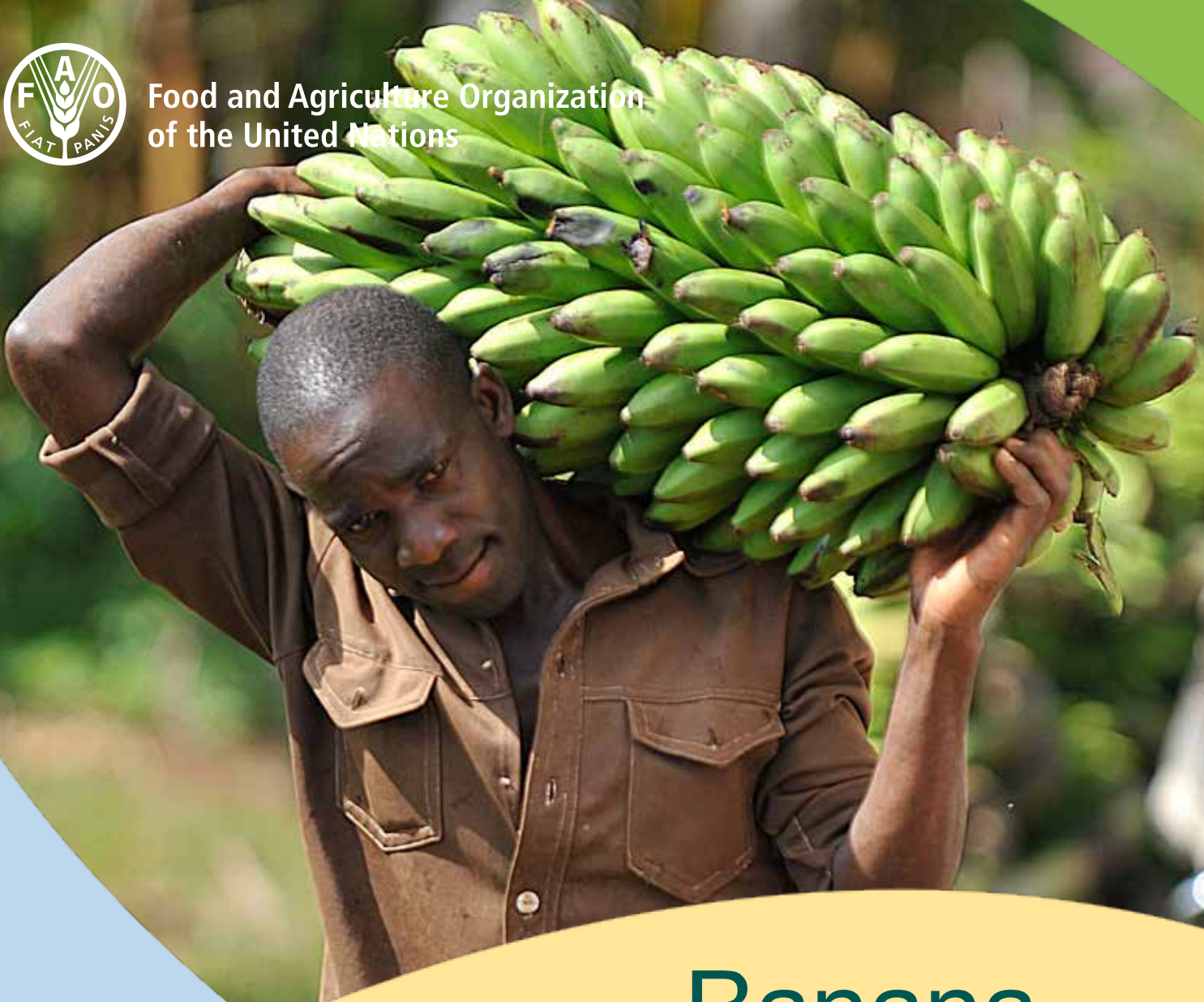




Food and Agriculture Organization  
of the United Nations



# Banana *market review*

## 2015-16







# Banana *market review*

## 2015-2016

Food and Agriculture Organization of the United Nations  
Rome, 2017

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## Foreword

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This report is issued on an annual basis to Members and Observers of the Sub-Group on Bananas of the Intergovernmental Group on Bananas and Tropical Fruits, which is a subsidiary body of the Committee on Commodity Problems (CCP).

It is prepared by the Team on International Investment and Tropical Fruits, Trade and Market Division, FAO, Rome, and the tables contained bring together the information available to FAO, supplemented by data obtained from other sources in particular with regard to preliminary estimates.

The Team on International Investment and Tropical Fruits provides research and analyses on agricultural investments in developing countries, and economic data and analyses on tropical fruits. Regular publications include market reviews, outlook appraisals and projections for bananas and tropical fruits. The team also provides assistance to developing countries in designing and implementing national policies regarding responsible investment in agriculture.

The report is available at the following FAO website:  
<http://www.fao.org/economic/est/est-commodities/bananas/en/>



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## Developments in banana trade

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### Exports

In 2015, global banana exports, excluding plantains, registered the first decline since 2010 after having reached an unprecedented peak of 18.6 million tonnes in 2014<sup>1</sup>. While import demand remained strong in all regions, the adverse effects of the El Niño weather phenomenon as well as the spread of the *Fusarium Wilt* disease negatively affected yields and resulted in production shortages in several of the major producing and exporting regions.

Most of the decline was explained by a 50 percent drop in export quantities from the Philippines, where a long period of drought heavily affected the quality and volume of production. The Philippines, previously the second largest global exporter behind Ecuador, had reached a peak export volume of 3.68 million tonnes in 2014, which declined to 1.85 million tonnes in 2015. Following lower shipments from the Philippines, the major export destinations Japan and China increased their orders from Ecuador to meet domestic demand. Exports from **Latin America and the Caribbean** showed a 1 percent decrease due to lower shipments from Costa Rica and Colombia, two of the major exporters in the region. Costa Rica experienced production shortages due to heavy rains and thus struggled to compete with the fierce price pressure on the world market. Colombia was affected by extreme drought, low productivity levels, declines in harvested area and poor road conditions as strategic investments were hampered by the weak Colombian peso. Export growth in Latin America mainly resulted from further growth of the two largest exporters Ecuador, which recovered from adverse weather conditions, and Guatemala, which benefitted from the free trade agreement with the United States and preferential access to the European Union. Also Peru saw fast export growth, benefitting from its specialization in the production of organic bananas. Aided by growing demand for organic bananas in

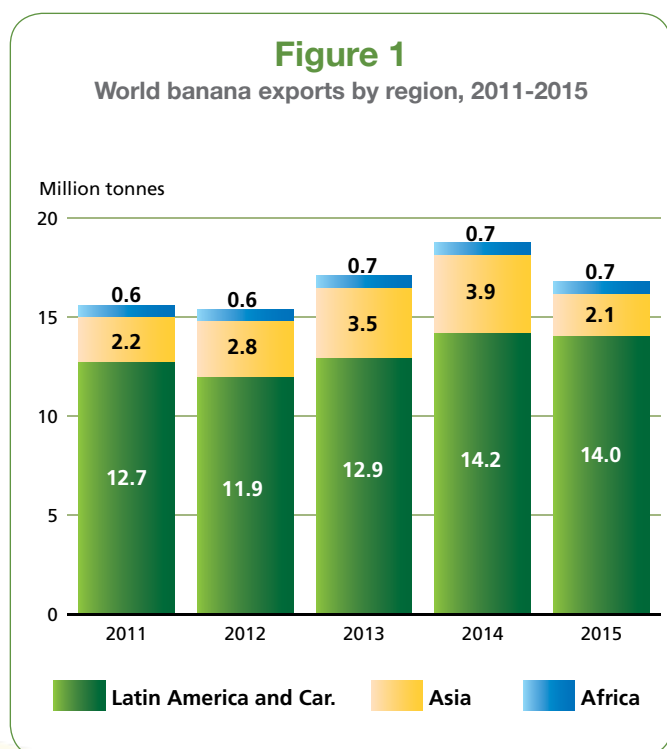
“ In 2015, global banana exports registered the first decline since 2010 ”

the United States, exports from Peru increased by 20 percent and reached 191 000 tonnes in 2015. In the **Caribbean**, exports continued to be dominated by the Dominican Republic, which accounted for 93 percent of the total volume exported by the region in 2015. However, banana exports from the Dominican Republic dropped by 75 percent to 138 000 tonnes after a tropical storm destroyed some 40 percent of the crop in August 2015.

**Asian** exports declined by 46 percent in 2015 due to the production drop experienced in the Philippines, the largest exporter in the region, which accounts for some 90 percent of the total export volume from Asia. Adverse weather conditions and the *Fusarium Wilt* disease severely affected output in the Philippines. India, by far the largest producer of bananas globally, increased its export volume by 47 percent due to further expansion in the harvested area for traded varieties. While banana production in India primarily targets the domestic market, a growing share of production is exported to the Gulf countries, Malaysia and Nepal. Supply shortages in the Philippines, the main competing exporter, meant that shipments from India could benefit from high demand in the Gulf countries and Southeast Asia. Another supporting factor was the low price of Indian bananas, which reportedly sold at a 50 percent discount to bananas from Ecuador and the Philippines at the Dubai auction.

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<sup>1</sup> For the purpose of this publication, the term bananas refers to bananas excluding plantains



**Africa's** exports <sup>2</sup>, which accounted for 3.9 percent of global banana shipments, dropped by 12 percent in 2015 to 604 000 tonnes, led by severe production shortages in Ghana. Côte d'Ivoire, the largest exporter in the region, shipped 305 000 tonnes of bananas, down by 9 percent compared to the previous year after floods had destroyed large parts of the crop in June 2014. Exports from Cameroon, the second largest African exporter, grew by 6.5 percent to 283 000 tonnes, despite facing costs to combat the black Sigatoka disease. Both Côte d'Ivoire and Cameroon export from 80 to 90 percent of domestic production, with Europe as their main export destination.

## Imports

The global import volume of bananas stood at 17 million tonnes in 2015. The two largest net importers, the European Union and the United States, saw moderate growth in 2015, and reached 31 percent and 27 percent of the total global import volume respectively. Strong demand, aided by growing health awareness and consequently higher fruit consumption, was the main driver of import growth in the European Union.

<sup>2</sup> For the purpose of this study, African intra trade is excluded.

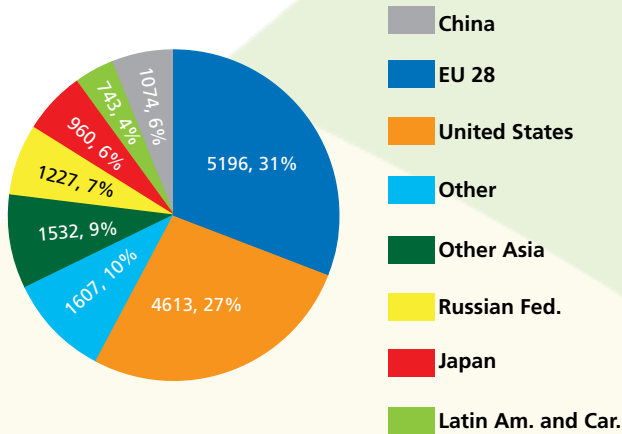
Gross imports by the **European Union** (EU) grew by 3 percent, driven by strong consumer demand in the major importing countries. Also Eastern EU economies saw robust import growth. Gross import volumes by Slovakia, Poland and Estonia, for example, grew by 13, 10 and 19 percent respectively, supported by rising incomes, declining import prices and changing consumer preferences. In Poland, for example, the average import price in Euros declined by 19 percent between 2005 and 2015. In Croatia, the accession to the European Union in July 2013 gave an added impetus to import demand. Overall, imports into the European Union reached an unprecedented 5.2 million tonnes, with 70 percent of shipments originating from three large producers (Ecuador, Colombia and Costa Rica). Ecuador's exports to the EU fell by 8 percent in 2015 due to adverse weather conditions affecting production and the lack of preferential access to the European Union, which hampered its position compared to its main competitors. Imports from Colombia registered a 21 percent growth due to its competitive f.o.b. export price and its existing trade agreement with the European Union. European banana production increased by 2 percent from 656 000 tonnes in 2014 to 670 000 tonnes in 2015, the highest level since 2004. Production on the Canary Islands and Martinique, the two largest European producing areas, which together account for 87 percent of production, grew by 5 percent and 3 percent respectively. Per capita consumption in the European Union grew by 3 percent from 11.3 kg in 2014 to 11.6 kg in 2015, mainly driven by higher consumption in the New Member States, which doubled their consumption between 2012 and 2015 to reach 9.6 kg in 2015.

Gross imports into the **United States** increased by 1 percent to 4.6 million tonnes in 2015, aided by moderate population growth. Nearly 40 percent of all shipments to the United States originated from Guatemala, which saw a 3 percent volume growth in 2015, partly due to being a member of the CAFTA – DR free trade agreement with the United States. Imports from Costa Rica, also a member of the CAFTA – DR agreement and previously the second largest supplier to the United States, experienced a 19 percent volume decline in 2015, as the minimum export price set by



**Figure 2**

**Distribution of global imports by market, 2015  
(thousand tonnes and share in global imports)**



the Costa Rican Government was significantly higher than the prices offered by competing banana suppliers. Imports from Ecuador and Honduras in turn registered 8 and 10 percent growth respectively. Per capita consumption in the United States remained high at 12.6 kg in 2015, as growth in supplies was roughly in line with population growth.

Imports by the **Russian Federation** declined for the second year in a row, from the record high of 1.32 million tonnes in 2013 to 1.23 million tonnes, or 4 percent less in 2015. Despite this decline, Russian importers reported that supply continued to exceed demand, resulting in severe price falls at the retail level which more than offset the depreciation of the ruble. In Saint Petersburg, retail prices fell to 40/50 rubles/kg, well below the purchase price.

Imports by **China**, the fourth largest importer globally, experienced a 5 percent decline to 1.1 million tonnes. Strong winds had destroyed large parts of the banana crop in China in the previous year, causing a production shortage and high prices in 2014. This enticed new growers into the market and resulted in a 6 percent increase in domestic production in 2015.

Banana imports by **Japan** registered a moderate growth of 1 percent but remained just below 1 million tonnes. Although demand remained strong,

import growth was constrained by the weakness of the yen relative to the United States dollar. The severe production shortage in the Philippines, which accounts for some 90 percent of imports by Japan, further subdued imports. Shipments from the Philippines declined by 6 percent to 824 000 tonnes in 2015. Supplies from Ecuador meanwhile, whose export price was some 2 percent below that of the Philippines, more than doubled to 105 000 tonnes in 2015.

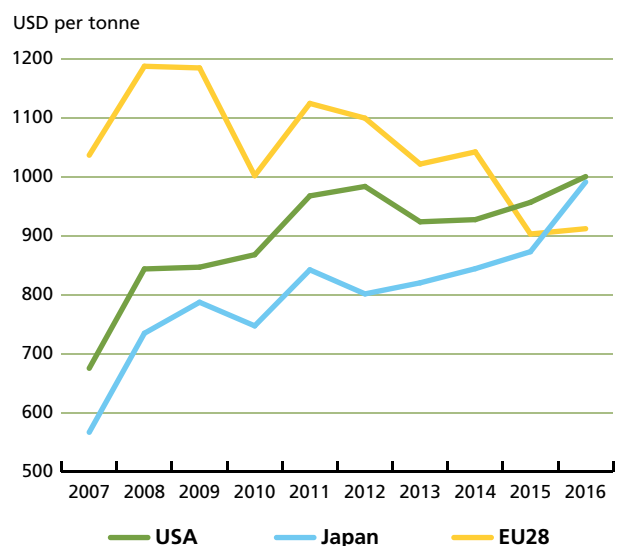
## Banana prices

### Import prices

Average import prices in the European Union and United States followed a similar pattern in 2015, rising rapidly in the first quarter of the year and largely levelling off thereafter. In the United States, the average import price increased for the third consecutive year on the back of strong demand, to reach USD 957/tonne in 2015, or 3.2 percent above the previous year's level. Prices were particularly high during February, March and April 2015, exceeding USD 1 000/tonne. In the European Union, import prices reached a peak of €858/ tonne in March, but dropped to €789 in December 2015 due to a combination of slightly lower demand and higher imports, particularly from Colombia and the African

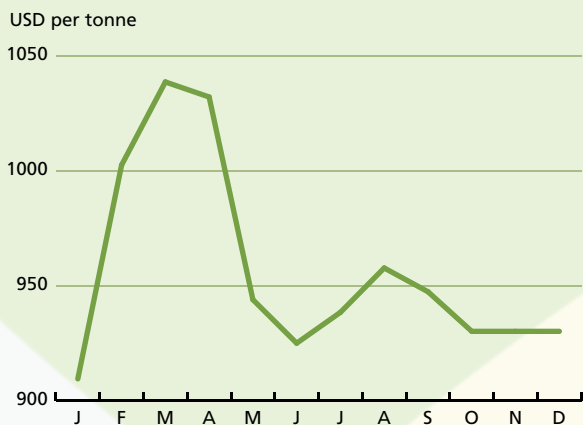
**Figure 3**

**Average annual import prices in EU28, Japan and United States 2007-2016**

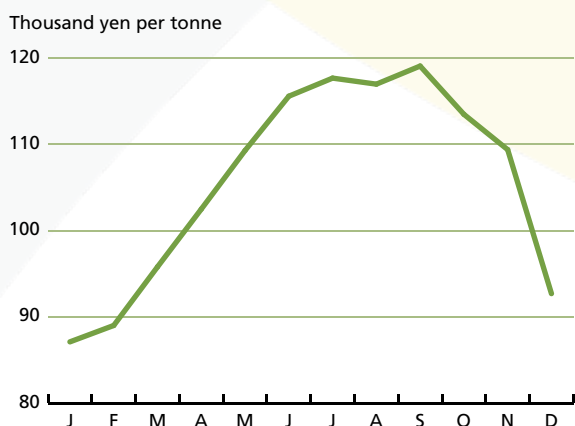


**Figure 4**  
Monthly import prices in selected countries, 2015

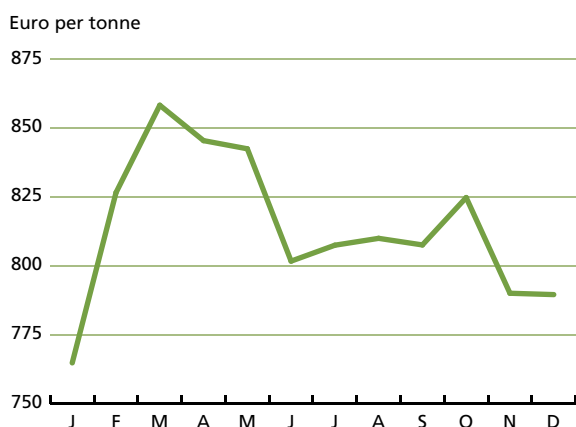
*United States*



*Japan*



*EU*



ACP suppliers (Cameroon, Ghana and Côte d'Ivoire). In US Dollar terms, the average import price in the European Union decreased by 13.3 percent from USD 1 042/tonne in 2014 to USD 903/tonne in 2015, reflecting the weaker US Dollar against the Euro during the same period.

Import prices in Japan increased from an average of ¥89 483/tonne in 2014 to ¥105 725/tonne in 2015, corresponding to an 18.2 percent increase. In US dollar terms, import prices in Japan increased by 3 percent to USD 873/tonne, highlighting the effects of the yen depreciation. Bananas are the preferred fruit in Japan due to their low price compared to other fruits and their convenience as a nutritious and filling snack. Demand is typically highest from March to May with prices increasing sharply during this period. As a result of Japan's long-standing free trade agreement with the Philippines, average import prices in US dollar terms remained well below those of the United States and European Union in 2015.

**Wholesale and retail prices**

After a sharp increase by 10 percent between January and February, wholesale prices in the United States remained practically flat in 2015, at USD 0.96/kg on average, notwithstanding the large fluctuations in import prices during the first half of the year. Similarly, retail prices remained steady throughout the year at around USD 1.28/kg, registering only a moderate decrease in May/June in line with the sharp drop in import prices during these months. Supermarkets in the United States tend to keep banana retail prices low – even to the point of absorbing temporary losses – as the product is a general sales generator.

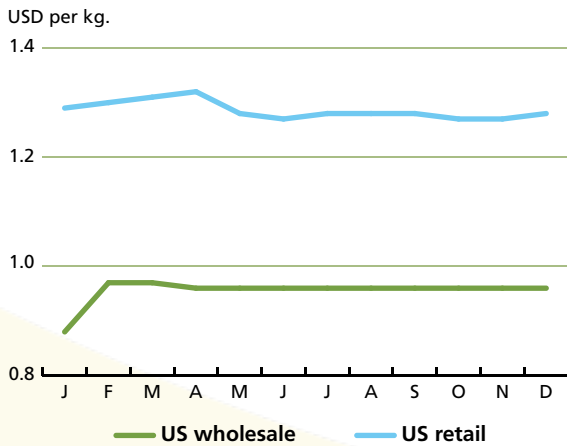
In France, wholesale prices increased sharply in the first quarter of the year, to reach an average of €1.10/kg in April 2015, but declined back to €0.94/kg by the end of the year. On average, wholesale prices in France were 4 percent higher in 2015 than during the previous year. French retail prices meanwhile saw fewer fluctuations and remained at €1.8/kg on average.

In Japan, both wholesale and retail prices showed a steady upward movement during the first half of the year, to reach ¥200 and 244/kg respectively in August 2015. While wholesale prices in Japan dropped by

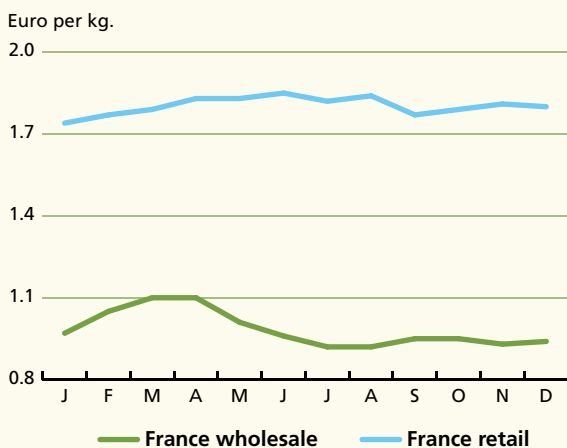
**Figure 5**

Monthly wholesale and retail prices in selected importing countries, 2015

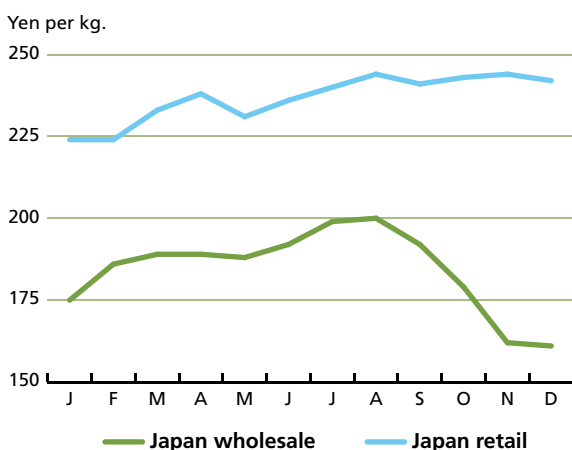
*United States*



*France*



*Japan*



20 percent between August and December 2015 to close at ¥161/kg, retail prices continued to follow an upward movement for the remainder of the year. Consequently, the already high margin between wholesale and retail prices increased substantially.

## Policy developments

Market access for bananas in the European Union is regulated by the terms and conditions of the Geneva Agreement on Trade in Bananas, which was negotiated between the European Union and Latin American banana producers in December 2009 and entered into force on 1 May 2012. The multilateral agreement replaced the previous tariff-only system and thereby ended the longstanding banana trade dispute between the European Union and Latin American banana producing countries, as well as between the European Union and the United States.<sup>3</sup> By this agreement, the European Union committed to a gradual reduction of the Most Favoured Nations (MFN) tariff in eight steps, from the previous €176/tonne to €114/tonne in 2019 at the latest. In 2015, the MFN tariff stood at €132/tonne, and in 2016 at €127/tonne.

A number of bilateral trade agreements concluded between the European Union and Latin American banana producing countries in 2013 ensure preferential tariff duties on most of the imports from this region. Bananas imported from Central America (except for Belize), Colombia and Peru pay a reduced rate of €96/tonne under the Central America Agreement and the EU-Andean agreements. This tariff is set to be gradually reduced to €75/tonne by 2020.

Ecuador, the largest exporter to the European Union and previously the only major supplier paying the MFN rate, entered the EU-Andean agreements with effect of 1 January 2017. Under this provision, EU banana imports from Ecuador will be charged with a tariff of only €97/tonne in 2017, i.e. 1 euro per tonne more than its major competitors Costa Rica and Colombia. This preferential tariff is set to be gradually reduced to €76/tonne by 2020, continuously maintaining the one-euro difference to the rate paid by other Andean and

<sup>3</sup> A related bilateral agreement on trade in bananas between the European Union and the United States was signed in June 2010 and entered into force on 24 January 2013

Central American suppliers. To alleviate concerns by European Union producers, who fear that excess supply from Ecuador might harm demand for European Union bananas, the European Union has adopted a safeguard clause that limits Ecuador's preferential access to an annual threshold. In 2017, this threshold is set at 1 801 788 metric tonnes, significantly above Ecuador's 2015 exports to the European Union of 1.36 million tonnes.

ACP banana suppliers benefit from duty- and quota-free access to the European Union market under the Economic Partnership Agreement (EPA), which came into effect on 1 January 2008.<sup>4</sup> Since then, exports from the three largest ACP suppliers – Dominican Republic, Côte d'Ivoire and Cameroon – have substantially expanded. Other ACP producers account for only a small share of shipments to the European Union. The fierce pricing strategies implemented by the large-scale Central and South American exporters, who have successfully installed strategic partnerships along the value chain, make it difficult for smaller ACP suppliers to compete. Land conditions less favourable to

<sup>4</sup> All current banana suppliers in the ACP have concluded negotiations on either a full or interim EPA: Belize, Cameroon, Côte d'Ivoire, Dominica, Dominican Republic, Ghana, Grenada, Jamaica, Saint Lucia, Saint Vincent and the Grenadines and Suriname.

banana production, small farm sizes, difficult transport networks and the exposure to natural disasters result in high production costs in most of the smaller ACP producers. For example – according to a study published by the European Parliament – per unit production costs in Saint Vincent and the Grenadines are almost three times as high as those in Ecuador.<sup>5</sup> In addition to the lack of economies of scale, producers from this group have also suffered from a preference erosion following the entry into force of the Geneva Agreement on Trade in Bananas in 2012. In particular, shipments from Saint Vincent and the Grenadines as well as from Dominica have declined to negligible volumes in recent years, and both countries have started to diversify away from banana production.

## Preliminary results for 2016

First estimates indicate that global banana exports experienced a slight recovery and marginally exceeded 17 million tonnes in 2016, despite lower shipments from two of the major exporters (Ecuador and the Philippines). Exports from Ecuador, which continued

<sup>5</sup> 'The EU Banana Regime: Evolution and Implications of its Recent Changes', 2010

**Table 1**

European Union's preferential tariff reduction schedules under the banana agreements

Euro/tonne	MFN	ACP	Central America and Andean countries*	Ecuador
2010	148	0	148	148
2011	143	0	143	143
2012	136	0	136	136
2013	132	0	124	132
2014	132	0	117	132
2015	132	0	110	132
2016	127	0	103	127
2017	122	0	96	97
2018	117	0	89	90
2019	114	0	82	83
2020	114	0	75	76
2021	114	0	75	76
2022	114	0	75	76

\*Except Ecuador

to be the largest exporter globally, dropped marginally below 6 million tonnes after adverse weather conditions had reportedly hampered productivity levels by 25 to 30 percent. In the Philippines, production dropped by 24 percent to 1.4 million tonnes after typhoon Melor had destroyed crops across the entire country in December 2015. Costa Rica and Colombia, two of Ecuador's major competitors, benefitted from favourable weather and a related increase in yields. Each saw export volumes grow by 10 percent. Exports from the largest African producers, Côte d'Ivoire and Cameroon grew by 19 and 7 percent respectively, following investments in productivity increases. Côte d'Ivoire reached an export volume of 363 000 tonnes, and supplies from Cameroon reached 302 000 tonnes.

Preliminary data show a total of some 17 million tonnes of bananas imported globally in 2016. Demand remained strong in the largest importers, on the back of a pronounced health trend and retailers' competitive price strategies, particularly in the United States, Germany and the United Kingdom. Imports into the European Union grew by 5 percent and reached 5.4 million tonnes. Imports into the United States remained steady at 4.6 million tonnes. In the Russian Federation, imports benefitted from the improvement of the Russian economy and falling inflation, and grew by 11 percent to reach 1.4 million tonnes. Import demand in China slowed in line with the increase in domestic production, and imports dropped by 17 percent to 887 200 tonnes.

Import prices in the European Union and United States remained firm, supported by healthy demand in both import markets. In 2016, the average import price in the United States stood at USD 1 004/tonne, or 5 percent above the 2015 level. The average import price in the European Union stood at €817/tonne in 2016, marginally above the previous year's level. Domestic prices in the United States declined at both wholesale and retail levels, by one and two percent respectively in 2016. The fierce competition among retailers in the United States resulted in further declines in domestic prices. Retail and wholesale prices in the European Union were similarly subject to fierce price wars among retailers in the largest markets, particularly the United Kingdom and Germany. However, a 3 percent price increase at wholesale and retail

level in France in 2016 indicates that domestic price movements in the European Union could also take an upward turn in the short term.

## Supply challenges

A threat to production derives from the potential return of the El Niño weather phenomenon, which affected production heavily in several regions in 2015. According to forecasts by the International Research Institute of Climate and Society at Columbia University, the chances of a return of El Niño in September through November 2017 are above 60 percent.<sup>6</sup>

Production faces another threat from the continuing spread of the TR4 strain of the *Fusarium Wilt disease*, for which currently no effective eradication method exists. Besides potentially affecting trade supplies, TR4 may also significantly hamper the export earnings potential of producing countries if importing countries react with import restrictions, tightened sanitary and phytosanitary measures or additional controls. Such effects are already at play in the Philippines and in Mozambique, which face disease-related import bans in Australia and the United Republic of Tanzania respectively.

<sup>6</sup> [http://iri.columbia.edu/our-expertise/climate/forecasts/enso/current/?enso\\_tab=enso-iri\\_plume](http://iri.columbia.edu/our-expertise/climate/forecasts/enso/current/?enso_tab=enso-iri_plume)



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