

Banana US market

In its own bubble

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“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.

