price
(£/kg / source: TWMC)



Prepacked banana - UK - Monthly retail price
(£/kg / source: TWMC)

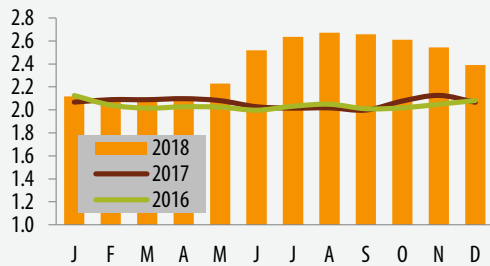


Prepacked banana - UK - Annual retail price
(£/kg / source: TWMC)

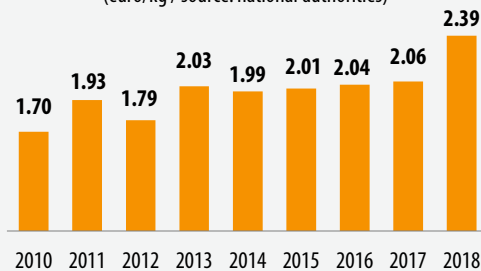


Spain

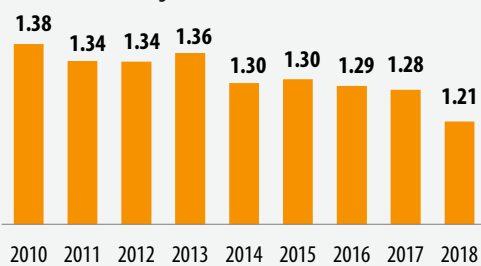
Canaries banana - Spain - Monthly retail price
(euro/kg / source: national authorities)



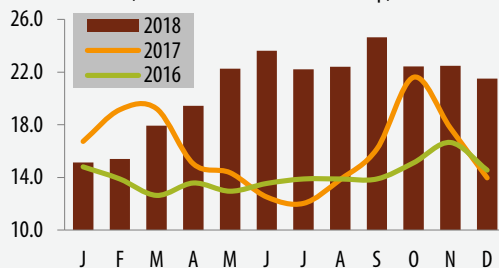
Canaries banana - Spain - Annual retail price
(euro/kg / source: national authorities)



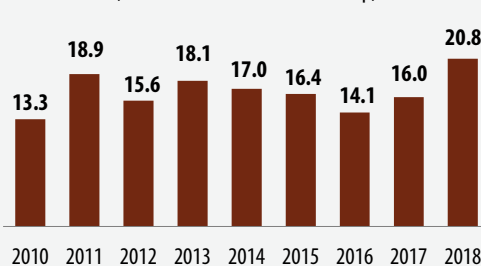
Banana excl. Canaries - Spain - Annual retail price
(euro/kg / source: national authorities)



Canaries banana - Spain - Green price
(euro/box / source: CIRAD-FruiTrop)

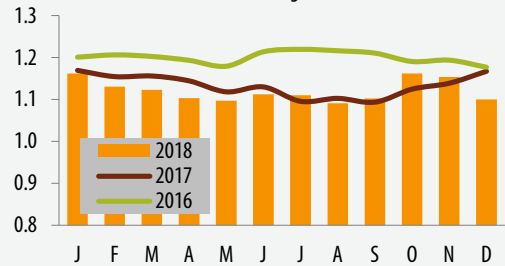


Banana - Spain - Super extra annual import price
(euro/box / source: CIRAD-FruiTrop)

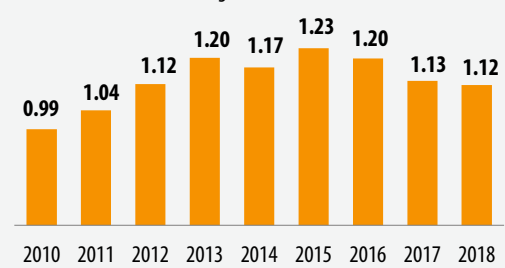


Germany

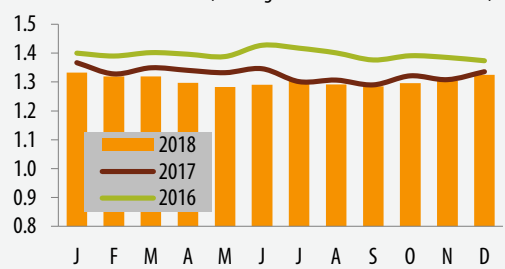
Banana - Germany - Monthly retail price
Discount stores (euro/kg / source: TWMC)



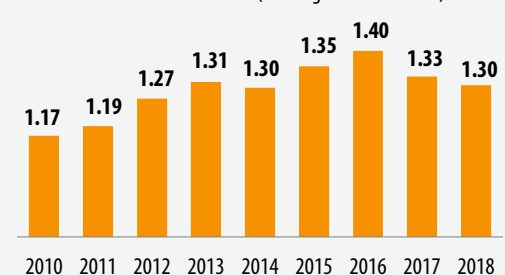
Banana - Germany - Annual retail price - Discount stores
(euro/kg / source: TWMC)



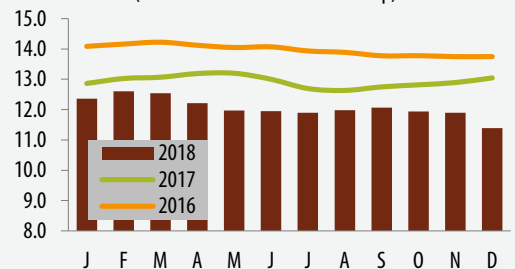
Banana - Germany - Monthly retail price
excl. discount stores (euro/kg / source: national authorities)



Banana - Germany - Annual retail price
excl. discount stores (euro/kg / source: TWMC)



Banana - Germany - Monthly green price
(euro/box / source: CIRAD-FruiTrop)



Banana 2019 prospects

The banana market from A to Z

by **Denis Lœillet**, CIRAD
denis.loeillet@cirad.fr

There are a number of maxims, proverbs or quotes to help forecasters to make amends, since forecasts rarely come true. For the 2019 banana forecast, I will adopt this one which is attributed to Ptah-Hotep, vizier of a king of Ancient Egypt: "When the predictions of men do not come to pass, it is the order of God that will be done". If we replace God with climate or political vagaries, it makes a good summary of the credibility of the probable state of the banana world that I will depict.



Siim
Société
Internationale
d'Importation

WWW.SIIM.NET



Selvática[®]
Aroma, texture and taste of Ecuador

Beautiful
Banana



Hall 23,
D-11 Ecuador

dibra
taste the world



Magnificent
Mango

dibra
taste the world



Cool
Coconut

terrassol[®]
Growing Quality Since 1961



Precious
Pineapple

PRODUCER OF FLAVORS SINCE 1850



SIIM - SIEGE SOCIAL

MIN Rungis - Bâtiment C3 / 2 - 16 rue de Perpignan
Fruileg CP 60431 / 94642 Rungis Cedex / France
T. +33 1 45 12 29 60 / F. +33 1 45 60 01 29
Email : dibra@siim.net

Contenu publicitaire des Marques du SIIM

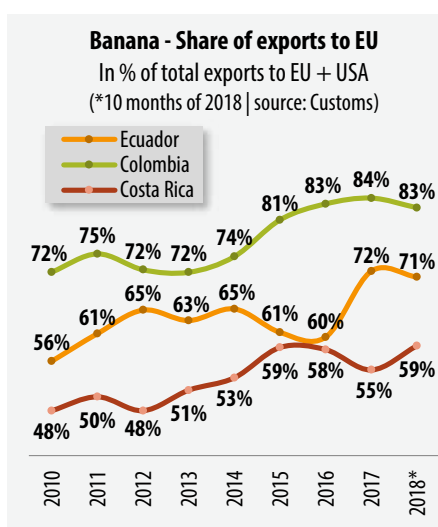
The uninitiated readers of this small banana lexicon for 2019 will most likely not look beyond the part on the import price. Which is a shame, since in the banana sector, even more than elsewhere, seasonal effects, unforeseeable and intense turnarounds in trend (example of early 2018 and spring 2018), political factors (social movements in France at the end of the year) and of course serious climate incidents inside and outside of the sector, etc., can utterly transform what had seemed to be set in stone. Hence giving all these clarifications and saying “all other things being equal” is a luxury that I will allow myself to take, since as we know, nothing is equal here, any more than it is elsewhere. Come back in a few months for a retrospective review, on both price and the other items.



© Ngila Domingue

EU-USA trade-off

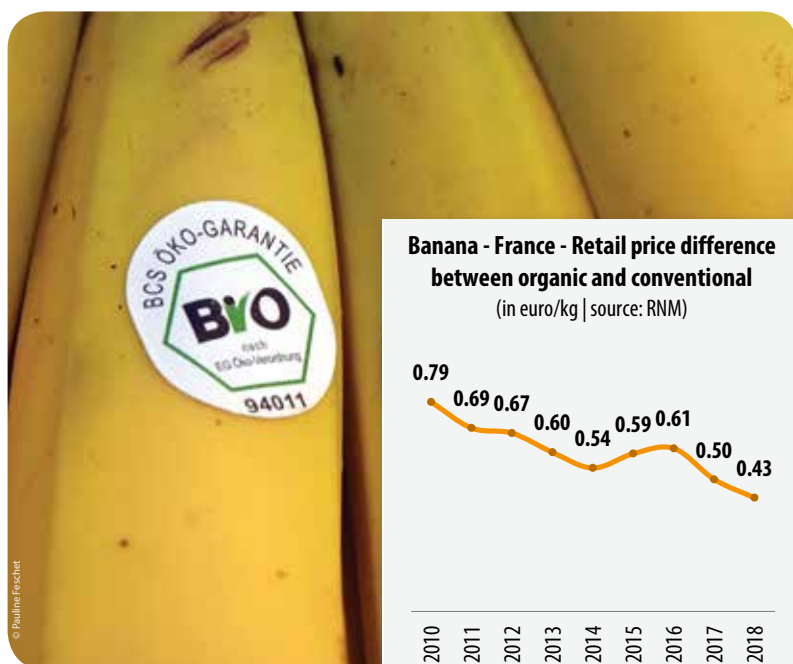
The trade policy of dollar bananas favouring the EU will remain an important factor, one of the keys to the market. This is the case for Colombia, which is now EU-dependent (more than 84 %), but is also increasingly the case with Ecuador, which is sort of being driven back or even out of its natural market, USA/Canada. The effects of this trade-off also made itself felt strongly this autumn on the European market, with Ecuador declaring a situation of weakened production.



© Pauline Feschet

Organic

The organic segment will quite clearly continue its two-figure rise in both the USA and the EU. The supply is abundant and we are seeing a real decline in import prices. The Dominican Republic is finding it increasingly difficult on a market becoming structured. Demand is increasingly turning toward regularity and a certain standard of quality, which Ecuador and Peru routinely provide, but which is trickier at certain times of year for the Caribbean origin. The market is clearly intent on this segment, which in 2019 will emerge even further from commercial niche status. It is also symptomatic to observe that supermarket chains are already, at certain times of year, offering an identical price in the loose conventional and bagged organic segments.



SEE YOU IN FEBRUARY !



Concept & réalisation 2015 - Kepps - expositions - All rights reserved.



**FRUIT
LOGISTICA**

**6TH TO 8TH FEBRUARY
HALL 5.2 - STAND D-08**

www.compagniefruitiere.fr

As the leading producer of bananas and pineapples from West Africa, Compagnie Fruitière is also a major player in the distribution of fresh produce into Europe. With 18,000 employees, it prides itself as having masters of their trade each operating sector, from producer, transporter, importer, ripener and distributor...serving the best quality products **365 days of the year.**

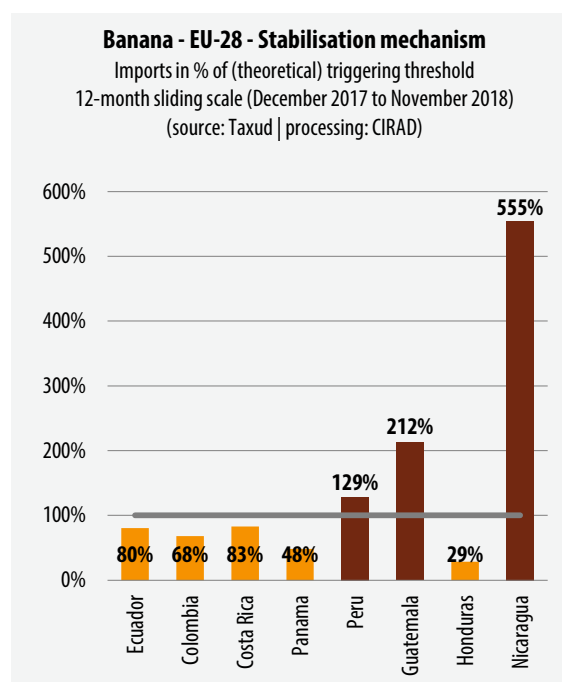
Source: *Annuaire des Marchés du CIRAD* - Toute reproduction interdite



**COMPAGNIE
FRUITIERE**

Safeguard clause and stabilisation mechanism

The Brussels authorities will see this provision come to an end in late 2019 without a shadow of regret. It is a real burden for the Commission, which several times a year must demonstrate that although certain origins exceed the volume for triggering the stabilisation mechanism, this should not be linked to some market disruptions. According to the European authorities, the origins which very regularly cross the red lines (Peru, Guatemala and Nicaragua) are too modest or too specific to have any responsibility for the crisis. The conclusions of the monitoring reports are every time copy-and-pastes of those from previous years. Nonetheless, the system as a whole should not be condemned. The usefulness lies in the fact that the mechanism stipulates mandatory continuous monitoring of banana flows upon entry into the EU, with Taxud in charge. This system must be retained, since it makes it possible to sound the alarm while we still have the ability to react.



Brexit

At the time of writing (the very end of December), it would take a smart cookie indeed to say whether we are heading for a hard Brexit or a deal. Seemingly inspired by the famous saying "Si vis pacem, para bellum," the EU and United Kingdom are preparing for the worst, while hoping that as in the fairy tales, no-one will resolve to take the nuclear option, and that in extremis we will end up with a deal. After the publication of this edition, for instance at the Fruit Logistica show in Berlin, it will be one of the major topics of discussion, and of course, not solely among the banana sector players.

Rendez-vous clause

The silence over the subject is deafening. And yet, an examination of the effects of the agreements (association agreement and trade agreement), which led to the liberalisation of the European banana market, is officially scheduled for 2019. If the rules are complied with, the banana dossier will be reopened by all parties to the agreement, i.e. the dollar banana supplier States, the European authorities and European Member States. From 2020, Customs duty will reach its base-level of 75 euros per tonne. The whole issue will be to know whether, on the end of the agreement, one or more dollar banana supplier States will demand a new duty reduction schedule, with the objective of bringing it down to zero.





- ✓ Responsible Sourcing
- ✓ Respect for values
- ✓ Renowned expertise
- ✓ Straightforward and Personal Business relationships

ALL UNITED BY *INDEPENDENCE*

FRUCTIFRUI, France's third largest network of ripeners

AGRUBAN

agruban94150@gmail.com

FENES

fenesjose@orange.fr

LLISO FRÈRES

contact@llisofreres.fr

BANAGRUMES

direction@banagrumes.com

FORTUNO

fortuno@fortuno.fr

MURISSERIE D'ARMOR

murisserie.armor@orange.fr

ETS BORDILS

bordils@wanadoo.fr

GIL FRÈRES

gil-freres@wanadoo.fr

RAFAEL LOPEZ

compta.rafaellopez@gmail.com

SELECT AGRUMES

info@select-agrumes.com

SELECT SERVICES

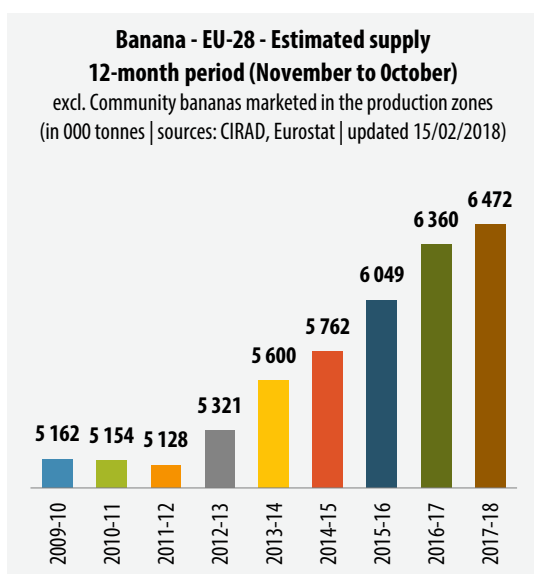
serge@select-agrumes.com



Consumption

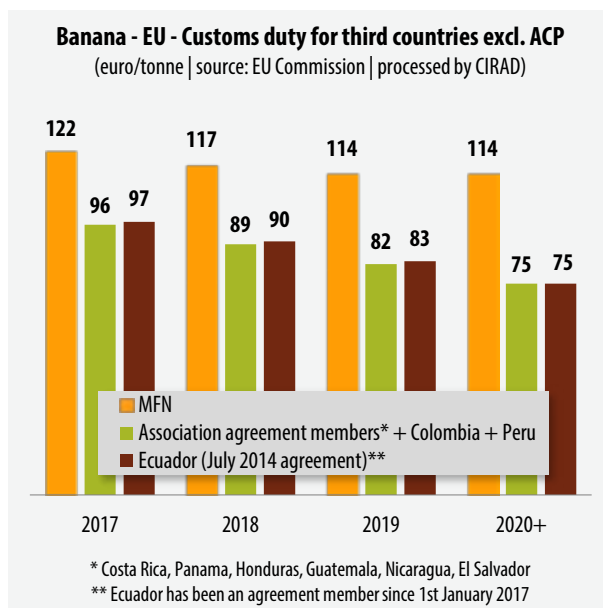
What if the European market no longer reacted favourably to production stimuli? This is a legitimate question in view of the latest data on the supply to the European market. Between 2012 and 2017, the EU-28 consumed on average approximately an additional 250 000 tonnes of bananas per year, with a distinct and steady trend. A statistician would not believe their eyes. The trend curve is actually a straight line, with a determination coefficient (r^2) of 0.9942: 1 would indicate perfect predictability. Over this long period, the market grew, in a sure and certain fashion, by 20 800 tonnes on average per month! To sum up, annual European consumption went from 5.1 to 6.4 million tonnes. On the NMS coming into the scene, we will see that this rise was not divided evenly between all the Member States.

Yet what has happened since January 2018? The curve is no longer a straight line, with the r^2 tumbling. Predictability has fallen by 0.27 (from 0.99 to 0.72), which also points to a high volatility between months. Finally, it is true that the trend is still upward, though the mean monthly rise has halved to fall to 11 600 tonnes. To keep a big picture view, we will need to wait a few more months to confirm or disprove the slowdown. Afterwards, besides the state of demand, it is that of supply that will determine the market's absorption capacity. And we need have no worries on the dollar side, it is locked and loaded.



Customs duty

Customs duty collected on the dollar banana entering the EU-28 fell again in 2019 to reach 82 or even 83 euros per tonne. This is the final level before the basement level in 2020 of 75 euros per tonne. Since 2010, duty has fallen by 101 euros per tonne, i.e. 1.8 euro/box! The savings for dollar suppliers will then exceed 2 billion euros.





Tissue culture production of tropical fruit plants

Your banana tissue culture plant specialist

A unique range of elite varieties

What we promise you

The most productive selected elite varieties

Prime bunch quality

Optimum homogeneity in the field

The best sanitary guarantees of the market

Unequalled responsiveness



Tel: +33 (0)4 67 55 34 58
Fax: +33 (0)4 67 55 23 05
vitropic@vitropic.fr

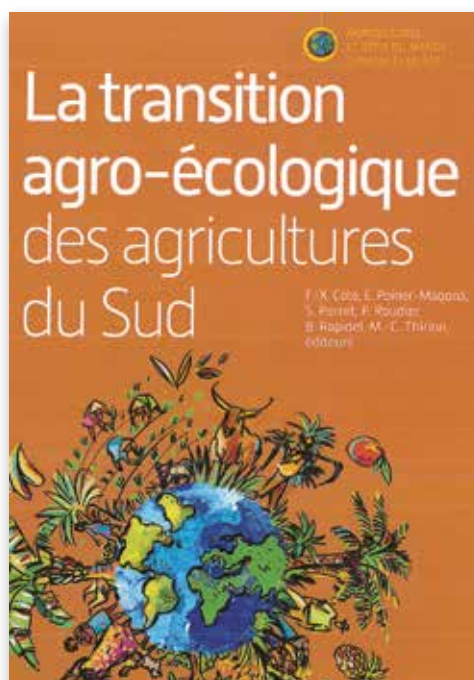
ZAE des Avants
34270 Saint Mathieu de Trévi
FRANCE
www.vitropic.fr

Contenu publié par l'Observatoire des Marchés du CIRAD – Toute reproduction interdite

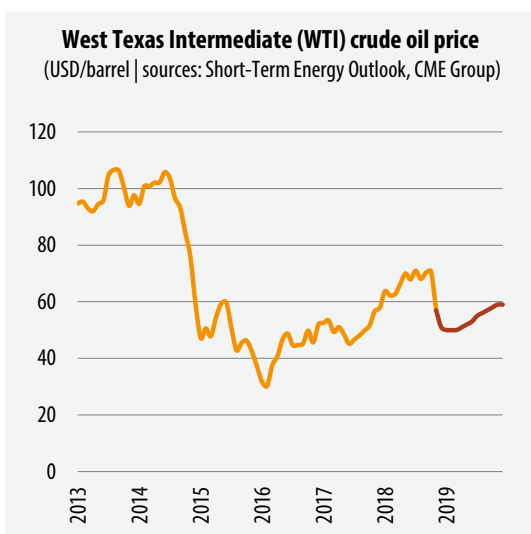


Ecology and agro-ecology

Terms such as ecological intensification, agro-ecology, multi-species system, agro-forestry, etc. have burst into the vocabulary of players in agriculture, gradually migrating from those behind developing the concepts, or who pioneered them, to the whole of civil society. Albeit a vague agronomic approach represented by portmanteau words, it is however essential for real change in agricultural practices. Shown as an example for their renewed and virtuous practices in terms of the environment, the farmers are also accused of all its ills. Let's hope that 2019 is, at least for the banana sector, a year for realisation that a different production mode is possible. The French West Indies have for ages shown the way, and others in Africa are hot on their heels. We should lament the fact that more than three-quarters of the world supply is still well behind in this revolution aimed at better protecting the production environment, labourers working there, and local residents.



Editions QUAE, 368 pages, 32 euros
ISBN: 978-2-7592-2822-5

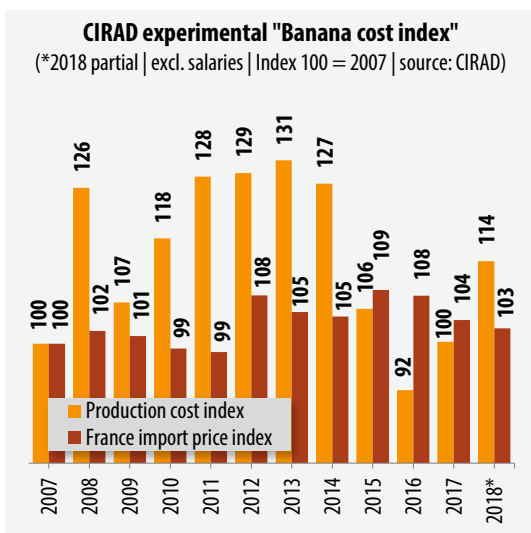


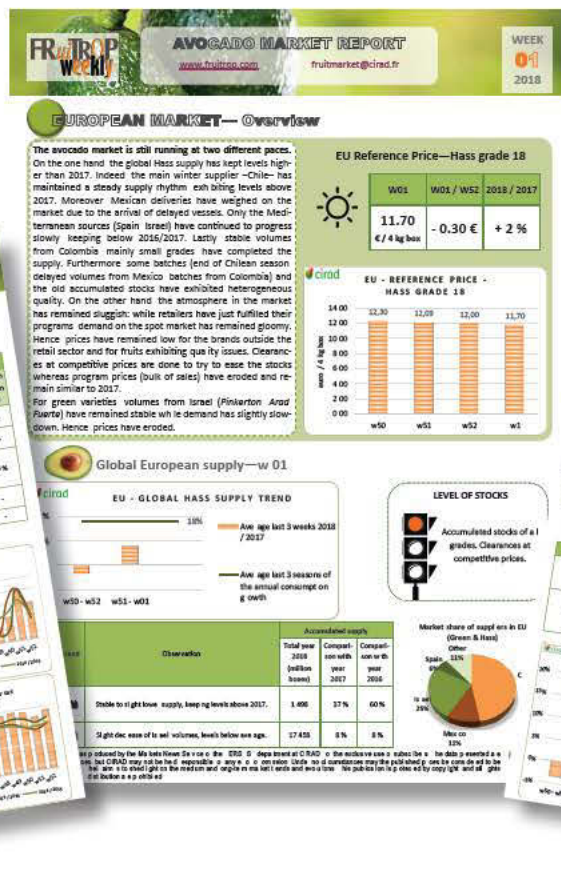
Energy & inputs

As for exchange rates, forecasts for 2019 regarding production factor prices (excluding labour) are difficult to pinpoint. In approaching the subject, we will look mainly at the energy price, on which other inputs, such as plastics, boxes and of course fertilisers, are largely dependent. We will echo the forecasts of the EAI (the US Energy Information Administration, published on 11 December 2018), providing analysis and statistics in the field of energy. For 2019, it predicts a spot price of 69 USD per Brent barrel (54 USD/barrel for WTI). Recall that the Brent price was 65 USD/b in November 2018, down by 16 USD in just one month. In historic terms, prices in 2019 appear to be halfway between 2018, at 71.4 USD/b, and those 2017, at 54.2 USD.

These forecasts of a big drop in energy prices from 2018 corroborate the forecasts of a restrained evolution in input prices, and in any event, fertiliser prices. In its forecast document, the World Bank announced a slight increase in fertiliser prices of 2 %, yet after a 9 % increase in 2018, especially in Q3. The index would go from 70 in late 2017-early 2018 to more than 85 points in 2019. This is still a very long way off the records from the beginning of the decade (2011 and 2012), when the index climbed to nearly 160 points.

As for sea-freight, the new "Low Sulphur" regulation will not officially take effect until 1st January 2020, though the subject is already largely part of the discussions between owners and loaders. This regulation will force shipping companies to cut their sulphur emissions by 85 %, thereby favouring use of better refined fuel oil (sulphur content 0.5 %). It is hard to tell the additional cost of this shift in practice; we are talking about a premium potentially ranging from 150 USD/EVP (20-feet equivalent) to 300 USD/EVP... a very wide range factoring in the magnitude of the customer and therefore their negotiating power.





Weekly avocado market report

Comprehensive and relevant European market monitoring

- Detailed import prices for each source, variety and size
- Weekly market trends
- Forecasts
- Supply levels



Annual subscription price: €1 000 pre-VAT

(approx. 48 editions per year)

E-mailed out on Fridays

Contact: info@fruitrop.com

or www.fruitrop.com/en/ciradshop/subscribe

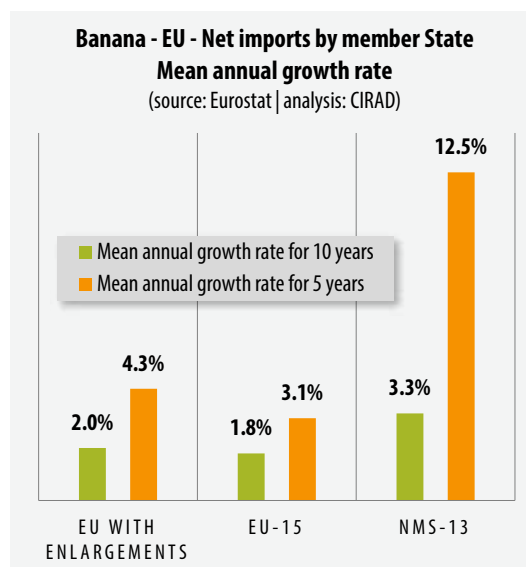
FRUITROP
weekly

Contenu publié par l'Observatoire de l'Avocatier du CIRAD. Toute reproduction interdite



NMS

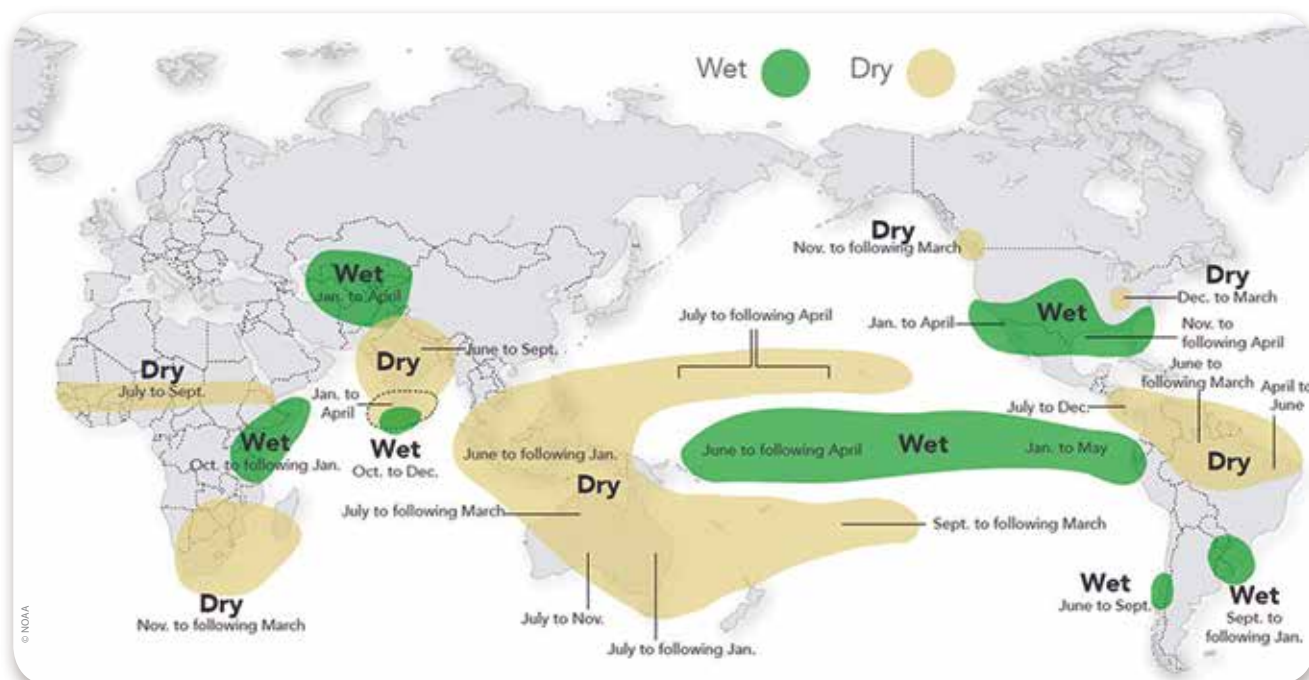
In any event, the EU's thirteen New Member States (NMS), located in Eastern and Southern Europe, would need to continue to drive growth. Analysis, Member State by Member State, shows that they are the ones mainly driving the market. If we put aside the problems in evaluating the market size, due to the existence of a single European market without internal borders, the results are so unequivocal that there can be no doubt over the conclusions. Evaluated over ten years (2007-2017), the mean annual growth rate (MAGR) in supply to the NMS was 3.3 %, as opposed to 1.8 % for the EU-15, in other words "old Europe". Over five years (2012-2017), the MAGR for the NMS climbed to 12.5 %, as opposed to "only" 3.3 % for the EU-15, i.e. a rate four times quicker! The NMS absorbed practically 1 million tonnes in 2017, as opposed to just over 500 000 tonnes in 2012. So this remarkable dynamic must endure in 2019, so as to clear the incoming volumes, especially from the dollar suppliers. Since these markets are very largely supplied by dollar bananas. The ACPs and European production (primarily French) are there only to top up the dollar supply.



Niño (EI)

The climate phenomenon is indeed developing as predicted months ago. The only uncertainty, slight yet making it impossible to conclude a fall or rise in the banana supply from the dollar zone, relates to the intensity of the El Niño phenomenon. It has been predicted as mild, yet Colombia, for example, has already sounded the alarm, asking its producers to implement all possible

provisions to mitigate productivity losses due to a period of marked drought. If there are losses over the 1st half, the potential will be offset over the year. Regarding Ecuador (reverse effect of Colombia, with rainfall on the up), there is no anticipated effect. Doubtless with good reason, if we recall the positive effects on production of the last episode (2015).





Weekly banana market report

Comprehensive and relevant European market monitoring

- Production trends
- Detailed review of the main European markets
- Detailed import prices for each market
- Supply levels



Annual subscription price: €3 000 pre-VAT

(approx. 48 editions per year)

E-mailed out on Thursdays

Contact: info@fruitrop.com

or www.fruitrop.com/en/ciradshop/subscribe

FRUITROP
weekly

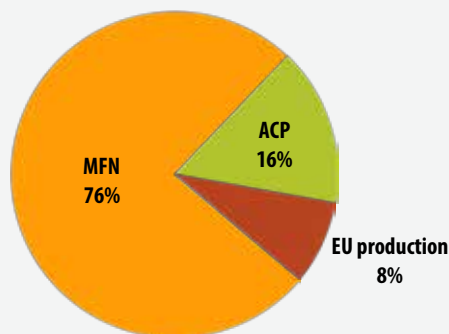
Contenu publié par l'Observatoire des marchés du CIRAD - Toute reproduction interdite



Banana supply

There is no change in trajectory forecast for 2019. Autumn 2018, at high risk in terms of climate vagaries for the Caribbean and Central America zone, did not reduce the production potential. The dollar origins reached or even surpassed virtually all their export records in 2018, such as Ecuador, Colombia, Costa Rica or Guatemala. So there is no change in trend, still upward in terms of volume, and especially in the dollar zone (see "El Niño" item). In Africa, Cameroon will continue in 2019 to be heavily in shortfall. Côte d'Ivoire and Ghana meanwhile are in growth phase but will at best only offset the Cameroonian shortfall.

Banana - EU-28 - Market shares - January to October 2018
(sources: CIRAD, Eurostat)



Supply of competing fruits

This is one of the keys for understanding what might happen in the first half of 2019. As we know, the 2018 European harvest of pip fruits and especially the apple, was excellent throughout Europe (12.6 million tonnes, an absolute record) and above all in Eastern Europe. Poland, the number one apple producer in the EU with a harvest estimated at 4.5 million tonnes in 2018, saw its retail prices decrease threefold between August and December 2018, going from 300 to 110 euros/tonne (source: EU Dashboard), well below the minima seen at this time of year for the past five years.

As regards citruses, Mediterranean production is back to a high level after the shortfall seen in 2017-18: with + 18% forecast for easy peelers for the 2018-19 campaign compared to 2017-18, and + 5 % for the orange. The social unrest in France has greatly disrupted the supply from Southern Europe and the Mediterranean. On top of this there was mediocre quality of the harvests due to bad weather in certain production zones. Finally, South Africa has maintained a strong presence for the orange for a good part of the beginning of the Mediterranean campaign, thereby disrupting the start of the Northern Hemisphere campaigns. If we attempt to sum up the situation overall, we can say that the competing fruits market will remain very well fed over the first months of the year.





POSEI

This is the armed wing of support to European banana producers. 2019 will be the year not of change, but of the consolidation, or otherwise, of the dedicated financial budget. Between Brexit and reform of the common agricultural policy, the European budget reorientations should not affect the support regime. In any case, Spanish, French and Portuguese producers and their governments have for months been making the case to the Member States and the European Commission. The rendez-vous clause (see previous item), which will enable a review of the state of the European banana market, will be an opportunity to open the debate on the place of European production in the Community supply, on the effects of this activity in the outermost areas of the EU, on the relative competitiveness of the European industry in relation to the competition, especially from Latin America, and more generally, on the political sense in maintaining banana production within the Union for one of the fruits most consumed by Europeans.

BANANA — DISTRIBUTION OF POSEI FOR OUTERMOST REGIONS

POSEI programme - Banana	In million euros	Average production sold 2015-2016-2017 (in tonnes)
Total, of which	278.8	643 702
Spain Canaries	141.1	399 389
France, of which	129.1	223 788
Martinique	97.6	166 324
Guadeloupe	31.5	57 464
Madeira	8.6	20 525

Note: for Cyprus and Madeira, it is the "Aegean Sea" programme which covers the specific agricultural funding

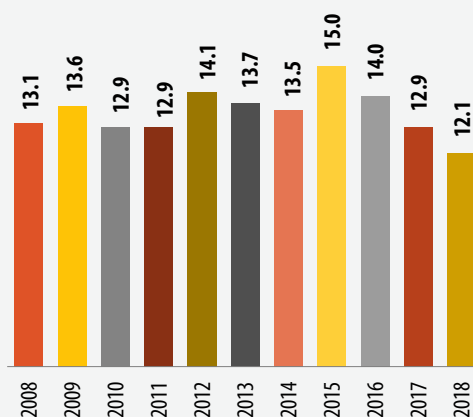


Import price

The ALDI sequence had a destructive influence at the end of 2018 (renegotiation of supply contracts for 2019). Although the volumes involved are around 250 000 boxes per week, or even less, it sets a low reference. The atmosphere generated during the end-of-year contractual negotiations was detestable. Never had they been as long and as tough. Since 2015, the last year of fat cows, we have seen a straight-line downward trend. We are talking about a contract price below 12 euros (2018 contract), approaching 11.5 euros/box at the import stage, i.e. a maximum fall of 4 %. The problem is that it will mark the 4th consecutive year of a falling green banana price in Germany, and by a contagion effect, throughout Europe.

Banana - Germany - Annual import price 2nd and 3rd brands

(in euro/18.14-kg box | Source: CIRAD)



Exchange rate

While forecasting for the banana market is difficult, doing so for energy prices and the exchange rate is even tougher. We need to refer to specialist publications. Here we will mention the forecasts of the Reuters agency, which summarised a poll of more than 60 currency analysts. Their forecasts indicate a considerable fall in the US dollar against for example the euro. They propose a figure of 1.2 USD to the 1 euro in 2019, as opposed to 1.13 USD at the very end of 2018. This fall in the buck could be focused in the second half of 2019. Recall that a relatively weak euro against the US dollar has in the past played a major protective role for the European

Union. The reverse (strong euro) has an attractive effect for exporters, which are able to adjust their volumes between the US and EU markets, but more generally produces a greater financial return for the export industries, thereby strengthening their competitiveness and export potential.

EXCHANGE RATE — 2019 FORECASTS

	4 Dec. 2018	March 2019	June 2019	Sept. 2019	Dec. 2019
EUR/USD	1.14	1.13	1.15	1.22	1.25
EUR/GDP	0.89	0.90	0.89	0.90	0.91

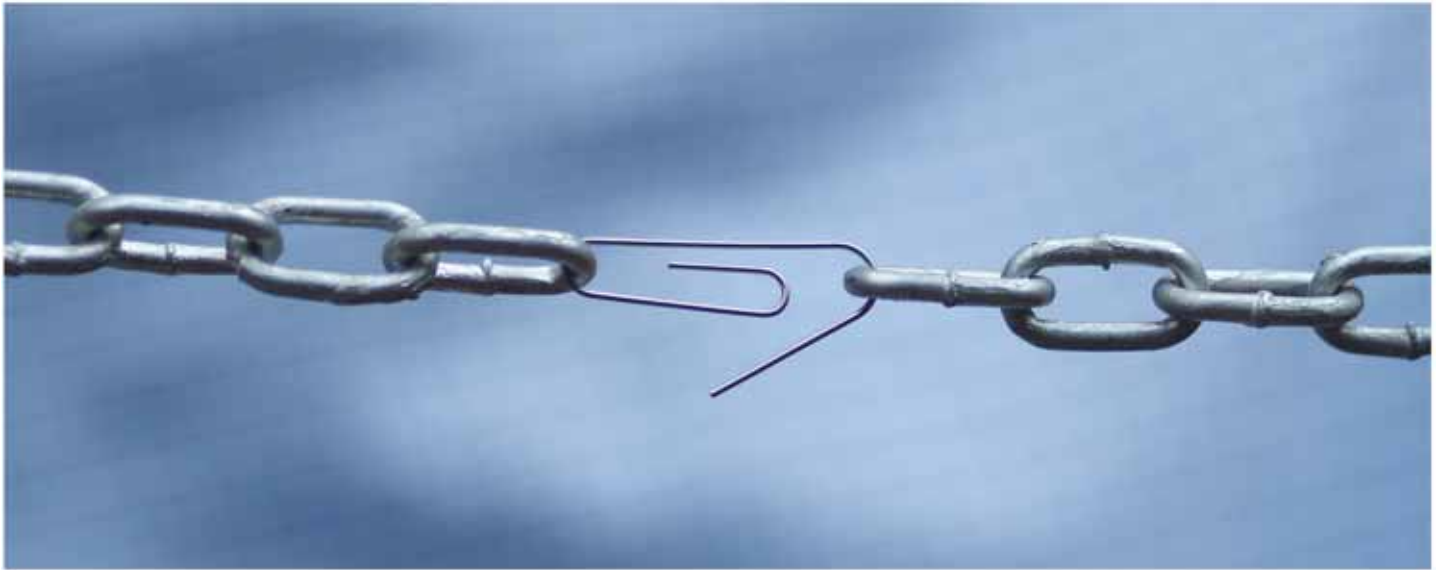
Source: Société Générale

A fairly wide varietal range



Two traditional varieties to this day symbolise Southern Hemisphere produce. Packhams, which represents 35 % of volumes produced, and Williams, which makes up 28 %. However these two varieties are losing momentum. They are being topped up by other traditional varieties such as Comice or Beurré Bosc (less than 1 % apiece) or more recently Abate (5 %). The renewal of the range involves blush-skinned varieties.

Information... your weak link?



Reefer Trends is an independent news and information provider, financed exclusively by revenue from subscriptions.

First published in 2003, it provides a number of services for users along the reefer logistics chain: the Reefer Trends weekly charter market brief is *the* benchmark publication for the specialist reefer business – it tracks the charter market for reefer vessels, as well as fruit and banana production and market trends that influence charter market movement.

The weekly publication has close to 200 paying subscriber companies from 34 countries worldwide. The list of subscribers includes all the major reefer shipping companies and reefer box operators, the major charterers, reefer brokers, banana multi-nationals, the major banana exporters in Ecuador, Costa Rica, Panama and Colombia, terminal operators in the US and Europe, the world's leading shipping banks and broking houses

as well as trade associations, cargo interests and fruit importers on all continents. It is also circulated within the European Commission and the World Trade Organisation.

As well as the weekly Reefer Trends report it provides a separate online daily news service, covering developments in the global fruit, banana and logistics industries. The daily news is e-mailed direct to the desktops of several thousand subscribers worldwide.

Reefer Trends' consultancy clients include shipbuilding yards, banana majors, banks, brokers and equities analysts. Reefer Trends provides sector reports and forecasts for brokers and charterers. It has also acted as an expert witness in a chartering dispute.

For more information on subscriptions, please contact:
info@reefertrends.com or visit www.reefertrends.com

reefer trends

Besides the traditional Packhams, Williams, plus Comice, Beurré Bosc and Abate, the pear variety range in the Southern Hemisphere has expanded in recent years, with blush varieties such as Red Bartlett, Bon rouge or Rosemarie, topped up by Forelle, Flamingo, Cheeky, Sweet Sensation and Celina. However, varietal choices differ between the countries. Hence the range has seen little change in Argentina, where Packhams and Williams dominate. It has expanded slightly in Chile with Abate progressing, and to a lesser degree Forelle and Sweet Sensation to top up Packhams, Beurré Bosc and Williams. Similarly, while Packhams and Williams are still dominating the South African supply, producers are planting modern varieties with a marked proportion of blush. New Zealand is renowned in Europe for its Comice production, though modern plantations have also been set up with highly particular varieties such as Piqa Reo®.

Traditional varieties

Williams / Bon Chrétien / Bartlett

This variety has uncertain and disputed origins, which give rise to the various names, with Bon Chrétien derived from François de Paule, Williams in tribute to Williams of Turnham Green, a nursery grower who propagated the variety from the United Kingdom, and finally, once this variety had been imported across the Atlantic circa 1799 by Enoch Bartlett. It is the most cultivated variety in the world, due to its double use: fresh fruit and alcohol. It is a juicy, sweet pear with a touch of acidity. Its non-grainy white flesh is highly aromatic. Its skin changes from light green to golden yellow on maturing. It is however fragile, impact-averse and quickly oxidises. The Williams variety is particularly popular in Southern Europe, which are also producers, but it also means that the campaign can be launched in Northern Europe in January, with the first Early Bon Chrétien from South Africa, and in February-March with Argentina. Note that some have replanted this variety in Chile, where it is also well adapted. Surface areas have fallen in recent years in the Southern Hemisphere. However, production still reached 313 000 t (including Early Bon Chrétien). There are several variants, especially an early green variety (Early Bon Chrétien) and a red variety (Red Bartlett).



© Hugué Comergue



© demat.net

Beurré Giffard

This is a pear ripening at the beginning of summer, of good quality and average size. It keeps well provided that it is picked at the right stage of maturity. It can launch the Williams campaign. In particular, it is produced in Argentina, and available from January on the European market, though it represents a very low tonnage.

Packhams Triumph

This variety was obtained in Australia in 1896 by M. Packhams, by crossing the Belle Angevine and Williams Bon Chrétien varieties. It is a fairly large fruit, with a fairly thick skin but with thin, melting, juicy, acidic but rather bitter flesh. It is prized for the regularity of its production and quality of its fruit, in particular good keepability. Although still dominant in the Southern Hemisphere, it is tending to be uprooted in favour of more modern varieties. Production fell below 400 000 t in this part of the world.



© wikimedia.com

Other traditional varieties

Comice

These are spherical pears, large to very large in size. They have excellent taste quality: the flesh is thin, melting, juicy, sweet and highly aromatic. However the skin is fragile on maturity. Tonnages have greatly fallen in the Southern Hemisphere (7 000 t in South Africa). It too is above all prized in Southern Europe.



Beurré Bosc

The fruits are fairly large or large, gourd-shaped and lumpy. The skin is coffee coloured, with a very thin, melting and juicy flesh. Volumes in the Southern Hemisphere are on a downward trend (13 000 t primarily produced in South Africa and Chile).

Abate

Abate Fetel, from its real name Abbé Fétel, is a pear variety obtained by seeding circa 1866 by Abbot Fétel, at Chessy-les-Mines. It is a large, elongated pear, with a very yellow skin, slightly pitted and bronzed around the stalk. Its flesh is white and melting, grainy and juicy, mild-flavoured sweet and highly aromatic. Planting has gone up considerably in the Southern Hemisphere since 2010 (60 000 t in 2018), especially in Chile (35 000 t) and South Africa (25 000 t).



Blush varieties

In recent campaigns, particular progress has been seen in clones with a more or less pronounced blush, such as Forelle, Flamingo or Rosemarie, and then Carmen; and now club varieties such as Sweet Sensation to supplement the traditional varieties Red Bartlett and Bon rouge.

Red Bartlett and Bon rouge

These are varieties derived from Williams, Bon Chrétien, Bartlett.



Forelle

This is an old variety cultivated by the British in the 17th Century, and exported to the USA in the 19th. It is also the smallest pear variety, similar to Bartlett but in a mini format. Its skin is green with blushed patches. Once mature, it becomes golden yellow. Its flesh is not very juicy or very sweet. Volumes in the Southern Hemisphere are stable: 106 000 t, with 83 000 t in South Africa and 11 000 t in Chile.

Rosemarie

This is a medium-sized fruit, ovoid-shaped with a more prominent bulge on one side. Its yellow-green skin, with an abundant faded orangey-red, is pitted over a large part its surface, with a straight, thick stalk. It has white, slightly yellow flesh, with a high water content as well as a pleasant floral aroma. Surface areas have fallen slightly in favour of more modern varieties. Volumes are now less than 10 000 t in South Africa.



Flamingo

This is a small to medium-sized plump fruit, oval in shape; its pale green skin spotted with copper patches and can adopt a partially red coloration under the effect of the sun. Its sweet flesh is much prized for its strong flavours.

Cheeky Red / Cape rose

This is a rounded, spherical pear, with a highly pronounced blush, produced in South Africa (12 000 t in 2018), with melting and juicy white flesh. It has the advantage of reaching maturity three weeks before Forelle.



Carmen

This variety, derived from a cross between Guyot and Bella, is medium-sized and slightly elongated in shape. Its green-yellow coloured skin has a red tint over nearly one-third of its surface as it exposed to the sun. It is a fruit with high taste quality, its juicy flesh revealing fine flavours. It is in particular produced in Chile.

Sweet Sensation

This is a natural rosé tinted mutation of Doyenne du Comice, discovered in 1992 by Simon Broertjes at Wijdenes in Holland. One group of selected producers worldwide have opted for Sweet Sensation. Since 2012, The Greenery has held the growing rights for Doyenne rouge, which is now cultivated in South Africa, Argentina, Chile, France, the UK and Belgium (currently 456 ha, with 900 ha by 2026).



Celina

This is a medium-sized piriform modern variety, with an intense blush (50 %), white and juicy flesh. For the time being, it is planted primarily in South Africa.

A report on the second half of 2018 could quite easily be a copy/paste of an analysis of the same period 12 months previously. Owners and operators of small and handysize reefer units benefitted from good demand from contract fish and potato positions between July and December and collected whatever spot banana charter that was circulated. The supply and demand for capacity was in equilibrium most weeks and the only reason why the Time Charter Equivalent yields for the period were lower year-on-year was because bunker costs were higher.

© Pierre Gerbaud

The large segment meanwhile continues to struggle. The mode has been severely affected by the reduction in number of ports through which spot bananas are traded. The default position for all Mediterranean banana cargoes, reefer and container has been Mersin in Turkey for 2-3 years. The port serves to supply the local market but is more important as a transit banana hub for Iranian and Iraqi traders. The more difficult and unpredictable it has become to service customers in Algeria, Libya and Tunisia with large volumes, the more frequently vessels have steamed instead into the eastern Med and the more price sensitive and volatile the market in Mersin has become.

This was the principal reason why there were no spot charters to carry the surplus bananas produced in Colombia and Central America between August and November. Shippers instead diverted fruit into other markets or ploughed it back into the ground. The other reason was the collapse in value of the Iranian rial, a result of the re-imposition of sanctions on the Islamic Republic by the United States. Any item traded in dollars has since become prohibitively expensive.

A total of between 8 and 12 vessels was either placed in cold lay-up by owners or was forced into commercial lay-up to wait for better days. With Chiquita redelivering 8 of its large reefer units servicing its transatlantic banana business to Star Reefers and Maestro at the start of 2019, the short-term prospects for the segment look bleak, unless the supply of capacity is reduced via demolition.

There was, however, a bit of positive news. In December 2017, Cool Carriers was forced to abandon its longstanding Coolman banana service from Colombia, Central America and the Dominican Republic to the UK and N Cont. Shippers were forced into the container services largely as a result of European retailers lowering contract values for bananas. This in turn forced suppliers to cut costs along the chain and shipping, by far the largest cost element, was the first to suffer.

However there has been something of a backlash. In December 2018, operator Seatrade announced the launch of the direct Zodiac Reefer Service, which it says offers banana and pineapple shippers from Colombia, Costa Rica, Honduras and Guatemala unrivalled transit times to the UK and the Netherlands. The new service is built on last year's Blue Stream specialized reefer service, which competed with some success against the carriers. The Zodiac complements Seatrade's other transatlantic banana services: the Rayo from Ecuador, the Geest/Caribanex service and the freshly re-configured and containerized Blue Stream service.

It is a bold move and significant for a number of reasons: firstly, a resurgent Seatrade is taking the lines head on. The success of the venture is contingent on capturing market share back from the carriers. But this may be less difficult



than it sounds: it is likely that some of the cargo for the Zodiac is held by ex-Coolman customers who defected to the lower cost carriers in 2017, forcing the discontinuation of the string. Service level issues coupled with a shortage of equipment this year left many of these shippers regretting their initial decision.

The other potentially positive development concerns the South African citrus trade to China. An agreement has finally been reached between South Africa's Department of Agriculture and the General Administration of Customs of the PRC for specialized reefer vessels to be able to carry citrus from South Africa to China – contingent upon certain phytosanitary conditions. South African citrus exports are forecast to surge almost 40% within 5 years – such rapid expansion presents logistical and marketing headaches that a fast, dedicated and direct specialized service to China can mitigate and possibly resolve.

Forecast

All things being equal, there is no reason to suggest that demand for specialized reefer capacity will be significantly different in 2019 to how it was in 2018 and 2017. There haven't been any material changes to the variables that affect supply or demand – the trend towards containerization continues, but at an incremental pace.

It will become clear by the end of the Chilean table grape season March by how much the reefer industry plans to downsize. With an average age of 26-plus, there are more than 200 specialised units large and small, which are ready for demolition at the end of 2018. In the longer term, the enforced switch to low sulphur fuel on 1 January 2020 will be a game-changer for the industry. It will make the ocean leg of the supply chain more expensive and likely accelerate the decline of the specialized reefer mode.

The international Maritime Organisation (IMO) has set a global limit for sulphur in fuel oil used on board ships (bunkers) of 0.50% m/m (mass by mass) from 1 January 2020. This, it says, will significantly reduce the amount of sulphur oxide emanating from ships and should have major health and environmental benefits for the world. The current global limit for sulphur content of ships' fuel oil is 3.50% m/m (HSFO).

The good news is that there are two ways in which vessels can meet the new sulphur oxide emission requirements: either by using low-sulphur (VLSFO) compliant fuel oil or by installing exhaust gas cleaning systems or "scrubbers", which "clean" the emissions before they are released into the atmosphere. The not-so-good news is that there is a significant cost increment associated with compliance on both methods: retro-fitting a scrubber costs in the region of USD1m per vessel, while there is a significant percentage price premium on the VLSFO bunkers over the HSFO. The premium is currently running at 50%, but this figure will likely fall as demand rises post 2020.

The new regulations will lead to a rise in the cost of sea freight, for which the carriers are better equipped to manage by virtue of their scale. Consultancy Sealntel estimates that the container shipping industry will be faced with an additional USD11.2bn fuel bill per annum from 2020. Carriers Maersk Line and CMA CGM estimate VLSFO rule compliance for their respective fleets at USD2bn and USD1.5bn respectively, which CMA says is equivalent to an additional average cost of USD160 per TEU (USD320 per high cube FFE).

Assuming there is no late and widespread retro-fitting of scrubbers by owners of reefer ships, the less fuel-efficient reefer mode will be at a cost disadvantage: if the cost of VLSFO remains close to a 50% premium to HSFO



bunker prices then the reefer will be priced out of the market. While they too will attempt to pass on the additional fuel cost to customers and cargo interests, the container lines have the flexibility to absorb part, or all of the cost difference should the market dictate. Reefer operators have no such luxury. The switch to the more expensive VLSFO fuel is therefore an existential threat to the specialized reefer.

Speaking at the Cool Logistics conference in Antwerp, global head of reefer management at Maersk Line Anne-Sophie Zerlang Karlsen predicted that the likely conversion of cargoes to reefer containers could result in a capacity crunch in the reefer container sector by 2020. She added that if growth in demand for reefer containers picks up as specialized reefers disappear, "equipment investment will have to triple". However, after many years of insufficient returns, she wondered whether carriers or lessors would have the funds or appetite to invest.



The reefer's loss of market share has been incremental thus far. However, unless charterers and cargo interests have formulated contingency plans ahead of the implementation of the VLSFO rules, the reefer will disappear and the market will become chaotic. Realistically, by the start of 2022 it is hard to see beyond all bar one, or possibly two, of the core transatlantic banana trades containerizing.

The biggest modal change however will come in the seasonal trades: it's difficult at this stage to imagine cargo interests and charterers from Chile, South Africa, Morocco, Madagascar, New Zealand, Alaska and Argentina choosing to pay a more significant premium over the liner alternative, unless the retail customer is also prepared to pay more.

It is hard to see beyond implementation of the new sulphur cap rules being the coup de grâce for the embat-

tled specialized reefer. However, while implementation of the VLSFO rules will be a concern to all supply chain stakeholders, one thing is abundantly clear – it won't be the consolidated shipping industry or the powerful retail customers who are ultimately obliged to foot the cost of the new fuel bill. Instead it will be the shippers.

In the short term, the industry is pinning its hopes on a strong squid season, which would lead to a steep rise in spot chartering activity. Although Argentina's squid season doesn't officially start in its own waters until 1 January, 50-60 Chinese vessels were already amassing in international waters at the start of December. They will spend the next five to six months fishing for the species. A total of further 100 Chinese vessels were expected by the deadline date after diverting from squid fishing grounds near Peru.

Squid is in great demand: a plummeting catch of *Illex argentinus* worldwide has been responsible for fuelling a significant price increase, which has, in turn, prompted fears of overfishing. From the 850K MT caught in 2014, the catch has been closer to 100K-200K MT in years since, based on more recent industry estimates of the catch in international waters and Argentina's catch figures from its own waters. But if the catch is cyclical, the Chinese may be frustrated once again. Historical trends suggest volumes in 2019 will again disappoint – on the other hand, employing the same logic, both 2020 and 2021 will be bumper years for the jiggers and therefore for the specialized reefers, which are used to transship the cargo in the fishing grounds.

Reefer containers

The latest reefer container manufacturing numbers forecast made available by marine consultancy Drewry should, if they are accurate, start ringing alarm bells among shippers.

Drewry estimates that the end of year output figure for 2018 will be 125K FFE units, or 250K TEU. Once the figure for de-commissioned, or retired units is subtracted from the running total, the end of year net increase to fleet size is only 4.9%. This may compare favourably to the 4.6% increase in 2017, but still lags behind the 5 percentage points-plus rise in capacity achieved every year since records began with the exception of 2016, when the rate of growth figure fell to 2%.

The numbers suggest that the industry is not building enough boxes to manage rising demand for the transportation of perishables. Add the necessity to build more units to compensate for the significant increase in number of those de-commissioned at 12-13 years, and there is a recipe for a crisis in capacity in the near term. To



a great extent, how severe the crisis then becomes depends on the pace of demolition of the specialized reefer fleet, the viability of which will come under severe pressure once the new sulphur cap kicks in on 1 January 2020.

The reasons for the reluctance to build boxes are well documented: put simply, there is limited commercial incentive either for the carriers or the lessors. The reefer element of the container business is a lot less profitable in 2018 than it was in 2008: rates have continued to fall as the carriers battle for market share.

How then to square the circle? There are three inter-linked factors, plus one, that could avert a capacity crisis. The first is that carriers and reefer operators charge more. Historically this has been difficult, as both modes have suffered from the aggressive pricing strategy pursued by the carriers to grab market share. Encouragingly, there are signs of change: reefer operators report that rates have risen by double-digit percentage points on seasonal Chile business for 2019, and on period banana charters.

The second is greater investment in capacity. But there are problems here too. The container industry collectively invests close to US\$2bn per annum on equipment. This annual expenditure will need to rise by a minimum 50% within 5 years to take into account the rising number of de-commissioned units, incremental demand for capacity and the disappearance of the specialised mode. To support this growth, rates will need to rise sharply in the short term and then be maintained in order to generate a satisfactory return on capital.

The third is to improve capacity utilization. But if the carriers have not been able to make a material increase in the number of paid moves per box per annum, what chance is there that this will change?

The 'plus-one' fourth relates to the hitherto poor utilization of reefer depot 'Leasco' stocks. There are a significant number of 8-10 year old reefer containers that are lying idle, a consequence of the lines being 'ageist' about equipment. This wastage is caused because some carriers are not considering potentially good 'on-hire' options available to them, at relatively lower cost, because they have 'HQ rules' around leasing and age.

Previous potential capacity crises have always somehow been averted, indicating enough flexibility in the macro and micro variables to prevent the sky falling in. This time however, may be different ■

Richard Bright, Reefer Trends
info@reefertrends.com

FRuiTROP

Be the first in the know, thanks to FruiTrop's new information package.

The original forecasting and review expertise available in real time on the **FruiTrop online** site, and the in-depth analyses provided in **FruiTrop Magazine** will enable you to understand the markets better than ever, to be the first to make the right decisions.

1 subscription = 2 sources of information

FRuiTROP magazine

paper and online .pdf editions

5 issues per year:

January, April, July, September, November

Close-up:

banana, avocado, mango, citruses, pineapple

Forecasts, market reviews, news



FRuiTROP online

online edition

Each month:

forecasts, market reviews, news
on exotics and temperates

banana, avocado, mango, pineapple, litchi, citruses, grape, apple, pear, strawberry, blueberry, kiwi, stone fruits, melon, tomato, potato, sweet potato, yam, cassava, eddoo, plantain, chayote, christophine, dasheen, chilli pepper, ginger, etc.



Annual Subscription: FruiTrop Magazine + FruiTrop online

Contenu publié par l'Observatoire des Marchés du CIRAD - Toute reproduction interdite

= **EUR 360** pre-tax (subscribe online at fruitrop.com)



Quality and taste all year round

Greenyard Fresh France is an important player in the production, packaging, export, storage, ripening and distribution of fresh fruit and vegetables. All these services are carried out to ensure the quality and natural flavour of the fresh produce.

The great variety of origins and brands we propose for your supply in bananas makes it possible to satisfy the request and the segmentation of your clientele all year round.



FRUIT
LOGISTICA

6|7|8 FEBRUARY 2019, BERLIN

VISIT US
in Hall 5.2, stand A-03

Greenyard Fresh France SAS

15, boulevard du Delta / Zone Euro Delta DE1 / 94658 Rungis Cedex / France

T +33 1 49 78 20 00 / F +33 1 46 87 16 45 / contact@greenyardfresh.fr

www.greenyardfresh.fr

Contenu photo plan d'Observatoire des Marchés du CIRAD – Toute reproduction interdite

for a healthier future