Organic banana
World market trend

2020: when all the records fell

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While the organic food products sector was already seeing unprecedented progress worldwide, the Covid-19 crisis enabled it to scale new heights in a very short space of time, driven in particular by health and hygiene concerns and the reorganisation of the consumption circuits. Hence in 2020 the organic banana, long riding high on this favourable wave, managed to beat all records on the US market, with growth back to double figures after a period of stagnation. However, as surprising as it might appear, the 2020 results for the organic in Europe seem much more mixed. While it is difficult, or even imprudent, to draw conclusions after such an atypical year, some warning signals should be taken into consideration.

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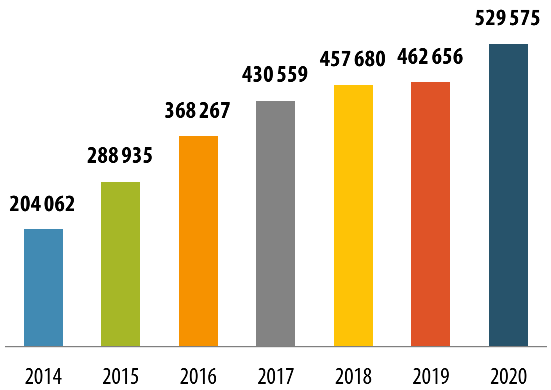
Surfin' USA!

After a slowdown in the imports dynamic between 2017 and 2018, and a stagnation in 2019, which pointed to the US & Canada organic banana market having reached maturity, in 2020 growth again was measured in double figures, with + 14 % on 2019. Organic banana consumption in 2020 reached nearly 530 000 tonnes. And its market share for the first time in its history exceeded the 10 % mark, with 11 %.

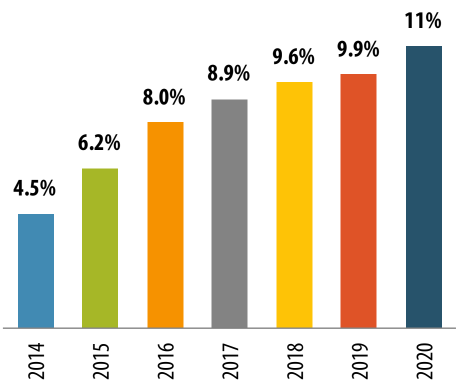
So 2019 was no more than a blip, as we suspected (see FruiTrop no.269, May 2020, pages 78 to 85). This temporary slowdown could be linked to a big downturn from 2018 in the production of the US market's main supplier, Ecuador, following flooding in the Babahoyo zone in March 2019 and a cold winter.

Ecuador, the historic number one supplier to the US organic banana market, marked its comeback, surging ahead once more (+ 15 % on 2019, and + 3 % on 2018), driven by the strong progress of its production sector. With productive surface areas exceeding 16 000 ha, the Ecuadorian giant exported more than 500 000 tonnes in 2020, across all destinations, making it the world number one organic banana exporter. And according to professionals, growth in the sector is not about to stop, given the numerous ongoing conversion projects and extensions in new zones (such as Peninsula Santa Helena), focused on organic cultivation.

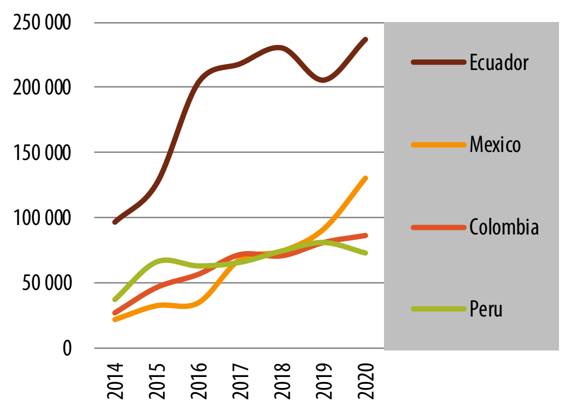
Organic banana - USA & Canada - Imports
(in tonnes | source: US Customs | Processed by CIRAD)



Organic banana - USA & Canada- Market share of total banana supply
(source: US Customs | processed by CIRAD)



Organic banana - USA & Canada - Imports by supplier country
(in tonnes | source: US Customs | processed by CIRAD)



Some key figures on the organic banana and organic market

- The world organic banana trade represents more than 1.3 million tonnes;
- In 2020, 770 000 tonnes of organic banana were sold in Europe, and 530 000 tonnes in North America;
- In Europe, it represents more than 20 % of banana sales on the main consumption markets: Germany, France, the UK, Switzerland and Italy;
- It represents 11 % of banana sales to the USA, and 12 % in the EU27+UK.

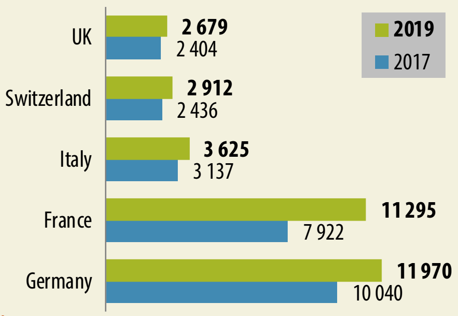
A sector with the wind in its sails

With sales of around €106 billion in 2019 (FIBL, 2021), i.e. nearly six times more than in 2000, the uninterrupted growth dynamic on the world organic market was already extraordinary. After a fine period of value growth of around 10 % in the early 2010s, sales gathered pace, even reaching rates of 20 % between 2018 and 2019, driven by growing consumer concerns over health, nutrition and the environment, and accompanied by the development of distributor brands, specific shelves dedicated to organic products and a wide range of specialist chains.

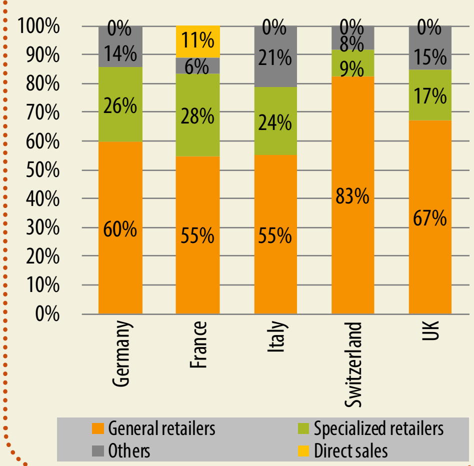
While the underlying trend already seemed unprecedented, we were a long way from imagining the acceleration that the market would go through in 2020 under the effect of the Covid crisis, something never seen in the modern age of retail sales! The arrival of the pandemic marked a worldwide turning point. Following the emergency measures implemented by various governments, consumption modes were profoundly altered, and the distribution channels completely reorganised, leading among other things to a sales boom in the fresh fruits and vegetables section. The switch in consumption to the supermarket sector benefitted products already firmly established on the shelves, such as organic products, sales of which for the most part, before the pandemic, were made in generalist supermarkets/hypermarkets (60 % in Germany, 55 % in France, 83 % in Switzerland, for example). In addition, stores specialising in organic and dietetic food remained open during the crisis, attracting new purchasers, while customers spent more. The closure of the OOH sector saw a resurgence in home cooking, with some consumers treating themselves with top-end purchases, which in particular benefitted organic products. Finally, we should note that consumers, driven by concerns over their health, wellbeing and nutrition, focused more on organic products, held by popular belief to be healthier and more nutritious. This twofold reputation reinforced a structural underlying trend.

Hence while the entire fresh section benefitted from the switch in consumption, the fresh organic section overperformed. In the USA, growth of the organic fresh fruit section increased twice as much as the fresh section as a whole over the first twelve weeks of the pandemic (2020 Q1 Organic Produce Performance Report). Sales soared by 22 % in March, and by 8 % over the quarter as a whole. In France, organic food stores have registered an increase in their sales of more than 30 % since the start of the crisis (FIBL, 2021). In the United Kingdom, there was annual growth of 9.5 %.

Organic food products - Europe
Sales value in 2017 and 2019
in the 5 main consumer countries
(in million € | source: FIBL 2017, 2021)



Organic products - Europe - Sales value in 2019
in the main consumer countries
by distribution channel
(source: FIBL 2021)



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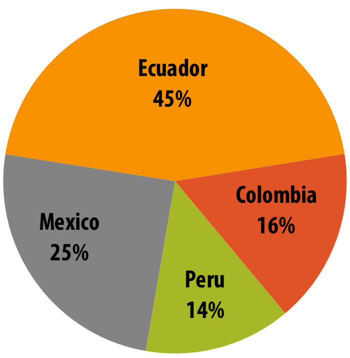
Furthermore, we need to note the dazzling rise on the US market by Mexico, which with an annual average growth rate of 35 % for the past five years, exceeded 130 000 tonnes in 2020, consolidating its position as the number two supplier to the USA. While the bulk of organic production is for climate reasons concentrated in the State of Colima, the sector is developing at a rate of knots, its proximity to the US market providing competitiveness advantages that none of its rivals can match. Finally, while Colombia continued its hesitant rise, maintaining a stable market share of around 16 %, Peru was the only origin to lose ground in this American dream, slipping by 10 % from 2019. The fall in Peru's total exports which began in 2019 continued in 2020, in the face of production problems (water and quality), aggravated by the effect of highly restrictive measures implemented locally to combat the spread of Covid, in a context of explosive competition and above all more competitiveness on the US market. While there was not yet any talk of TR4 in Peru in 2020, we can imagine that the arrival of this scourge, officially detected in April 2021 in the heart of the historic production area of Sullana, which packs in 80 % of small growers, represents an additional difficulty – and a sizeable one! – to be addressed by an already struggling Peruvian sector.

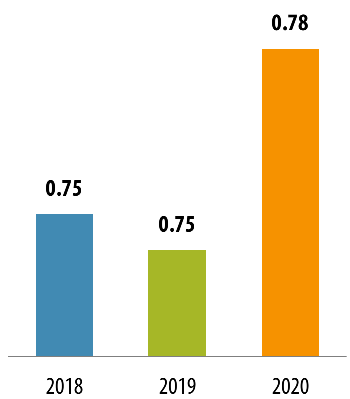
Like the organic fruits and vegetables sector in general, the boom in organic banana consumption in North America was concentrated in the first half of 2020, with in particular a historically prosperous March: 29 % above the 2018-2019 average. While the summer marked a return to a more normal situation (0 % in July and + 9 % in August), the autumn registered another rise, albeit less effervescent than in the spring, but still in double figures, despite a slight increase in retail prices from the previous two years. In all probability, the resumption of high growth in November and December could be attributed to the supply trough generated by the transit of cyclones Eta and Iota across Central America, which above all hit the conventional banana sector.

The question is now to determine whether this growth is here to stay, or just a catch-up effect after the dip in trajectory seen in 2019. For the moment, all the signs seem to be positive, with growth still in place over the first two months of 2021. Despite Ecuadorian volumes stagnating between January and February 2021 due to a production delay (effect of La Niña) and Peru's ongoing downturn, the US organic banana market registered a 9 % rise from 2020, driven by Mexican and Colombian growth, and probably also by the ongoing Central American shortfall.

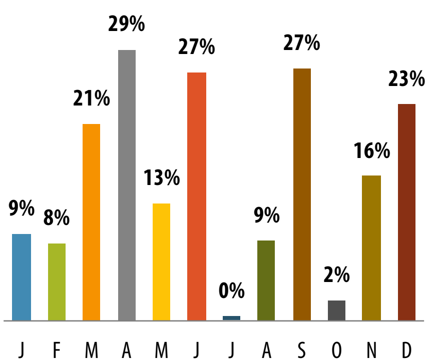
Organic banana - USA & Canada Market shares of main supplier countries in 2020
(source: US Customs | processed by CIRAD)



Organic banana - USA - Average retail price
(in $/pound | source: AMS-USDA)



Organic banana - USA - 2020 monthly supply compared to 2018-2019 average
(source: US Customs | Processed by CIRAD)

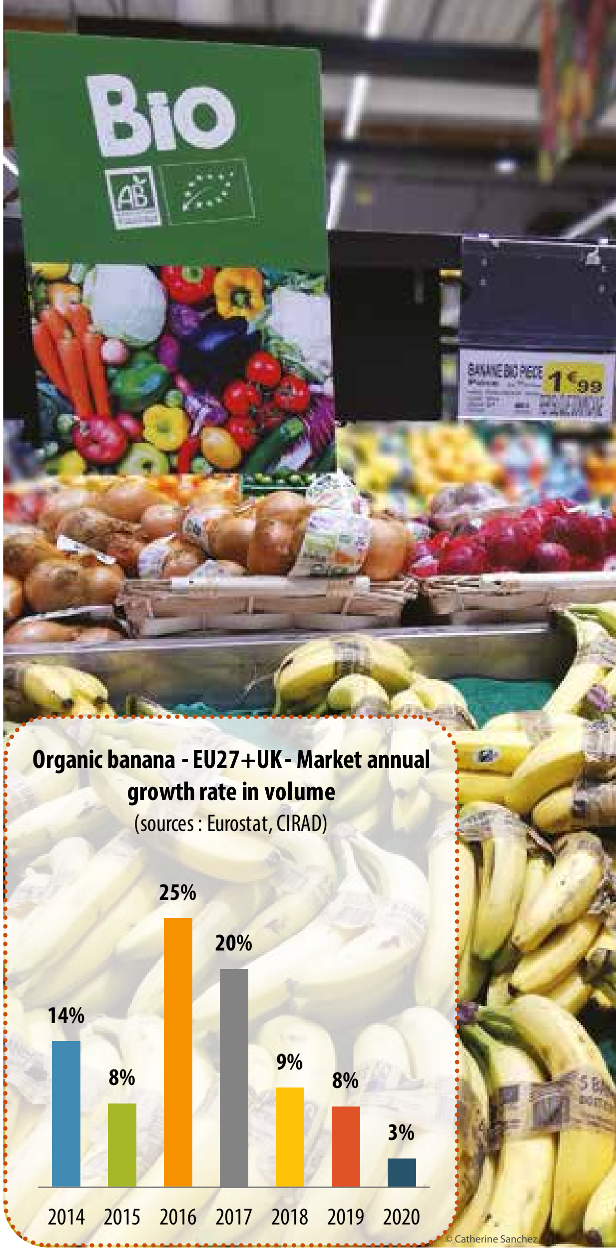


Europe, *qué paso?*

Logically, the European organic banana market, like the US market, would have taken advantage of the unexpected windfall brought by the pandemic year to the organic sector as a whole. However, the 2020 result leaves us somewhat perplexed. According to our estimates, the EU27+UK organic banana market in 2020 exceeded 770 000 tonnes, i.e. a rise of barely 3 % on 2019, and far removed from the boom that the European organic sector saw in 2020. Against all expectations, organic banana market growth, on a slowdown trend since 2018, maintained this trajectory in line with world banana market levels. The market share remained stable at 12 %, a first, with double-figure rises seemingly a thing of the distant past.

As on the US market, Ecuador maintained its breakthrough to exceed 300 000 tonnes, to become the number one supplier to the European organic banana market, while Colombia made hesitant but steady progress. Furthermore, we should note the uninterrupted growth by African countries, which have maintained their trajectory, driven by the vitality of the young Ivorian sector developed over just the past five years. Along with Ghana, the total African organic banana supply increased by 17 % between 2019 and 2020, and should continue to progress, given the vitality of production.

In 2020, two historic organic (and above all Fairtrade) players in Europe were found wanting: Peru and the Dominican Republic. Peru, whose case we already mentioned above, registered a fall for the second consecutive year on the EU27 market, around 15 % below the two-year average. Finally, the Dominican supply also slumped in 2020, after returning to production in 2019, following two off-years in 2017 and 2018 due to flooding caused by cyclones Irma and Maria. While we do need to report a fall in production, with some small growers unable to pick themselves up after successive floods and a highly active cyclone season in 2020 (abundant rainfall), we can also question the vitality of European demand.



Hard to evaluate the size of the world organic banana market

Since the EU does not have a specific customs code for the organic banana, it is hard to estimate the size of the market, and to identify the origins or operators involved. For the USA, there has been a specific customs code since 2013, which helps track the evolution of monthly imports for each origin. However, statistical anomalies recurrently slip in, and judicious reprocessing of the data is required, for example through good knowledge of the dynamic of the export zones.

In the European Union, organically grown bananas are identified by Customs using the "Certificate of inspection (COI), C 644" documents, completed and signed via the TRACE application. But at present, the data gathered are not mobilisable or usable to estimate the market size or evolution. In addition, the volumes produced under organic certification might not be sold as such. In the event of a poor market cycle, organic bananas can be sold as conventional ones. Hence an approach based on product volumes aimed at the export sector cannot account for quantities actually sold under the organic label, but remains useful in terms of potential. In view of the absence of official data, and given the magnitude of this rapidly developing market, we have decided to put together an indicator enabling us to quantify the flows, by mobilising, organising and cross-checking all sources to which we have access, whether quantitative or more qualitative (in particular professional estimates).

Retail prices falling, and consumption too

The figures published by Kantar Worldpanel, supplied by the Banana Inter-Professional Association (AIB), confirm the findings in France: the market share of organic banana sales was actually down in terms of quantity and value from 2019. Despite a rising number of purchasers, the quantities bought per purchaser decreased.

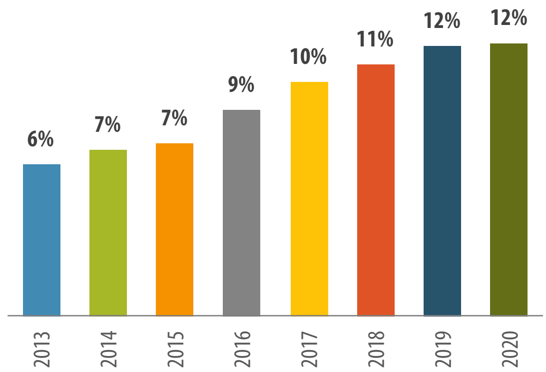
However, it is undeniable that the first lockdown in Europe in March 2020 created the well-known surge in consumption, explainable both by the sudden restructuring of the consumption circuits and by the "healthy/pleasure food" trend. However, it would seem that the return to normal after the first lockdown was more abrupt than the organic banana sector would have hoped.

The hypothesis of an insufficient supply, arising from an excessive pull by the US market, was quickly discarded, with the operators surveyed reporting that they had not experienced any lack of merchandise throughout the year. So the reasons behind the hesitant growth in 2020 should rather be found on the downstream side. Given the unpredictability of consumption in the second half in the face of the second wave of Covid and the highly variable restrictions implemented by the various European governments from September 2020, downstream operators were highly cautious in their orders, with any excess organic volumes possibly struggling to find an outlet in the export sector or on the conventional wholesale market, unlike in normal times.

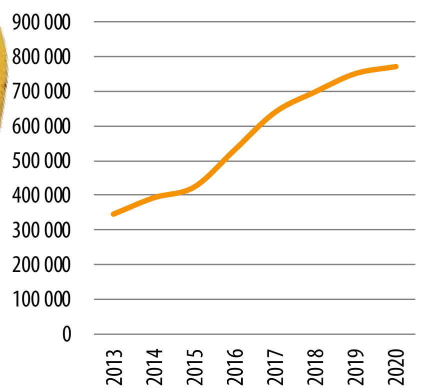
The explanation should also be sought in terms of consumption. Following quickly on from health concerns came economic concerns due to a fall in purchasing power. Certain newly converted organic consumers, especially with the discounters, quickly switched back to conventional in view of the present or future crisis in their purchasing power.

While talking about retail prices is a fraught exercise given the interruptions in the price records and the difficulties accessing information during this year, analysis of retail prices for the organic banana (derived from various sources) in three European countries does however show the same trend: for the United Kingdom, Germany and France, the fall in retail prices for the organic banana continued in 2020! Which is astonishing, or even paradoxical, especially bearing in mind the underlying price inflation trend in the fruits and vegetables sector in Europe in 2020, and that we could observe a parallel rise in retail prices for the conventional banana. The fall in retail prices for the organic banana appears to have continued against the underlying trend, though without contributing to significantly stimulating consumption or preventing certain consumers from migrating to the conventional banana, which did see appreciation at the retail stage. Hence, as we might have suspected, this fall did not apparently serve any purpose.

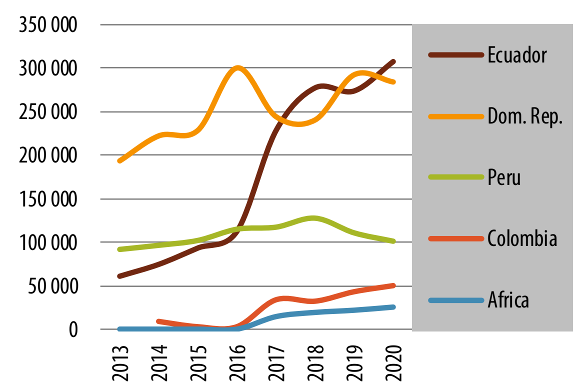
Organic banana - EU27+UK - Market share of total banana supply
(source: CIRAD)



Organic banana - EU27+UK Estimated annual supply
(in tonnes | source: CIRAD)



Organic banana - EU27+UK - Estimated annual supply by source
(in tonnes | source: CIRAD)



Locavorsim on top

Finally, we need to remember that the European organic fruit production sector is undergoing strong development, in terms of both quantity and diversity: Europe is the world number one producer for organic citruses, grapes and temperature fruits. By way of example, at the height of its development, in 2019 Europe packed in half of the world's production surface areas for organic temperate fruits, i.e. more than 150 000 hectares (source: FIBL, 2021). Hence while at the beginning of the organic boom, the organic banana enjoyed a near-monopoly in the fruits section, now the competition has developed with local products, which presents additional arguments in their favour, such as proximity and support for local economic players. If there is a trend which has undeniably stepped up during the Covid crisis, it is local consumption. In a burst of solidarity, European consumers have incorporated new considerations into their purchases, in particular to support numerous local growers, which the crisis had deprived of their traditional outlets. Organic products must now not only be free from synthetic products, but as far as possible, be local (or come from within a radius of 100 km). According to France's "Agence Bio" barometer, in 2020, 92 % of the French public consumed organic products because they were of French, or even local / regional origin…

While newly-converted consumers have contributed to the growth in organic banana consumption in recent years, they are still highly price-sensitive. And yet, the fall in retail prices does not seem to have prevented their withdrawal. In parallel, we must remember that the bulk of organic product consumption comes from habitual or even militant households, some of which remain strongly attached to the image of organic produce. In addition, at present, new considerations are gaining ground, such as short circuits, support for local growers in particular in times of crisis, and as ever trust in European organic over imported organic.

Regardless, given the atypical nature of 2020, in every respect, it would be unwise to make it a benchmark for consumption trends. However, this pandemic year does enable us to draw lessons on the present and future weaknesses of the system. How can the organic banana, a product imported from afar, with higher production costs and subject to recurrent controversies over the reliability of its production mode, meet the growing demand from the wide range of consumers: from the post-militant-organic-turned-locavore to the price-sensitive-neo-organic-consumer? Forewarned is forearmed ■