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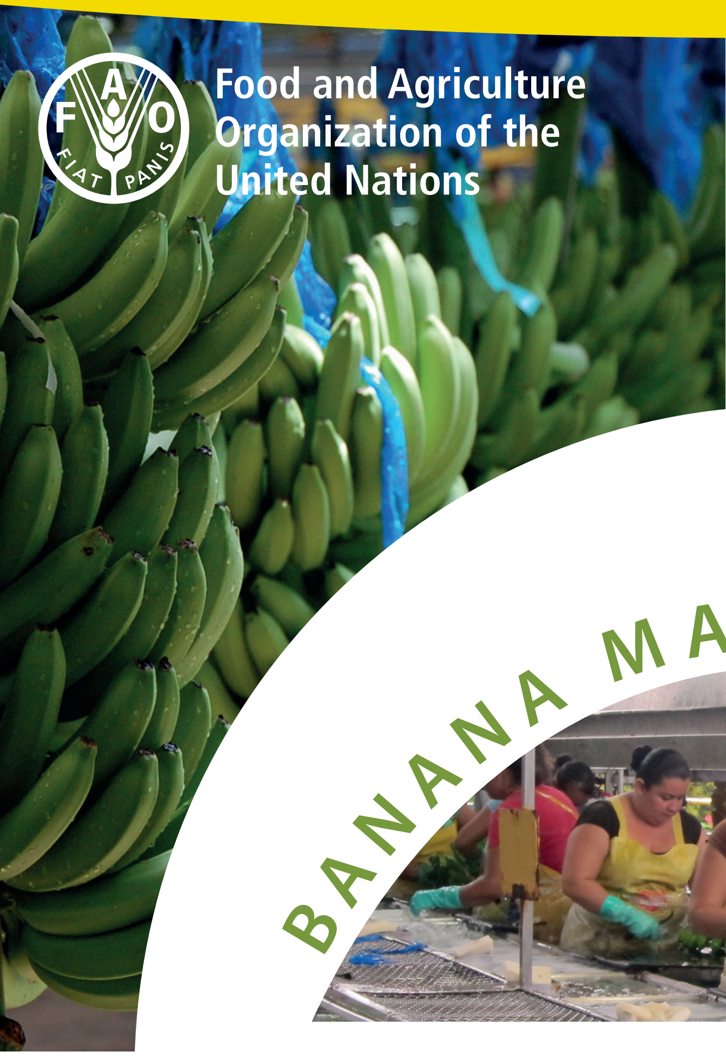

BANANA MARKET REVIEW

PRELIMINARY RESULTS

2019

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Food and Agriculture Organization of the United Nations
Rome, 2020

Required citation:
FAO. 2020. *Banana Market Review: Preliminary Results 2019*. Rome.

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Foreword

The Banana Market Review 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, Food and Agriculture Organization of the United Nations (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/

Note on Methodology

Data and information in this market review were compiled from communications with national sources and industry partners in trading countries, monthly data from TDM and COMTRADE and secondary information and data from desk research. All data in this report should be considered as provisional.

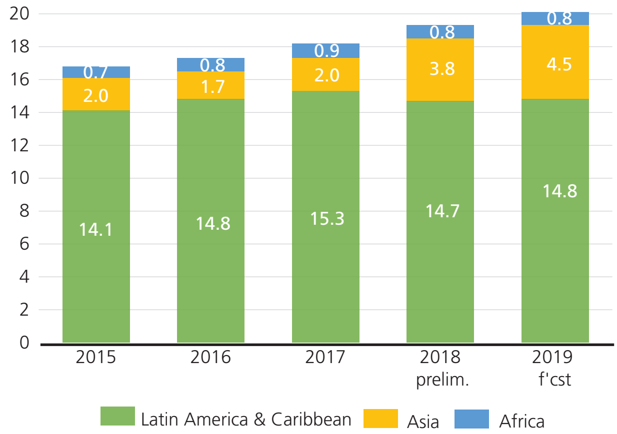
Developments in banana trade – preliminary results for 2019[1]

Exports

Global exports of bananas, excluding plantain, are expected to reach a new record high of 20.2 million tonnes in 2019, an estimated increase of 5 percent compared to 2018. Data from the first nine months of the year indicate that strong supply growth in Ecuador and the Philippines, the two leading exporters, is again chiefly accountable for this rise. Fast expansion in exports has also been recorded for Panama, which benefited from ample growth in supplies following the activation of a major banana production zone in the Baru district. Adverse weather conditions attributed to the El Niño weather phenomenon meanwhile have continued to affect shipments from several other key suppliers, most severely from Costa Rica and the Dominican Republic, and to lesser extent also from Ecuador and Colombia.

Figure 1

World banana exports by region, 2015-2019 (forecast)
Million tonnes



Exports from **Latin America and the Caribbean** are expected to increase by 2 percent in 2019, to 15 million tonnes, due to strong growth in shipments in several of the key exporters. Ecuador, which accounts for over 40 percent of exports from the region, is expected to register a further 2-percent expansion in shipments, to reach nearly 6.7 million tonnes. Although adverse weather conditions attributed to the El Niño weather phenomenon hampered production during the first eight months of the year, the country is expected to increase its exports for the third consecutive year. Fast growth in demand from China and Turkey, two key emerging destinations for banana shipments from Ecuador, are mainly behind this rise. Between January and August 2019, supplies from Ecuador to Turkey increased by nearly 50 percent, while exports to China more than doubled, to approximately 370 000 tonnes, thereby more than offsetting a near 4-percent decline in Ecuadorian exports to the Russian Federation. Shipments from Ecuador also continued to benefit from the scheduled tariff reductions under the EU-Andean agreements in 2019, which facilitated imports into the EU market at a reduced rate of 83 EUR/tonne throughout the year and contributed to a reported 57-percent increase in exports to the Netherlands between January and August 2019.

Exports from Guatemala, currently the second leading exporter in the region, are expected to increase by 6 percent in 2019, to an estimated 2.5 million tonnes. Volume growth from Guatemala was supported by an approximate 1 percent decline in average unit values in 2019, as large supplies outstripped demand. On average, close to 90 percent of Guatemalan bananas are destined for the US, where they compete well against bananas from other origins due to their comparatively low unit prices at import level. As such, Guatemala is set to remain the third leading exporter of bananas globally, behind Ecuador and the Philippines, at an estimated volume share of 13 percent in 2019. Shipments from Colombia, currently the fourth largest supplier globally, are forecast to grow by 3 percent to 1.8 million tonnes in 2019, equivalent to approximately 9 percent of global volumes. Successful efforts to raise production through an expansion in planted area as well as technology-related productivity gains supported this growth. These also helped counteract

1 Preliminary data and information in this market review were compiled from communications with national sources and industry partners in trading countries, monthly data from TDM and COMTRADE and secondary information and data from desk research. Predictions for 2019 trade data were produced using a seasonally adjusted forecast model and expert considerations on current and most recent market developments. All data in this report should be considered as provisional.

the damaging effects of heavy rains attributed to the El Niño weather phenomenon that affected Colombian banana production during the first eight months of the year. In addition, the discovery of the highly damaging Banana Fusarium wilt Tropical Race 4 (TR4) pathogen on farms in Northern Colombia in July 2019 has been causing substantial concern throughout the industry and threatening to reduce profit margins on account of higher costs for prevention in the latter half of the year (see section on TR4 below). Weather-induced production shortages also resulted in an estimated 33 percent drop in exports from Costa Rica, to approximately 1.2 million tonnes. Low temperatures, humidity and flooding, which had already afflicted Cost Rican banana plantations for several months in 2018, continued to reduce yields significantly. This in turn benefited banana exports from Panama, which reported shipments of approximately 160 000 tonnes to Costa Rica in the first eight months of the year. Overall, exports from Panama are expected to nearly triple in 2019, to close at an estimated 570 000 tonnes, as a result of higher supplies and a related 35 percent decline in export unit values.

Exports from the **Caribbean** are forecast to drop to some 114 000 tonnes in 2019 – a decrease of approximately 11 percent compared to 2019. Severe weather-related disruptions to production in the Dominican Republic, which accounts for approximately 90 percent of exports from the region, continued to affect the overall export performance of the Caribbean. Banana production in the Dominican Republic has been dramatically affected by adverse weather conditions since 2017, when Hurricane Irma caused substantial damage to plantations. Critical conditions of drought and repeated tropical storms again resulted in substantial crop losses in 2019, leading to high domestic prices for bananas within the Dominican Republic and an estimated 10 percent decline in exports from the country. In light of the uncertain production situation, producers reportedly continued to be unable to secure export contracts and faced additional difficulties from higher input costs caused by elevated irrigation needs. The increasing frequency and magnitude of adverse weather events in the region provide considerable cause for concern, particularly for small exporters from the Windward Islands, whose competitive positioning in banana trade has been undermined by their inability to shield crops from natural disasters.

Asian exports continued to display a healthy recovery from the weather-induced production shortages that occurred between 2015 and 2017, and are forecast to reach a peak of 4.5 million tonnes in 2019, representing an increase of 18 percent compared to 2018, when they stood at 3.8 million tonnes. The rise is primarily due to another year of strong production growth in the Philippines, where exports are predicted to reach close to 4 million tonnes in 2019, an estimated increase of 17 percent compared to the previous year and an unprecedented record. Banana production in the Philippines had been affected by a series of adverse weather conditions as well as outbreaks of TR4 between 2015 and 2017, in response to which significant investments were made in area expansion, disease prevention, new technologies and improved inputs. The Philippines ranks as the largest exporter in the region, accounting for approximately 90 percent of total export volumes from Asia. Its two major markets continued to be China and Japan in 2019, which were reported to have absorbed around one third of Pilipino exports each between January and August 2019. Following a reported increase in shipped volumes of more than 60 percent over this period, China overtook Japan as the largest destination for bananas from the Philippines in 2019, procuring approximately 1 million tonnes. Thanks to the significant recovery in supplies in 2018 and 2019, the Philippines regained its place as second largest global exporter of bananas behind Ecuador, accounting for an estimated 20 percent of global shipments in 2019.

Africa's exports[2] are predicted to display only a very slight increase of half a percentage point compared to 2018, as a result of further significant disruptions to supplies from Cameroon. The country ranks as the second largest exporter from the region, but prolonged civil unrest continued to hinder production and export routes for the second year in a row in 2019. Consequently, shipments from Cameroon are expected to decline again, this time by 20 percent, dropping to an estimated 167 000 tonnes, equivalent to 21 percent of exports from the region in 2019. Shipments from the

2 For the purpose of this study, intra-African trade is excluded.

leading exporter in the region, Côte d'Ivoire, reportedly rose by 12 percent in the first ten months of 2019 compared to the same period in 2018, pointing to an overall export volume of 426 000 tonnes for the whole year. The country had made significant investments into revitalizing its domestic banana production since 2017, with additional financial support from the European Union. Exports from Côte d'Ivoire primarily reach the EU, most importantly France, where they benefited from the supply shortages from Cameroon in 2019. While shipments from Cameroon to France declined by 76 percent between January and September 2019, exports from Côte d'Ivoire registered a 45-percent increase over the same period, to a reported 178 000 tonnes.

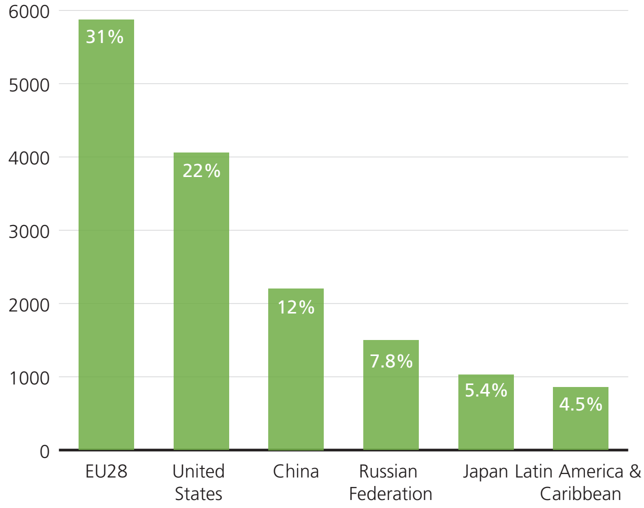
Imports

Global net import volumes of bananas are expected to reach 18.9 million tonnes in 2019, an estimated increase of 3 percent compared to 2018. Preliminary data indicate a contraction of 1 percent and 4 percent in the two largest net importers, the European Union and the United States, respectively. Conditions of supply outstripping demand continued to significantly suppress prices in both destinations in 2019, particularly during the summer months, when competition from temperate fruits was strong in both the United States and the European Union. This continued to cause substantial concern to African, Caribbean and Pacific (ACP) exporters and European producers, who are faced with considerably higher production costs and thus are typically unable to compete on prices.

Net imports by the **European Union** (EU), the largest global importer, are expected to drop slightly to 5.9 million tonnes in 2019, from their unprecedented peak of 6 million tonnes in 2018. The major importing countries within the EU, in particular Germany, the United Kingdom and Italy, reported lower import and consumption levels on account of strong competition from temperate fruits during the unusually long and warm summer season. Imports by France and Spain faced additional competition from higher domestic supplies from the French West Indies and the Canaries, respectively. Monthly developments of indicative EU import values of bananas closely reflected the overall supply and demand situation. Early in the year, a

Figure 2

Distribution of global imports by market, 2019 forecast (thousand tonnes and share in global imports)



shortage in export supplies resulted in EU import unit values reaching a peak of USD 944 per tonne in April 2019. During the summer months, abundant export supplies, coupled with the above mentioned decline in demand, resulted in a significant drop in prices, with EU import unit values reaching a trough of USD 834 in August 2019. Overall, during the first ten months of the year, average import prices in the EU stood 2 percent lower in 2019 than in 2018. In terms of imports by origin, three of the main exporting countries situated in Latin America – Ecuador, Colombia and Costa Rica – continued to dominate the market, providing some 80 percent of all EU imports. While shipments from all three exporters benefited from further scheduled tariff reductions in 2019, they nevertheless registered volume declines compared to the previous year as a result of the reduced EU import demand. Similarly, shipments to date from several competing ACP exporters, particularly from Cameroon and Ghana, remained well below those of the corresponding period last year. ACP exporters notoriously struggle to match the price levels of bananas from Latin America and have continued to express concern over the scheduled tariff reductions.

Regarding the import thresholds set by the European Commission (EC) as part of the Banana Stabilisation Mechanism, data reported by the EC in October 2019 show that two Latin American exporters significantly exceeded the import volumes agreed in the respective bilateral trade agreements. According to these data, volumes from Nicaragua reached 51 000 tonnes or 352 percent of the agreed level in the first ten months of 2019, while volumes from Guatemala reached 145 000 tonnes or 200 percent of the agreed levels. Imports from Peru, meanwhile, reached 82 000 tonnes or 81 percent of the agreed level, thereby exceeding the 80 percent trigger level. However, given the relatively small share of bananas imported into the EU from these producers when compared to their main competitors –-Colombia, Ecuador and Costa Rica - the impact on prices and on the overall stability of the European banana market remained negligible. In terms of planned tariff reductions, the MFN tariff rate decreased to 114EUR/tonne on 1 January 2019 as per the stipulations of the 2009 Geneva agreement on trade in bananas. The tariff rates agreed under the Central American and Andean bilateral agreements meanwhile decreased to 82EUR/tonne on 1 January 2019 and are scheduled to be reduced to their final level of 75EUR/tonne on 1 January 2020. Imports from Ecuador will pay a tariff of EUR76/tonne from 1 January 2020 onwards.

European banana production is forecast to reach 628 559 tonnes in 2019, approximately 6 percent above the level reached in 2018.[3] This is primarily due to further output increases estimated for Guadeloupe and Martinique, the main suppliers of bananas to France, which would together account for almost one third of European banana production in 2019. Following the severely destructive tropical storms that hit the Caribbean in the fall of 2017, Martinique and Guadeloupe, the two French West Indies suppliers, had suffered a near complete loss of banana crops, which continued to affect their production capacity in 2018. Despite the partial recovery expected in Martinique, production will remain well below the average of 190,000 tonnes registered from 2014 to 2016, at an estimated 154,136 tonnes in 2019. Production in Guadeloupe meanwhile is anticipated to increase to an estimated 48 640 tonnes in 2019. In response to the improved supply situation from the French West Indies, and in view of higher competition from temperate fruits during the warm summer months, France reduced its imports of bananas from third country suppliers in 2019. Between January and September 2019, France reportedly acquired 494,000 tonnes from global markets, a 7 percent decrease compared with the same period in 2018.

Net imports into the **United States** (US) are expected to fall to 4 million tonnes in 2019, ranking the US as the second largest banana importer with an estimated global volume share of 22 percent in 2019. Adverse weather in several of the major exporters to the US - most notably in Costa Rica, Ecuador and Colombia - resulted in continued difficulties in obtaining supplies. Between January and September 2019, Guatemala accounted for some 41 percent of supplies to the US, while Costa Rica and Ecuador provided approximately 17 percent and 15 percent of volumes, respectively, making disruptions to shipments from these exporters particularly critical. However, in addition to the shortages in supply, import demand in the US remained subdued from April 2019 onwards, more than offsetting the effects of lower imports. Similarly to the situation observed in the EU, this was mostly on account of a shift in consumer demand towards summer fruits. US wholesale prices closely reflected the overall market situation, reaching a peak of USD 1 per kilogram in March 2019 and declining continuously thereafter to USD 0.92 per kilogram in November 2019. On average, US wholesale prices stood 1.7 percent lower between January and November 2019 than during the same period of 2018.

Imports by **China** are expected to reach 2.2 million tonnes, following an estimated expansion of 36 percent from 2018. Chinese import demand for bananas continued to be driven by weather- and disease-related disruptions to domestic production as well as fast income growth and associated changes in consumer preferences. As such, China expanded its volume share to an estimated 12 percent of global net imports, overtaking the Russian Federation as the third largest importer of bananas globally. Similarly to Japan, China procures the majority of its bananas from the Philippines, and benefited from higher Pilipino supplies in 2019 following the recovery of production. Indicative data for the first three quarters of 2019 further suggest that China increased imports from Ecuador by 125 percent, to approximately 350 000 tonnes, and nearly doubled imports from Vietnam, to roughly 220 000 tonnes.

3 Estimate provided by the European Commission in September 2019

Imports by the **Russian Federation** are expected to decline by 4 percent in 2019, to an estimated volume of 1.5 million tonnes. Previously the third largest banana importer globally behind the EU and the US, the Russian Federation is accordingly expected to account for 8 percent of total global net imports in 2019. Banana imports by the Russian Federation had witnessed significant increases in 2016 and 2017, aided by a stronger currency, rising incomes and changing consumer preferences. In view of the rouble's renewed loss of purchasing power, banana imports by the Russian Federation began to decelerate in pace in 2018, and were additionally hampered by competition from abundantly and cheaply available temperate fruits in 2019. Approximately 98 percent of banana imports into the Russian Federation originated in Ecuador between January and September 2019.

Banana imports by **Japan** are expected to slightly exceed 1 million tonnes following moderate growth of 2 percent in 2019. In light of an increasing popularity of bananas among Japanese consumers, import growth in Japan continued to benefit from the production recovery in the Philippines, traditionally the largest supplier to Japan. Facilitated by ample supplies, exports from the Philippines to Japan reportedly increased by 41 percent between January and August 2019, to approximately 890 000 tonnes.

Recent challenges to banana trade: The example of the Fusarium wilt disease of banana

Banana Fusarium Wilt disease, which has been severely affecting banana plantations in several growing regions since the late 19th century, continues to be of serious concern to the global banana industry.[1] The current strain of the disease, described as Tropical Race 4 (TR4), poses particularly elevated risks to global banana supplies as it can affect a much broader variety of banana and plantain cultivars than previous strains of Fusarium wilt.[2] In addition, there is currently no effective fungicide or other eradication method that is capable of eliminating TR4. In affected plants, the disease can quickly cause a total yield loss. According to official information, TR4 is currently confirmed in 17 countries, predominantly in South and Southeast Asia.[3] Due to the longevity of the fungus in the soil, infected land becomes unavailable for banana or any other cultivation for decades, resulting in a shift of production to new, unaffected land as the only recourse. Depending on the severity of the spread, outbreaks can result in an increasing scarcity of pathogen-free soils. In all reported cases, once a farm has been contaminated, managing the disease has proved extremely challenging and costly. This poses a particular threat to the livelihoods of smallholder banana producers in affected regions, who often lack the financial means to sustain operations in the face of simultaneous yield losses and increased production costs. In this regard, prevention, rapid containment and quarantine are particularly important.

In July 2019, the fungus was detected for the first time on banana plantations in Latin America, in the northeastern region of La Guajira, Colombia. According to official information, 175 hectares of banana farms have been put under quarantine by the Instituto Colombiano Agropecuario (ICA). The discovery of Fusarium wilt TR4 in the world's most significant net exporting region, Latin America and the Caribbean, as well as its enduring occurrence in Asia, has caused considerable alarm in the banana export industry. Given the current annual value of production for export and the importance of *Cavendish* bananas for smallholders in the region, TR4 threatens to cause substantial losses to the sector. To date, few estimates of the additional disease-related expenses to producers are available, but it is clear that Latin American producers and exporters will be faced with significantly higher costs to shield their production from TR4. Key exporters from the region, including Ecuador, Costa Rica, Peru and Panama, have started to draw up national prevention and containment strategies, such as fumigation and sterilization of vehicles at border crossings, and the application of organic measures to neutralize the fungus. The formation of a regional, and potentially global, TR4 initiative was additionally requested by Costa Rica's National Banana Corporation (Corbana) in November 2019, alongside a request for a doubling of the funds dedicated to disease research.[4] FAO and the World Banana Forum are furthermore establishing a Global Network on TR4 aimed at facilitating global collaboration to complement the work of the Forum's Task Force on TR4, as well as a regional Technical Cooperation Project to help countries in Latin America and the Caribbean fight the spread of Fusarium wilt. Strengthened international collaboration, particularly with regards to enhanced data collection and information sharing, can support improved awareness, prevention and containment of Fusarium wilt TR4 and be conducive to more resilient global banana production systems.

1 An assessment of the potential economic impact of the TR4 disease was published in the November 2019 edition of the FAO Food Outlook, pp. 13-20, accessible here: http://www.fao.org/3/CA6911EN/CA6911EN.pdf

2 Ploetz (2005)

3 FAO (2019)

4 Freshplaza, https://www.freshplaza.com/article/9166454/south-american-banana-producers-want-to-create-a-common-front-to-fight-the-fusarium/

Table 1 - World gross exports by country

	2013-2017 average	2018	2019
	(thousand tonnes)		
Latin America & Caribbean	**14 270**	**14 730**	**14 777**
South America	**8 114**	**8 833**	**9 004**
Bolivia (Plurinational State of)	131	123	122
Brazil	73	66	80
Colombia	17 641	1 748	1 806
Ecuador	5 868	6 554	6 685
Mexico	435	565	585
Panama	250	209	570
Peru	176	232	222
Suriname	75	71	23
Venezuela (Bolivarian Republic of)	0	0	0
Central America	**5 866**	**5 769**	**5 659**
Belize	89	140	106
Costa Rica	2 213	1 750	1 178
Guatemala	2 107	2 376	2 494
Honduras	697	633	627
Nicaragua	73	96	99
Caribbean	**291**	**128**	**114**
Dominica	1	0	0
Dominican Republic	275	120	108
Jamaica	**0**	**0**	**0**
Saint Lucia	13	**8**	**5**
Saint Vincent and the Grenadines	2	**0**	**0**
Asia	**2 596**	**3 829**	**4 510**
China (Mainland)	9	19	19
Malaysia	23	24	24
Pakistan	56	65	0
Philippines	2 366	3 388	3 950
Thailand	28	**39**	**25**
Viet Nam	33	**148**	**287**
India	73	**116**	**181**
Indonesia	8	**30**	**23**
Africa	**738**	**785**	**789**
Cameroon	276	207	167
Cote d'Ivoire	349	377	426
Ethiopia	11	9	8
Ghana	59	95	71
Madagascar	0	0	0
Uganda	5	2	4
Zimbabwe	1	4	7
Oceania	**0**	**0**	**0**
Eastern Asia	9	**19**	**19**
WORLD	**17 000**	**19 344**	**20 077**

Table 2 - World gross imports by country

	2013-2017 average	2018	2019
	(thousand tonnes)		
DEVELOPING COUNTRIES	**3 617**	**4 125**	**4 994**
Latin America & Carribbean	**734**	**822**	**855**
Argentina	430	449	440
Chile	171	219	261
El Salvador	60	70	71
Uruguay	48	51	52
Paraguay	19	28	28
Trinidad and Tobago	**5**	**4**	**4**
Asia	**3 483**	**3 971**	**4 695**
China	**995**	**1 621**	**2 206**
China (Mainland)	928	1 545	2 132
China (Hongkong)	62	71	68
China (Macau)	4	5	6
Iran (Islamic Republic of)	212	0	0
Jordan	12	20	24
Republic of Korea	368	427	369
Kuwait	102	67	67
Saudi Arabia	205	156	135
Singapore	54	57	54
Syrian Arab Republic	292	0	0
Turkey	216	155	110
United Arab Emirates	139	149	299
Bahrain	1	1	14
Iraq	112	163	221
Lebanon	0	0	0
Qatar	7	25	3
Armenia	8	22	8
Azerbaijan	10	37	10
Georgia	17	24	58
Kazakhstan	38	34	68
Kyrgyzstan	10	10	8
Africa	**365**	**335**	**470**
Algeria	215	90	181
Egypt	8	4	6
Morocco	17	28	19
Senegal	12	0	41
Tunisia	47	56	40
Botswana	2	0	1
Burkina Faso	2	0	3
Libya	25	7	13
South Africa	49	149	153
Developed	**12 899**	**14 105**	**13 857**
European Union	**5 259**	**5 960**	**5 871**
Albania	19	29	31

	2013-2017 average	2018	2019
Belarus	70	74	69
Bosnia and Herzegovina	38	53	54
Iceland	4	4	3
North Macedonia	20	0	0
Republic of Moldova	11	14	14
Norway	84	84	82
Russian Federation	1 344	1 557	1 499
Serbia	54	76	88
Montenegro	10	12	11
Switzerland	87	95	94
Ukraine	211	251	286
North America	**4 654**	**4 805**	**4 645**
Canada	569	593	589
United States of America	4 085	4 212	4 056
Japan	**965**	**1 003**	**1 026**
New Zealand	**78**	**89**	**85**
World	**16 516**	**18 230**	**18 852**

Notes

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CA7567EN/1/02.20