

Pineapple

European market

On the move again!

After two years of decline, European imports and pineapple consumption regained some momentum in 2017. And it would seem to be no mere recovery. According to our projections, they will exceed the 900 000-tonnes mark; a level close to the historic imports record of 937 911 tonnes set in 2014. Yet could this recovery – which could generate belief in a renewed growth dynamic – be merely a classic bounce-back following on from 2016, a year favourable for prices?

A string of agronomic problems due to the 2015-16 El Niño phenomenon, and the lack of economic profitability with low returns partially explained by the fluctuation in the euro/dollar exchange rate, seems to have caused the fall in production in 2015 and 2016, and consequently lower exports from the world leader in fresh pineapple, Costa Rica.

Any change in Costa Rican exports, which still represent over 85 % of the supply to the European market, inevitably lead to price fluctuations on the market. The fall in Costa Rican imports in 2015 and 2016 told on import prices: the average price for 2016 was in excess of 9 euros/box (import price into Germany), a record for the entire decade!

As throughout the history of this product, a highly predictable textbook case, we might well imagine that the attractive prices would encourage producers to replant. And that is what has happened. Despite the economic difficulties of an industry under high pressure, though still enjoying a better context for exports with the rise in the euro, the fall in oil rates and therefore of inputs and freight, import volumes to Europe took an upturn in Q1 2017, boosted by optimal climate conditions for

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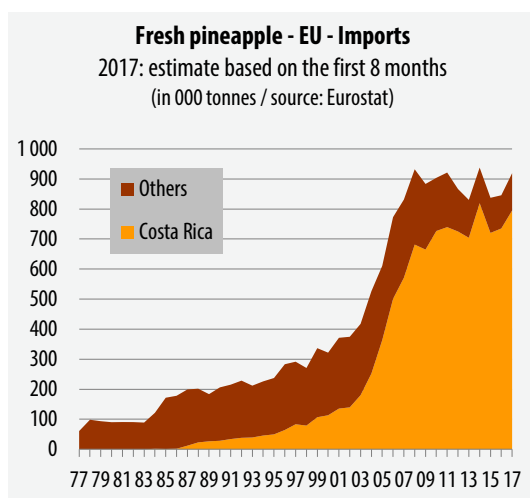
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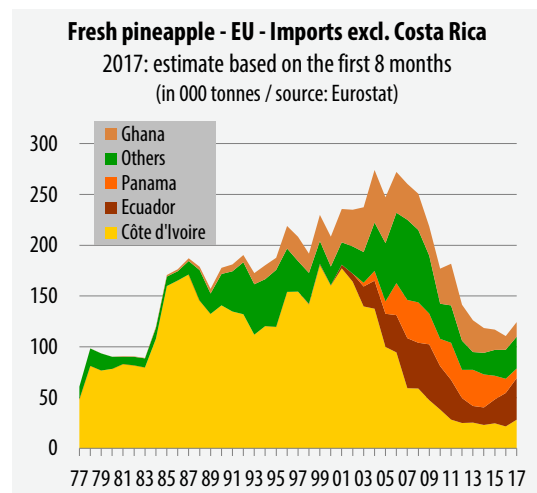
production. Growth in imports was remarkable, not only for Costa Rica, but also for the other market suppliers, which it is true represent just 15 % of the supply. Hence Ecuador consolidated its place as the number two supplier to the European market, exceeding 40 000 tonnes, i.e. double its level three years ago. The main Ecuadorian operator is supporting the origin's development through a supply focused on quality and complete customer service. For their part, the African origins, which have seen a dramatic slowdown over the past decade, have levelled out, and regained their 2014 levels.



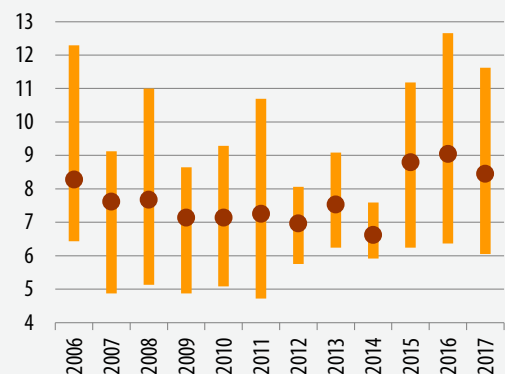
Import prices holding up?

The unit import prices published by Eurostat for the first eight months of 2017 show an average up from last year: 780 euros/tonne on average for all origins, i.e. 4 % growth on the record 2016 level! Is this a sign of better resilience from the European market to high volumes, or revaluation of the product?

For the moment, it is hard to tell. Detailed monthly analysis of these import prices shows significant interannual fluctuation. Prices appear to have maintained very good levels until April 2017 – when the supply profile was still low and similar to 2016 – but they collapsed from May, when the very big increase in Costa Rican volumes finally came. This situation of course was not helped by the difficult cyclical context of the market in spring and summer, with demand at rock bottom because of the wave of seasonal fruits.



Sea-freight Sweet pineapple - Germany - Import price
(in euro/box - 2017: January to September / source: Thierry Paqui)



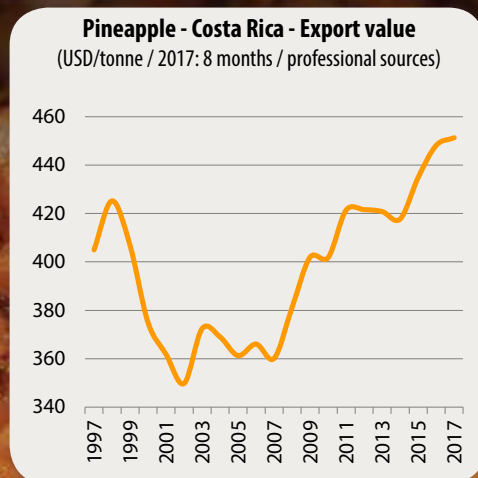
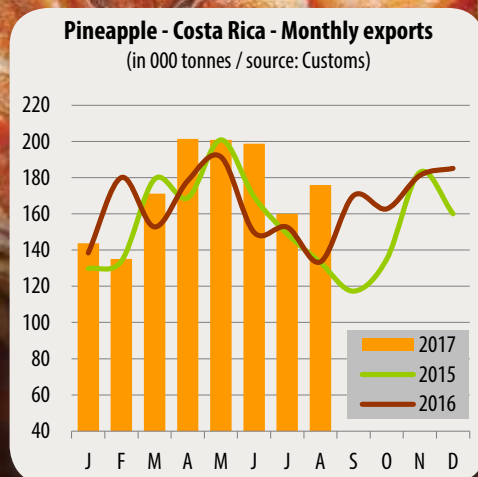
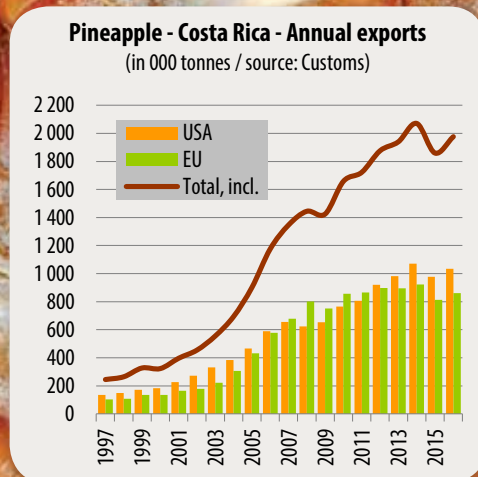
The pineapple in Costa Rica: absolute record

For the past two decades, Costa Rica has reigned supreme over the worldwide fresh pineapple trade. The country's production extended over more than 43 000 ha in 2016, as opposed to 37 000 ha in the national agricultural survey of 2014, official figures which might be underestimating the scale of the production, possibly by now in excess of 50 000 ha. The overproduction crisis of 2014, which drove numerous producers into bankruptcy and led to a rapid fall in production in 2015 and 2016, already seems a long way off. Hence with these growing surface areas and improved yields, the 2016-17 campaign (September to August) marked a new export record for the lord of the fresh pineapple. More than 2 086 200 tonnes were exported, across all destinations, between September 2016 and August 2017, beating the record from 2014 and up 10 % on last campaign. The main outlets remain the United States, absorbing 51 % of shipments, and Europe (44 %), with growth identical (+ 9 %) on both markets to 2016. Though representing only 5 % of export volumes, other destinations (including Russia) registered very good performances, with an increase of 36 %, a level higher than the overall exports growth rate.

The seasonality of exports remains unchanged: two large peaks fall in the spring, and then in autumn in preparation for the end-of-year holidays. However, in 2017, the spring peak (March, April and May) seemed more intense, actually extending into June. Furthermore, an abnormal rise in volumes was observed in August 2017. Is this a sign of a season ahead of schedule, or the initial effects of the overall growth in production with the new planted surface areas? Costa Rica should remain at its full potential over the end of the year and throughout 2018. A phytosanitary moratorium, initially imposed in the north of the country by the national animal health body (SENASA), aimed at limiting the proliferation of the stable fly (*Stomoxys calcitrans*) which affects cattle, had to be lifted under pressure from producers, refusing to accept this production loss.

In spite of the growing quantities observed since the beginning of the year, the export values in Customs have never been as high: 451 euros/tonne in 2017, i.e. 1 % more than in 2016.

Undeniably, the Costa Rican pineapple remains a major source of jobs and wealth creation for the country, yet controversies persist on working conditions on the plantations and management of the impacts of this crop on the environment.



Nonetheless, it would seem that despite these fluctuating returns at the import stage, the export result is rather positive, with export values in Costa Rica apparently up. So the fall in import prices seems to be buffered by lower intermediate costs, especially freight, and by a euro/dollar exchange rate once more favourable to exports at present.

If history always repeats itself, we already know that “two favourable years are followed by a year of crisis”. Going on the experience of 2014 – a record year for the EU supply – low import price levels should be maintained throughout 2018, while production will continue to express its full potential. Growth in production surface areas in Costa Rica is the proof of this: more than 43 000 ha were reportedly planted in 2016 (source MAG), as opposed to 36 000 ha in the last national agricultural survey in 2014. And probably the 2016 official figures under-estimate planted surface areas, which may already exceed 50 000 ha...

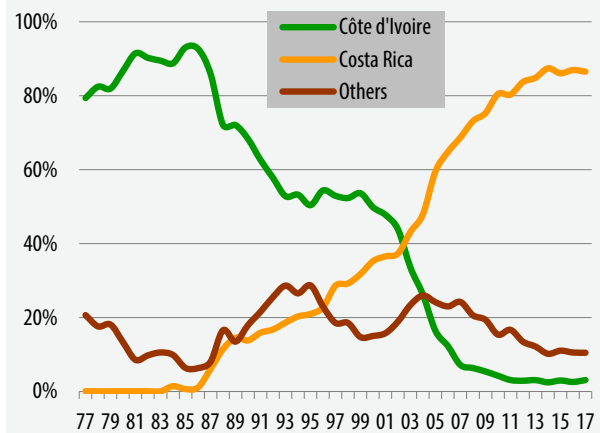
The first pineapple shipments from Costa Rica in March to China caused a great deal of excitement in the pineapple industry. Could the opening of market with enormous potential, hitherto unexploited, finally enable diversification of the outlets? A note of caution is required... Besides more difficult quality management, the 25 to 28 days required to cross the Pacific may be of less interest in a context of less favourable freight prices than at present. In addition, as the experience of the Ecuadorian banana has shown on this market, it is possible to set up regular shipments, but growth remains limited to compensating for the existence of local production and imports from the neighbouring countries, which clearly enjoy logistical proximity. So China will not be another Peru!



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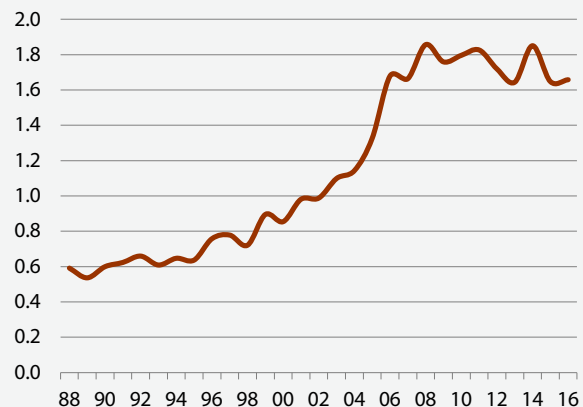
Fresh pineapple - EU - Market shares by source

2017: estimate based on the first 8 months
(source: Eurostat)



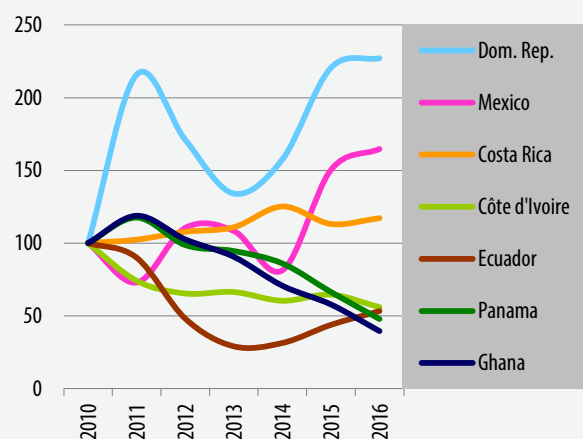
Fresh pineapple - EU - Consumption

Including EU enlargements
(in kg per capita / source: Eurostat)



Pineapple - US + EU imports

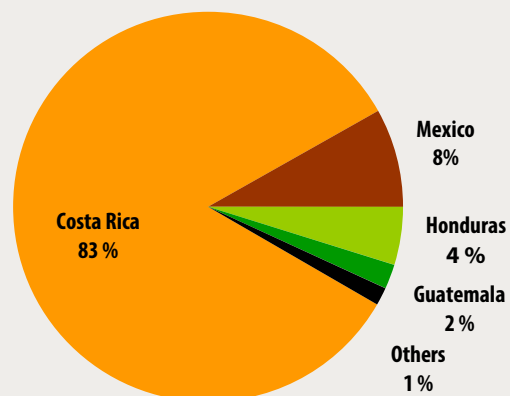
(index 100 : 2010 / source: Customs)



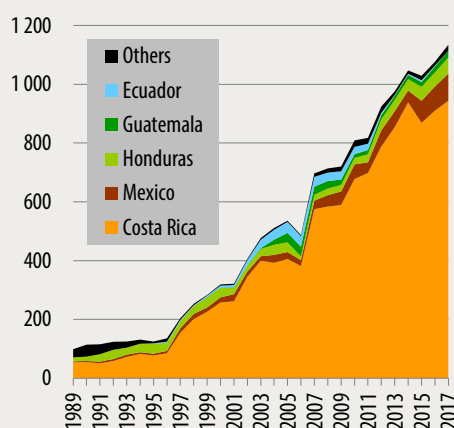
The pineapple in the United States: the return of the American dream

2017 was a year marked by a leap in pineapple imports in the two main consumption markets, Europe and the United States. In the USA, this leap is especially remarkable since it was an absolute import record, following three years of complete stagnation. According to our projections, imports on this market in 2017 amounted to 1 135 000 tonnes, up by more than 5 % on 2016. Of course, Costa Rica, which represents an 83 % market share, registered its best performance with nearly 944 000 tonnes, beating its 2014 record (938 000 tonnes) by 1 %. This growth is especially remarkable since it extends to all the other suppliers, registering growth rates higher than overall market growth. Mexico, in second position for the past three years, has consolidated its place, with more than 90 000 tonnes (i.e. an increase of 12 % on 2016). Neighbouring Guatemala and Honduras saw performances of 13 % and 17 % up on 2016. On a smaller scale (quantities below 10 000 tonnes), but in just as great a feat, Panama and Colombia marked their comeback to this market. Apart from this, it remains only to note the decline of Ecuador, the big loser in this story, which has disappeared from this market, and is refocusing on Europe.

Fresh pineapple - USA - Imports in 2017
(first 8 months)



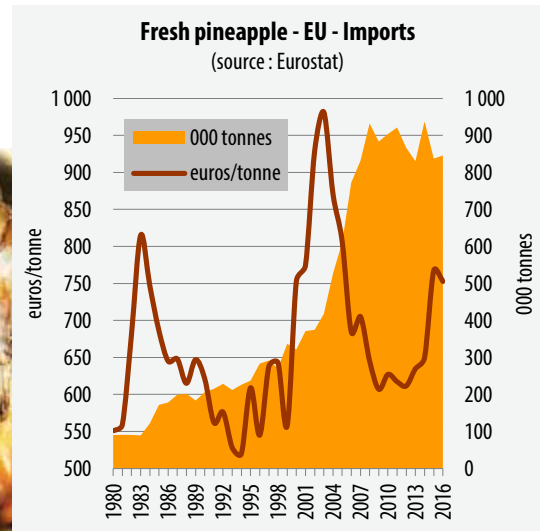
Fresh pineapple - USA - Imports
(2017: projection / in 000 tonnes / source: Customs)



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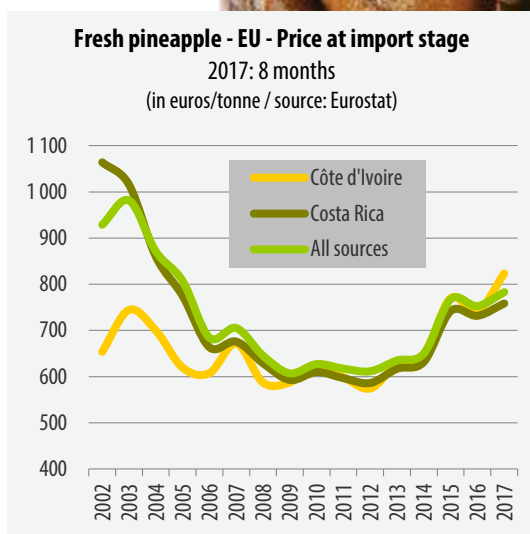
Cayenne vs Sweet: round 2

New Latin American origins are developing on the air-freight market in Europe. For the past two years, we have seen the emergence of a Sweet air-freight supply from various origins. Cuba, the Dominican Republic and more recently Kenya have entered the market. Colombia meanwhile is consolidating its position in Europe, doubling its import volumes between 2016 and 2017 on the air-freight segment and also the sea-freight segment. Naturally, the sea-freight heavyweights such as Costa Rica are riding on this wave, also providing an air-freight Sweet supply, which is positioned on the same market segment as the traditional air-freight Cayenne. It would seem that the driving force of this development is on the one hand good demand from the retailers specialising in quality fresh fruit in terms of supply and range (such as Grand Frais in France), and institutional catering. On the other hand, 2017 was marked by the absence of certain traditional air-freight pineapple origins such as Benin, due to the ban on Sugarloaf exports between December 2016 and August 2017 because of breaches of the ethephon MRL. The difficulties experienced by this origin to return to the market since late August 2017 seem to confirm the market share acquired by the new origins to the detriment of the traditional African air-freight pineapple sources. So it could be that the persistent concerns of regularity, homogeneity, ethephon management or packaging are counting against certain African origins, in particular against these emerging countries which more efficiently manage packing and transport, and which sometimes enjoy the support of investment from big international groups. Is Sweet dethroning the Cayenne once more, this time on the air-freight segment?



So it would seem that the pineapple market supply is increasingly structured, with five highly distinct coexisting ranges. In the sea-freight market we can find the big, renowned historical brands, followed by brands owned by operators which provide complete customer service, with comprehensive management of product quality, and finally the core market with standard, non-differentiated MD2. On the developing air-freight market, we can find on the one hand Cayenne, now with its big historical rival Sweet, and on the other hand niche varieties including Sugarloaf or Victoria.

So the pineapple market remains confusing. It is one of the main import fruit markets in terms of quantity, and despite past crises of oversupply and low prices, it has persisted and found renewed growth. Thanks to a market context more favourable to exports again, and to an increasingly structured and segmented supply, the pineapple remains an attractive product which is generating interest both among traditional producers and newcomers embarking into probably more lucrative market segments. It is also sparking interest from importers, which are opting to support the development of this trade by offering services helping provide better quality and value. This is the characteristic of a product which works. However, history should not be allowed to repeat itself, with an uncontrolled avalanche of volumes of non-guaranteed quality putting an end to this virtuous dynamic ■



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Processed pineapple: a depressed market

by Denis Loeillet, from Cyclope 2017

The processed pineapple segment has scarcely anything in common with the fresh pineapple market, but is relatively depressed. After reaching 5 million tonnes in 2011, it has dropped by 10 % to stabilize at around 4.5 million tonnes. Asia drives sales in this respect, with Thailand as the country of reference. The health of its productive and processing sector sets the tone for all the other sectors. After all, Thailand is not the only producing country. We also have the Philippines, Indonesia and even Vietnam, within the Asian sphere. Africa also takes a share of the global market thanks to Kenya, South Africa and Swaziland. We must remember, too, that Costa Rica, the global market leader for fresh pineapple, is also an important player on the plain juice and concentrated markets.

The Smooth Cayenne variety is fundamental to global pineapple supplies (as much in regard to juice as to the canned form of the fruit), except for Costa Rica, which produces MD-2. Two-thirds of exported pineapples in the world are processed. This represents a market, in fresh-fruit equivalent, of 4.6 million tonnes (the outcome for 2015). Single-strength juice, concentrated juice, and canned pineapple are available. Although pineapple slices represent the prime canned product, nothing is lost during processing. In fact, more or less large pieces (part-slices, diced pieces, chunks, and so on) also have a market. Our estimates would seem to show that juice outdoes the canned pineapple market in volume terms: 58 % for juice and 42 % for the canned fruit. The opposite is true in value terms. Pineapple juice is considered to be a by-product of the canned industry. In the juice segment, the Philippines is the leader, ahead of Thailand and Costa Rica. In the canned segment, Thailand is the leader, ahead of the Philippines and Indonesia. 89 % of the global supply is concentrated in these three countries. The crumbs, as it were, come from Kenya, Vietnam and China. With regard to all processed products combined, Thailand, Philippines and Indonesia provide 69 % of global processed-pineapple requirements.

The climate problems suffered by these three Asian providers shape the development of global prices. Price volatility depends on a gamut of factors: expectations, true-false rumours and uncertainties regarding stocks, acreages devoted to pineapple, production levels, the share of production directed to processing, fruit quality (more or less sweet), the El Niño effect, and so on. The market has been extremely stretched since 2014, as is evident from the soaring price of canned pineapple between April 2014 and the end of 2015, when it rose from 13 to 24 USD/carton fob Bangkok for the 'pieces'

category, and from 15.5 to 20 USD for the 'sliced' category.

Since then (the end of 2015), prices have stayed at these historic high levels. The advances in the price of 60°Brix concentrated pineapple have been even more outrageous, for it all but quadrupled between the beginning of 2013 and the end of 2015, and rose from 1 000 to 3 700 USD/tonne of Europe. At the beginning of 2017, the direction was blatantly downwards, for in one year it had lost some 1 200 USD to return to 2 500 USD. Of course this is still a particularly high price, which could scarcely encourage any rise in demand. Juice manufacturers are adapting their recipes to incorporate other juices, such as apple, which is a record breaker, but with descending prices (less than 1 000 USD/tonne EXW Poland). Yet juice producers still find the situation to be highly problematic, since orange juice has also reached an all-time high (3 500 USD/tonne of Europe). The Thai authorities tried to calm this development by reducing the maximum nitrate limits in juices (25 to 50 ppm). This certainly meant some additional volumes of juice and of canned fruit prohibited for sale, but the direct result has been a certain disquiet among customers. The discount for these 'non-compliant' juices is between 800 and 1 000 USD/tonne.

As usual on this market, it is difficult to predict when things will return to normal. The price paid to Thai pineapple producers for fruit intended for canning is an early indicator of a normalized supply. At the beginning of 2017, it was down at slightly over 8 THB/kg, as against 13 in May 2016. Accordingly, some commentators forecast a (probably slow) return to normal between now and the end of 2017. Here as elsewhere, the weather will decide the outcome.

Pineapple - Thailand - Concentrate world price

(60°Brix, cfr Rotterdam / in USD per tonne / source: Agra-net)

