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BANANA

2020 PRICE REVIEW

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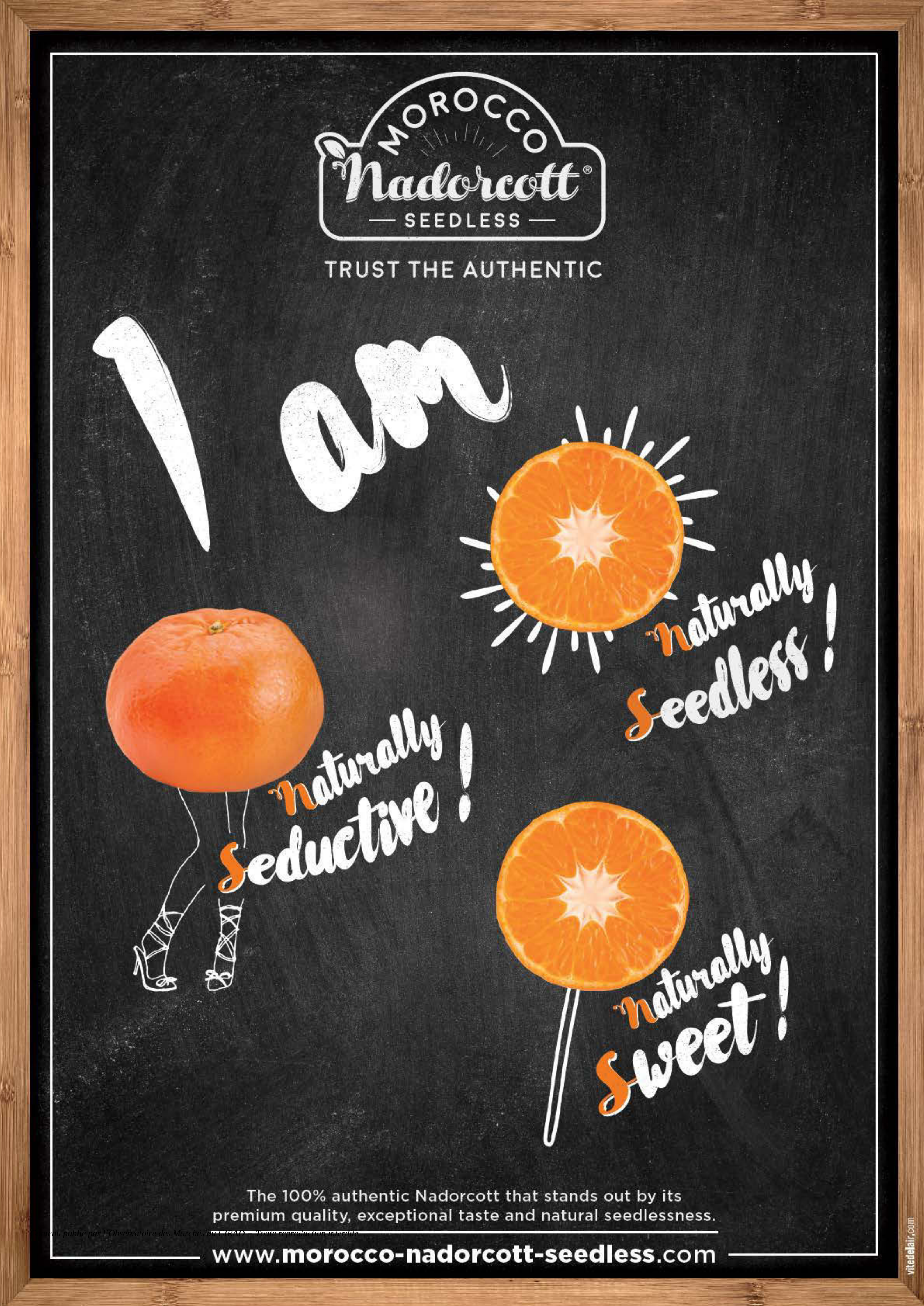
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Editorial

Your money or your life...

"Your money or your life; we are alone, and I am stronger; between us there is no question of fairness." When Denis Diderot wrote these words, in his work "Philosophical Thoughts", he must definitely have had the Covid pandemic in mind. Unless he was talking more generally about a world system gone adrift. We all know that it's better to be well-off and in good health in a rich country than needy and sick in a poor country. The current pandemic provides a host of opportunities to confirm this tautology. No-one is being left out, with both countries and businesses getting in on the act. China, whence this wave of such destruction originated, destroying so many economies and ruining so many societies, has decided to make its vaccine a diplomatic weapon, by distributing it under conditions to impoverished countries. What magnanimity, just like an arsonist-turned-fireman! But let's examine the actions of the pharmaceutical company Pfizer, which can only be described as unholy and lawless - barring that of the law of the strongest. It wanted to append guarantees to its vaccine supply contract signed with Argentina. To ensure payment for the doses, it has benevolently attempted to negotiate special access to Argentinean glaciers, and fishing permits in Argentinean national waters. Water and fish, two treasures set to be increasingly prized in the coming years. So economic colonialism has found another way to get rich after appropriation of land by the richest countries or companies. It is true that the potential for plunder is bottomless, with epidemiologists promising recurring zoonoses. There should be no doubt that by the next pandemic, the system will be well worn in. Certain laboratories had stated that they would sell their vaccine at cost price… now we have a better understanding of the reason for this burst of generosity… As a moralist, Diderot believed that to function well a society needed to subordinate individual interests and tendencies to the general interest. Obviously he is not among the most commonly read authors within the Boards of the big pharmaceutical companies...

Denis Lœillet

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Close-up Banana prices

prepared by Denis Lœillet

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EU28 banana consumption in 2020: a new absolute record.

Pending the initial Eurostat estimates for banana imports into the EU28 for 2020 (in March 2021), the monitoring database (European Commission, DG Taxud) enables us to draw up an initial review of the past year. The EU28 registered imports of 6 067 000 tonnes in 2020 (excluding European production), i.e. an increase of 4 % from 2019. It was once again the dollar zone suppliers (+ 5.7 %) which fuelled the market growth, in so doing even taking market share from the ACP suppliers (- 4.4 %). Ultimately, the EC market took in an additional 224000 tonnes of bananas. Hence growth resumed after a slight downturn in 2019. Imports from Ecuador and Costa Rica saw very big rises, of 11 % and 9 % respectively. Colombia and Panama were not to be left out (with + 3 to + 4 %), though they were below the market's average performance level. Within the ACP group, all the big origins lost ground except Belize. If we add the Cirad-FruiTrop estimates for European production (shipped outside of the production zone + marketed in the production zone), i.e. 631 000 tonnes (+ 1 % on 2019), we obtain a total consumption of 6 698 000 tonnes, which would represent a new absolute record.

Source: CIRAD

Banana – EU28 – 2020 first review

in tonnes	Dollar	ACP	EU	Total
2020	**5 027 089**	**1 040 223**	**631 000**	**6 698 312**
2019	4 755 494	1 087 691	624 425	6 467 610
Delta in tonnes	+ 271 594	- 47 468	+ 6 575	+ 230 701
Delta in %	+ 6 %	- 4 %	+ 1 %	+ 4 %

Sources: Dollar and ACP = Taxud at 02/02/2021; EU = Cirad-FruiTrop estimate

2020 banana supply to France: never as high a level.

The data for December enable us to draw up an initial review for 2020. And nobody will be surprised to see that the French market again rose in terms of volumes, yet again setting a new absolute record with 699 000 tonnes, i.e. a 5 % rise! The gross supply (excluding re-exports) reached 882 000 tonnes without breaking any records. Re-exported volumes were down by 10 % to 183 000 tonnes. Going on assumptions about the origin of the re-exported bananas, we get a Guadeloupe & Martinique bananas market share of 24 % (- 3 points), as opposed to 76 % for the ACP or dollar origins. The dollar banana had the biggest rise in France, with a growth rate of at least 30 % (without counting the dollar banana share in imports via another Member State). ACP volumes in 2020 collapsed by 8 %.

Source: CIRAD

Capexo grinning from ear to ear ...with the Chiquita banana!

Capexo, one of the French leaders in exotic fruit and vegetable distribution (turnover €55 million in 2019 – 50 employees), announced in January its launch of a collaboration with Chiquita. Capexo will handle the product marketing for the US multinational in France, including its iconic banana. For the yellow banana, Chiquita will continue to ripen fruit aimed at the French market from its units in Belgium and Italy. According to the press release, Capexo is supplementing its range with a supplier boasting a well-established upstream presence, and adding the second most consumed fruit in France. Meanwhile, Chiquita gets the expertise of a specialist distributor with complete control of the logistics chain.

Source: Capexo

© Denis Loeillet

Banana – France – Supply in 2020*

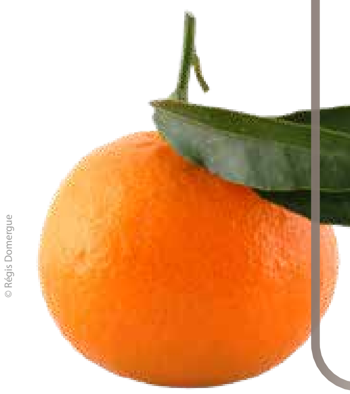
in tonnes	2018	2019	2020	2020/2019
Guadeloupe and Martinique	165 124	199 616	182 740	- 8 %
ACP	470 865	476 299	436 682	- 8 %
Dollar	235 960	185 533	240 299	+ 30 %
Via a Member state**	17 993	9 282	21 822	+ 135 %
Gross supply	**889 943**	**870 730**	**881 543**	**+ 1 %**
Re-export	**247 736**	**203 025**	**182 702**	**- 10 %**
Net supply	**642 207**	**667 705**	**698 841**	**+ 5 %**

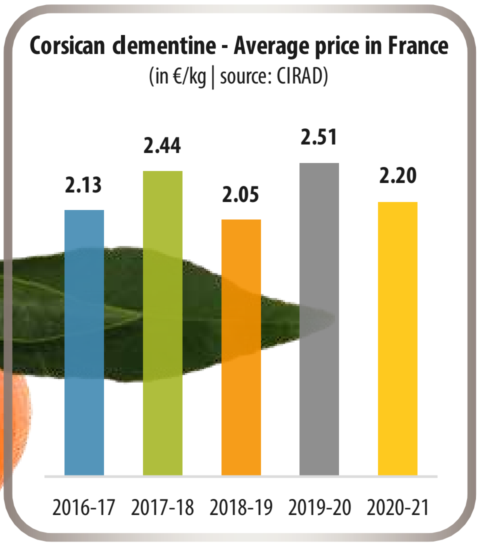
* provisional | ** Via another Member State, therefore loss of the notion of origin
sources: French Customs, UGPBAN | processed by Cirad-FruiTrop

Tunisian Maltaise orange: a slight improvement, but still way off the mark.

Because of the interception of batches exhibiting symptoms of citrus black spot (a quarantine disease in Europe) during the 2018-19 season, the European Union implemented highly strict import sanitary inspections to prevent the disease from entering the EC market. Hence the following season was marked by very limited Tunisian Maltaise imports (approximately 7 000 tonnes into Europe for the 2019-20 season). For the 2020-21 season, according to initial estimates, the implementation of effective phytosanitary inspection procedures at the production stage has increased the export potential to between 11 000 and 12 000 tonnes, though without regaining a normal level (between 15 000 and 20 000 tonnes on average). The fruit sizing is set to be average (6-7). Meanwhile, thanks to its moderate supply, Maltaise is enjoying good demand on the French market, enabling it to compete within the supermarket sector programmes against the Spanish and Italian blood varieties.

Source: CIRAD





Corsican clementine: a good 2020-21 season, given the weight of the market.

The Corsican clementine has been no exception to the alternate bearing upswing, which was highly marked across all the Mediterranean producers. According to the initial professional estimates, shipments were 24 % bigger than in the 2019-20 season (21 000 t in 2019-20, as opposed to 26 000 t in 2020-21). Despite maturing ahead of schedule, quality remained satisfactory overall for the majority of the campaign. However it was weakened by the heavy rainfall during December. The sizing remained average (concentrated around sizes 3 and 4). Nonetheless, despite the fluidity of sales, prices dropped by 24 % from the 2019-20 season, because of a generalised over-supply of easy peelers.

Professional sources

Storm Filomena in Spain: damage less than feared.

The heavy snowfall in weeks 1 and 2, followed by overnight frosts, did not in the end cause significant losses in Spanish citrus orchards. According to the latest professional estimates, the only effects of the cold spell were to further weaken in certain zones the end-of-season varieties such as Clemenvilla, the Naveline orange and Fino lemon. The late varieties were unharmed (late and super-late Navel, Valencia and Valencia like, late hybrids, Verna lemon).

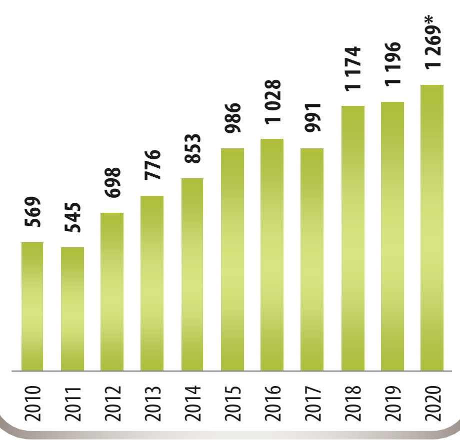
Professional sources

Avocado consumption in the USA: unstoppable growth!

Avocado consumption in the USA saw 6 to 7 % growth in 2020, according to an initial estimate based in part on Customs figures, which are still provisional. This equated to approximately 1.27 million tonnes, i.e. just over 3.8 kg/capita. The Covid pandemic, despite bringing a drastic cut in OOH activity (approximately 30 % of the market), has not quelled avocado fever. There is nothing magical about this trend, just work and more work: promotion most of all, with the unrelenting efforts of the HAB. There has also been segmentation, with the boom in the net-bag segment (4, 5 or 6 fruits), marketing small avocados at an attractive price. The market share of this product type (by number of fruits sold) was up to 55 % at the end of November 2020, from only approximately 15 % in 2016, with a 10 % increase from 2019. The price appeal has also helped: the average price was down 10 % from 2019, to $1.04/piece.

Sources: US Customs, CAC

Avocado - United States - Consumption
(* estimate | in 000 tonnes | sources: US Customs, CAC)



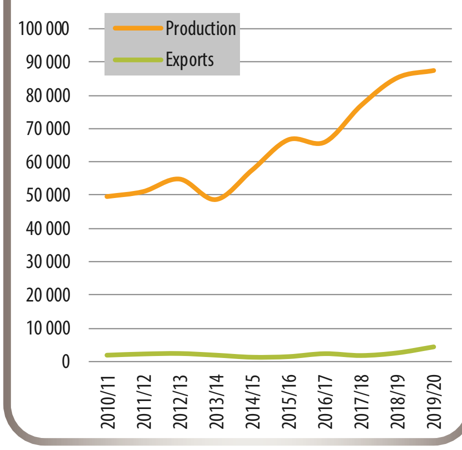
© Carolina Dawson

Australian avocado: still a bit-part player internationally, but showing strong progress.

The 2020 survey of the Australian avocado cultivation area confirmed the vitality of the local industry. Its 13 000 ha puts it among the world's top ten in terms of expansion (number 9 in the rankings). And above all, it is maintaining a very strong dynamic, with an increase of nearly 5 000 ha between 2016 and 2020. The zones with the biggest increases are those with an early production calendar (North Queensland, where the Hass is harvested from April to June) or a late production calendar (Western Australia, where production peaks from July to March). This dynamic should enable production, from a level of around 85 000 to 90 000 t in the past two seasons, to exceed 115 000 t in 2025. So this poses a challenge, with local consumption already approaching 4 kg/capita and the market starting to open up more widely to international trade. Chile has joined New Zealand on the still short list of authorised supplier countries, while Mexico has been insistently knocking at the door. The industry is focusing on two main strategic avenues: strengthening its competitiveness in terms of both quality and production cost, and developing its exports in particular to the high added-value markets in Asia. Major progress was made in terms of exports in 2019-20, although Australia remains a minor player on the international stage. Shipments practically doubled, to approach 4 500 t.

Source: Avocado Australia

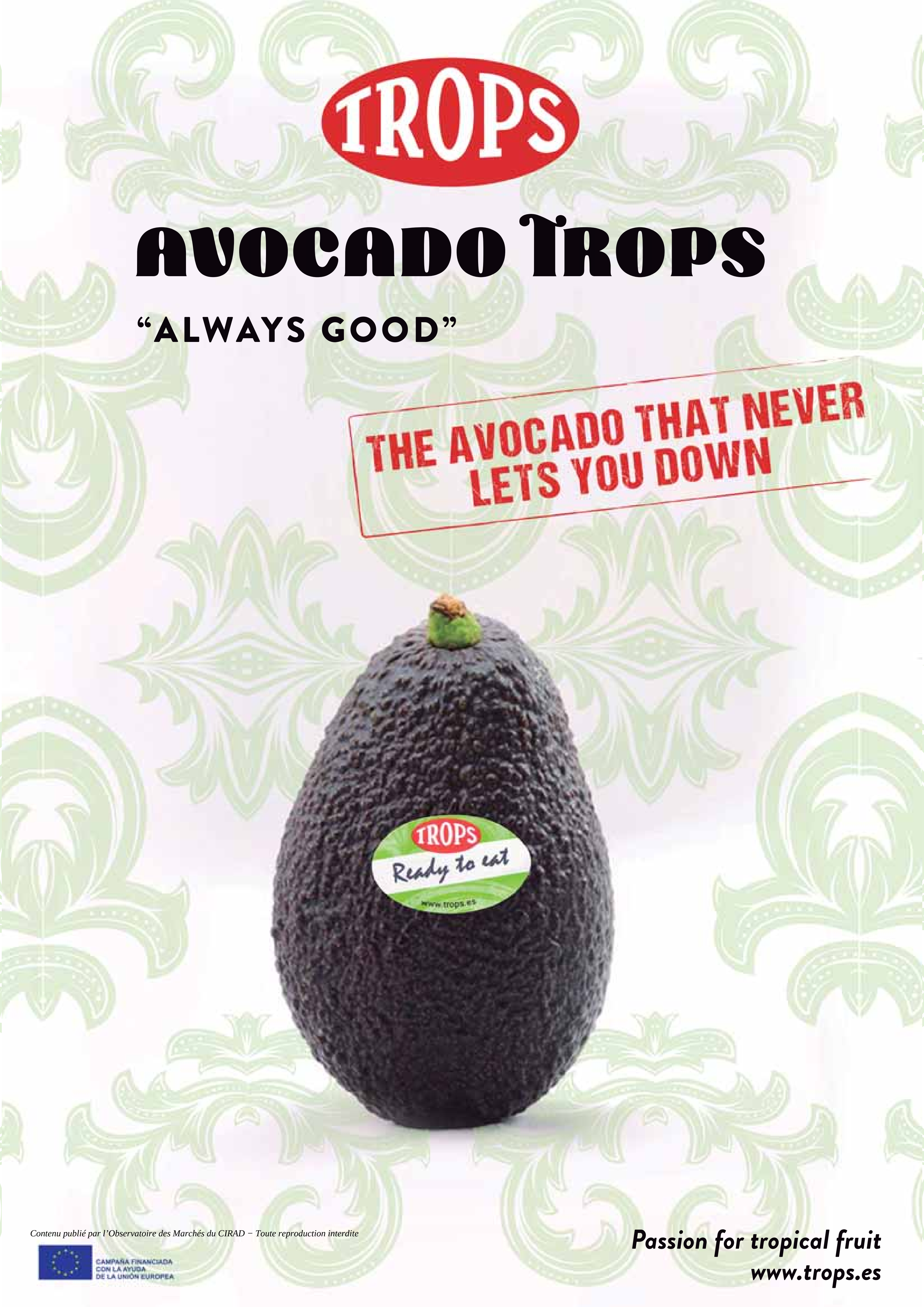
Avocado - Australia - Production and exports
(in tonnes | sources: Avocado Australia, Australian Customs)



Avocado – Australia – Surface areas by region

in hectares	2016	2020	Difference
North Queensland	1 689	3 747	2 058
Central Queensland	2 450	2 764	314
Sunshine Coast	187	239	52
South Queensland	691	821	130
Tamborine	229	429	200
Tristate	562	864	302
Central New South Wales	666	1 127	461
Western Australia / Northern Territory	1 630	2 935	1 305
Total	**8 104**	**12 926**	**4 822**

Source: Avocado Australia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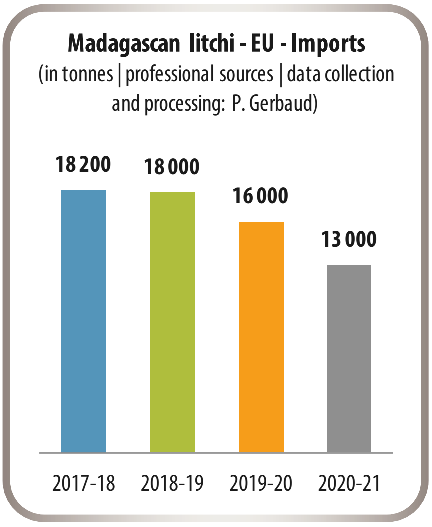
Madagascan litchi: a good 2020-21 campaign.

While the Madagascan litchi trading campaign is still winding down, it is already possible to draw up an initial review of this 2020-21 season. The reduction in volumes shipped (13 000 t instead of the 15 000 to 16 000 t seen in previous years), the earliness of production, the good overall fruit quality and the good receptiveness of European markets were the highlights of this campaign. Few campaigns have panned out this way in the past, with a sales and price fluidity, albeit dipping, but high nonetheless. This is reassuring for the Madagascan industry, whose past tribulations were casting a cloud over the future.

Source: Pierre Gerbaud



Avocado – EU27+UK – Consumption in 2020

	Consumption		2020 compared to	
	tonnes	kg/capita	2019	2015
EU27+UK, of which	**674 073**	**1.31**	**+ 11 %**	**+ 72 %**
France	143 802	2.18	+ 5 %	+ 48 %
Germany	102 246	1.27	+ 21 %	+ 170 %
United Kingdom	101 856	1.58	+ 7 %	+ 42 %
Scandinavia, of which	**61 546**	**2.39**	**+ 5 %**	**+ 21 %**
Sweden	21 512	2.24	+ 9 %	+ 21 %
Denmark	16 836	3.01	- 1 %	+ 22 %
Norway	14 740	2.89	+ 6 %	+ 26 %
East EU27	52 740	0.53	+ 11 %	+ 149 %
Italy	25 500	0.42	+ 13 %	+ 153 %

Note: November and December provisional | Sources: Eurostat, Cirad

Avocado consumption in the EU27+UK: another boom in 2020.

According to still-provisional figures, avocado consumption in Europe rose by 11 % between 2019 and 2020. At nearly 145 000 tonnes, France remained by far the main market on the Old Continent, with consumption now approaching 2.2 kg/capita. Germany for the first time took over second place in the ranking by volume (taking in more than 100 000 t), after another record growth year (+ 21 %). It is now ahead of the United Kingdom, despite the latter's considerable 7 % rise. There was growth of between 0 and 9 % in the Scandinavian countries, which remain the leaders in terms of consumption per capita, if we exclude Finland (from more than 2.2 kg/capita in Sweden to more than 3.0 kg/capita in Denmark). Italy confirmed its increasing interest in Hass, consuming in excess of 25 000 tonnes.

Sources: Eurostat, Cirad

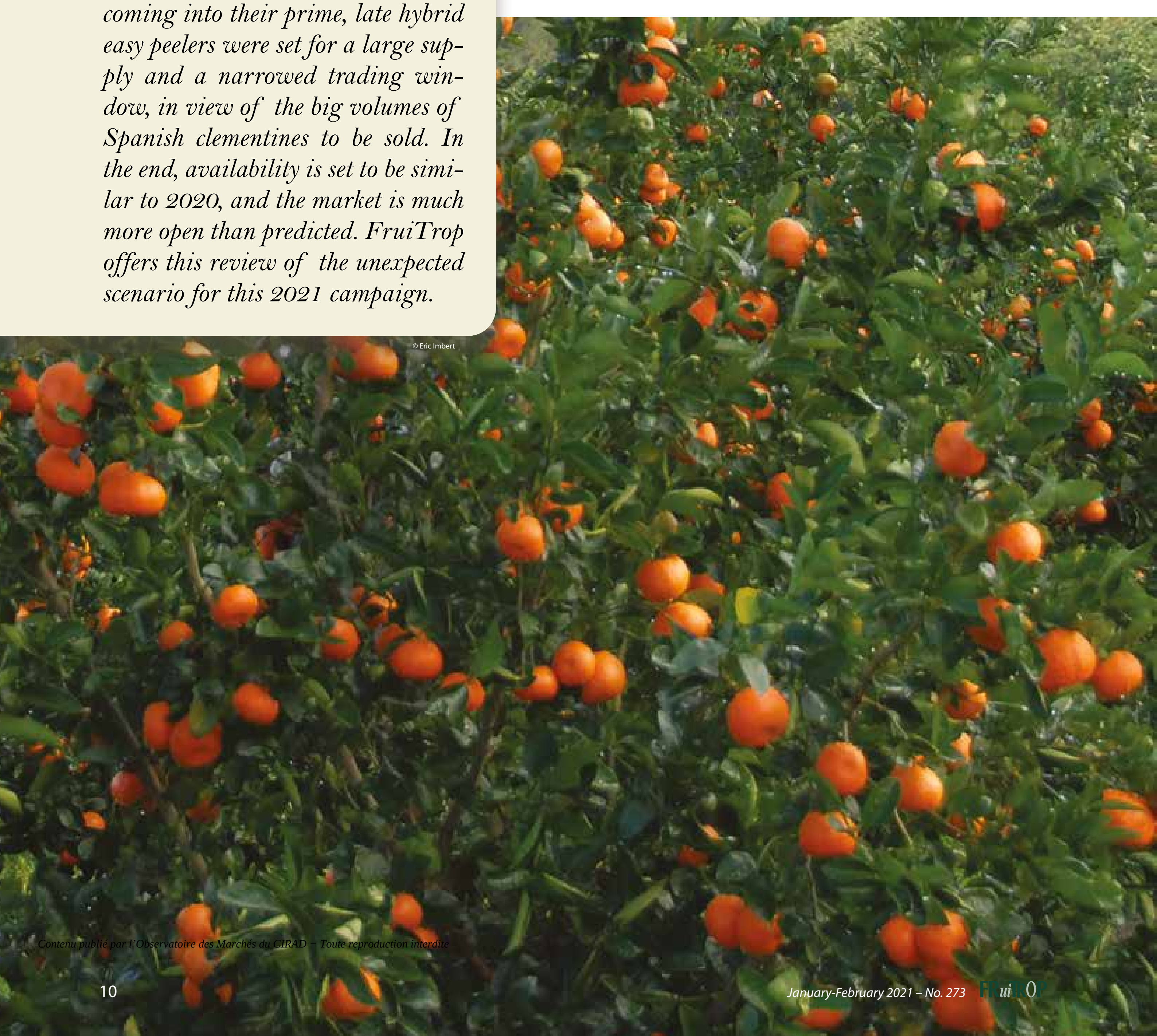
Westfalia extends its commercial network in Europe.

The multinational, which is among the world leaders in the avocado industry, has bought a major stake in the family company Hausladen Fruchthandels Gesellschaft, established more than 85 years ago in Munich (Germany) and specialised in the distribution of exotic fruits. This operation will enable Westfalia to step up its commercial presence in Europe, on a booming German market (growth over 20 % between 2019 and 2020). The South African group already controls several large-scale distributors on the Old Continent: Greencell in the UK, Comexa in France, Westfalia B.V. in the Netherlands and WMO Fruchthandel in Austria (East European and Russian markets).

Source: Westfalia

Unexpected scenario in 2021 on the European market

Inevitably with the young orchards coming into their prime, late hybrid easy peelers were set for a large supply and a narrowed trading window, in view of the big volumes of Spanish clementines to be sold. In the end, availability is set to be similar to 2020, and the market is much more open than predicted. FruiTrop offers this review of the unexpected scenario for this 2021 campaign.



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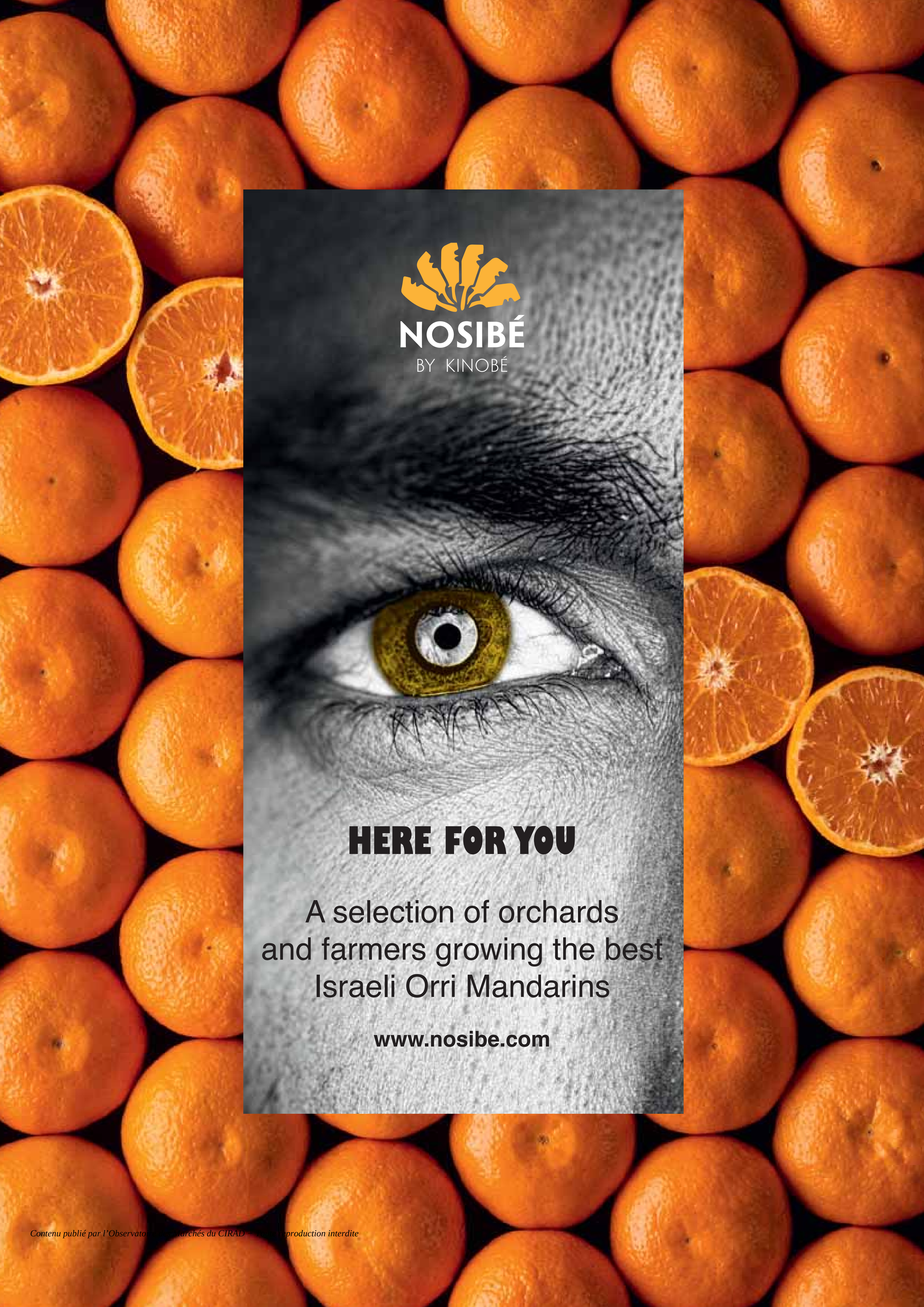
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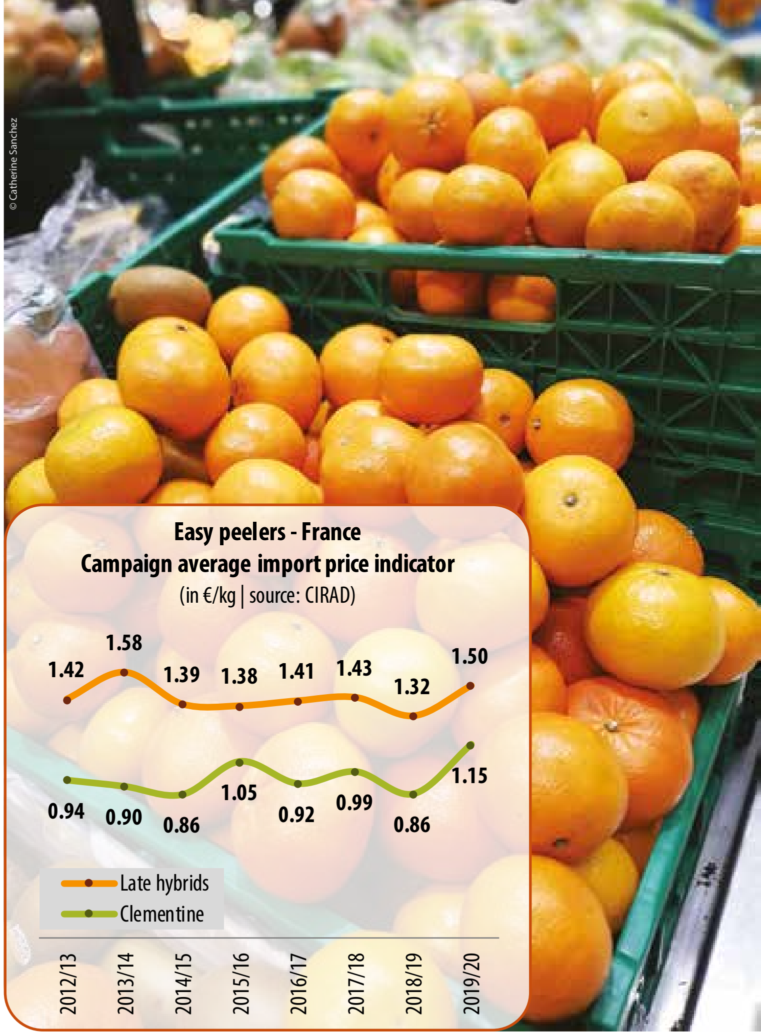
2019-20: an exceptional campaign, in particular for late hybrids

While 2019-20 was a very auspicious year for citrus growing in general, this was especially true for late hybrids. Unlike oranges or other easy peeler varietal groups such as clementines, the excellent rates registered during this extraordinary campaign were not accompanied by a drastic fall in quantities on the market. And unlike the other varieties, production of which was well below par, volumes on the market reached a record level (34 % above the four-year average), with our price indicator rising in parallel by nearly 10 %. So in this easy peelers family, has citrus growing found an ultimate anti-crisis weapon? This should be put into context, though without neglecting the eminently positive commercial impact of the particular mode of management of these licensed varieties. The context is practically ideal, with very much a clear field in terms of first half-season varieties from the beginning of January onwards, which largely explains this excellent performance. Furthermore, the 2018-19 campaign also demonstrated the weight of the context, but in its most negative aspect. It was the magnitude of volumes and mediocre quality of clementines and Clemenvilla, still abundant in January 2019, which were behind the very poor record in the 2018-19 late hybrids campaign.



Production potential lower than expected

How will things turn out in 2020-21? Regarding production, growth will in the end be much slacker than predicted. According to our estimates, the overall available export potential for the main varieties of the easy peeler family's star group (Nadorcott, Orri and Tango) from the major supplier countries (Morocco, Spain and Israel) should be around 600 000 t, i.e. very close to 2019-20 (+ 3 %). This is quite a contrast with the clear growth dynamic in recent seasons! The supply tripled in the space of eight years, with a fairly regular rise of approximately 50 000 t per year on average. This stagnation is especially astonishing since it has occurred on what is still largely a young planted stock coming into its prime, and with an alternate bearing upswing. However, the weather conditions were difficult in most of the Mediterranean producer countries, and adversely affected production, in particular for late varieties (heatwave in the East Mediterranean on an unprecedented scale, a "rotten" spring in Spain and intense recurrent drought in Morocco). On a more cyclical level, we should also add a fairly significant fall since 2019 in Israeli production capacity, after the uprooting between 2018 and 2020 of approximately 1 500 ha of Orri orchards situated in pedoclimatic zones too close to the limit to ensure sufficient profitability. It is most fortunate that the climate vagaries in early January (intense cold spell in Spain, and torrential rains in certain parts of Morocco) do not seem to have had a major negative impact.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Nadorcott and Orri practically stable, with Tango in a boom

Taking a close-up look, Nadorcott availability should be very similar to the 2019-20 campaign. Spain has practically an identical harvest to the previous season, at approximately 215 000 t. As for the other varieties, maturity is approximately ten days ahead of schedule. Moroccan production too is very similar to last season (approximately 230 000 t). The early January rains could wipe out the slight current shortfall in the export potential. Few changes in terms of volumes can be expected for Orri either. The impact of the heatwave is relatively moderate in Israel (export potential 6 % below 2019-20, at a near-average level). Spain should have a very slight rise in supply, with a trading potential of approximately 60 000 t. Tango is the only variety for which availability will see a very considerable rise. Volumes should be close to 100 000 t, as opposed to 63 000 t in 2019-20. Across all varieties and origins, the small sizing problem should be much less weighty than for early-season varieties. The fruit sizing is actually considerably larger than in 2020 in Andalusia, whence a good part of the Spanish supply comes. The orchards of these top-end varieties are as a general rule at the cutting edge in technical terms, especially in irrigation, and are well-treated in terms of water quotas in view of their profitability.


© Eric Imbert

Late easy peeler hybrids – Exports of EU28 supplier countries

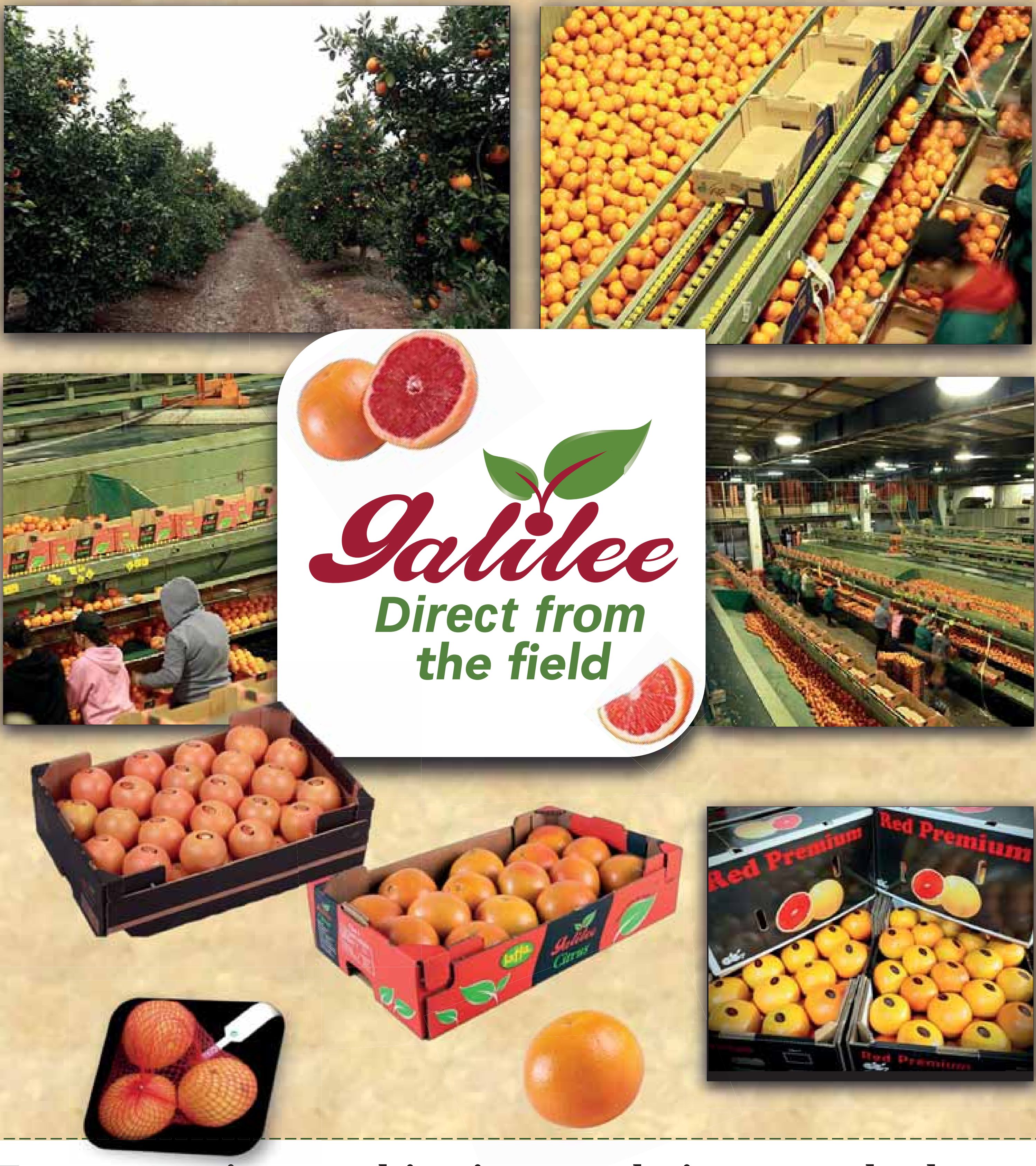
in 000 tonnes		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21/2019-20 difference
Morocco	Nadorcott	42	67	65	99	106	126	171	116	188	173	+ 62 %
Spain	Nadorcott	122	135	132	150	157	156	183	166	179	180	+ 8 %
	Orri	-	-	-	-	26	26	52	52	57	60	+ 10 %
	Tango	-	-	-	-	-	-	25	40	63	100	+ 58 %
Israel	Orri	49	49	53	67	65	104	62	92	94	88	+ 2 %
Total		**213**	**251**	**250**	**316**	**355**	**412**	**493**	**466**	**581**	**601**	**+ 25 %**

Professional sources


© Eric Imbert

Breakdown of volumes

Late hybrids, which are top-end varieties, will remain primarily aimed at West European markets once again this season. This is clearly the case for Spain. The Biden administration may help reopen access to the US market for all Iberian citruses, with the lifting of the trans-Atlantic 25 % customs duty hitting EC citruses. However, this measure will arrive too late for this season… if indeed it comes. In Europe, the Brexit deal, signed in extremis at the end of 2020, has prevented the imposition of customs duty and helped avoid the EC market becoming overloaded by a communicating vessels effect, to the detriment of the UK. Regarding Israel, the USA will continue to take in considerable volumes (approximately 10 000 to 12 000 t), but the bulk of the flow will remain aimed at the EU27 and UK. The diversification to Asia, a noteworthy phenomenon for the grapefruit and Sweetie, remains limited for easy peelers (around 1 000 to 2 000 t in recent seasons). Morocco's customer country portfolio will remain highly diverse: according to our estimates, at least 50 % of volumes are aimed outside the EU27+UK, mainly at Russia, North America and West Africa, which now takes in highly significant volumes of category 1 Nadorcott.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A much more open market context than predicted in the EU27+UK

The high degree of market openness in January is another surprise of this campaign, just like the low production growth. The size of the Spanish Nules clementine harvest (10 % above the four-year average, with more than 730 000 t) pointed to a very late end to the seasonal varieties campaign, delaying the handover to late hybrids. Just as in 2020, this was not the case, but for very different and much less positive reasons. Unlike last season, large volumes remained available at the production stage at the end of December, but the fruit was haphazard in terms of lifetime, due to maturing very early at the beginning of the season, and above all to an overly wet and mild autumn, which adversely affected both production and the markets (shorter fruit lifetime and slowing demand). The figures for the clementine campaign are not yet finalised, but they are clearly set to be very poor (probably 20 to 25 % of production lost, with an average campaign price similar to its catastrophic level of 2019-20).

In any event, late hybrids took over early and thereby enjoyed the generally lively demand for easy peelers during January (from weeks 53 and 1 in some North European supermarkets, and from week 2 for some French chains). These few extra trading days or weeks during this key January period, when easy peelers retain a high-profile shelf presence, have weighed heavily in terms of market volumes. Furthermore, the market context has been rather favourable. The cold boosted demand in early January, while competition from the orange is set to be quieter, since prices have begun to rally due to a rather below-average harvest for the second half-season varieties (Lanelate and Valencia especially). Hence late hybrids have enjoyed rather high prices on the market, despite a much deteriorated situation for the final clementine batches. The moderate supply level and wide trading window indicate that the late hybrids campaign should run smoothly.

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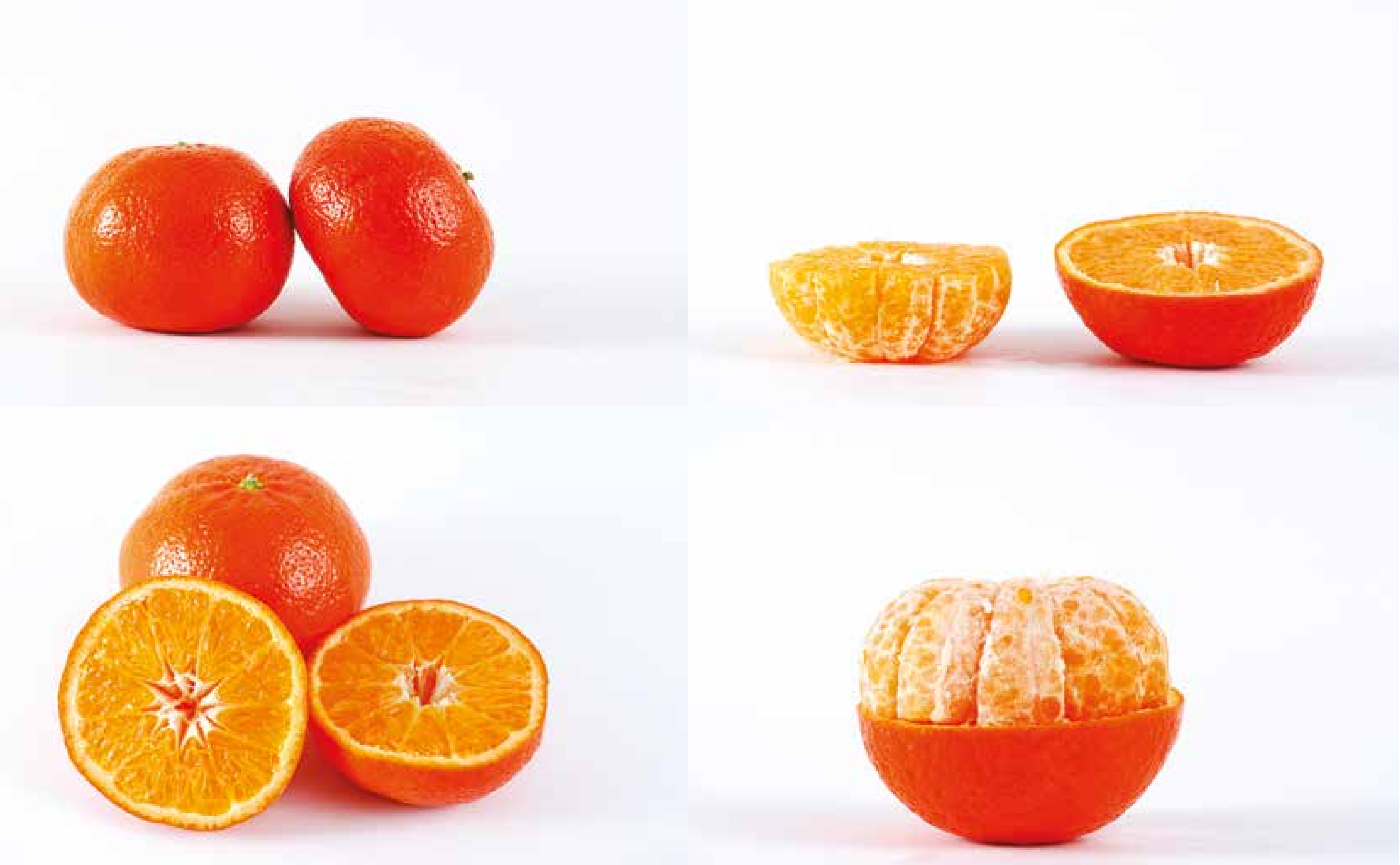
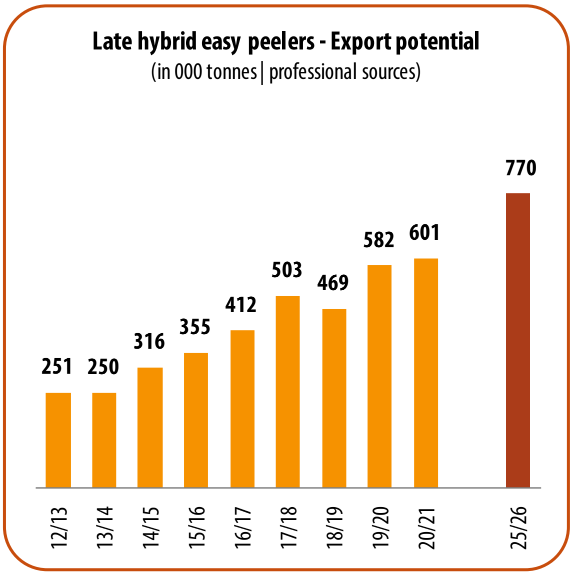


Photos © Régis Domergue

Big increase in commercial potential over the coming campaigns

The low growth in supply registered this campaign should not lead us to believe that Mediterranean production of late hybrids is approaching maturity. True, planting is practically at a standstill for both Nadorcott and Orri, varieties for which the licence allocations from the rights holders have run out. Tango remains open to market, since there are no quotas, but its surface areas are not really expanding either. However, for all these varieties, many young orchards have not yet reached full production, and are still coming into their prime. At full maturity, the commercial potential of these orchards should be around 750 000 to 800 000 t, i.e. 150 000 to 200 000 t more than today.



Late easy peeler hybrids – Planted areas and export potential of EU28 supplier countries

Origins	Varieties	Planted areas (hectares)	Long-term export potential (tonnes)	Observation
Morocco	Nadorcott	7 800	260 000	Stabilized cultivation area
Spain	Nadorcott	6 600*	240 000	Stabilized cultivation area
	Orri	2 200	60 000	Stabilized cultivation area
	Tango	3 000	115 000	Cultivation area with scope for development
Israel	Orri	4 150	95 000	Stabilized cultivation area
Total			**770 000**	

* Spain and Portugal | Professional sources

New licensed varieties entering the fray

Furthermore, some new cultivars have also been introduced. Spring Sunshine, a mutation of Murcott developed just like Orri by the Volcani Center, will start to enter the market this season (probably approximately 1 000 t available). A very high-quality variety (average Brix over 17°, and average juice content more than 55 %), it will enhance the range in the super-late slot (harvested from March to May). Spanish growers have been allocated a quota of 700 000 trees (i.e. approximately 1 500 ha). Similarly, Leandri made its commercial debut this season. Discovered by the South Africans at Citrogold and managed in Europe by the CVVP (Club de Variedades Vegetales Protegidas), it is derived from a mutation induced on a clementine hybrid and Murcott. Present on the market approximately one month before Nadorcott, it is also a very high-quality variety (juice content more than 50 %, and Brix up to 14°). The quota is around 2 000 ha, with approximately 1 000 ha already planted. These varieties just getting started of course need to make good on their promises, and find their market. The two of them alone represent probably a commercial potential of around 100 000 to 130 000 t, over a different trading calendar to the current stars.

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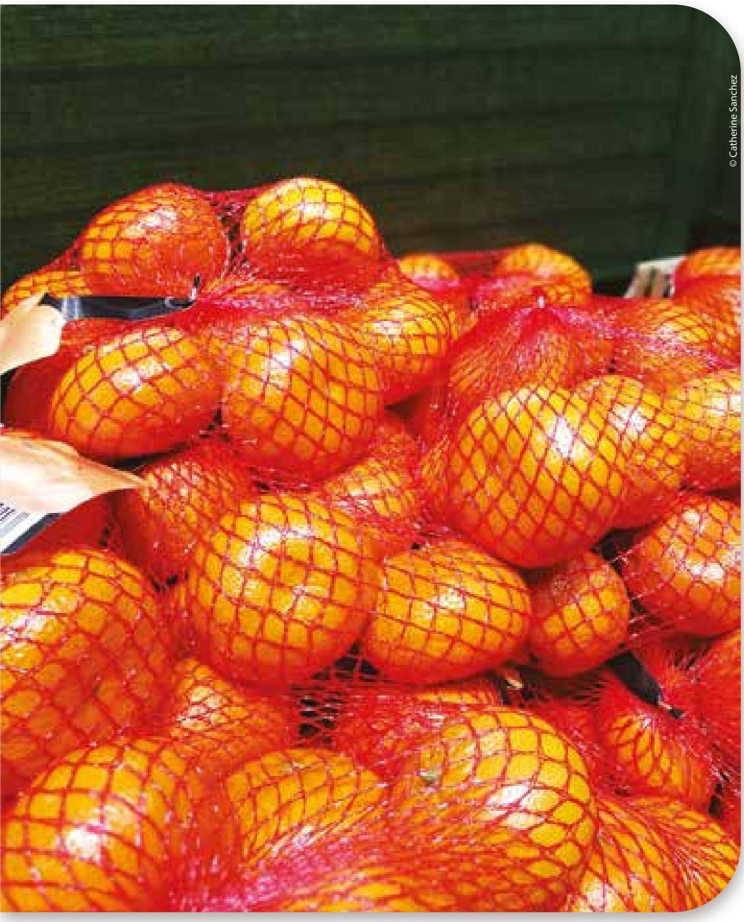

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A market to safeguard

Operators must make no mistake: caution remains the watchword on the late easy peelers market, despite the highly probable succession of two positive trading seasons. True, these varieties can boast many assets (benchmarks in terms of taste, and a long potential lifetime in particular), while the market window cannot yet be extended, in particular in spring. Nonetheless, there are significant additional volumes to come, both for the historic varieties and those just getting started. It is of utmost importance to safeguard the "pocket of profitability" that this market represents, which is vital for production while the economic results remain more than haphazard, for both easy peelers and the orange, during the first part of the season. The quotas must be stringently adhered to, and combating illegal orchards must remain a priority. Actions are being stepped up (first closure of an unlicensed Nadorcott orchard in southern Portugal in 2019-20, more than 45 legal cases instigated by ORC against illegal Orri plantations, with one in 2019-20 actually resulting in a prison sentence).

Furthermore, inspection tools are increasing in number and quality. Geolocation, which makes it possible to check that a given orchard is a licensed one, has already been used for several years by all the rights holding bodies for these protected varieties. The use of molecular markers is starting to appear. This enables inspection of the variety at all levels of the industry, by seeking a DNA sequence specific to each cultivar. According to the promoters of the Gocitrus project, who are developing this technology for citruses on behalf of the main varietal purchasers, it is a simple and inexpensive technique (approximately 5 to 6 months' work, and a budget of €10 000 to €25 000 to identify a specific sequence, with routine analyses carried out individually costing between €50 and €100) ■

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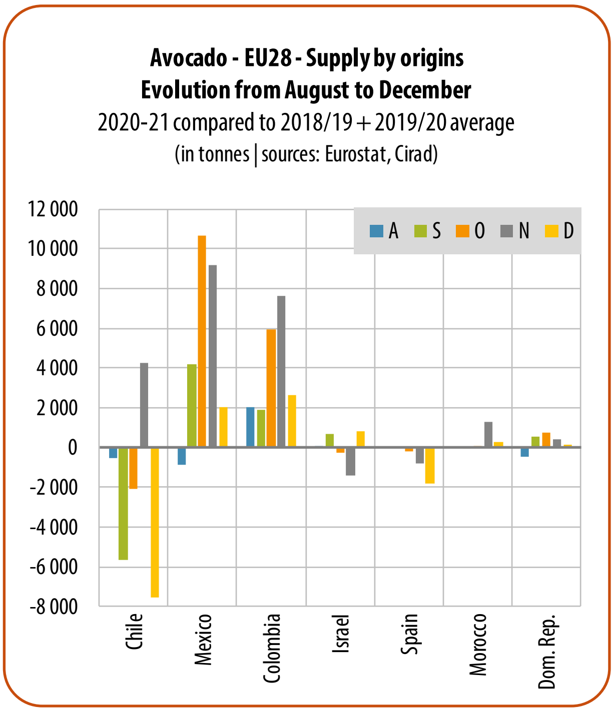
Campaign review of the 2020-21 winter season

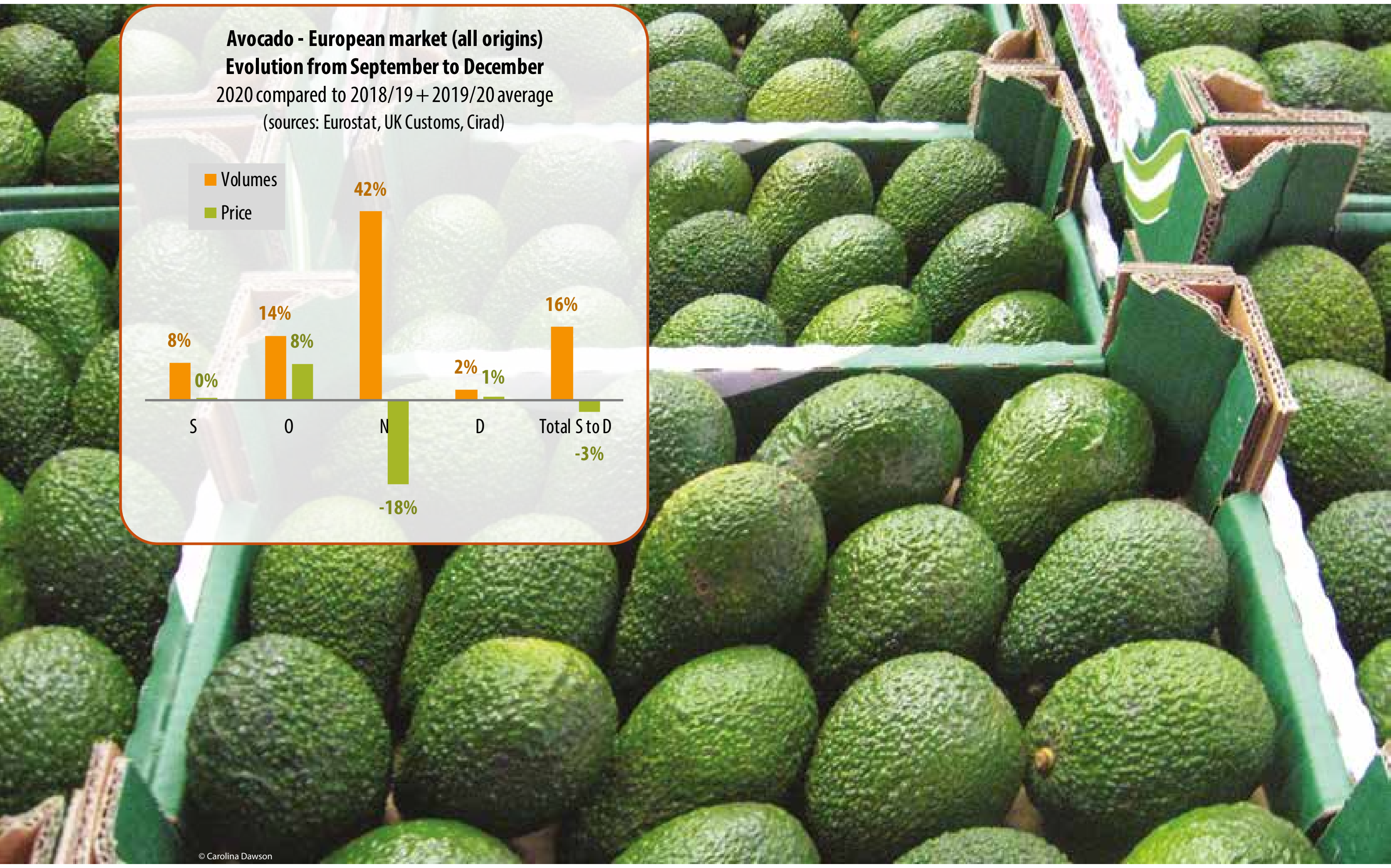
Spring set to be as promising as it is dangerous

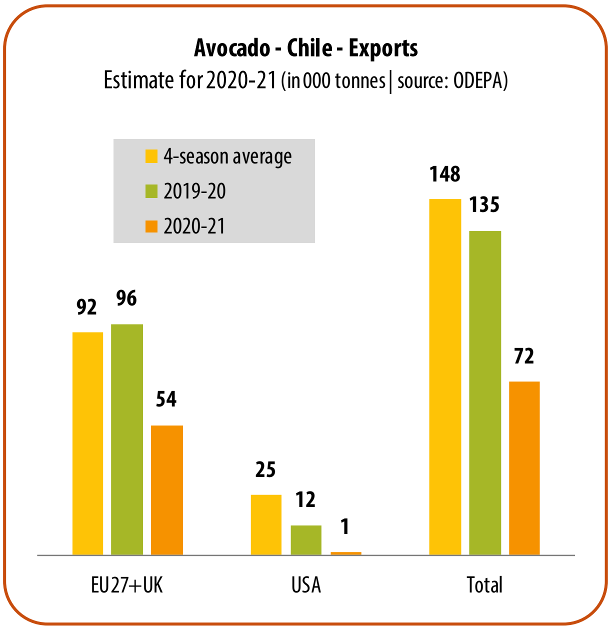
Despite some highs and lows, the first part of the 2020-21 winter season was mainly positive, with volumes on the market seeing a considerable rise without a major fall in the average rate. How will the market develop in Q1 2021? The question is especially acute given the fresh hand generated by the very early end to the Chilean season. So FruiTrop offers you this review.


© Brigitte Pogam

The first part of the 2020-21 winter season enjoyed a positive record on balance. According to provisional customs figures, volumes on the market in the EU27+UK from early September to late December set a new record, more than 15 % above the two-year average, while our price barometer indicated a practically stable price level (- 3 %). However, the market saw highs and lows, confirming or revealing two new or recent underlying movements affecting the winter season. Paradoxically, the transition period between the summer and winter campaigns, which is now risky given the structural extension trend of the Peruvian season, went smoothly. Conversely, for the second consecutive year, the autumn brought a major over-supply crisis, which started a little earlier than in 2019. The rapidly expanding surface areas in Jalisco and Colombia resulted in a boom in exports to the EU27+UK, with even huger volumes than last season (volumes received in October approximately 8 000 t more than the already excessive volumes in 2019, with a record rise of 15 000 t in November). Rates plummeted, in particular for small fruit (Cirad barometer reaching a low point of €10 for size 18, and less than €8 for 22/24 in mid-November). It was most fortunate that the crisis did not continue, with Mexican pressure abating in December, and the Chilean supply was much smaller than predicted.



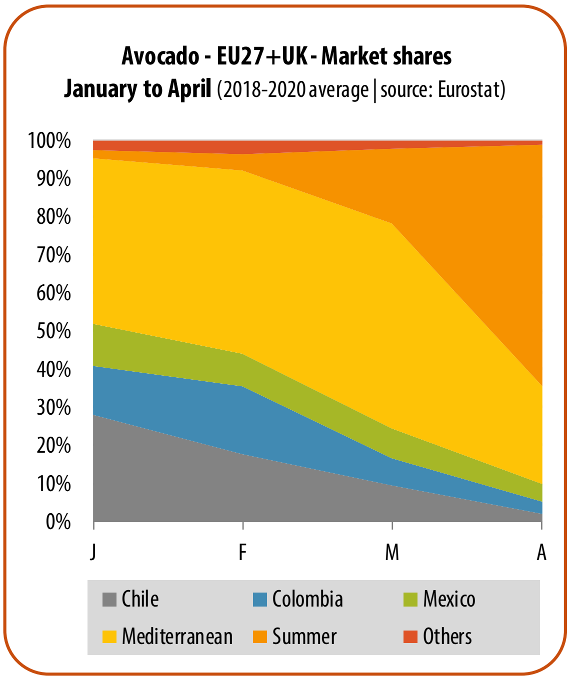




Historic shortfall from Chile, with major implications for the 2nd part of the season

It's the big surprise of this campaign. A production shortfall had been expected, because of adverse weather during the fruit-setting period and a structural drought, but not to such a huge degree. This has brought extreme consequences for the export outlet, with extraordinary price competition observed on the local market, where the avocado is one of the staples, adding to the direct effects of the production shortfall (wholesale prices per 4-kg box reported as reaching more than €15 in early December, i.e. + 20 % on 2019).

Hence according to an initial estimate, volumes placed on the international market by this origin, hitherto one of the world's top three exporters, will probably be around 70 000 t to 75 000 t in 2020-21, i.e. barely more than half of the 135 000 t shipped in 2019-20. All the export markets have seen their volumes collapse (probably less than 55 000 t to the EU27+UK, as opposed to 96 000 t in 2019-20), in particular the USA (less than 1 000 t, as opposed to 12 000 t in 2019-20 and approximately 30 000 t in previous seasons). This abrupt drop, which has resulted in particular in a historically early end to the season in Europe (limited volumes from early January), will have major consequences on the market during the latter half of the winter season. In previous years, Chile represented approximately 25 to 30 % of the market supply in January, and still 15 to 20 % in February. Will the other supplier countries be able to make up such a shortfall?

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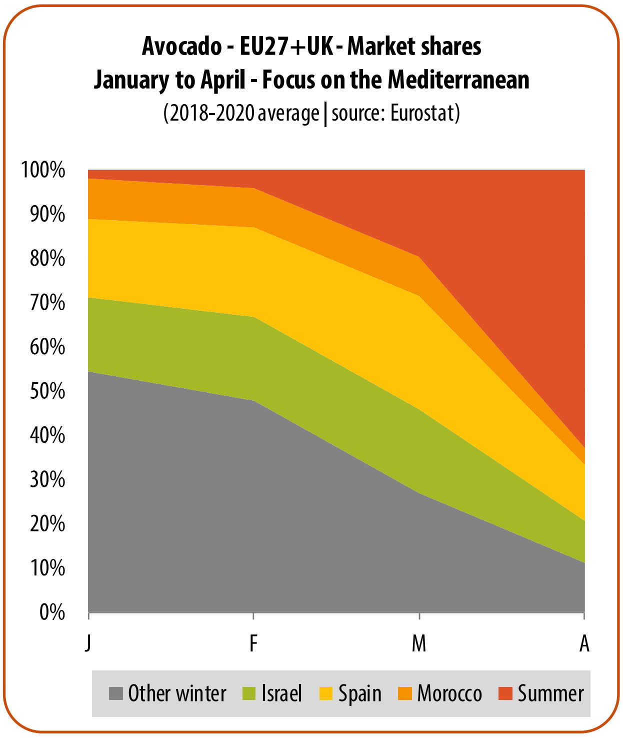
Export potentials average at best in the Mediterranean, despite expanding surface areas

This should not be the case in the Mediterranean, a zone providing approximately 60 % of the supply during the January-April period. In Israel, the Hass harvest level should be similar to last season, which itself was only average. The combined effects of the alternate production upswing and the considerable expansion in surface areas were practically wiped out by the adverse consequences of the heatwave in May during the flowering period. Nonetheless, volumes still to be sold are less than last season, and so below average. Marketing is significantly ahead of schedule (approximately 4 million boxes of Hass sold by the end of January, i.e. 1.5 million more than in 2019-20). The early winding down of Chilean volumes enabled Israeli operators, who were also seeking to avoid the quality problems observed at the very end of last season, to get on the listings earlier.

The situation is similar in Spain, though with a production level approximately 15 to 20 % down on what was already a light 2019-20 season. Adverse weather conditions for fruit-setting and a summer heatwave reduced the Hass harvest, which had been set for a good level. It was most fortunate that the cold spell in early January did not seem to aggravate the situation, at least in Axarquía, the main zone. There will not yet be much compensation from the new production centres coming online (Huelva, Cadiz, Valencia), since these orchards are still young. Just as for Israel, the sales tempo is gathering pace early, and the fruit sizing is quite good.



Morocco is on an alternate bearing downswing, after a record 2019-20 season (nearly 33 000 t exported). This phenomenon was particularly pronounced for green varieties, practically absent from the export sector this season. Nonetheless for Hass, the young plantations entering production or coming into their prime, as well as a less lively local market due in particular to a collapse in tourism, could result in equal volumes to last season. This origin too is well ahead of schedule in trading.

© Eric Imbert

Some Latin American suppliers running out of steam, after a storming start to the season

What availability is there from South America? Colombia had an explosive first part of the season, with exports registered between the start of June and end of November more than twice their levels in 2019 (approximately 37 000 t, as opposed to 13 700 t in 2019 according to Colombian Customs). Availability for Q1 2021 appears to be much more limited, with the gradual end of the main harvest from the major production zones (see regional production calendar). Exports should maintain a good level in January, before subsiding considerably in February, and then becoming very moderate in March.

The situation varies greatly between the Mexican regions. Just as in Colombia, the surplus from the Jalisco harvest seems to be moderate, since the first part of the campaign was also very intense (exports across all destinations from early June to late December of 80 000 t, i.e. 15 000 t more than last season). Hence as in 2020, volumes in January should be moderate, before waning to marginal levels in March. Conversely, Michoacán should retain huge availability, while the US market remains unattractive despite strengthening slightly since the beginning of January. Could there be a big transfer of volumes to what will probably be a highly buoyant EC market?

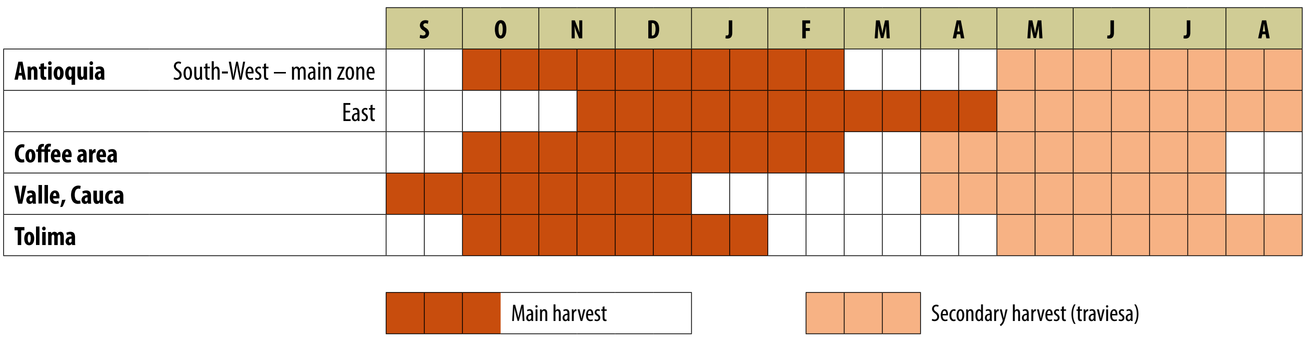
Two points should be highlighted. On the one hand, despite the drastic reduction in sales to the catering segment, US demand has hitherto maintained a good level, as is attested by a rise of approximately 10 % on the market in the 2nd half of 2020, according to the HAB's figures. The sales forecasts drawn up by MHIA for the key Superbowl period in early February are banking on the upward dynamic continuing (+ 4 % on 2020). On the other hand, many European importers are very cautious in terms of their Michoacán Hass programme. The quality of fruit received during the very heavily-laden October-November period was again highly heterogeneous for some brands. These problems, due in part to failing sea-freight logistics (repeated delays on all lines to Northern Europe) and to a post-harvest process attuned to the neighbouring US market, rather than to a distant destination such as the EU27, are dealing significant damage not only to the origin's image, but also to the product image in the consumer's mind.

Avocado – Estimated exports for main supplier countries

in tonnes	2020-21 (cumulative exports August to December*)	2020-21 compared to	
		2019-20	2018-2020 average
Chile	49 261	- 27 %	- 19 %
Mexico	66 250	+ 14 %	+ 61 %
Colombia	35 930	+ 89 %	+ 126 %
Israel	16 765	+ 20 %	- 1 %
Spain	9 191	- 12 %	- 15 %
Morocco	6 874	- 17 %	+ 30 %
Dominican Rep.	7 778	- 3 %	+ 22 %
Total	**192 049**	**+ 4 %**	**+ 22 %**

* provisional figures for December (Customs + Cirad estimates)
Sources: Eurostat, professionals

Avocado– Colombia – Harvest calendar



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Spring as promising as it is dangerous

If this scenario comes to pass, the supply shortfall will keep widening, and very probably reach major levels in the very last part of the season. Could the cold caused by La Niña lead to a significant delay in Peruvian Hass maturity, and therefore extend the fruit shortage? Could this origin reach the one-million boxes mark of Hass to the EU27+UK by early April, as was the case in 2019 and 2020? It does not seem that there have been any significant delays, according to the initial information collected, which points to another record season (export potential + 10 to + 15 % depending on the sources).

The market will doubtless need fruit, but – and this point must be stressed – high-quality fruit. Complying with the maturity criteria at the beginning of the season will be a key to the success of the forthcoming summer campaign, which is again set to be heavily laden. The very short-term gains to be expected from selling fruit which has not reached the requisite dry matter content are of course far outweighed by the double penalty that will arise from such a practice. On the one hand, consumption will immediately be hindered, especially since the product will be very expensive in the retail sector, cutting off the market from demand which should express its full potential from the second half of May. On the other hand, and with potentially deeper consequences for the future, such an episode will contribute to tarnishing the product's brand image, which is not sufficiently championed in Europe. The exporters and official quality control bodies will bear a major responsibility during this period, as auspicious as it is fraught ■

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A report by
Denis Loeillet

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Depressed and depressing

by **Denis Lœillet**, CIRAD
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While the health crisis is a human and economic catastrophe, the banana industry has drawn some advantages from it. And while there is a crisis in the industry, and in truth it is a deep one, the reasons for it need to be sought elsewhere. FruiTrop has been pointing them out for some years now, always with one constant: the world supply is increasing, and pushing down prices at all stages. So there is nothing much new under the sun. What remains to be understood is how the production industries will finance their development, but also the progress demanded by the downstream segment and consumers in terms of environmental and social issues.

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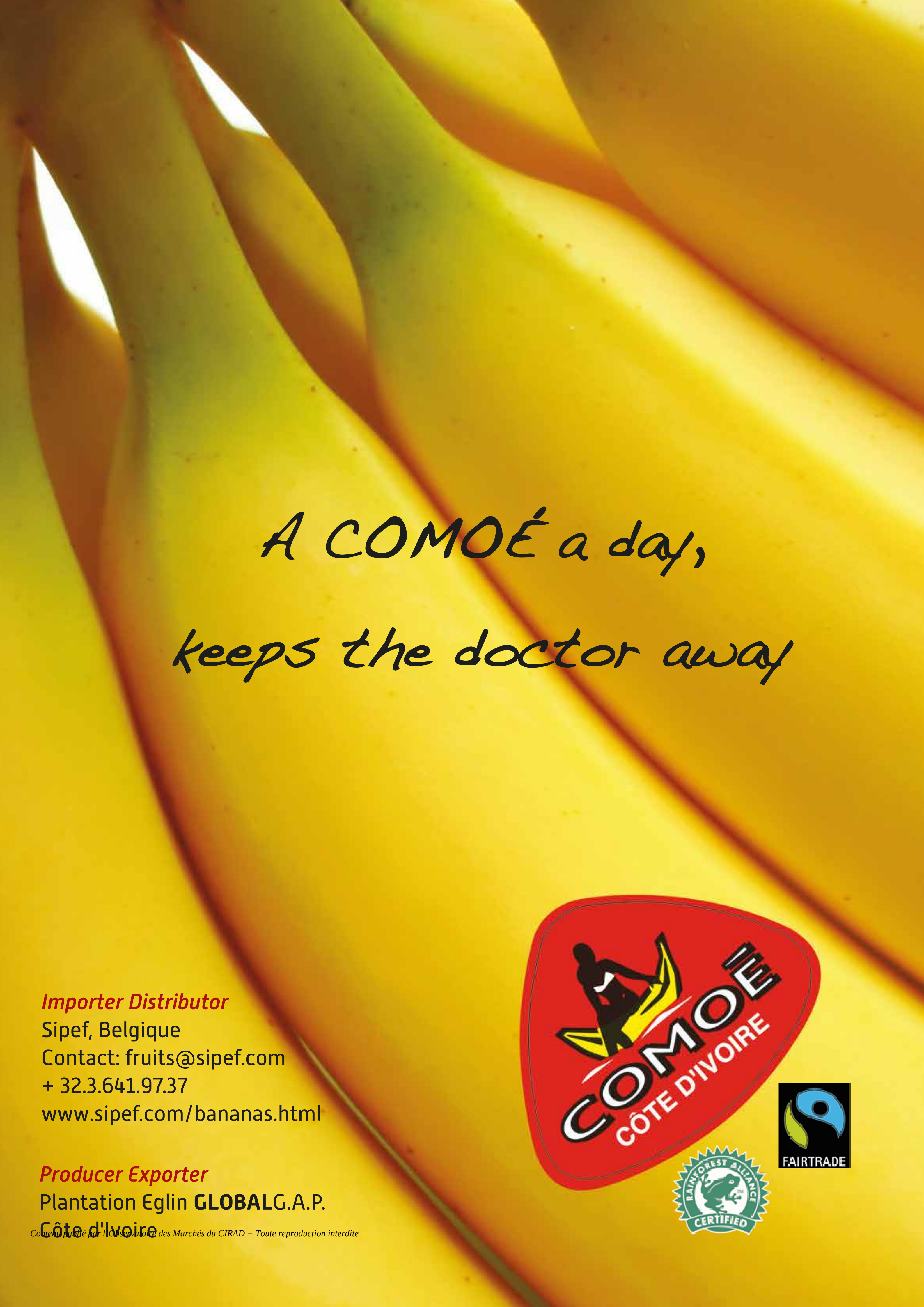
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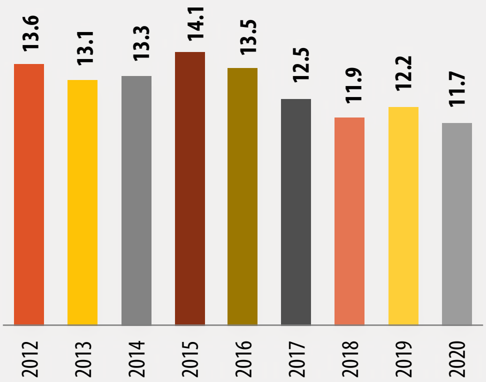
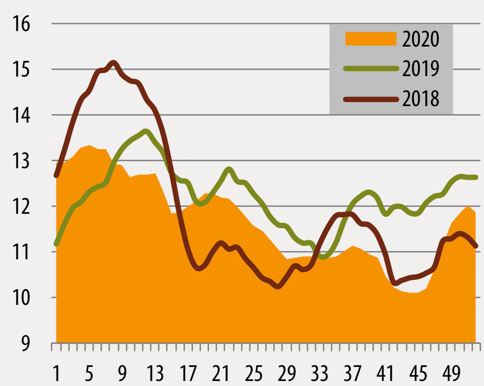


Banana - EU barometer - Import price
(in €/18.14-kg box | source: CIRAD-FruiTrop)



Banana - EU barometer - Weekly import price
(in €/18.14-kg box | source: CIRAD-FruiTrop)

While disruption is a fashionable concept, the disruption brought by the pandemic has nothing positive about it. The health crisis has turned our lives upside down, and very rarely in a good way. The general disruption 2020 was more like a short-circuit than a milestone towards a brighter future. China had other ideas… The effects of this crisis on the agricultural and food industries have been substantial, both for better and worse. The banana industry was no exception to the rule for the worse, with logistical malfunctions, additional costs throughout the chain (from plantations to distribution) and, of course, operational disruptions during the first weeks of the crisis. For the better, the fruit consolidated itself as a safe bet on many markets. But there we go, it was more than just the health crisis caused by China's gastronomic peculiarities (if that is actually how it happened…) that shook up the world banana market. In fact it was, as is often the case, an explosive mix of several factors which has put the banana market in its sick bed, or perhaps even its death bed.

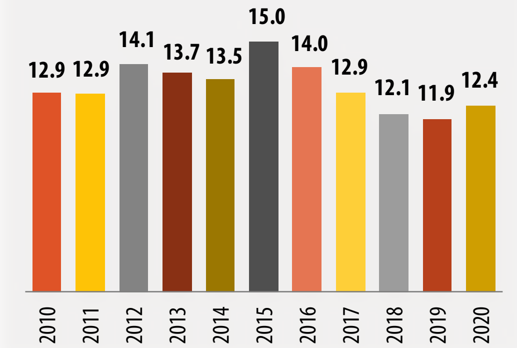
Some of the factors explaining the very poor market conditions in 2020 are very well known, and nothing to do with the effects of the pandemic. The world dessert banana market is in a structural crisis, and the symptoms are clear: a rapid growth in exports, fuelled by just as quick an increase in world production potential. The world's excess supply was not withdrawn from the market to be destroyed, converted into pulp or livestock feed. It found its way onto the world market, leading to an ultra-classic fall in world prices for the dessert banana. Everyone is delighted at the increase in consumption, while also lamenting its main avatar: the drop in prices.


© Denis Loeillet

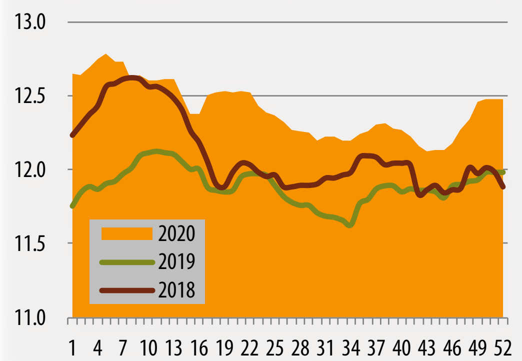
Hope quickly extinguished

If we put to one side the distorted evolution of the import price on the US market, for which we have only the most nebulous representation in the form of the spot price published by Sopisco – the conclusion is unavoidable: the world market is in the midst of a crisis. As proof of this, the Cirad-FruiTrop European barometer plummeted by €0.50, down to a historic low level, i.e. €11.7/box. The previous record low dated from just two years ago, in 2018, with a European import price of €11.9/box. Everyone thought at the time that the worst had passed. That at these price levels, no-one could make money any more. That we had gone a long way past the lower profitability threshold… That the most adventurous operators in terms of price would do their sums properly one day. That collectively, the downstream segment of the industry would finally understand that, yes, import dessert banana consumption was on the increase worldwide, but that this was being accompanied by a dangerous, indeed suicidal fall in prices. That given the highly attractive retail prices, there were other less destructive approaches for the industry to take than simply playing on the price. The slight bounce-back in 2019 revealed a glimpse, albeit to the most optimistic, of hope for reconstruction. But this was quickly extinguished.

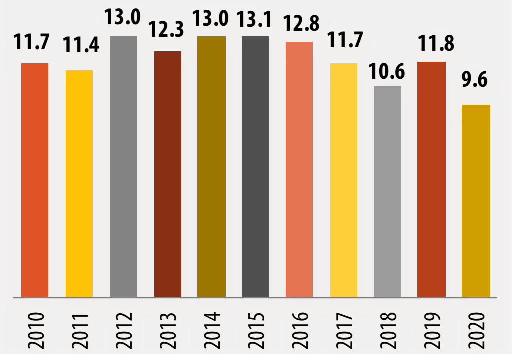
Banana - Germany - Annual import price
2nd and 3rd brands (in €/18.14-kg box | source: CIRAD-FruiTrop)



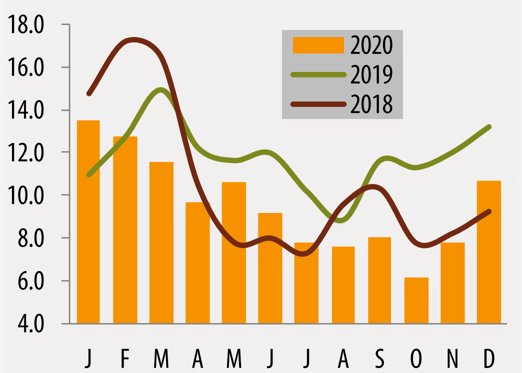
Banana - Germany - Weekly import price
2nd and 3rd brands (in €/18.14-kg box | source: CIRAD-FruiTrop)



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



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



Between a rock and a hard place

If we look at week-on-week evolution of import price in Europe, the world's number one import market with more than 5.9 million tonnes (and 6.5 for total consumption), the hardened optimists got it right twice in 2020. Once at the very start of the year, with five weeks of satisfactory prices, and the same thing at the very end of the year for another five weeks or so. Which leaves the other 43 weeks when the market had to choose between cutbacks or depression.

Here is another indicator of the despair in which the European market finds itself: prices only rose above the three-year average for a modest six weeks, i.e. at the very start and very end of summer. For example, in week 15, before 2020 the price had never dropped below €12/box. It only just avoided dropping below €10/box in week 45. This oh so symbolic mark was avoided by just €0.07.

The European barometer of course conceals a wide variety of situations. In Poland for example, which has the particularity of providing the lowest point at any given moment, the import price fell to €5.8/box, precisely the minimum official price in Ecuador, which is set at the plantation stage! It is easy to imagine that with an average like that, some batches actually had no value, or barely covered the destruction costs. The average annual import price in Poland also set a record low of €9.6/box, i.e. €2 less than in 2019. At these levels, everyone would doubtless have signed up to the 2018 level, which at the time appeared scandalously low at €10.6/box.

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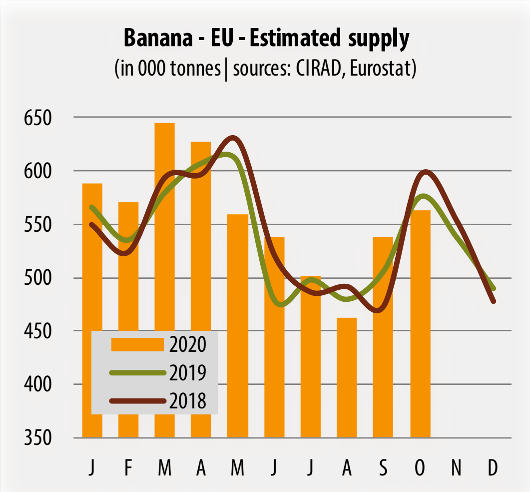
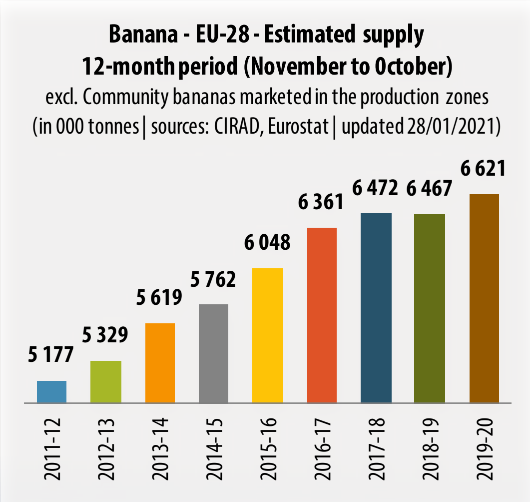
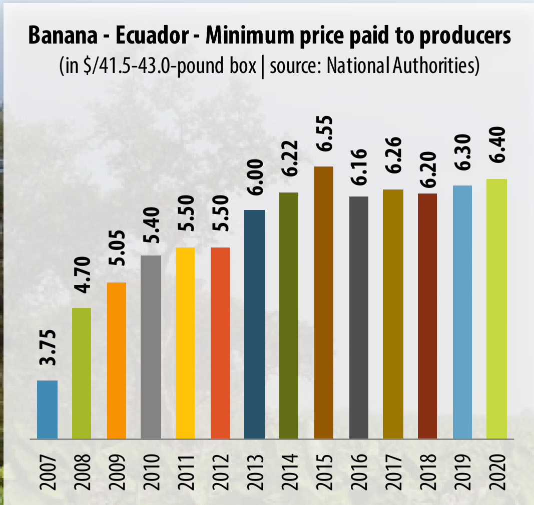






There will be no miracle

In early 2020, following on from what I dubbed a miraculous 2019 (FruiTrop no.267, January 2020), the banana world breathed easier. The German discount stores left their knives under the table, and the excellent end to 2019 got the new year off to a perfect start. The consumption trend in Asia, and more especially in China, helped absorb some of the increase in the world production potential. The dollar and euro returned to decent parity levels of around $1.10 to €1. The annual German contract price even regained some ground, slightly invigorated by a calmer 2019. Volatility fell, thereby making the market more predictable. In short, the scene set was fuelling hope.

But that was forgetting too soon the devastating effect of a constantly increasing world supply. We should recall that between 2011 and 2019, the consumption of the world's top 5 markets (EU28, North America, Russia, China and Japan) grew by 3.5 million tonnes, a staggering rise of 28 %! Looking at these figures, we would think it was a high-tech market. True, growth did register a hiatus in 2019, except in China and Japan. And since the world banana market is definitely a supply market, it was Asia's absorption capacity which enabled world rates to recover (see FruiTrop no.269, pages 56 et seq.). With lower volume pressure in Europe, rates automatically took an upturn. So the equation was dramatically simple.

Except that dollar banana pressure kept on rising in the meantime. The initial 2020 figures for the big four Central American markets revealed a surge of 630 000 tonnes in exports, i.e. an annual growth rate of 5 %. It was a good job that Guatemala saw a small downturn in 2020.

So in 2020, the supply pressure climbed another notch on the import markets, especially on markets with little or no regulation, and therefore highly sensitive to the world supply level. Russia provides an excellent example of this chain reaction. According to the latest estimates, the Russian market imported more than 77 million boxes in 2020, thereby equalling the absolute record from 2018. Consequently, the import price collapsed more than ever, going from $13.6/box CIF St. Petersburg in 2019 to just $10.7 in 2020, a 21 % fall. The rouble's tumble against the dollar restricted the fall in local currency terms to "just" 12 %.

© Jean-Marc Deboin

The dollar as a booster

So for the EU28, the import price came undone by €0.50, dropping to €11.7/box. Regarding consumption volumes, the data as at November 2020 (source: Taxud) revealed an increase in imports of around 4 %, with a big surge by the dollar banana (+ 6 %), and a downturn by the ACP banana (- 6 %). QED – it is the dollar supply which makes the market. This is no scoop, with every year further confirming the dollarization of both the European and world markets.

In this context the consumption dynamic is only the result of upstream pressure forcing its way through, regardless of price. It is actually even more concerning than that. There is a monetary factor loading the dice, namely the exchange rate effect. For an Ecuadorian, selling in euros and producing in dollars has only advantages. A quick calculation shows that, all other things being equal (especially production cost increases), the dollar origins are taking full advantage of the rise in the European currency. Over the long term (2006 to 2020), the revenue in local currency of a Colombian exporter selling in euros went from an index of 100 in 2006 to 191 in 2020! For the sake of completeness, the strong euro is not the only factor. We must also take into account, depending on the local currency's variation against the euro, the continuous fall in European Customs duty. And given the intensity of the reduction in duty (from €176 to €75 over this period), even paid in a strong currency (euros), it is the dollar origins in every case which get the advantage. For example, for Ecuador, the duty calculated in dollars on each kilo of bananas imported into the EU has been more than halved.

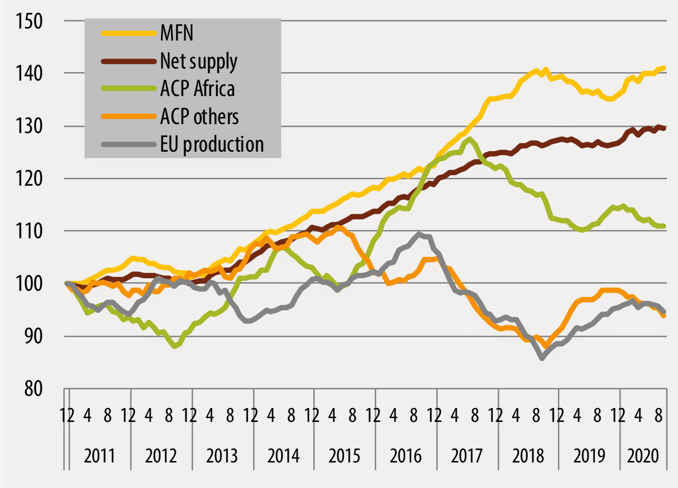
Hence a strong euro and falling customs duty have changed the hand. A contract signed at €11.30/box becomes practically $14 at the current exchange rate ($1.23 per euro at the beginning of January 2021). You will realise that the fall capacity of the dollar zone price is still unfortunately practically intact! You will also realise that at these price levels, the other producers, especially the European ones who produce in euros, and the ACP producers (Côte d'Ivoire and Cameroon) who produce in CFA (fixed parity with the euro), are grounded. They are fully exposed to the market's fall in euros, with only some "compensation", on the part of their cost structure which is dollarized.

Banana – Total exports

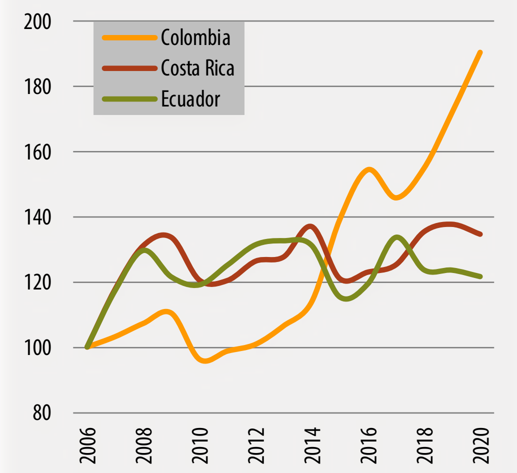
in million boxes	2018	2019	2020	2020 / 2019 in million boxes	2020 / 2019 in %
Ecuador	341	349	370	+ 21	+ 6 %
Colombia	96	99	105	+ 6	+ 6 %
Guatemala	112	117	115	- 2	- 2 %
Costa Rica*	125	119	128	+ 9	+ 8 %
Total	**674**	**684**	**718**	**+ 34**	**+ 5 %**

* extrapolated from exports as at week 44
Professional sources

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



Banana - Europe - Import price less Customs tariff (local currency) (index 100 = 2006 | source: CIRAD-FruiTrop)

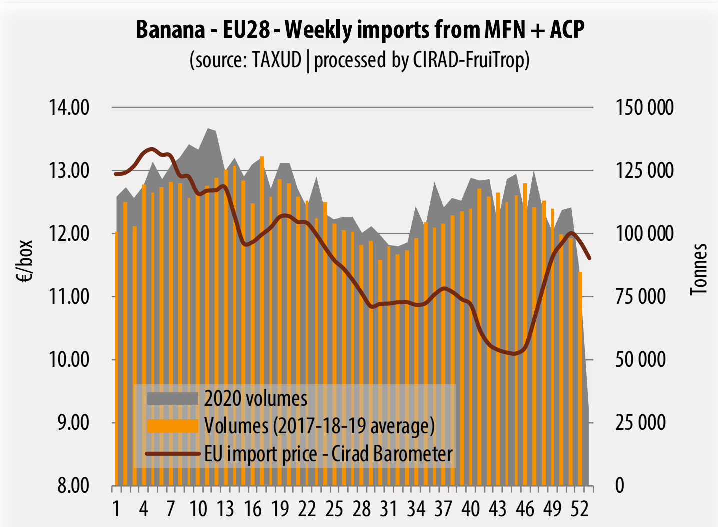


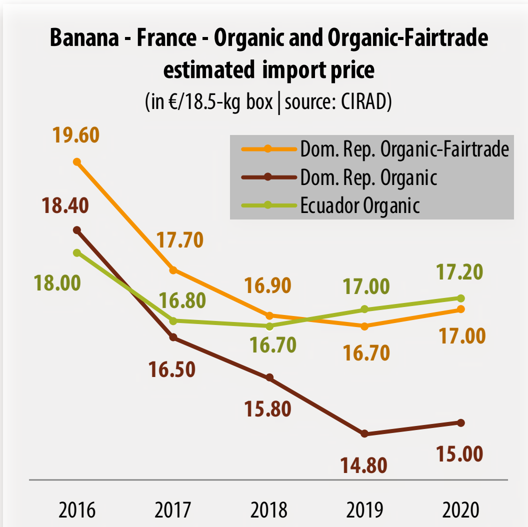
Again, it could have been much worse!

The health disruption without doubt saved the market. It seems a bit disconcerting to be writing this, but it must be acknowledged that the crisis – which is not yet over – has boosted banana sales. It has to be said that the banana is very much the ideal product for a health crisis: a staple of the fresh fruit section, easily storable (this comes from opinion polls), potentially safe (as protected by its skin), handy, universal (all age segments) and of course, very cheap. While the shutdown of the out-of-home sector (primarily schools and business canteens) put a stop to one outlet, home consumption largely took over. This is what appears to be the case at any rate if we look at the weekly import figures. From the partial data for 2020, we can note that 35 of the 49 weeks recorded a rise in imports compared to 2019, of practically 200 000 tonnes.

So we avoided the worst, since how would the European market price have gone without the first lockdown which boosted demand? A market on which the operators did not have this pressing desire to reduce the range of fresh fruits, especially during the first wave in March, to focus on the section staples, of which the banana is one, alongside citruses and the apple. This provides further proof for those, doubtless few and far between now, who still believe that demand drives the market. Yes it does drive it, but downwards in terms of remuneration. A lot more bananas were sold, but at ever lower prices. Imagine the catastrophic scenario if the health crisis had not given the banana this image boost!

Furthermore, the spring time and early autumn in Europe definitely revealed the true nature and therefore the true foundations of this over-supplied market. Since there was no let-up in the primarily dollar banana surge. It actually intensified, and prices definitely came undone. We had to wait until early November for the supply pressure to fall, when the sky fell in on the heads of the banana zones of Nicaragua, Honduras, Guatemala, Belize and also Mexico (cyclones ETA and IOTA https://lc.cx/n5H6-R_eW). The emergency was such that in a collective rush, several big traditional suppliers (or even exclusive suppliers) to the US market unilaterally triggered the Act of God clause, which enabled them to raise contract prices, in a range going from $1.76 to $2/box! We need to go back to 2008 and 2011 for the last times this Act of God clause was triggered.





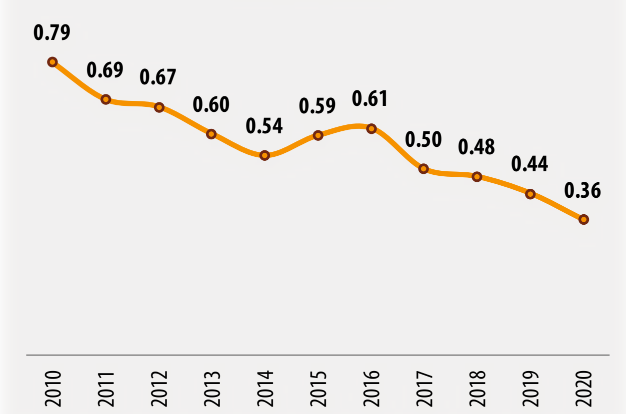
Catastrophe which came too late

It was the effect of the announcement of the transit of two cyclones during the 2021 price negotiations between the upstream and downstream segments that managed to quieten a little, and only for a time, the German discounters' desire for reductions, especially Aldi. The latter unilaterally announced at the end of October a price of €11.33/box. As one, and via the press (4 November 2020), the dollar production sector rose up against a price deemed crazily low. Except that at the risk of causing shock, it has to be said that all the downstream segment did was numerically express the deterioration of the world market, responsibility for which according to many is down to the dollar producers, who themselves blame the distributors. The charge is being fuelled by operators in Ecuador, Guatemala, Colombia and also Costa Rica, which are accusing each other of collapsing the market through unbridled growth of their supply. Finally, according to certain European sources, most contracts were signed very late at between €11.3 and €11.8/box.

This downward pressure also reveals an anachronism with the situation in the USA. As we have seen, the traditional operators on this market raised their bill to the distributors to $2/box for economic reasons. They claim that their supply will be more expensive since their own Central American plantations will have a shortfall of hundreds of thousands of boxes per week – and for a period difficult to evaluate, of at least half a year. The most pessimistic estimates imagined up to 1 million crates, while now we are talking about half a million.

If we want to find a link between the behaviour of price in the USA and in Europe, Alistair Smith, in his excellent analysis published on the Bananalink site (https://www.bananalink.org.uk/blog/blog-big-banana-brands-playing-into-the-hands-of-big-european-retail/), wonders whether the additional cost in the USA is ultimately financing highly aggressive price positioning in Europe. While US distributors' prices are raised, the European distributors are getting their way, whatever the costs might be in economic, social and environmental terms.

Banana - France - Retail price difference between conventional and organic
(in €/kg | source: RNM)



Not sustainable but long-lasting … for some

With a view to putting together a highly sustainable supply, we might also be concerned at the behaviour of the traders and distributors, who can bring themselves to talk about nothing but price in their negotiations with the downstream segment. This is of course easier said than done, but the sheep-like behaviour of an entire sector leads unavoidably to a deterioration in the product's face value, while its intrinsic value (economic, social and environmental) has in many cases increased.

The requirements of the downstream segment and consumers in social and environmental terms are constantly increasing. The decisions of the Rain Forest Alliance label, but also the FairTrade label, unilateral according to producers, to impose payment of a living wage for labourers on plantations applying for this precious brand, are only one of many possible ways to respond to the market. The recent declaration by the ABNB (Action alliance for sustainable banana – bringing together NGOs, certifiers and industry operators in Germany) shows that sustainability concerns are increasingly at the heart of discussions between stakeholders.

The theme of carbon footprint too has been on the rise for some time. It can now indeed be expressed via "Carbon neutral" certification (e.g. Costa Rica). We can also mention increasingly frequent use of environmental assessment via Life Cycle Analysis methodology (LCA).

There is also an economic tool. The value in use needs to be increasingly high to attract the consumer. It is expressed through very different segmentations: labels such as organic or Fairtrade, promoting the origin, which speaks to domestic consumers – such as in Spain for the Canaries, or in France with the French West Indies – but also practicality, with shelves invaded by 5-finger ribbon-wrapped bananas for example. The problem is that these attributes, these values in use, are increasingly losing value in comparison to the generic conventional banana. This is the case with the organic banana, which is certainly suffering the full effects of the law of diminishing returns. Yet the big novelty, in particular due to the Covid effect, has been the ribbon-wrapped banana bursting onto fruit shelves. They are a real cash cow for the distributors: sold without weighing, so handy for the consumer, no mark-down, reduced losses, etc. Except that now it is one of the most hard-fought ranges in terms of price between suppliers and distributors, bearing in mind that the costs are borne by the suppliers. The suppliers' move upmarket has in a way been turned against them.

Mancozeb: the end is nigh

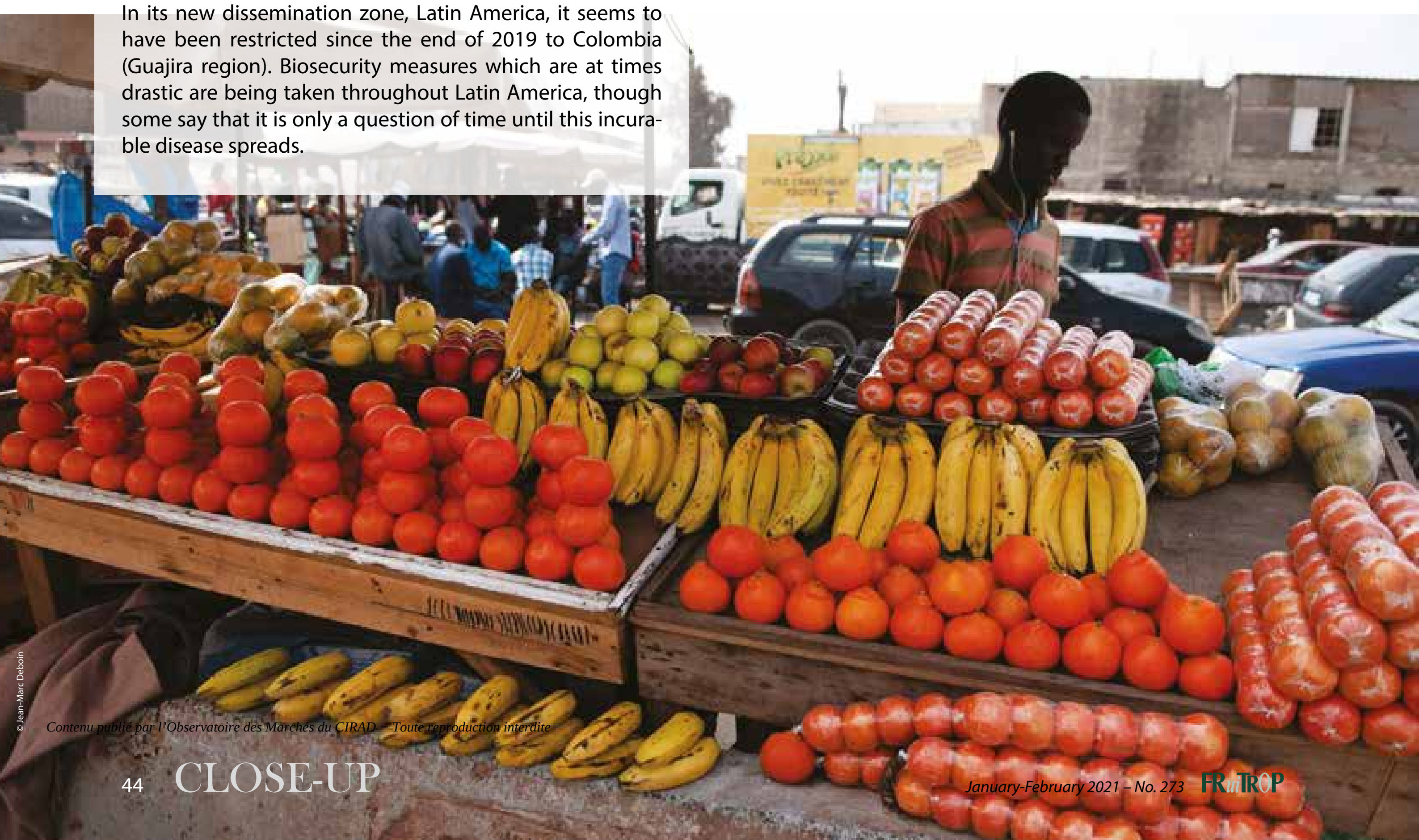
The authorities are also getting involved in reducing pesticide residues on imports into Europe, and therefore de facto, in reducing or even halting the use of certain phytosanitary products at the production stage. This is the case with mancozeb, a pesticide classified among other things as an endocrine disruptor, used in high doses to control banana black sigatoka, especially in Central America. Widely employed in Europe, in particular on the potato and other vegetables, arboriculture and wine growing, a ban is in the process of being imposed (by January 2022). This ban will be extended to imports (in terms of residue), since the authorised maximum residue limit will drop to the detection threshold, i.e. 0.01 mg/kg. This new import constraint will have consequences on spreading frequencies and doses in certain production zones, and therefore on disease control. The impact could be felt through a fall in productivity, and even fruit quality (link established between black sigatoka and green or yellow lifetime). The debate has not been completely settled, since unlike European producers, third-country producers have a worldwide phytopharmaceutical kit at their disposal, from which they could pull out substitute products. The question is whether these will have the same effectiveness as mancozeb – some are highly doubtful about this. For European, and in particular French producers, the public regulator wants to reduce even further the number of authorised triazole applications. Other players involved in cutting down the pesticides usable are the distributors, which are for example asking producers to increasingly refrain from phytopharmaceutical specialities aimed at controlling post-harvest diseases.

And then, it is not just the market or regulators which set rules, nature also imposes its choices… or rather its constraints, with for example additional costs due to measures to prevent the spread of tropical race 4 (TR4) fusarium wilt. In its new dissemination zone, Latin America, it seems to have been restricted since the end of 2019 to Colombia (Guajira region). Biosecurity measures which are at times drastic are being taken throughout Latin America, though some say that it is only a question of time until this incurable disease spreads.

An inevitable paradigm shift, but for the moment circumvented

The constraint frameworks are hardening in agronomic, economic, social and environmental terms, leading ultimately to increased costs and lower productivity or reduced commercial potential. On the other hand, we can see that the market destroys value, at least in euros (see value destruction article). The question arises of how to finance progress in this industry. As the economists say, the terms of trade are deteriorating, and it is no longer very clear who will benefit in the long term, since the strategies are lose-lose.

The world industry is still working on the same old trilogy: monovarietal, monoculture and input-intensive. Some are banking on the system continuing into the long term, without running out of steam. Others believe that the industry is a very long way from achieving minimum sustainability levels. That in the long term we will need to implement a wide range of agro-ecological solutions already tested and validated in certain production zones, apply varietal mixing (resistant or tolerant hybrids), introduce trees into production systems to make them more resilient and in so doing generate diversification industries, develop circular economy loops (livestock – cover plants – organic manure), increase wages and improve the living conditions of the most vulnerable, work on the link between the export industries and the local production areas, reduce the carbon footprint, etc. If I began this article with negative disruption, imposed by Covid, I will finish it with this concept of positive disruption, which will mean the industries finally undergoing a paradigm shift, to put themselves back on the road to a brighter future ■



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World Musa Alliance (WMA) :
in the starting-blocks

The arrival of tropical race 4 fusarium wilt in Colombia in August 2019 went down in the banana world like an electric shock: in the absence of any treatment to control it, the disease poses a risk of breakdown for contaminated zones. There are preventive measures, which are essential for the future of production. Yet the fact remains that more sustainable solutions will need to be found in the long term. As with other crops, the varietal route should be among those favoured. Genetic improvement of banana plants is however a highly complex business given its biology (for example, sterility of species cultivated for international trade), and also the very low investment in research and development enjoyed by the banana. The route of non-conventional improvement, via genome editing, represents an opportunity, though European regulations classify this route as GMO, and the reputational risk among consumers should not be ignored.

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So are we in a deadlock? While genetic improvement by conventional cross-breeding is difficult, knowledge and experience have progressed in recent years, and resistant varieties have been obtained. The challenge is now to bring together in these new varieties resistance to TR4, but also to other diseases, and in particular black sigatoka, while retaining very good agronomic and technological qualities (transportability and preservability of the fruit in particular, and taste quality). One of the conditions for addressing this challenge very probably lies in the ability to create an agile innovation dynamic, bringing together the industry and research players. This is the strategy proposed by the World Musa Alliance initiative (WMA).

This initiative proposes organising precompetitive research & development, by bringing together the means and know-how of the private operators of the banana industries with those of the research teams, with the aim of creating and selecting dessert banana varieties resistant to TR4 and other diseases. The operational phase of the project will begin in the 2nd half of 2021. The founding members of WMA will test on a multi-location basis a set of varieties already available, usings the Cirad creation and selection platform (Guadeloupe). Some of these varieties have already shown a good response in particular to TR4 (Australian bananas, no.59, August 2020, pages 20 et seq.). So watch this space…


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AGRICULTURAL RESEARCH FOR DEVELOPMENT

World Musa Alliance

Towards Resistant Dessert Banana Varieties For Sustainability

Cirad's proposal for setting up the WMA initiative

December 2020

Banana

Destruction of value

No limit

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

Beyond the positive or negative effects of exchange rate changes on supplier revenue, the European import price for the banana has been on a downward trend since 2016, with an average annual loss of €0.50/box. This covers a wide variety of situations in Europe, though with one point in common: a structural downward trend.

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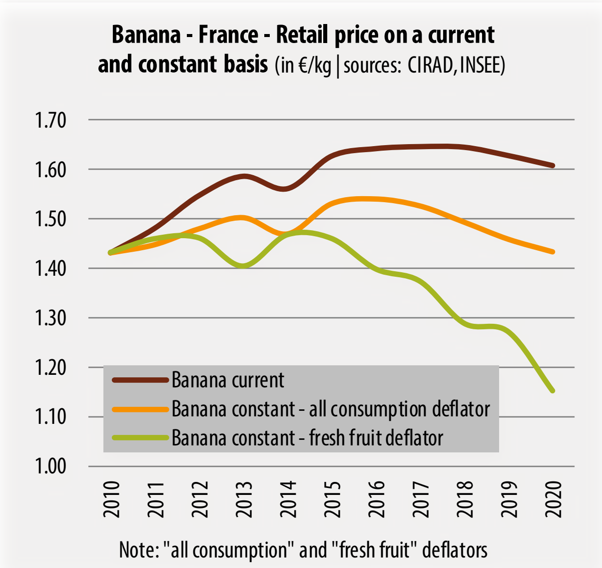

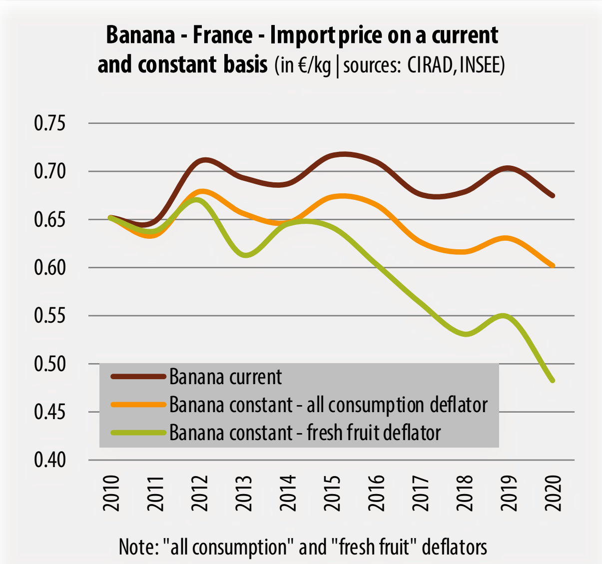

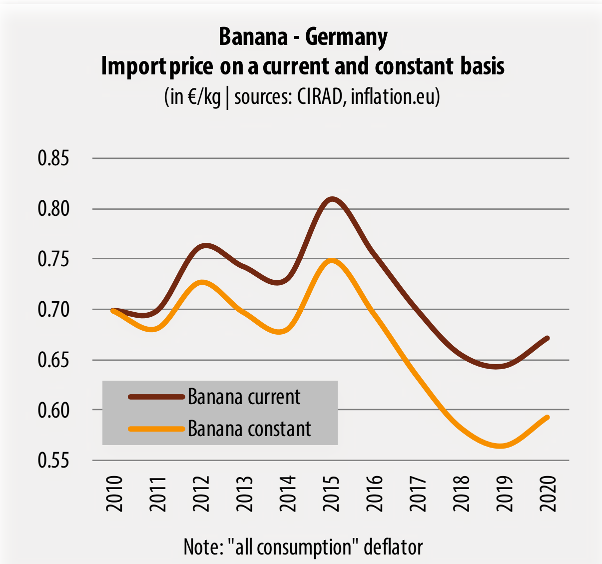

The databases of Cirad's Markets and Innovations News Service (ODMi) provide us with the means to conduct a long-term study of how import and retail prices are behaving on a current euro basis, and even more interestingly, on a constant euro basis. While European governments are currently in a state at the near-deflation of their economies, it makes sense to look at whether, over a decade, purchasing power from selling a kilo of bananas has increased or not, and whether the value derived from selling a kilo of bananas has followed the same evolution as competing fresh fruits.

This is the evaluation that we conduct every year for France, using the annual average import price into France, and two deflators at our disposal (source: Insee), which are the general evolution ("all goods and services") and specific evolution ("fresh fruit") of consumer prices.

The findings are indisputable. The purchasing power of a kilo of bananas at the import stage, or more simply the value of a kilo of green bananas, has constantly decreased since 2015. The bounce-back in 2019 was as fleeting as it was fragile. Between 2015 and 2020, prices went down by 8 % on a constant euro basis with the "all" deflator, and collapsed by 26 % with the "fresh fruits" deflator. The banana is being devalued both in the average French shopping basket, and even faster in relation to its fresh fruit section competitors.

The same analysis on import prices into Germany, but limited to the general inflation rate (source: www.inflation.eu), confirms this downward price trend.

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The banana's appeal is detrimental to its value

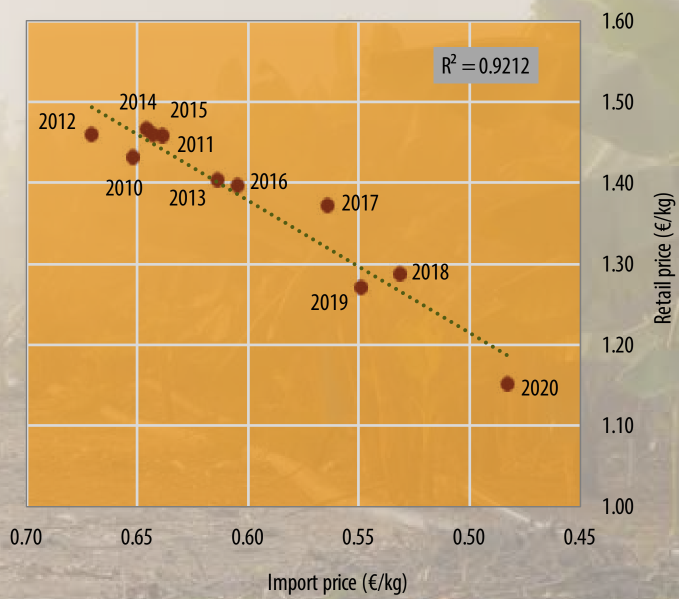
What about the retail stage? The same approach reveals a different behaviour, to say the least. Indeed the retail price in France since 2015 (source: RNM) has remained stable on a current euro basis (between €1.60 and €1.65/kg), after gaining approximately €0.20 between 2010 and 2015. On a constant euro basis, we can note a fall from 2015 onwards, though without returning to its 2010 level. In relation to the general inflation rate, the distributors have maintained the product value for their benefit. The situation is very different if we apply the "fresh fruits" inflation rate. In this instance, the situation for the banana has deteriorated in a big way, with a collapse in its constant value of 20 %. A banana sold in 2020 costs on average €1.15/kg expressed in 2010 value, i.e. practically €0.30 less than in 2010. We might easily conclude that the appeal of the fresh fruits section is driven at least by the banana segment, which distributors have made their warhorse.

Finally, if we plot the constant prices ("fresh fruits" deflator) at the import and retail stages of the industry, we get a straight-line regression curve! There is a definite correlation (very high prediction quality). But correlation does not mean causality. Knowing the market mechanisms, the price setting method (often by contract), the supply pressure, the strong negotiating power of the European distribution sector, the banana reference spearheading a store's appeal, etc., we might conclude that it is the retailer which is imposing the price reduction on the importer, rather than the other way round.

It is worrying overall for the industry to see its product used as a mere foil. And there are justified fears of the infernal cycle getting established before long, since with the help of the health crisis, consumers will continue to focus on a food with an unbeatable quality-price ratio. The difficulties encountered by certain big distribution groups, especially in France, will also contribute to bring down the price of such as iconic product. This means a redoubling of efforts to attract consumers. Finally, we have seen in the recent negotiations a re-consolidation and re-centralisation of banana purchases for some of the big distributors, via a Europe-wide bureau, to add a little more weight to the negotiations.

So the conclusion is indisputable, and it is unclear how the industry will recreate value to distribute it fairly. This is one of the core themes of many national or international organisations. The World Banana Forum, in collaboration with Cirad and "Cabinet Basic", has just launched an initiative of this sort, in an attempt to set up "The Observatory on the costs of sustainable production and the distribution of value". The initial results are expected by the end of 2021 ■

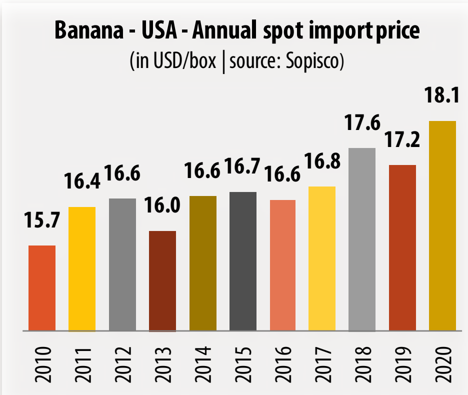
Banana - France - Relation constant import/retail prices
(note: "fresh fruit" deflator | sources: CIRAD, RNM)

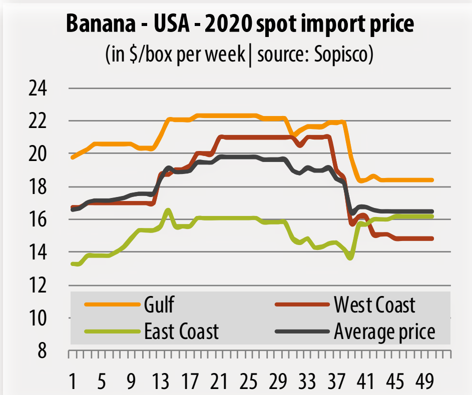


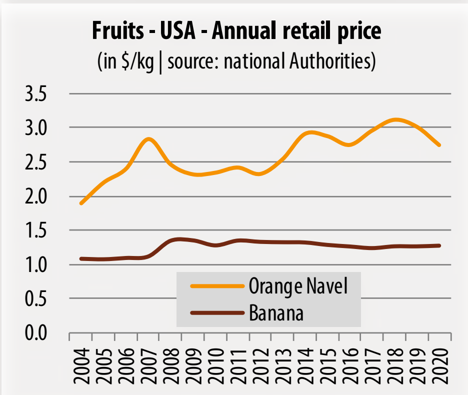
Banana
US market
In its own bubble

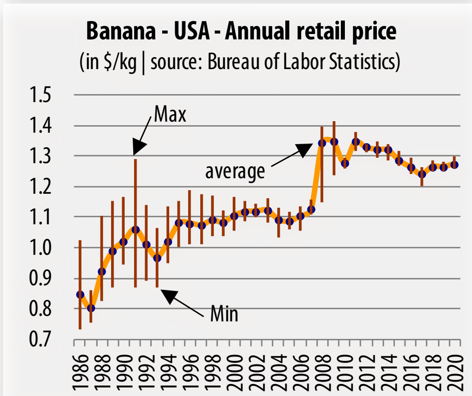
by **Denis Lœillet**, CIRAD
denis.loeillet@cirad.fr

"I don't see the problem", as a US market operator might well have said at the end of 2020, a desperate year for the rest of the world in terms of value level on the import markets, yet set fair on the US market. In any event, that is what we might conclude on studying the annual spot import price (source: Sopisco). The already high US spot import price climbed again in 2020, with a one-year gain of 5%, indeed exceeding $18/box for the first time (i.e. just under €16/box).









However, the spot price should not be taken for a market average, but as a more or less reliable indicator of the evolution of transaction prices. A spot price reflects the state of supply and demand on the markets on a daily basis. It may considerably diverge from previously negotiated contract prices (sometimes many months beforehand).

Diabolical!

This year, it is of course the health crisis which has been the greatest concern, with spot price inflation throughout a whole period of the year, followed by a distinct slide during the last quarter. Why was there this sudden slide while cyclones Eta and Iota (early November 2021) were ravaging part of the Latin American banana planted area? Some will say that it is a sign of the oligopolistic organisation of the US market. In view of the negotiations opened for the 2021 contract prices, prices had to drop for producers to accept a fall in their demands. This was all the more surprising given that at the same time the big operators on the US market were triggering the Act of God clause, enabling them to raise the price to retailers from $1.86 to $2/box, to tackle the effects of cyclone damage. So a fall on the one hand (upstream), and an increase on the other hand (downstream). Surely too diabolical a hypothesis to be true!

The average retail price remained stable in 2020 (+ 1 %). Of more interest was its (relative) monthly evolution, with a big surge between April and July under the effect of increased demand. It was hard with the available data to make a link between this small price increase and the monthly supply figures. Observers questioned are leaning toward a Covid effect, as was the case in October and November. Conversely, December brought an utterly counter-intuitive situation, with an upstream struck by the cyclones, a downstream set for a price increase and a falling average retail price. The US market definitely has its reasons, even if there is nothing rational about them.

Banana

Russian market

The crisis fruit

by **Denis Lœillet**, CIRAD
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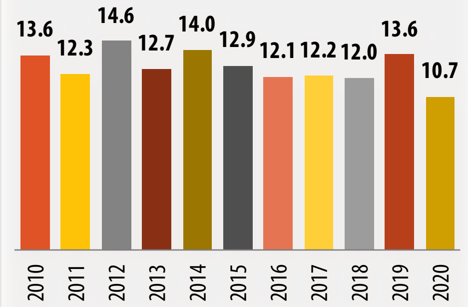
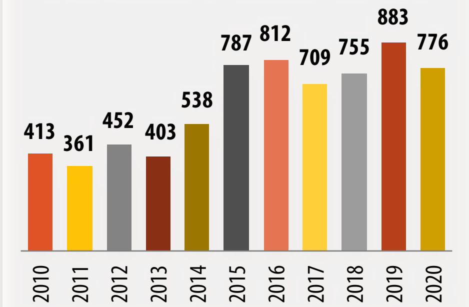
It is a grand old classic of the banana market. Russia is the weak link of the European continent and its thermometer. When the Russian market comes undone, we can be almost certain that the dominos will topple westward to Poland and then the other European markets. Yet this market thermometer is very poorly adjusted, and exaggerates the fluctuations. Russia is very much the land of excess. As an example, in March 2020, the average monthly price fell to $8/box, while in March 2018 it peaked at $22! The evolution of the average weekly price in 2020 brought new proof of this excess. The standard deviation was $2.4/box, with a high of $14.8 and a low of $6. The annual average dollar price set a record low of $10.7, i.e. a dizzying drop of 21 % from 2019. Imported in dollars, but sold in roubles, in local currency the banana saw its price fall by just 12 %, after a peak in 2019, thereby returning to the average levels of 2015 to 2018.

© Régis Domergue

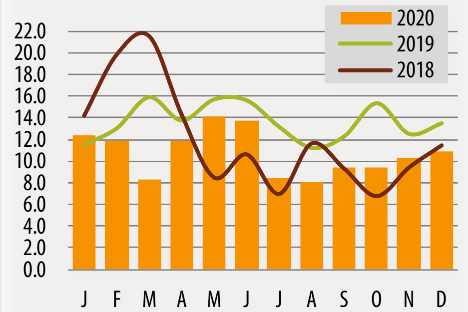
We know that the Russian market is supplied almost entirely by Ecuador, and in part by Russian operators set up in the production zones. And, as elsewhere, the dollar supply pressure made a big contribution to the drop in prices. The estimates for 2020 show that the Russian market exceeded 79 million boxes, up by 4 % over one year. Since 2015, the market has gone up by nearly 13 million boxes. The health crisis largely drove consumption upward, without an accompanying price increase. The banana remains the crisis fruit. There is an indisputable contrast with the other major fruits (apple and orange). The price is falling on a constant rouble basis, while the other heavyweights of the section saw very considerable increases in retail price over one year. The gap between retail prices of the banana and orange is up to 52 %, and 42 % for the apple, setting new record levels.



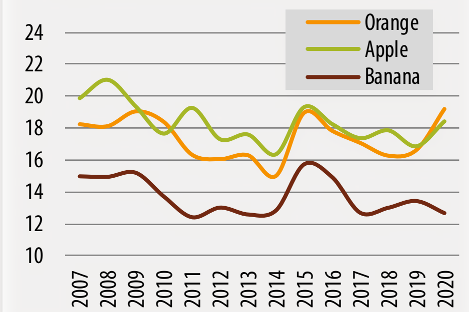
Banana - Russia - Annual import price CIF St. Petersburg (in $/box | source: CIRAD)



Banana - Russia - Annual import price CIF St. Petersburg (in roubles/box | source: CIRAD)



Banana - Russia - Monthly import price CIF St. Petersburg (in $/box | source: CIRAD)

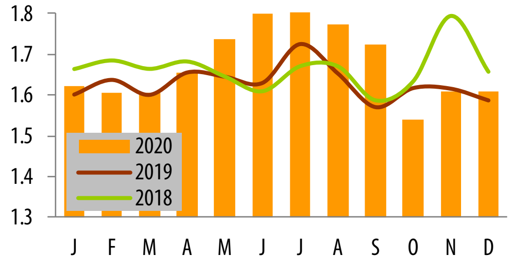


Fruit - Russia - Retail price on a constant rouble basis (in rouble/kg | source: national authorities)

France

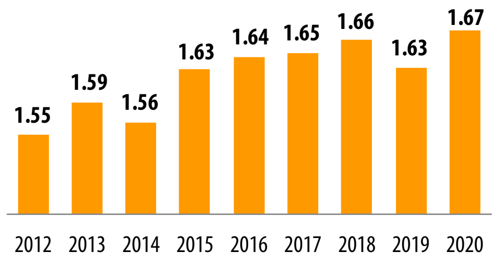
Banana - France - Monthly retail price

(in €/kg | sources: RNM, CIRAD-FruiTrop)



Banana - France - Annual retail price

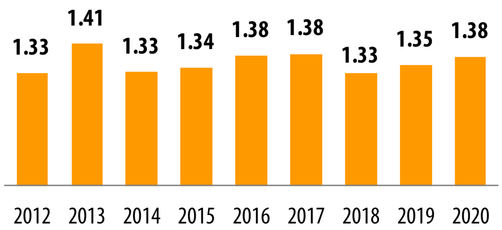
(in €/kg | sources: RNM, CIRAD-FruiTrop)



Banana - France - Annual promotional retail price

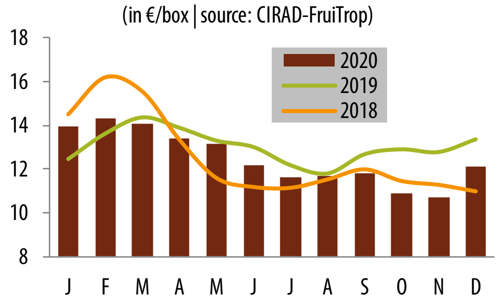
2020: many unlisted weeks

(in €/kg | sources: RNM, CIRAD-FruiTrop)



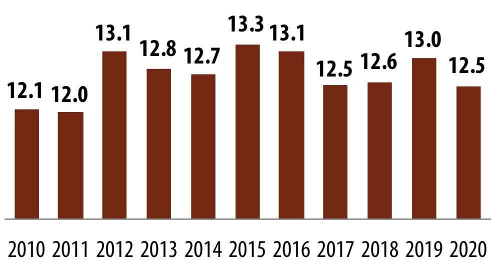
Banana - France - Estimated monthly import price

(in €/box | source: CIRAD-FruiTrop)



Banana - France - Annual import price

(in €/box | source: CIRAD-FruiTrop)

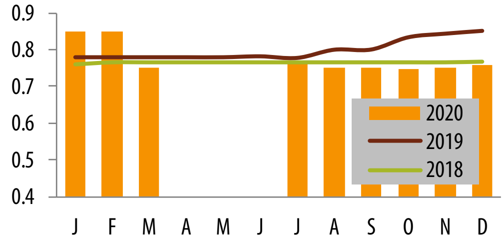


United Kingdom

Loose banana - UK - Monthly retail price

2020: many unlisted weeks

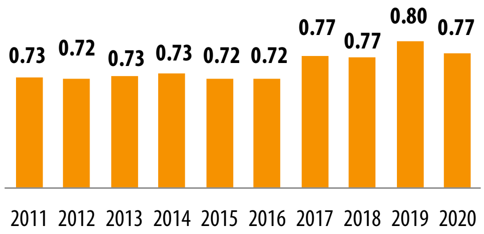
(in £/kg | source: TWMC)



Loose banana - UK - Annual retail price

2020: many unlisted weeks

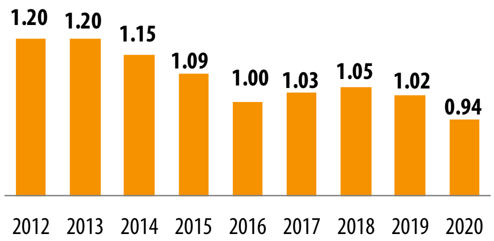
(in £/kg | source: TWMC)



Prepacked banana - UK - Annual retail price

2020: many unlisted weeks

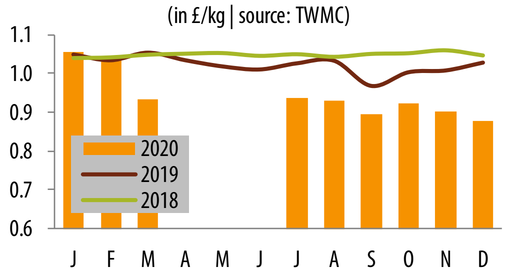
(in £/kg | source: TWMC)



Prepacked banana - UK - Monthly retail price

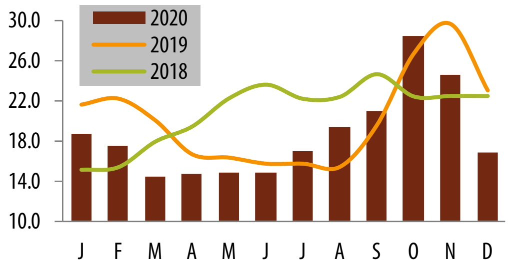
2020: many unlisted weeks

(in £/kg | source: TWMC)

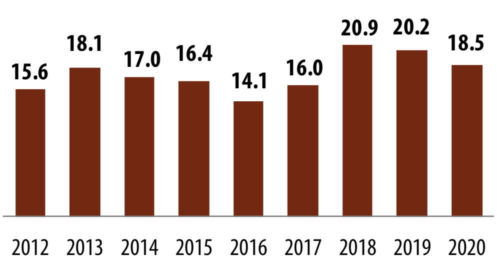


Spain

Canaries banana - Spain - Green price
(in €/box | source: CIRAD-FruiTrop)

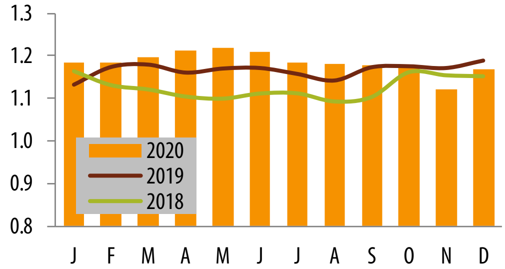


Banana - Spain - Super extra annual import price
(in €/box | source: CIRAD-FruiTrop)

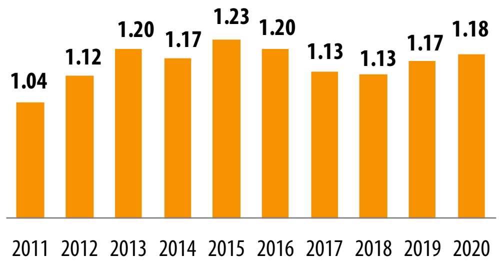


Germany

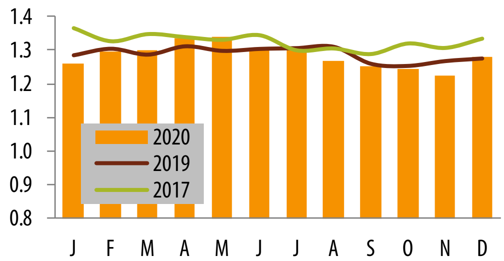
Banana - Germany - Monthly retail price
Discount stores (in €/kg | source: TWMC)



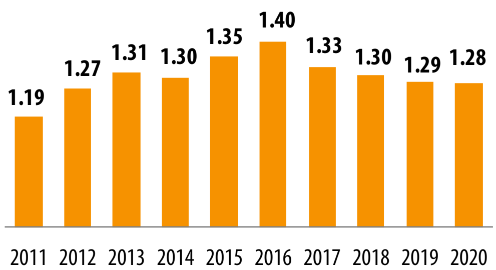
Banana - Germany - Annual retail price - Discount stores
(in €/kg | source: TWMC)



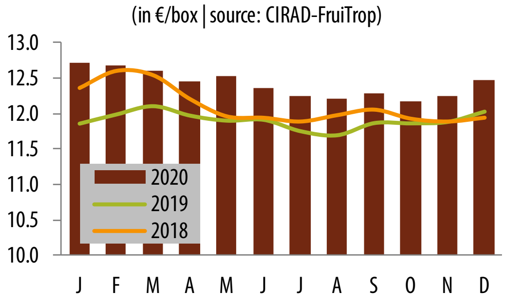
Banana - Germany - Monthly retail price
excl. discount stores (in €/kg | source: national authorities)



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



Banana - Germany - Monthly green price
(in €/box | source: CIRAD-FruiTrop)



Fruit segmentation and the changing distribution circuits in France

The fresh fruit trade in France is in the process of transformation. New needs are emerging, from both producers and consumers. Creating added value has become a recurrent issue for the fruit industries, most of which are still facing situations of overproduction. For their part, consumers are expressing a wide range of expectations. While some are prepared to pay more to access higher-quality products (Fairtrade, eco-friendly, etc.), others' demands are restricted by their purchasing power. Origin and the desire for traceability have become important criteria in selecting a product. There is also a trend for fragmentation of purchases. Hence in 2018, consumers went to between 7 and 8 chains for all their food and non-food purchases, as opposed to 1 to 7 chains in 2008 (Kantar Worldpanel, 2018). In response to changing needs, strategies are emerging within the fruit and distribution industries, setting out to alter the segmentation of the fruit ranges, and their marketing modes.

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Fruit range segmentation

Fruit range segmentation has become a strategic lever for boosting added value and meeting consumer expectations. As a reminder, in marketing, market segmentation consists in dividing the market into homogeneous subsets with a view to meeting the specific needs of consumer types.

Conventional segmentation approaches

The fruit segmentation range is traditionally based on the variety, use of the fruit, the packaging and the brand. Segmentation by use and variety can be illustrated by the orange market, which distinguishes dessert varieties and juice varieties. Certain varieties are also sought after by consumers for their organoleptic properties. This is the case with blood oranges. Packaging also represents a segmentation mode, since it is based on fruit size and quality.

Brand is also a commonly used tool to harness fruit characteristics. A fruit's quality can be associated with the image and know-how of an agri-business company (e.g. Bananes de Guadeloupe & Martinique). A brand can also be associated with a variety: these are the so-called club varieties. This strategy is particularly widespread for apples (e.g. Pink Lady), and is tending to spread to other fruits. Finally, some brands developed by supermarkets provide consumers with a guaranteed affordable price (e.g. Eco+).

Segmentation by certification

To harness the intrinsic characteristics of products and provide transparency, numerous segmentation strategies are now based on certification. In France, several fruit industries are involved in an official certification approach, which puts the fruit concerned under a SIQO (official sign identifying quality and origin). In France there are currently five types of SIQO applicable to fruit:

- the **Red Label** is a French sign recognising the fruit's organoleptic qualities;
- the **Protected Geographical Indication** is a European label, identifying fruit whose quality, reputation and at least one production step are linked to a specific geographic area;
- the **Protected Designation of Origin** is a European sign, which has a French equivalent **AOC**. These acronyms designate fruit for which all the production steps are linked to a specific geographic area;
- the **French Organic Agriculture** label (AB) and **European Organic Agriculture** label (Eurofeuille) certify that the fruit complies with European Regulation (EC) no.834. The specifications for these certifications are based on environmental criteria: maintaining soil fertility, GMO-free,, no synthetic inputs, etc. In 2019, according to "Agence Bio", 44 % of organic fruit sold in France was of French origin, with 25 % coming from within the EU, and 31 % from outside the EU.

The SIQO system meets a strong demand from consumers: providing traceability guarantees and promoting the know-how of French producers. Fruit differentiation by SIQO is a big challenge for French fruit industries. According to Interfel, the objective is to achieve 25 % fruit and vegetable sales under SIQO by 2025.

Many players have also set up their own certification. Recent years have been marked by the development of environmental certification approaches. The objective is to boost all producers committed to safeguarding the environment. These certifications are being developed by various players, including the public authorities (e.g. "Haute Valeur Environnementale"), industries (e.g. Zero Pesticide Residue) and supermarkets (e.g. Carrefour's "Filière Qualité"). In France, the certifications which harness the national origin of the products are also finding big success (e.g. "Fruits et Légumes de France"). Internationally, we can find the same certification systems. Some combine environmental, economic and social criteria (e.g. Rainforest Alliance, Fairtrade). Others are theme-specific, such as Global Gap whose specifications focus on eco-friendly production modes.


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Segmentation by service

There are also segmentation which meet consumer expectations in terms of practicality. The most important include:

- **ready-to-eat fruit**: apricot, pineapple, avocado, persimmon, mango, peach, nectarine and pear;
- **pre-packed fruit**. These enable supermarkets to reduce on-shelf losses, highlight qualities or brands, avoid weighing in-store and mark-downs, and separate conventional and organic products in the case of mixed shelves. This also increases value per kilo, by selling on a per fruit basis (2 avocados, 3 grapefruits, etc.). This is the ideal format for click & collect sales. The consumer also has the advantages of practicality (less time spent shopping), fewer impacts on the fruit, etc. Furthermore, the pandemic has consolidated this mode as the most hygienic (limited contacts);
- **easy-to-eat fruit** supplements the snacking range available in stores (e.g. cut fresh fruit, small bananas sold individually at the till).

Fresh fruits and vegetables – France – Market shares in value by distribution channel in 2019

Distribution channels	Market shares in value
Hypermarkets (excl. Internet sales)	33.1 %
Supermarkets (excl. internet sales)	19.0 %
Own brand stores (example: discounters)	10.9 %
Markets	10.9 %
Fresh fruits and vegetables stores and supermarkets	12.0 %
Convenience stores	6.4 %
Other distribution channels	7.7 %

Source: France Agrimer

Organic fruits – France – Breakdown of household expenditure by distribution channel in 2019

Distribution channels	in million euros	in %
Hyper/Supermarkets	355	38 %
Organic stores	424	45 %
Small stores	11	1 %
Direct sales	147	16 %
Total	**937**	**100 %**

Source: Agence Bio

Recent developments in food distribution

Changing consumption trends are now affecting distribution circuits. Hence the hypermarket, France's main food distribution format, is in crisis since it no longer meets consumer expectations: too big, too far from home, etc. The Covid pandemic has confirmed this trend, whereby the supermarket/local store format has taken market share from the hypermarkets.

The rise of specialist distribution

Recent years have been marked by the rise of chains specialising in selling fresh produce. This market is currently dominated by the "Grand Frais" chain, whose fruit range occupies the top-end segment. The chain also specialises in exotic fruits, and offers a wide selection of rare products.

The organic specialist chains market is also highly dynamic. Yet there is strong competition between the independents (e.g. Biocoop) and the specialist chains of the supermarket sector (e.g. Naturalia, Les Comptoirs de la Bio).

Recreating the specialist world in a generalist store

The supermarket sector's craze for organic can also be found in generalist stores. Since 2015, specialist organic fruit and vegetable sections have made considerable progress in hypermarkets/supermarkets. However, while the supermarket sector has invested a great deal in organic in recent years, consumption of organic products in this sector is already showing its limits. According to the Nielsen firm, 66 % of organic product purchases in the supermarket sector are concentrated within the top 20 % French households in terms of organic consumption.

The specialisation of commercial space also relates to other fruit ranges. In a store, a fruit can be found in two, three, or even four different locations: the main shelf and clusters dedicated to selling value products, pre-packed products, local products, etc.

This strategy of increasing specialist space is enabling stores to meet the diversity of expectations, but is making reading the selection more complicated for the consumer.

Providing local availability for the consumer

To build customer loyalty, supermarkets have also implemented strategies aimed at improving the purchasing experience, including:

- **local urban**, i.e. setting up stores close to where consumers spend their time. Supermarkets made a considerable investment on this market between 2013 and 2019;
- **in-store out-of-home**. In France, the Casino group established itself as a trailblazer on this market, with its Monop' concept which was unveiled in 2019. This approach is part of a broader trend aimed at making stores into new places to spend time;
- **purchase assistance services**. To meet consumer practicality expectations, chains have developed various services: expanding opening times (late in the evening and on Sundays), payment facilities (contactless), click & collect and home delivery. Since the spring 2020 lockdown, we have observed the growth in click & collect and home delivery gather pace.

Alternative distribution circuits developing

In parallel with the food supermarket sector, alternative circuits (markets, short local circuits) are continuing to develop. These marketing modes mark a desire to recreate a more direct link between producers and consumers.

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Differentiation strategies with limited potential

To assess the impact of the various differentiation strategies, we conducted a survey of a population already aware of agricultural, food and environmental issues (online survey from 16 June to 7 July 2020). In total, 378 people answered our questionnaire, mainly agronomy students and agronomic research professionals. The results are especially striking since this was an informed public.

Brands and certifications poorly understand by consumers

Hence the results of our survey are unequivocal: few certifications are enjoying real success with consumers. Unlike the majority of certifications, the AB label (organic agriculture) had a good image among respondents, who recognised its food safety quality and eco-friendliness guarantees. It should also be noted that the Protected Geographical Indication, Fairtrade certifications and value product brands are well understood by consumers. But this observation cannot be extended to all certifications.

We can assume that the effectiveness of a certification lies in its ability to convince the consumer of the guarantees it provides the product. Yet low uptake, the absence of positive guarantees and even unawareness of certain certifications (such as Rainforest Alliance, Haute Valeur Environnementale) among a population which is well aware of food issues call into question the relevance of the solutions provided by certification. The proliferation of labels prevents the consumer from getting a clear read on the guarantees provided by the certifications. However, calls for transparency are just as strong. Fruit consumers expect improved traceability, and new demands for information are emerging. They now want to know the carbon impact, mode of transport, environmental cost, whether it is open-field, greenhouse or hydroponically grown, the cooler storage time, or even the harvesting date.

Contradictions between expectations and purchasing behaviours

Consumers also exhibit some contradictions between the expectations they express and their purchasing behaviours. For the majority of people surveyed, it appears that the priority points for progress for fresh fruit production relate to eco-friendliness and fair earnings for producers. To achieve these objectives, the surveys highlighted the need to reduce fresh fruit imports, and reinforce local short circuits.

Several criticisms emerge in relation to imported products. First of all, while the need for exotic fruit imports is recognised, there is less tolerance for counter-season temperate fruit imports. Some point to the inconsistencies between the ecological production principles and practices such as plastic packaging or air-freight. Finally, it seems that a long distance between production area and the place of consumption increases mistrust and the need for consumer reassurances, compared to local production. Some for example question the consistency and compliance with the specifications of organic products from countries where phytosanitary standards are not the same as those applied in France. Given this observation, another question remains: if the certification approaches are exhibiting a limited effectiveness among consumers, how should the efforts made by the fruit import industries, in social, environmental terms, etc. be communicated?

However, while the benefits of consuming locally produced fruits are very widely remarked, these declared intentions are not reflected in purchasing behaviour. Local short circuits remain an occasional outlet for the vast majority of those surveyed, with preference for the generalist supermarket chains and markets.

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Price remains a brake on consumption of responsibly produced products

The survey results also show that consumers attribute higher quality guarantees (organoleptic, food safety and societal qualities – Fairtrade, eco-friendly) to products priced higher than similar products. Not all consumers are prepared to pay more for fruits derived from responsible modes of production. In our survey, several people questioned the excessive price of organic fruits, deeming it prohibitive. This observation is consolidated by the results of the 2020 Agence Bio barometer, which show that price remains the main brake on consumption of organic products.

Ultimately, the French public's commitment to responsible consumption remains secondary. Appearance, flavour, practicality and price are still the essential criteria taken into account by consumers when selecting their fruit. At present, we can also wonder about the impacts of the Covid pandemic on food behaviour. The current economic crisis resulting from the health crisis is certainly affecting the food budget of the French public. It is likely that the coming months will be marked by a return to cheap products. According to Nielsen, supermarkets are already playing the promotions card to boost store footfall.

Hence the majority of certification strategies are showing limited effectiveness among consumers, whose need for reassurance remains a major challenge. The time has come to question the capacity of the various differentiation approaches to create added value for the upstream segments of the industries. In particular, this is the major challenge for industries applying the principles of agro-ecology ■

Anaëlle Denieul

H2 2020

After what turned out to be a strong charter market in first half of the year, the second six-month period was something of a disappointment, both in terms of chartering activity and rate development. The large and handysize vessels benefitted from the combination of a shortage of reefer containers and strong South African citrus and New Zealand kiwifruit seasons as well as regular demand for spot banana cargoes east and west of the Panama Canal. However, there were always more than enough reefer vessels to cover the requirements posted and box rates never yielded more in Time Charter Equivalent (TCE) terms than operating expenses.

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For the past four years, the Time Charter Equivalent average yield for the small segment in the second half of the year has been greater than the average in the first half. However, in 2020 this trend was reversed and by a large margin. The bread-and-butter business of the small reefer is the fish trade between Mauretania and Morocco into West Africa: this year reefer operators were stung by a consistently poor catch in Mauretanian waters and a delay in the agreement between Morocco and Russia, which prevented Russian trawlers from catching in its waters. The result was that there was a significant drop in the number of spot fish cargoes and consequently, an accumulation of tonnage.

Because of this, the weekly TCE average yield as measured across the small segment of the reefer fleet fell to a level not seen for more than a decade: it only showed signs of recovering in mid-November as the potato trade from northern Europe into the east and western Mediterranean, and the Moroccan citrus trade to Russia and the US east coast started to absorb more of the open units.

Fortunately for reefer operators, the cost of bunkering vessels remained low throughout the year. This enabled the mode to stay competitive and meant that the fleet could stay operational instead of laying up, despite the weak market. Going forward, the forecast is for much of the same: the global demand for oil has been severely affected by the coronavirus pandemic and will likely remain weak for the first half of next year. This is good news for both reefer operators and cargo, particularly if the shortage of reefer containers worsens further.

Paradoxically, it seems that the closer the specialized reefer industry comes to extinction, the more the mode is valued. Following a record-breaking season for South African citrus, the South African Citrus Growers Association (CGA) said that the mode had proved to be a strategic part of the logistics chain and 'must remain a key instrument to service important markets'.

CGA CEO Justin Chadwick says that despite the impact of the Covid-19 regulations on the logistics chain, a number of key milestones were achieved in 2020. More than 146m cartons were exported, the equivalent of 1.85m pallets: there were 83,000 reefer containers shipped, plus 198,000 pallets shipped in specialized reefer ships from the country's four main ports. With Covid-related issues slowing the movement of container vessels in and out of South African ports, the reefer was something of a godsend for shippers. After a decade in which the container lines have taken ever more market share of exports, this year there was a 33% increase in shipments in specialized reefer vessels. "Shipments to Japan, China, USA (with a record 12 vessels this year), the EU and Russia went incredibly smoothly while for the most part shipments in containers were delayed."

Mr. Chadwick added that with the Southern African citrus export volume growing to around 170m cartons (equivalent to some 105,000 reefer containers), the pressure on the reefer container logistics chain will most likely become very constrained. He said that: "Imagine in the future a year with 170m cartons to be exported with a similar disruption at the container terminals as this year, without specialized reefer vessels – it's simply unthinkable!"

Corporate

In contrast to the general optimism in the reefer industry engendered by the positive response of charterers and cargo interests, there was one major exception. Indeed, if the following self-assessment of the future of the specialised reefer mode, taken from the Siem Industries Inc. 2019 Annual Report, is prescient, then the reefer business is on course to lose a major stakeholder at some stage in the next few months.

The text, published in July, reads as follows: "The [Star Reefers] reefer segment is exposed to the spot market and has limited contract backlog, which may cast doubt upon the segment's ability to continue as a going-concern in the future. Based on current estimated cash flow forecast, the segment may not have sufficient liquidity as of 31 December 2020 or at latest during Q1 2021. Star Reefers Inc. is dependent on improved market conditions, reduced charter-in rates and/or injection of new working capital in the form of new equity or a working capital loan facility unless the market significantly improves."

Star's reversal in fortunes is directly related to the disappearance of the 12-month, time charter 'Period' business, which was the backbone of its corporate strategy. With all but three of the banana multinationals containerising and using either third party liner services or chartering in reefer-plug-heavy container vessels, the Star business model appears to have run its course. Star has previously chartered vessels to Dole, Chiquita and Del Monte and, in the not-so-distant past, the Banex Group and Fyffes.

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With all of these options disappearing and without the software to build and develop the similar customer relationships and head and backhaul cargo bases of the other two major operators, Star is reliant principally on Seatrade and Baltic Shipping to time charter in its tonnage. However, Baltic is in the process of taking delivery of its own tonnage and has covered any potential shortfall by chartering in vessels from Chartworld. Meanwhile, over the course of the past 12 months, Seatrade has acquired 12 reefer vessels in order to be able to maintain the liner and Contract of Affreightment (COA) services it operates.

Of all the disappointing and indeed ironic aspects of the Siem Industries' conclusions is that the vessels under Star's control are among the newest and most efficient in the reefer fleet. The problem is that they were built for time charter into the banana trade, with abundant deck-stow container capacity available. In contrast, while the '84-'88'blt Maestro jumbos are significantly older and less sophisticated units than the Star vessels, they calculate better on spot business if the deck-stow container capacity on the Star units is not utilised – which is generally the case for spot banana shipments.

Since the annual report was published, Star has successfully reduced its exposure to the market, either by redelivering tonnage to head owners or by securing short and medium-term charters. However, it remains to be seen whether there will be enough spot business in Chile, the South Atlantic, Alaska and/or South Africa next year to ensure the company will be able to keep trading.

Supply and demand

For the first time in three decades, there was a net growth in specialised reefer capacity. Such was the strength of sentiment in the market that only 5 vessels (1.4m cbft) were scrapped on the beaches of the Indian subcontinent in 2020, the lowest number since 1990.

In September, Cool Carriers celebrated the launch of the Cool Eagle, the third of six vessels in its E-class series. The group said that the E-class symbolizes the new era of specialized reefer vessels. With its 2.50m deck height and vast combination of under deck and on deck capacity, the E-class vessels are 'excellent tools for an economy of scale operation'. During the last couple of years, the Baltic/Cool group has taken delivery of 5 newbuildings and has started a programme to take delivery of younger second-hand tonnage. The Baltic/Cool group says it is determined to remain in its core business and continues to focus on specialized reefer vessels. The Baltic/Cool group is today the largest operator of specialized reefers.

Meanwhile, the New Zealand kiwifruit industry will be boosted in 2021 and beyond by the arrival of three newbuild specialised reefer vessels following significant investment by owner/operator Fresh Carriers (FCC). The investment is underpinned by FCC's confidence in the kiwifruit industry and its longstanding relationship with Zespri with which FCC has agreed a commercial charter arrangement. As with the Baltic Shipping reefer newbuilds, the vessels have been built with a raised deck height in order to be able to accommodate high cube reefer pallets. New technology in the vessels also enables remote monitoring of fruit conditioning.

The first of three vessels, MV Kowhai, arrived at the Port of Tauranga at the end of October to load kiwifruit ahead of its maiden kiwifruit voyage bound for Japan. Fresh Carriers supplied 35 vessels to ship Zespri kiwifruit to key North Asia ports this season, which is around 30% of this season's fruit. Of these 10 went to China this year, 4 more than had been planned due principally to the coronavirus outbreak, the effects of which congested the country's container ports. With the Asian markets an increasingly important destination for Zespri in the short-to-medium term, the future for the specialised mode looks arguably more secure in Asia than it does in some of the historically core reefer trades.

In terms of the supply of equipment, the container manufacturing industry is on course to produce 290K TEU of reefer containers in 2020, up from 260K TEU in 2019, according to an estimate from consultancy Eskesen Advisory. Given that an estimated 160K TEU will be retired after reaching 12 years of age, the net year-on-year gain of the reefer container fleet at the start of 2021 will be close to 3-4%, which is coincidentally the same year-on-year percentage forecast growth in global reefer traffic.

However, if the Covid-related congestion issues at Chinese, North American and some European ports continues, this growth may not be enough to satisfy demand. The problem is especially acute in Asia: for the first time China this year has usurped the United States to become the world's largest importer of frozen and chilled foods. This is largely because in the shadow of the coronavirus crisis, China has invested so much into safeguarding its food supply. Up until October this year, the number of reefers transporting foods to China grew by 41%, and as the increase in the US only came to 4% the two countries have now swapped places. The increase in imports of fresh and frozen produce and protein has happened at a time when China continues to struggle with the impact of African Swine Fever on the national pig herd: this means that the country has had to import significant amounts of pork to compensate for lowered domestic production. If it becomes more difficult for the carriers to re-position equipment as a result of the congestion, it would not be a surprise to see the container lines sacrifice some of their less profitable markets to the benefit of the specialised reefer.

In terms of demand, the reefer operators are anticipating stronger volumes of table grapes and stonefruit from Chile and similar volumes of bananas on the transatlantic voyages. The one big unknown is the South Atlantic squid: if history is a reliable guide to the cyclical nature of the catch, volumes could be as high as 800K MT in 2021. Given that the majority of the squid is transshipped from jiggers to reefers on the high seas around the Falkland Islands, such a heavy catch would absorb a much greater number of reefer vessels and for much longer than spot banana cargoes. If these vessels are subject to the same protocols currently delaying the discharge of vessels in China, the supply of specialised reefer capacity to the rest of the market will be much shorter than usual during the southern hemisphere citrus and kiwifruit seasons. Such a shortage, if it happens, will underpin a significant rise in reefer rates ■

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