

Pineapple European market

2020 - a year of crisis

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The heights reached in 2018, with a record-smashing world pineapple supply, inevitably seemed to foreshadow a predictable classic cycle of value destruction through 2019 and 2020. While all the signs of this well-understood prediction were apparent in 2019, we were far from being able to imagine the combination of events, worthy of an apocalypse film, which the annus horribilis 2020 would bring, and which sent the pineapple tumbling into one of the worst crises of its recent history.



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**AS BEAUTIFUL
OUTSIDE**



**AS DELICIOUS
INSIDE**



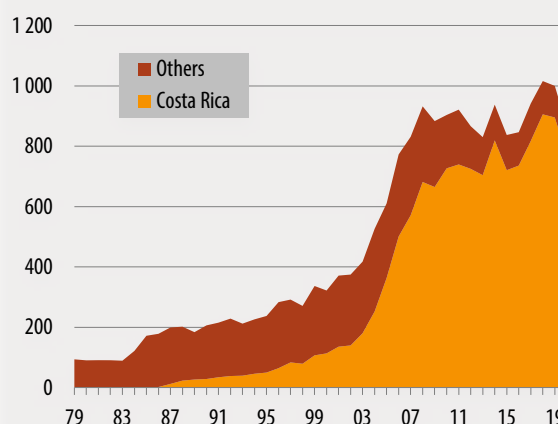
After 2018 brought a historic peak for European pineapple imports (1.015 million tonnes into the EU-28, an absolute historic record), 2019, the second highest point, marked the start of the traditional downward cycle for the supply. The saturation of the markets and the resulting crisis led to a fall in grower revenue. The effects on the supply were not long in coming, since any fall in revenue is synonymous with disinvestment in treatments or fertilisation, or even uprooting. Hence according to CANAPEP, while in 2019 Costa Rica's net planted area was more than 43 000 ha, in early 2020 surface areas had dropped to 40 000 ha.

So 2020 was inevitably set to continue to follow this downward trend in supply. Looking at previous cycles, while we could anticipate a downturn, it should have been a moderate one. Yet not the even the wisest holy man or finely attuned shaman could have predicted what 2020 had in store for humanity, and the consequences for the pineapple industry. The Covid-19 crisis was the catalyst for a dizzying drop in worldwide consumption, and in particular on the European market, thereby sending the sector plummeting into one of the worst crises in its history.

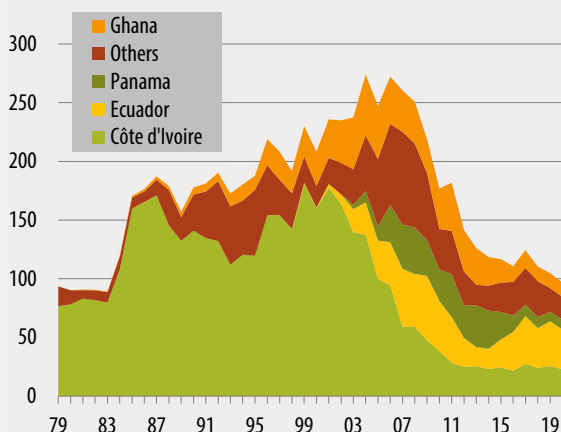


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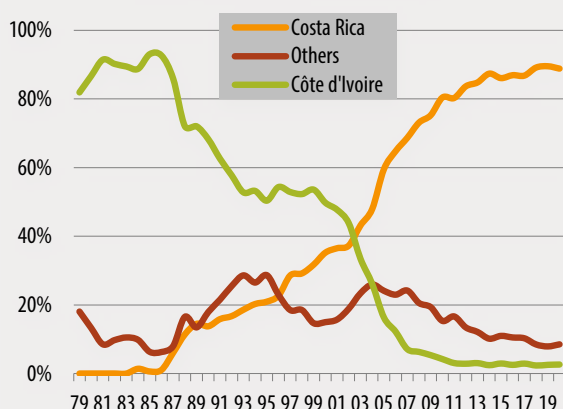
Fresh pineapple - EU - Imports - 2020: estimated
(in 000 tonnes | source: Eurostat)



Fresh pineapple - EU - Imports excluding Costa Rica
2020: estimate (in 000 tonnes | source: Eurostat)



Fresh pineapple - EU - Market shares by origin
2020: estimated (source: Eurostat)



Marked downturn by the European market, triggered by the Covid-19 crisis

Over the first eight months of 2020, the European pineapple supply saw a fall of more than 13 % from 2019, and 15 % down on the same period in 2018. According to our forecasts, by the end of 2020, the EU-28 will have imported 870 000 t of pineapples, i.e. a really long way off the 2018 record, and off the 2019 level, in excess of one million tonnes. We need to go back to 2012 and 2016 to find similar levels.

And the fall did not concern solely the Costa Rican giant, the number one supplier to the EU, which with more than 770 000 t and a 90 % market share, was down by 14 % in 2020. All of the origins were affected by the crisis. Ecuador, the number two supplier to the EC market (with a market share of 4 %), was down by 11 %, followed by Côte d'Ivoire (- 10 %). We can also note the near-disappearance of minor origins such as the Dominican Republic, Cameroon, Colombia or Brazil, which came undone to a much greater extent.



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A disastrous Covid effect

While Covid-19 proved to be a boon for fruits such as the banana, imports and consumption of which rose considerably at a European and world level, especially during the first lockdown period in March and April 2020, it was quite a different story for the pineapple. Imports into the EU-28 in April and May literally collapsed: 27 % and 26 % below the two-year average, respectively.

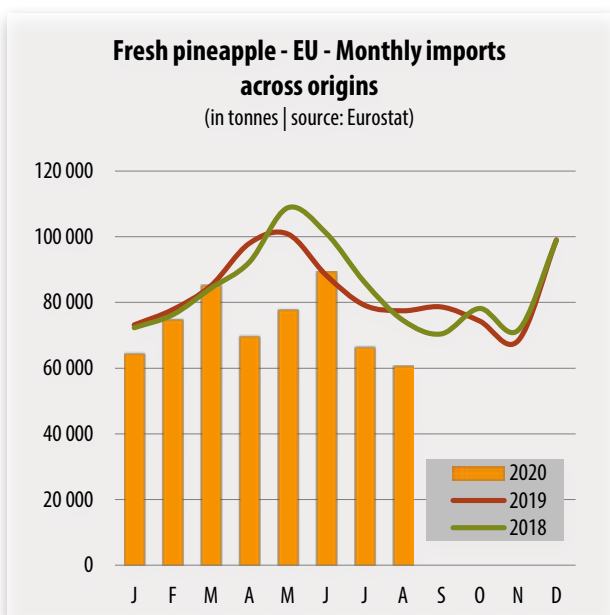
As surprising as it might appear, and to the great consternation of the industry operators, the pineapple was one of the products which suffered the most from the lockdown measures implemented to combat the spread of Covid-19.

On the one hand, the OOH (out-of-home) segment, which represents 20 to 25 % of the pineapple's outlets, was shut down overnight! On top of this came the subsequent closure of open-air markets, which generated great difficulties on the wholesale segment, which indeed underwent a near-complete shutdown, with merchandise having to be destroyed due to the lack of outlets.

On the other hand, the refocusing of sales to the supermarket sector seems to have benefitted the product, or at least partially offset the losses due to the disappearance of the other distribution channels, thanks to the consumption transfer, as was the case for the banana or citruses. Yet the pineapple was doubly penalised by the supermarket sector's desire to simplify merchandise flows, tightening their range around a few flagship products. In order to ensure during the crisis period uninterrupted flows of "mainstay foods", the considerations for "luxury foods" were put to one side, thereby explaining the abandonment of ranges deemed secondary, such as exotics. It seems we can draw the unfortunate conclusion from this observation that the pineapple is no longer an essential fruit in the consumer shopping baskets.

In addition, due to the scaling back of personnel in the cutting workshops, as well as in-store, pineapple segmentation operations had to be suspended. Yet it has to be acknowledged that these make a very distinct contribution to boosting sales, enabling a 5 to 6-fold increase in consumption by volume. Without these levers which stimulate in-store sales, consumption itself collapsed, with sales practically stationary until mid-April.

Finally, on top of all that, there was also the difficulty encountered by air-freight fruit, in particular because of the reduction in air traffic and the increase in freight costs. It was all rather like the ten plagues of Egypt!



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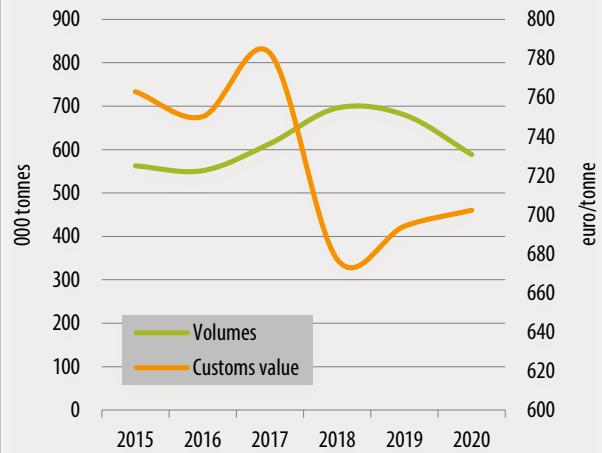
No better in post-lockdown phase

The end of the lockdown and the return to an average supply in June did herald the return to normal which everyone was wishing for. Alas, this was only a fleeting illusion. Another big fall in the supply was registered in the summer, which was reflected in the import figures by a slump to below average, with - 16 % in July and - 22 % in August. This time it was no longer due to a lack of demand, but rather to a downturn in the Costa Rican supply, which suffered the effects of highly vigorous natural blooming and a lack of investment in production by many growers on the edge of ruin. On top of this, some sizing problems observed at the beginning of the summer, as well as excessively high retail prices, can explain among other things why demand remained flat. Despite the scaled-back supply, the economic picture was desperate, with no rise in prices. Indeed customs values plummeted to their lowest levels, from the 2018 crisis.

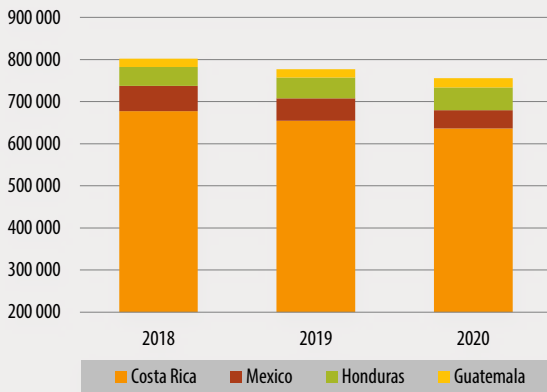
Hence the flip side of a flat and non-lucrative European market was Costa Rican volumes being refocused on the US market.

Fresh pineapple - EU - Comparison of imports for the first 8 months from 2015 to 2020 - Volume and Customs value

(source: Eurostat)



Fresh pineapple - USA - Cumulated imports from January to August (in tonnes | source: Customs)



Pineapple - USA - 2019/20 monthly supply (source: Customs)



US market less affected

While the picture in the USA was the same as in the EU, the figures seem much less dramatic. It is true that pineapple imports over the first eight months were down on the same period of 2019 and 2018, but the drop was much less steep: - 2 % on 2019, and - 5 % on 2018. This downturn concerned only the leading two suppliers to the US market, Costa Rica (- 3 %) and Mexico (- 18 %), while Central American origins such as Honduras and Guatemala have maintained a constant upward dynamic over the past five years. They registered growth of + 9 % and + 13 % respectively over the first eight months of 2020.

The first wave of the Coronavirus pandemic in spring 2020 had the same disastrous effect on consumption in the USA as in Europe, with fairly similar intensities. Imports in April and May were down by 28 % and 6 % respectively, with the closure of the OOH segment playing a major role in this tumble. However, the shortfall trend observed in the EU in the summer was not echoed in the USA, with volumes climbing to levels 13 % above 2019 in June, 4 % above 2019 in July and 15 % above 2019 in August. While there was a production fall in Costa Rica during this time, the trade-off in favour of the USA from a still depressed and non-lucrative European market came into play.

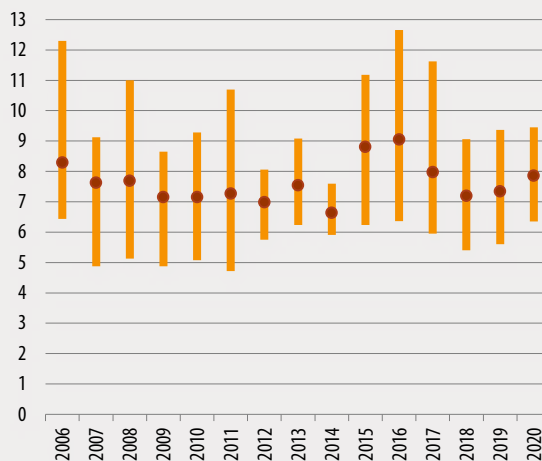
Uncertain prospects for the end of the year

Alas, the Coronavirus crisis is a long way from over. With Europe currently going through the second wave of the pandemic, more or less strict measures are being taken in the various EU countries, changing day to day. In countries such as France or Germany, where national lockdown measures have been implemented, this second period is not having the same depressive effect as the first (no complete restructuring of the distribution circuits, OOH affected but not 100 % closed). However, sales are a long way from recovering their normal tempo. In addition, on the import markets, the economic effects, whether present or anticipated, are already making themselves felt on consumption. So the sector is having difficulties in short and medium-term planning, especially since the prospects for the end-of-year festivities, a traditional period of strong sales and product promotion, seem highly uncertain.

In view of disastrous returns for production, the uprooting operations in progress are set to continue. It is possible that the transit of two devastating cyclones across Central America in November 2020, ETA and IOTA, may contribute to widening the shortfall further. So 2021 will be marked by another production fall. If demand regains some vitality, in spite of the forthcoming world economic crisis, this umpteenth value destruction cycle of the pineapple, after peaking in 2020, might just come to an end too ■

Sea-freight Sweet pineapple - Germany - Import price

(in euro/box - 2020: Jan. to Sept. | source: Thierry Paqui)



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