

MARKET PROFILE

THE BANANA IN GERMANY

Daniella Blake, consultant
daniellablake@gmail.com

Noémie Cantrelle, Cirad
noemie.cantrelle@cirad.fr

The banana is a fruit that enjoys great popularity on the German market. It even became the symbol of German reunification after the fall of the Berlin Wall in 1989. A rare food in East Germany until then, in West Germany it was symbolic of a dynamic, modern society open to Europe. While banana consumption in West Germany was already one of the highest in Europe in the 1950s and 1960s, it has boomed in the East, surpassing levels in the West thanks to attractive prices and accessibility. Hence German banana imports saw constant growth through the 1990s and 2000s, to reach their current level of 1.25 to 1.3 million tonnes per year.



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Your contact:
p.canovamenke@promo-intex.com

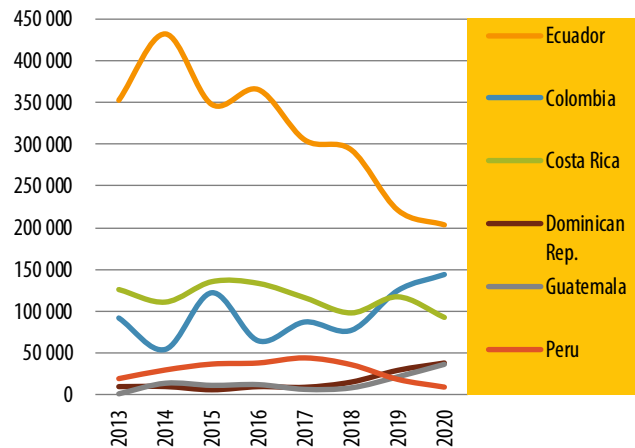
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IMPORTS

The German market, the number one European banana import market with annual volumes of 1.25 to 1.3 million tonnes, is supplied primarily by the dollar origins, mainly Ecuador, Colombia and Costa Rica. However, the proportion of re-imports from other Member States remains high, representing 50 % of volumes. Of course this should be attributed to the massive port infrastructures of the neighbouring countries where most of the bananas clear customs, such as Antwerp in Belgium, and Vlissingen or Rotterdam in the Netherlands. Hence for half of the German supply originating from neighbouring countries, we unfortunately lose any concept of origin.

As regards direct imports, Ecuador remains the main market supplier, with nearly 204 000 tonnes in 2020: the reliability of its supply and the constant quality of the fruit represent real assets for the supermarket sector programmes which structure the German market. Meanwhile, by doubling its imports in the space of barely two years, with more than 144 000 tonnes in 2020, Colombia has seized second place in the rankings. This supplier is just ahead of Costa Rica, which has topped out at 100 000 tonnes in recent years. Finally, highly competitive new origins have been emerging for several years, such as Nicaragua which has made a fine breakthrough since 2017, with annual volumes now at around 45 000 tonnes. The rise to prominence of the organic banana has enabled the Dominican Republic to multiply its exports to Germany nearly seven-fold in the space of barely five years, going from 5 000 tonnes in 2015 to more than 37 000 tonnes in 2020.

Banana - Germany - Direct imports from outside the EU
(in tonnes | source: Eurostat)



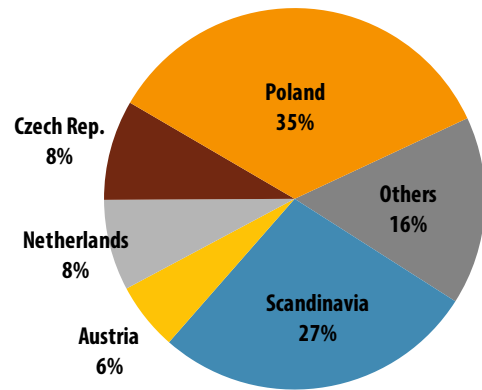
Anecdotally, the signature of the Treaty of Rome (1957) was delayed following a disagreement over the banana, specifically the customs duty that some European countries wanted to impose on imported fruits. West Germany only signed the treaty after obtaining a concession: a zero-duty quota. On his return to his homeland, the first West German Chancellor, Konrad Adenauer, apparently brandished a banana at the Bundestag in a sign of victory.

LOGISTICS

Although Germany has its own ports, especially Hamburg or Bremerhaven, where approximately 400 000 tonnes of bananas pass through every year, the main entry ports are Antwerp in Belgium, and Vlissingen in the Netherlands, which act as European hubs. On the one hand, their geographic positioning enables them to supply the west and south of the country, the most densely populated regions of Germany, as well as neighbouring countries lacking port infrastructures, such as Austria, Switzerland or Hungary. Most of all, development of container transport has played a fundamental role in the choice of port of entry. This mode of transport (controlled-atmosphere containers) is now favoured over reefers, which explains the increase in imports via the port of Vlissingen. The establishment of a regular shipping line by Chiquita in 2019 confirmed this trend.



Banana - Germany - Main destinations of exports in volumes
(source: Eurostat)



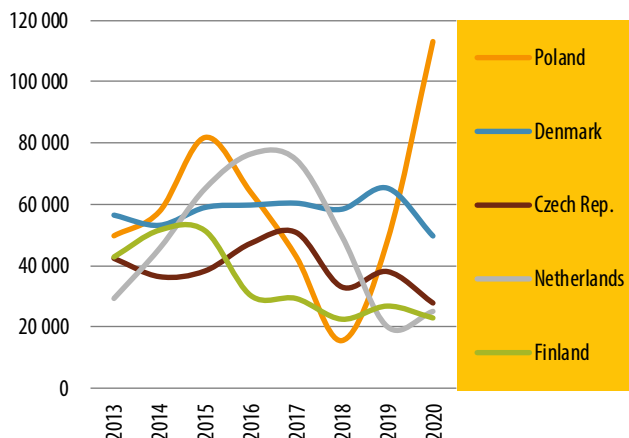
RE-EXPORTS

With nearly 300 000 tonnes re-exported in 2020, i.e. approximately one quarter of its total imports, Germany is a real hub for the banana in Europe. Its top outlets are Eastern Europe (Poland, Czech Republic, Romania), Scandinavia (Denmark, Finland and Sweden) and Central Europe (Austria, Hungary), for which Germany remains one of the main suppliers. However, the quantities forwarded on to neighbouring countries have decreased slightly over the past decade (after peaking in 2014 and 2015 at nearly 370 000 tonnes). Some local players in Eastern Europe have been developing, and now procure directly.

According to the ripening capacities of the various countries, the fruit can be shipped ripe or green. For example, the bulk of the 100 000 tonnes shipped by Germany to Scandinavia are ripe bananas, given the low ripening capacities of these countries. For countries lacking a maritime outlet, such as the Czech Republic or Austria, we can observe the same scenario: the fruit is ripened in Germany before being shipped by road. Finally, countries with a higher ripening capacity, such as Poland, mainly receive green bananas.

While volumes shipped to Scandinavia are for the most part under contract for supermarket sector programmes, sales to Eastern Europe are still not heavily contractualised, although there is an increasing trend (50 % of programmes). Some yellow banana exports can also be made at highly aggressive price levels (clearances), to keep the stocks level under control.

Banana - Germany - Main destinations of exports
(in tonnes | source: Eurostat)



IMPORTERS AND RIPENERS

The commercial fabric of the German banana industry is concentrated, for the import, ripening and distribution stages. The main import players are big international groups, most of which are integrated from banana production to ripening, such as Chiquita, Dole, Fyffes or Del Monte. Other operators are also present, though few in number, such as Greenyard, AFC or Cobana.

These big groups are generally bound to the supermarket sector via annual contracts, which set the prices and quantities to supply: these are negotiated at the end of the year for the year ahead. The contract market has reportedly accounted for nearly 90 % of sales over the past decade or more. The domestic free market is practically non-existent, with spot sales made mainly via exports to Eastern Europe, in order to offload surpluses in periods of high supply pressure.

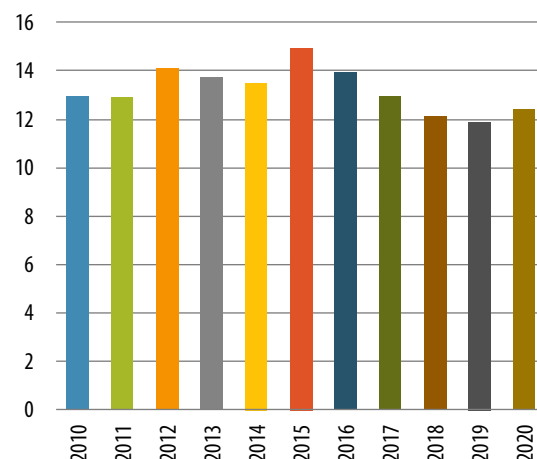
The contracts binding importers to the supermarkets are based on green banana prices per 18.14-kg net box. Contract prices have gradually dropped, going from approximately €14/box in 2016 to less than €12/box in 2019. 2020 proved the sole exception, with prices strengthening slightly, because of the increase in the minimum price for the producer, especially in Ecuador, and the increased freight cost due to the low-sulfur standards taking effect at the start of 2020. However, this was only a brief surge, with annual prices for 2021 were revised downward.

On the yellow segment, unlike the South European markets like Italy, Spain or France where the banana sector comprises a vast network of ripeners and retailers, the German market is highly concentrated, with a small number of players. The ripening link is often built into the import link, with few small independent ripeners. If their ripening capacity is insufficient for their programmes, importers can outsource this step to big ripener groups such as van Wylick or Landgard. The quantities are also set by annual contracts between importers and ripeners.

To increase their independence, some big German supermarket chains have started to integrate the ripening step, and have even gone further, by importing their bananas directly. This is the case with Edeka, which is currently the only supermarket running a big ripening network on the German market, and has obtained complete independence thanks to its own import network.



Banana - Germany - Evolution of green price
(in €/box | source: CIRAD)



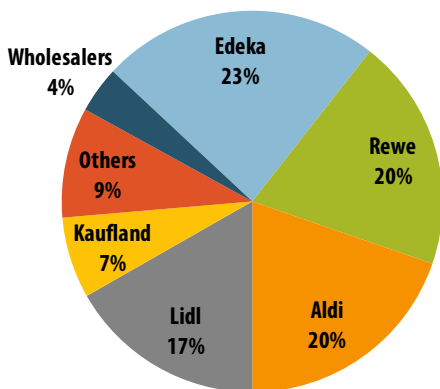
DISTRIBUTORS

The concentration of the players is not solely down to the importers, it can also be found in the distribution sector. While there were 15 to 20 big supermarket chains in the 2000s, playing a major role in banana sales, there are now no more than 5 distribution groups on the German market: Edeka, Rewe, Aldi, Lidl and Kaufland. Approximately 90 % of banana sales are made in the supermarket sector, with the wholesale sector very much a bit player: there are just 18 wholesale markets nationwide, as opposed to 134 in Italy for example. The discount and hard discount stores have their roots in Germany: the main historic players, Aldi Nord, Aldi Süd and Lidl, still dominate the market, holding a 37 % share of banana sales in Germany.

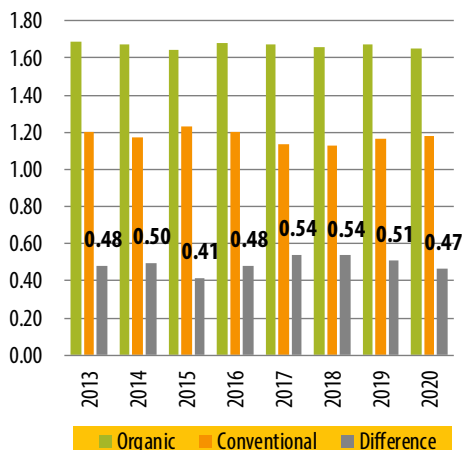
GERMANY – Distributors – Store formats

Formats	Characteristics	Example
Discounters	Limited product diversity and aggressive pricing	Aldi, Lidl, Netto, Penny, Norma
Supermarkets	<5 000m ²	EDEKA, Rewe
Hypermarkets	>5 000m ²	Kaufland, Real, EDEKA, Rewe centre
Convenience stores	<300 to 1 300m ²	Nahkauf, Nah+Gut, Spar
Specialized stores	Specialized in organic products	Denns, Alnatura

Banana - Germany - Main retailers in volumes (professional sources)



Banana - Germany - Discount retail prices Organic and conventional (in €/kg | source: TWMC)



CERTIFICATION AND SEGMENTATION

There are several coexisting segments on the German retail market, with one of the main particularities being requirements in terms of certification, which now contribute to the range's diversity.

Basic and essential at European level, GlobalGap certification, which upholds compliance with traceability standards, has been required by all German supermarkets for many years. It was not until 2016 that the big chains such as, Aldi SÜD, Edeka, Lidl and Rewe started to incorporate certification focusing on the environment and social aspects, such as Rainforest Alliance, which is now a prerequisite for suppliers.

Following the emergence of organic banana sales, organic certification, often correlated with the Fairtrade label, became established on German supermarket shelves, leading to further segmentation of the supply. Demeter certification, including concepts of biodynamic agriculture, is also present on the German market. Demeter bananas come primarily from the Dominican Republic, but they are only available from certain chains. Generally, certified organic bananas are sold at higher price levels than premium bananas. However, the price difference between organic and conventional bananas is gradually tending to decrease, with the gap narrowing from €0.54 in 2017 to €0.47 in 2020.

Unlike other European market which have their own production, such as France or Spain, the concept of origin does not seem crucial for segmenting the German market - it is the concept of range. The ranges can be differentiated via brands and category (premium, category I and category II). The premium banana is generally associated with a big universally familiar brand, Chiquita, always positioned as the most expensive on the market. Category I bananas are often sold under the chain's own label, such as "Rewe Best Choice". Finally, category II bananas are used for entry-level offers at €0.99/kg. In addition, highly aggressive promotions, with prices falling as low as €0.85/kg, are also implemented for several weeks in the year. The banana remains the cheapest fruit in the fruits and vegetables section, and is always the most competitive.

CONSUMPTION

Apparent German consumption has been fluctuating around one million tonnes for the past decade or more, given this country's status as the EU's main banana consumer market, along with the United Kingdom. Hence over the past five years, annual consumption per capita has risen to 12.4 kg, i.e. 6 % above the European average (11.7 kg). However, in 2020 – which because of the Covid crisis, can hardly be regarded as a reference year – consumption apparently fell below the European average, to 11.6 kg.

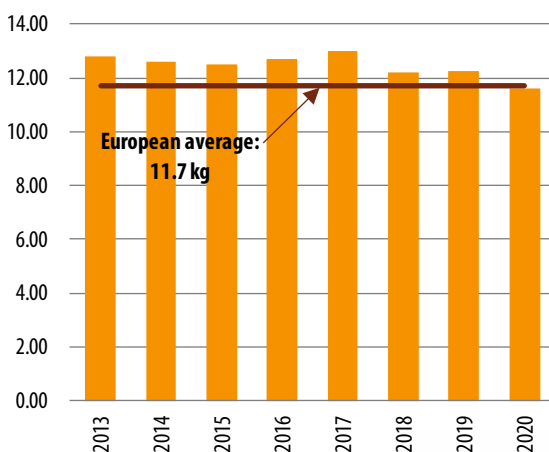
As across Europe, consumption is seasonal, with a peak during winter due to the low diversity of competing fruits. It is in January, February and March that banana sales are at their highest, before gradually falling until the summer, when consumption bottoms out. From September, it is reinvigorated as the year goes on.

While the banana has always been a competitive loss leader for German consumers, the price war in the retail sector seems to have stepped up since 2016. From fluctuating around a level of €1.40/kg in 2016, in 2019 and 2020 annual average prices underwent a distinct plunge to a basement level of €1.29/kg, i.e. a fall of 10 eurocents in four years.

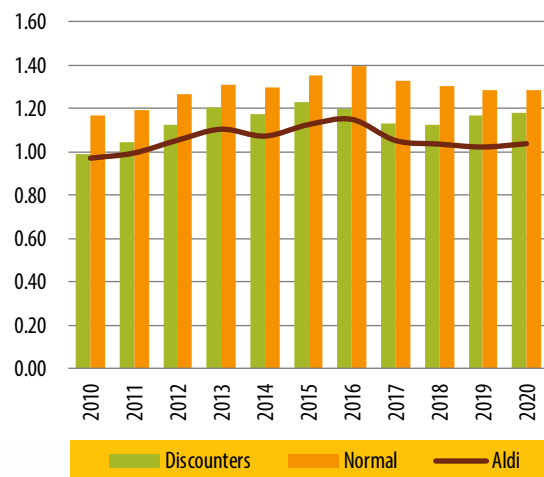
German discount stores, which account for a market share of approximately 37 % in terms of retail, offer consumers even more aggressive prices: annual prices dropped to €1.02/kg in 2019 and €1.04/kg in 2020, a fall of nearly 10 % from 2016. Along with the United Kingdom, the German retail market is one of the most aggressive in terms of price for the banana, because of consumer price sensitivity and the historic presence of the discount stores.

However, fundamental trends have been emerging in recent years from German consumers. Traditionally highly price-sensitive, they now seem to be taking into account environmental and social concerns into their purchases. Germany is seemingly the main European market for the organic banana, which enjoys a 20 % market share. The Fairtrade share is of equal size: Germany holds the number two position in the European consumer countries' rankings, just behind the UK. According to the data published by Max Havelaar, Fairtrade banana sales (70 % of which are both organic and Fairtrade) accounted for a market share of approximately 12% in 2020. Volumes peaked in 2019 at 130 000 tonnes, before dipping to around 112 000 t in 2020 because of the general decline in organic product sales during the pandemic.

Banana - Germany - Consumption per capita
(in kg/capita | source: Eurostat)



Banana - Germany - Evolution of retail prices
(in €/kg | source: TWMC)



SUSTAINABILITY AND CSR

In recent years, the social and environmental requirements of German operators have increased, and their commitments have been greatly strengthened, like those of the German government.

For example, the German initiative “The action alliance for sustainable bananas” has since 2014 promoted greater responsibility and sustainability throughout the supply chain. Governmental involvement is also significant, with since 2015, the German International Cooperation Agency (GIZ) supporting this initiative on behalf of the German government. GIZ has also, since 2017, been running several projects worldwide on the banana – and other crops – within the framework of its programme “for sustainable agricultural supply chains and standards”, commissioned by the Ministry for Economic Cooperation and Development.

The adoption in June 2021 by the German Parliament of an Act on the duty of care of businesses in supply chains, representing an escalation in the government’s stated aim of moving toward greater sustainability in all the industries. The act is aimed at obliging German businesses to guarantee their comprehensive responsibility in terms of compliance with human rights and environmental standards in their supply chains, including for the banana.

The main German operators are also active partners in the WBF (World Banana Forum), a multi-player platform run by the FAO, for better practices both in production and sustainable trade.

The big German distributors have also worked on CSR projects with a view to incorporating sustainability criteria into their decision-making, and encouraging best practice throughout the supply chain. Some will go even further, with discussions being held on reducing pesticides, and on wage levels ■

