

European papaya market

A success story



European papaya consumption, long hesitant, has seen strong upward momentum since 2013. Although this virtuous trend was interrupted in 2016, this would appear to be just a temporary breather. 2017 could bring us a new import record. Thanks to the efforts made by the whole industry in terms of quality and logistics management, the development of a “ready-to-consume” range, as well as economic factors explaining the surge of the Brazilian origin, the papaya would appear to be entering the big league on the European exotic fruits market.



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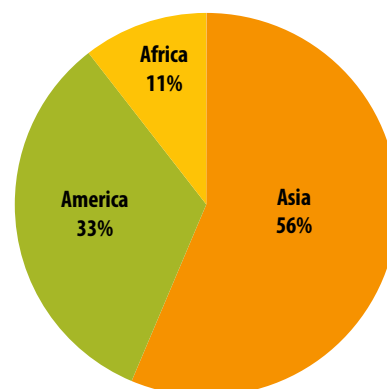
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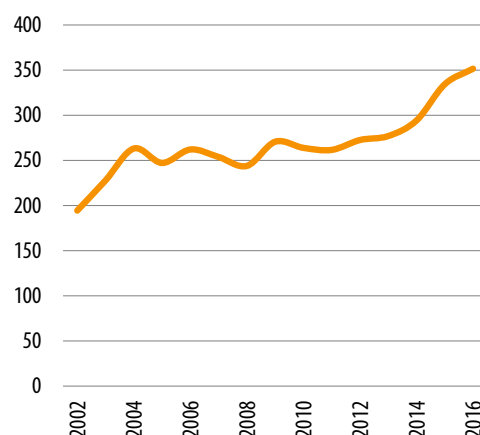
Papaya - World production breakdown

(source: FAO 2016)



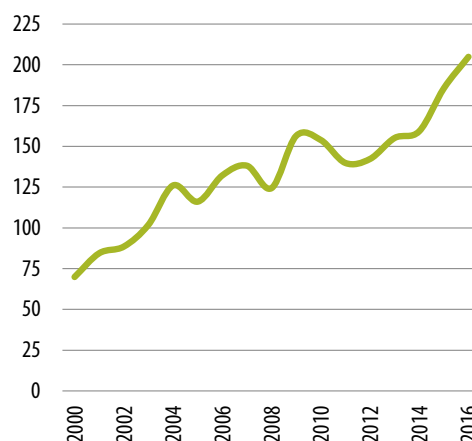
Papaya - Evolution of world imports

(in 000 tonnes / source: Trademap)



Papaya - United States - Imports

(in 000 tonnes / source: USDA)



With worldwide production constantly growing to in excess of 13 million tonnes in 2016 (FAO), the papaya remains a fruit mainly consumed in the producer countries of Asia, Latin America and Africa. Hence exports represent just 3 % of volumes produced worldwide, i.e. barely more than 350 000 tonnes in 2016. Latin American countries are the main exporters, with Mexico and Brazil accounting for nearly 70 % of volumes traded worldwide.

The world trade is exhibiting a fine dynamic, though varying between the consumption zones. World trade has had an annual mean growth of 6 % since 2011, and picked up considerably since 2013. This is down to increasing consumption in the USA, the world's number one papaya importer, where the fruit is no longer considered exotic, but a common staple. Consumption is continuing to see strong growth (10 % per year on average since 2013), and in 2016 the country absorbed nearly 60 % of volumes on the market.

Other import zones are also exhibiting highly positive dynamics, such as Central America, South America and the Middle East. Although the quantities imported into these zones are still limited, they have doubled in the space of five years. Conversely, Russia and Japan, world-class heavyweights in fruit imports, are seeing a distinct downturn after a long period of stagnation, which can definitely be correlated with economic recession and currency fluctuations discouraging imports to these countries.

European consumption rising, but still ethnic

With nearly 40 000 tonnes of papaya imported in 2016, i.e. 11 % of the world supply, Europe is the world number two import market, far behind the USA. The size of the European papaya market should be put into perspective against the annual imports of other tropical fruits such as the pineapple (1 million tonnes) or the banana (more than 6 million tonnes). European consumption per capita is still low, around 50 grams per year, as opposed to nearly 630 g in the USA, with this gap widening further since the last decade.



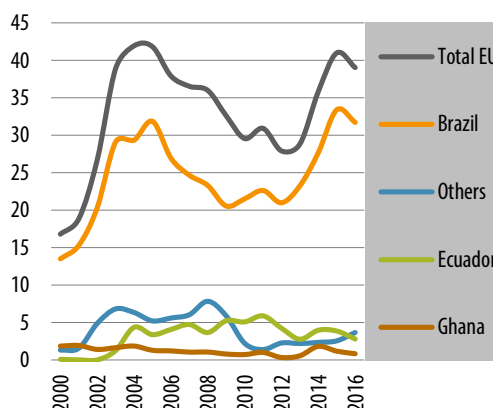
Consumption of this fruit within the EU remains uneven and associated with the ethnic populations who are regular purchasers. Hence Southern Europe remains the main consumer, accounting for more than 30 % of imports, in particular Portugal and Spain. Germany, which takes in more than 25 % of volumes, has exhibited very big growth in recent years, indeed taking second place from the United Kingdom and Ireland which account for 17 % of volumes. In the New Member States and France, consumption is on the rise but still remains below the 2 000-tonnes per year mark in each case. Conversely, in Scandinavia and Central Europe, it remains anecdotal.

Latin American supply

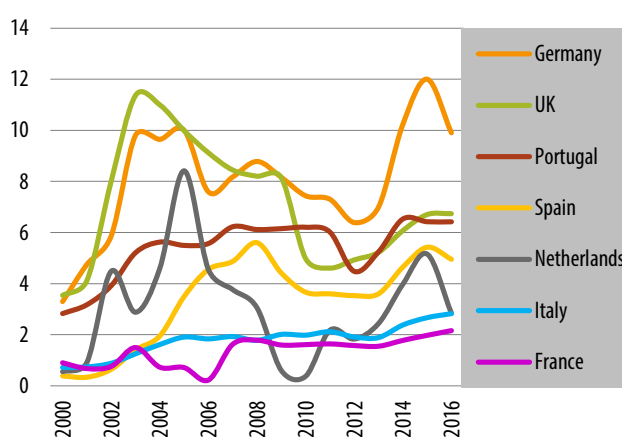
The supply to the European market comes primarily from Latin America, and more by sea-freight than air-freight. Brazil is the leading supplier, with Ecuador lagging well behind. Despite the historical and geographic proximity which might favour its progress on the market, Africa remains highly discrete compared to the Latin American suppliers. Asia, the world's main papaya producer, is practically absent from the international stage and therefore Europe, with self-consumption and regional trade remaining its main outlets. Other small origins, such as Jamaica, Thailand, Costa Rica or the Dominican Republic, are on the rise in Europe, though they remain anecdotal for the moment.

Furthermore, a European production industry is developing in Spain. Traditionally based in the Canaries, production has in recent years extended to other regions such as Almeria, Malaga and Murcia, where greenhouse production has emerged. With wholesale prices often in excess of

Papaya - EU-28 - Imports from main supplier countries
(in 000 tonnes / source: Eurostat)



Papaya - EU-28 - Main consumer countries
(in 000 tonnes / source: Eurostat)



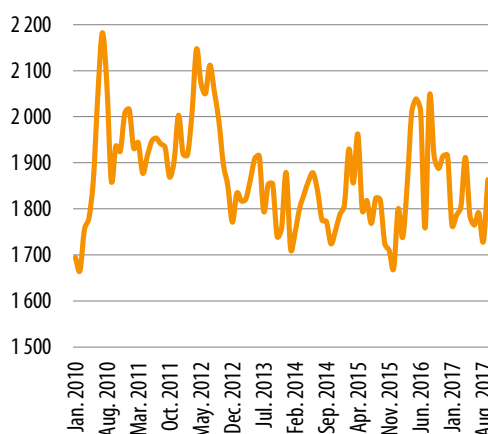


2 euros/kg, the papaya represents an interesting alternative to other traditional crops thanks to its high productivity and low production costs (since the plant is productive 8 to 9 months after planting). Given the growing demand and the possibility of rapid road-freight transport of fruits picked near-ripe, the industry could have a prosperous future.

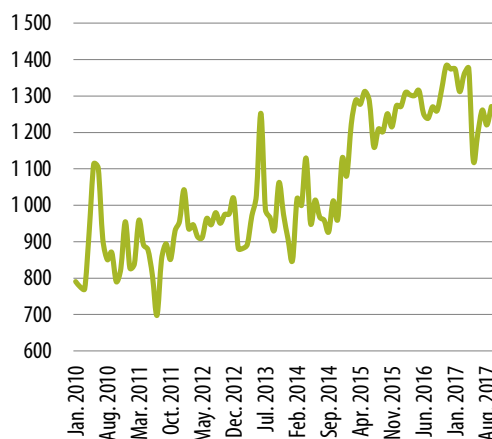
One of the main brakes on the development of the papaya trade has been the often heterogeneous quality due to the fruit's high fragility and the transport times between the production stage and the various consumption centres. Yet the recent development trend of the "ready-to-consume" segment is helping improve quality: the papaya, a climacteric fruit, is picked green to ensure that it keeps during transport, before being ripened in ripening chambers.

The varieties Formosa (large), Golden and Solo/Sunrise (small) make up the bulk of the market. The variety Solo, much prized for its organoleptic qualities, had been abandoned due to its high transport fragility, but seems to be making a comeback in particular from Ecuador.

Brazilian papaya - EU-28 - Customs value
(in euro/tonne / source: Eurostat)



Ecuadorian papaya - EU-28 - Customs value
(in euro/tonne / source: Eurostat)



The Brazilian boom

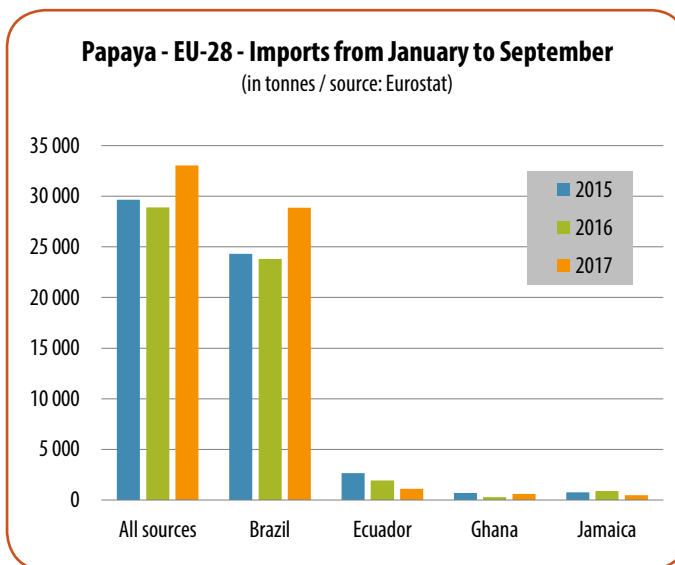
With a market share in excess of 80 % in 2016, Brazil dominates the papaya supply to Europe, and is continuing to progress. The success of this origin can be explained firstly by better quality control of the fruit throughout the logistical chain (setting up quality improvement projects). Secondly, and above all, the big depreciation of the Brazilian real since 2010 against the euro explains this concentration of its growth on the European market, and more competitive import prices over time compared to other market suppliers. Ecuador, the number two supplier to the European market, is losing momentum, and its decline has been gathering pace since 2015, with a market share of just 7 % in 2016. It is suffering from the Brazilian competition and the adverse effect of the euro/dollar exchange rate, near-parity since 2015 and until early 2017, on its dollarized economy. In addition, the more complex logistics (longer transport time, Panama Canal toll) explain the use of air-freight, which is more costly.

A growth dynamic which should resume after a hiatus in 2016

The consumption dynamic was shaken up in 2016, when a downturn was observed for the first year since 2013. Nonetheless, this change of trend should be directly associated with the overall fall in Brazilian exports. This country suffered from climate events due to the El Niño phenomenon in 2016, leading to production losses caused by unprecedented drought and high temperatures affecting flowering. This decline in exports was compounded by strong demand on the local market, where the papaya remains a fruit consumed daily.

Hence the growth hiatus observed in 2016 should be only temporary. The cumulative imports between January and September 2017 exhibited a distinct return to growth. Over the first nine months of the year, European imports reportedly went up by 14 % from the same period of 2016, and by 10 % from 2015. This leap, which will make 2017 another record year in terms of import volumes, can be entirely explained by Brazil's return to form, to the detriment of the other main traders such as Ecuador, which continued to lose ground in 2017 against the Brazilian juggernaut.

The papaya market boom should continue. Efforts in terms of quality improvement up-



stream and downstream are now helping ensure the consumer a high-quality and tasty product. The production presence of European groups (joint ventures or direct investment) has solidified the supply chain, which now means that the fruit's presence can be ensured year-round, and contractual systems are being developed with the supermarket sector. Finally, the expansion of the range with "ready-to-consume" or "fresh cut" fruits is also one of the keys to success with consumers who regard the papaya mainly as a snack or an ingredient for salads. Thanks to the multiple efforts throughout the industry, will the papaya finally manage to overcome the ethnic consumption barrier, and establish itself as a mass consumption product in Europe? ■

Carolina Dawson, CIRAD
carolina.dawson@cirad.fr

