European market
Sea-freight pineapple

Colour, the new adjustment variable for Sweet?

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Facing stagnant demand which is increasingly struggling to absorb Sweet volumes placed on the market, some brands have opted to develop a supply of highly coloured fruit to revitalise demand. Often rebranded or distinctly packaged, this supply occupies a niche within the mass market of the sea-freight pineapple. This has helped these brands of Sweet to claw back some of the profitability the variety enjoyed in its first years on the European market.

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As a brief historical review, the introduction of Sweet onto the pineapple market by Del Monte was a radical game changer, breaking through a glass ceiling in terms of European market intake volumes. Sweet cultivation spread very quickly, adopted by all origins exporting sea-freight pineapple. Between 2004 and 2018, European pineapple imports went from 500 000 t to more than 900 000 t. Despite the proliferation of the origins (Latin American and African) supplying the market with Sweet, Costa Rica, the trailblazer in this crop, remains the undisputed champion, its supply on its own representing nearly 90 % of Europe's import volumes.

The very significant increase in the Sweet supply has come at the expense of profitability and rates. Because of the scale of the volumes entering the market, the supermarket sector distribution circuits have become vital to the pineapple marketing process. The supermarkets draw up procurement contracts, which depending on the markets cover periods varying in length (year, half-year or quarter). For them, it is about being able to secure the cost of their supply while preventing major price fluctuations, in order to pre-plan promotions and thereby keep the pineapple on their shelves all year round.

While they ensure some stability in rates, contracts with the distribution sector groups contribute above all to facilitating the intake of import volumes. It is estimated that under normal market tension (excluding severe shortages or completely flat demand), operators contractually bound to these big groups manage to sell off between approximately 70 and 80 % (or even considerably more on a market like Belgium) of their volumes via these stores. The rest is sold on the spot market – one-off sales – at rates which fluctuate more or less markedly according to supply and demand. Although operators contracted with the supermarket sector talk of prices not being lucrative enough, they do recognise that, when the market comes to a standstill as sometimes happens, the contracts enable them to continue to sell fairly substantial volumes at pre-established rates.


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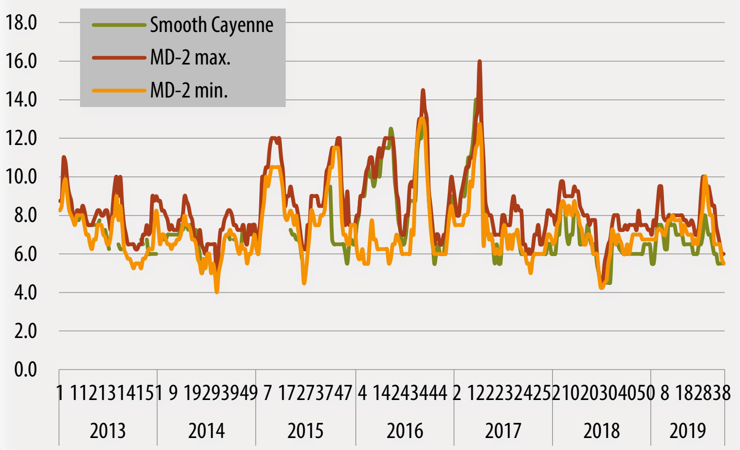
Sea-freight pineapple - European Union - Weekly import price
(in euro/box / source: Thierry Paqui)



Over the past campaign (from week 40 2018 to week 39 2019), demand was often flat, which resulted in a slump in rates and some lifelessness on the markets. The average rates on the spot market fluctuated, according to period and size, between 6.00 and 7.50 euros/box, with some peaks at between 8.00 and 9.50 euros. Over the same period, the supply of highly coloured fruit sold by the big brands, available in very limited volumes, sold at average rates of between 9.00 and 10.50 euros/box according to size, with peaks of 12 euros/box depending on availability.

Absence of demand has been a recurrent phenomenon, and has hit sales hard throughout this campaign.

Costa Rican supply unbalanced and heterogeneous in the face of sluggish demand

From October 2018 to January 2019, rates fluctuated from 6.00 to 7.75 euros/box according to size. These months are generally fairly difficult for operators since the Costa Rican supply often increases in anticipation of the holidays, while demand is always late in taking an interest in the fruit. In addition, they already need to start scheduling the volumes they will need for the end-of-year promotions.

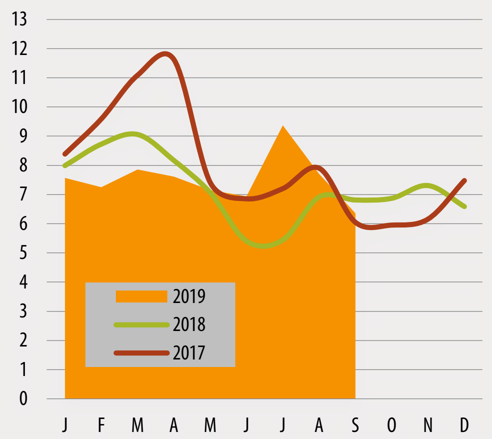
Unfortunately, the tension became particularly high from October, since a series of strikes in Costa Rica disrupted fruit shipments. Thereafter, the European market received both fresh fruit and the older fruit that had not been loaded because of the strikes. The heterogeneous quality of the fruit received in Europe made sales more difficult, but also resulted in numerous complaints. Batches rejected by the supermarket sector ended up on the spot market, creating additional tension with demand gone missing.

Besides the quality problems, sales remained fairly fluid. The Costa Rican supply was unbalanced at the end of the year with small sizes (8 and 9) scarce, though there were promotions scheduled for these sizes. We have also observed that festive sales have been increasingly late getting started on the spot market. It was not until a week before Christmas that the market seemed to pick up. Once again, it was thanks to the supermarket sector circuits (and consequently prices set in advance) that most sales were made.

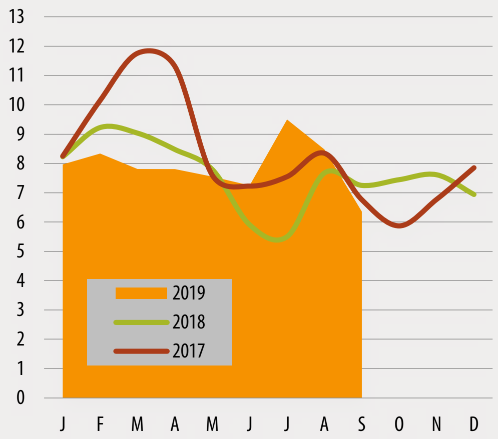
At the end of the year, the El Niño phenomenon and the financial difficulties of certain growers in Costa Rica hinted at a possible fall in production, and also exports to Europe, from the end of the first half, or the beginning of the second.

After the festive period, demand again came to a standstill, though without affecting rates, which remained fairly stable overall, though not lucrative enough in the eyes of the operators.

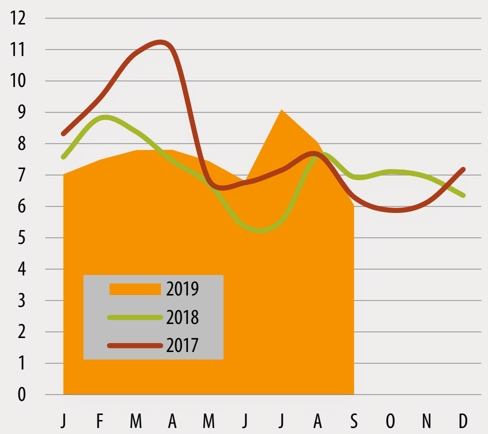
Sea-freight Costa Rican Sweet pineapple
Germany - Import price
(in euro/box / source: Thierry Paqui)



Sea-freight Costa Rican Sweet
Belgium - Import price
(in euro/box / source: Thierry Paqui)



Sea-freight Costa Rican Sweet pineapple
Netherlands - Import price
(in euro/box / source: Thierry Paqui)

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Rates stable despite erratic Costa Rican supply and demand still lagging

From February to June, the Costa Rican supply was fairly erratic in terms of volume. However, rates remained stable at between 7.00 and 7.75 euros/box. The regularity of the Costa Rican supply was affected by numerous shipping delays, which instead of creating a shortage, quite paradoxically contributed to regulating incoming shipments, between periods of delay and periods of incoming volumes building up. Then there was a production fall in Costa Rica, due to a spell of drought. This also affected the quality (rapid evolution and short shelf life) of certain brands, and not the minor ones, which struggled for several weeks without finding a solution. Because of the paucity of the supply, certain operators even feared being short of fruit at Easter. However, unlike previous campaigns, the market received less fruit at Easter, though these volumes were sufficient to cover supermarket demand. In addition, spot sales involved fairly limited quantities, which contributed to maintaining some stability in rates. Once again, it was the supermarket sector which absorbed the majority of the Costa Rican supply, while spot market sales remained fairly small because of flat demand.

The market tightened up after Easter, since the Costa Rican supply increased because of the natural flowering phenomenon, while demand remained just as moderate. So the market quickly swelled, with small sizes (8, 9 and 10) predominant, which did not interest the purchasers. Poor sales spread to some extent across the board, with demand flat outside of the supermarket sector circuits. The numerous shipping delays once again contributed to relieving the market. The end of the period coincided with the natural flowering peak. It was also at this time that the high temperatures arrived, and that the summer fruit supply rose. Only operators contracted with the supermarket sector managed to maintain some fluidity.

Against all expectations, a rather lively summer market

While in July and August business is usually quieter, with demand captured by seasonal fruits, this year brought fairly different conditions. The beginning of summer coincided with the end of the natural flowering in Costa Rica, i.e. a time when volumes were at their lowest. There were also strikes again in Costa Rica (ships leaving nearly empty), as well as numerous shipping delays which, given the waiting time to supply the European markets, contributed to creating a shortage in July, which drove up rates on the spot market. Average rates were between 8.00 and 9.50 euros/box. Although limited, the Costa Rican supply was also unbalanced with too much size 9 and 10 fruit, more difficult to sell in the summer. Alongside this, demand in the supermarket sector was less attracted to the pineapple. Operators surveyed estimated that the supermarkets had only made approximately 70 % of the planned sales. So we saw the price range widen, with very low rates for the small sizes available in large quantities, and strong high rates for the large sizes practically absent from the market.

The start of an infernal spiral

September was an infernal month, such was the constant deterioration in market conditions, across all origins and brands. The Sweet supply remained highly unbalanced, with too much small-sized fruit (8, 9 and 10), which weighed down heavily on the market. Although average rates remained relatively stable for a while, at between 6.00 and 7.00 euros/box, it was only thanks to the sales made via the supermarkets. Rates for the smallest fruit (9 and 10) constantly came undone, ending up in certain cases at 4.00 euros/box, if not worse under PSPs (post-sale prices). At the end of this period, there were really no longer any market prices for this fruit. Poor sales proliferated, and unfortunately there was no hint of a recovery while the supply remained so unbalanced and demand so uninterested. Because of the flatness of demand, several supermarkets quite simply refused to honour all of their commitments. They maintained their purchase prices, but very significantly scaled back the order volumes. Paradoxically, when available, the supply of highly coloured fruit from the big brands continued to sell well. However, it only involved very restricted volumes, once again confirming the niche character of this fruit ■