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SRD Market Intelligence Brief™

DRIED BANANAS

Seasonal Supply & CIF Prices 1988-1990
in Germany, U.K., France and Japan

Prepared by
SRD Research Group Inc.
Logan, Utah

for Market Development Division, EIED
Mahaweli Authority of Sri Lanka

and

U.S. Agency for International Development
Office of Private Sector Development
Colombo, Sri Lanka

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This *Market Intelligence Brief* presents a simplified analysis of seasonal supply and CIF prices for dried bananas in four selected target markets including Germany, the U.K., France and Japan for the three year period from 1988 through 1990.

1. Summary of Average CIF Prices and Annual Supply for all Four Target Markets from 1988 to 1990

Figure 1 summarizes weekly estimated CIF prices and annual supply for dried banana imports in all four of the targeted markets.

Average CIF Prices. The average weekly CIF price for the four target markets varies seasonally over a range from roughly \$1.60 to \$2.60/Kg. U.K. prices are generally the lowest and Japanese generally the highest with German and French prices fluctuating on either side of the four country average line indicated

with heavy black shading in Figure 1. French prices show the widest seasonal variation with relatively strong increases in the mid-year weeks and relatively low prices during the fall period. Though prices appear to be somewhat weaker in the first half of the year, there is no clear season trend.

CIF prices over \$3.00/Kg. and less than \$.50/Kg. are relatively rare, most prices distribute closely on either side of the \$2.00/Kg. average trend line. CIF prices are useful indicators in preliminary analysis but must be used with caution due to potential reporting difficulties.¹

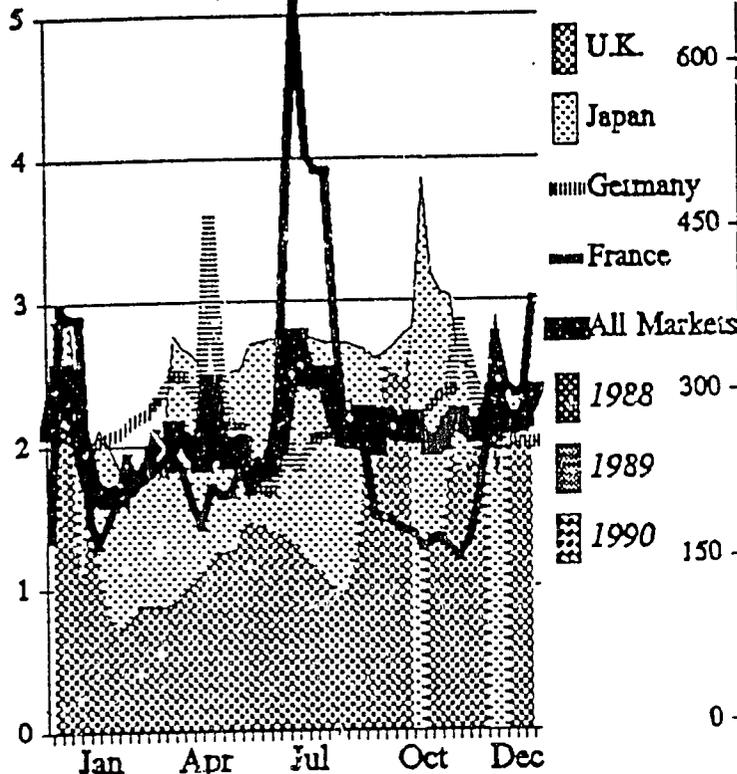
Annual Supply Levels. A three year history of total imports in the four target markets is presented in Figure 1. Germany is the largest current importer with imports of between 460-620 metric tons per year. The U.K. is the most widely fluctuating importer with imports in 1989 more than double imports for 1988. Total imports by all four countries have been near the 1,500 metric ton level during the period but there is a notable decreasing trend evident in Figure 1.



DRIED BANANAS Four Market Summary

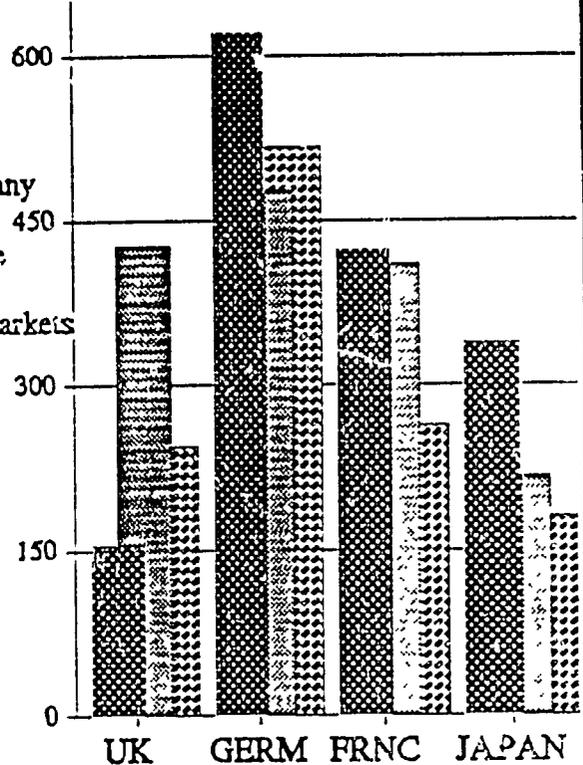
Weekly Estimated CIF Prices

Weekly Ave. US \$/Kg. (88-90)



Annual Total Supply

Annual Supply in MT



MULTIDEM™ PRODEM™ Dbase & Software ©1991 SRD Research Group Inc.

Figure 1: Summary of Average Weekly CIF Prices and Annual Supply for Four Markets

2. Import Supplies of Dried Bananas

Germany. Figure 2 outlines import volumes in metric tons for dried bananas in the West German market. The left hand component of Figure 2 outlines weekly estimated import volumes. Weekly import levels fluctuate around ten metric tons per week and SRD estimates the recently enlarged German market to be approximately a 15 ton per week market. Seasonal imports fluctuated wildly in 1988 but stabilized somewhat during 1989 and 1990. The annual pattern displayed in the right side of Figure 2 indicates a somewhat decreasing supply trend implying a 15-20% decrease in overall consumption per capita from 1988 to 1990². Annual imports over 600 tons in 1988 were followed by imports of roughly 500 tons in 1989 and 1990.

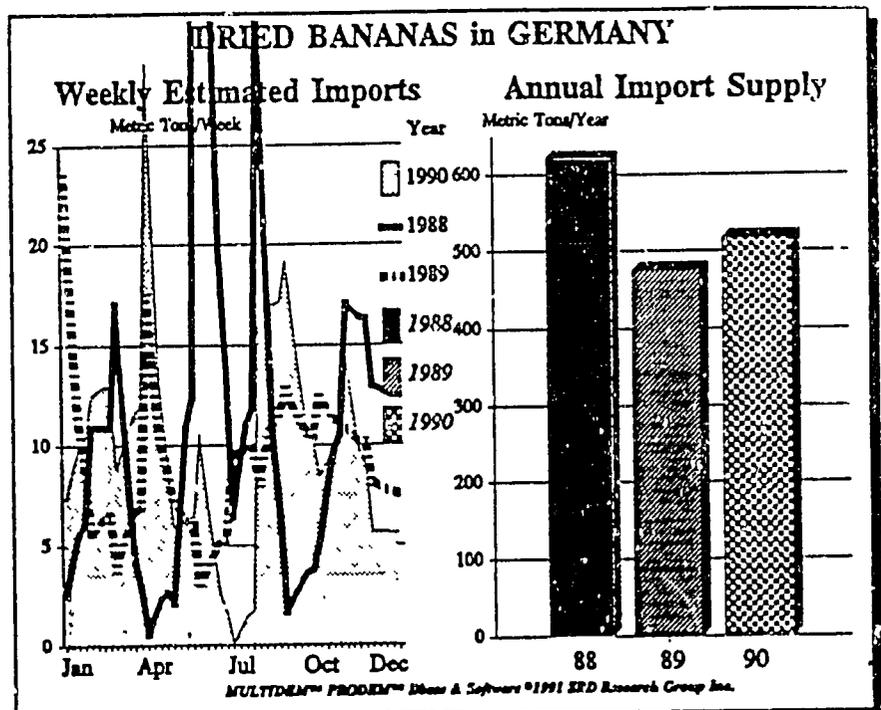


Figure 2: Germany: Weekly & Annual Dried Banana Imports

France. The French import market for dried bananas is roughly 25% smaller than West Germany. French supplies were just over 400 metric tons in 1988 and 1989 and then dropped to about 270 tons in 1990. The reasons for the significant reduction in imports in 1990 are not clear.

The exaggerated seasonal fluctuation of French imports appears to be a continuing process as evidenced by Figure 3. The only identifiable pattern appears to be a lull in imports around mid-year with unpredictable ebbs and surges in the first and last semesters.

Weekly import flows, assuming reasonable inventory maintenance levels, indicates that France is roughly an eight ton per week market at current pricing levels, but like Germany there appears to be a slight decreasing trend in consumption if the short three year series is to be interpreted as a trend indicator.

United Kingdom. Figure 4 outlines seasonal import patterns and annual trends for the United Kingdom during the three year analysis period from 1988 to 1990. The U.K. is the only country of the four examined to show a smaller import volume in 1988 than in the later years. The U.K. also shows the largest year to year variation, 1989 imports were almost three times as high as 1988 and almost double 1990. Since it is very unlikely that per capita consumption would vary that widely, these fluctuations are more likely associated with inventory shifts.

Seasonal import patterns in the U.K. show some consistency over the short three year period

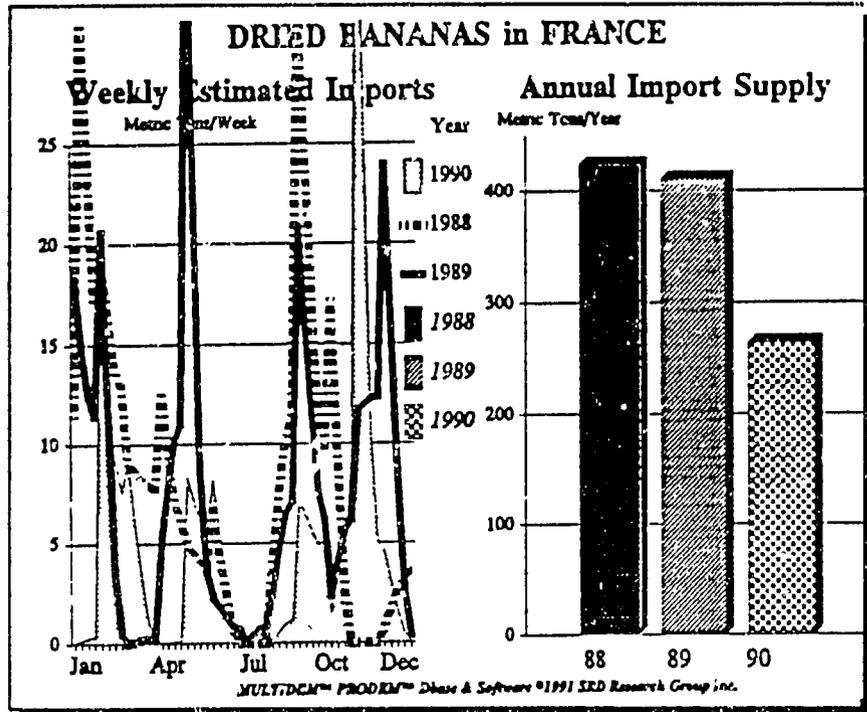


Figure 3: Weekly & Annual Estimated Imports of Dried Bananas into France 1988-90

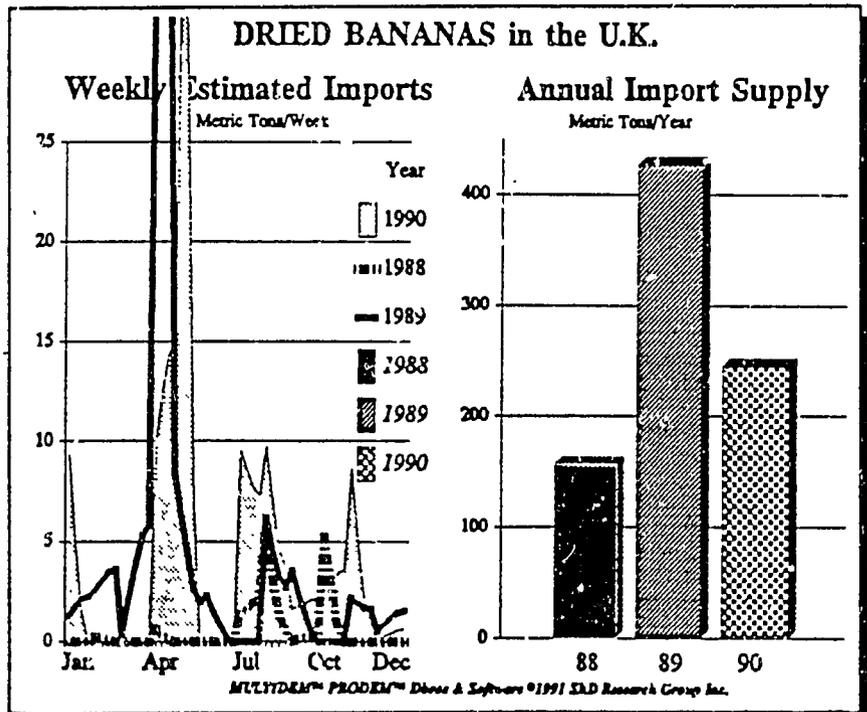


Figure 4: Weekly & Annual Estimated Imports of Dried Bananas into the U.K. 1988-90

under analysis with peaks in the early spring. The U.K. is estimated as a 6 MT/week market.

Japan. The Japanese markets appears to be the lowest per capita consumer of dried bananas of the four countries analyzed as illustrated in Figure 5. Annual imports also show the clearest decreasing trend over the three year period analyzed, starting with over 300 tons in 1988 and decreasing to less than 200 by 1990.

Seasonal import patterns show no discernable trend, except that peaks appear to concentrate like the other markets, during the early and late parts of the year with a relative lull in the mid-year weeks.

Based on the information contained in this three year period, it would appear that Japan has the capacity to absorb only about five tons per week at current pricing levels.

3. Weekly and Annual CIF Prices and Trends.

Germany. Annual prices in US\$ maintained a the most constant picture in Germany among the four countries analyzed. Figure 6 indicates that the German CIF price was very close to \$2.15/Kg. in all three years. There was a slight price increase in 1990.

Figure 2 on page 2 shows a roughly 20% decrease in volume imported in 1990 as compared with 1988 while CIF prices remained very nearly the same. The very small

rise in prices in 1990 does not appear to be associated with the change in volumes with the tentative conclusion that there is very little price response to shifts in volumes imported. This tentative conclusion suggests that increased supplies from Sri Lanka could be reasonably expected NOT to have adverse price impacts though supply and demand forces are not well illuminated by the limited data examined here.

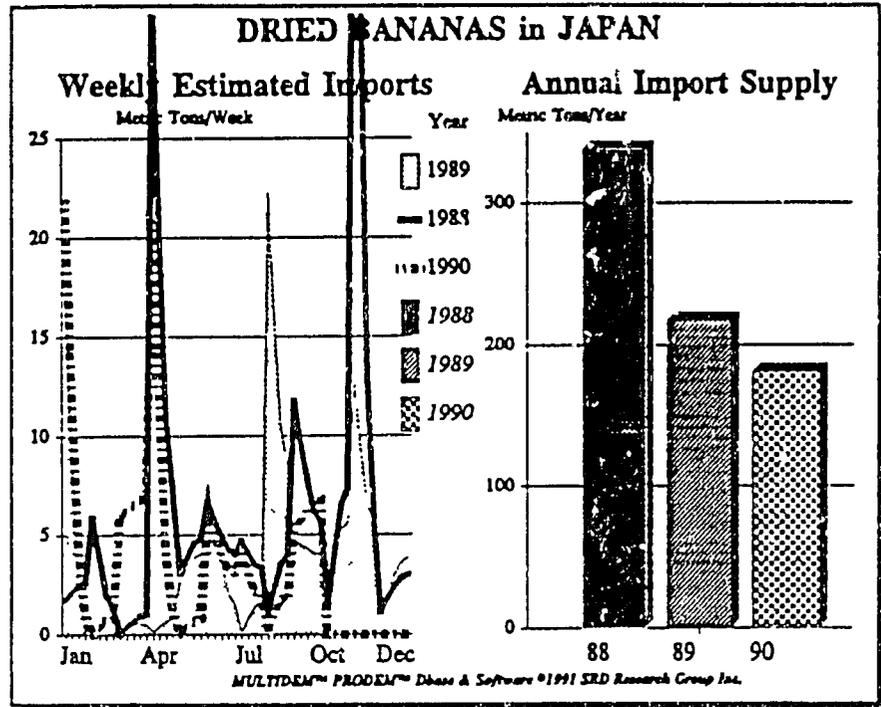


Figure 5: Weekly and Annual Estimated Imports of Dried Bananas into Japan 1988-1990

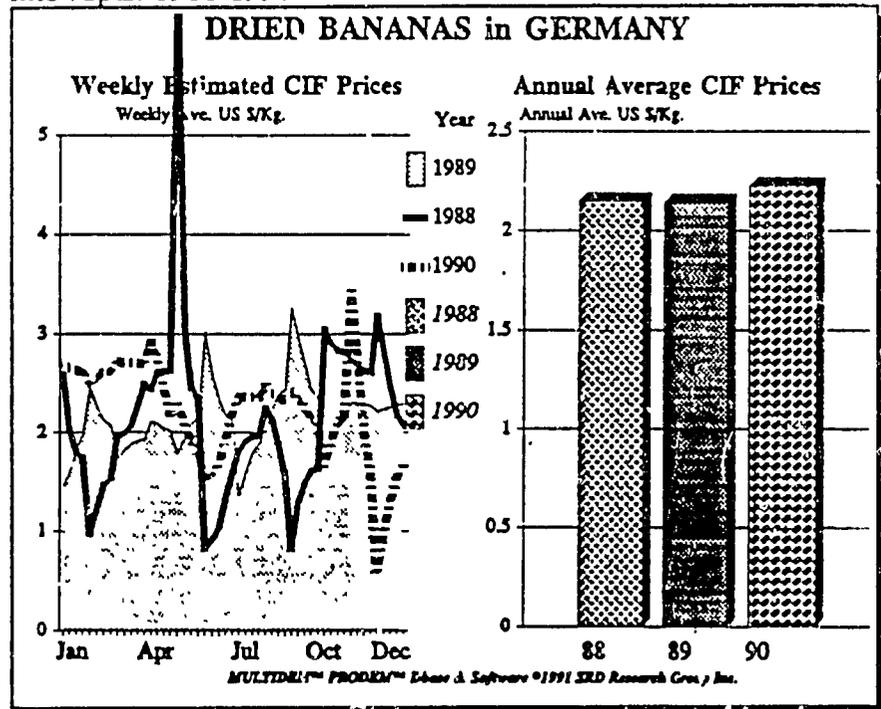


Figure 6: Estimated Weekly & Annual CIF Prices for Dried Bananas in Germany 1988-90

While average annual prices for Germany exhibit considerable stability, seasonal fluctuations are surprisingly large. Prices fluctuated between a low of around \$1.40/Kg. to highs around \$3.15/Kg.. Comparing these price fluctuations to variations in supply fails to show any consistent relationship between the volume of imports in a seasonal period and prices.

France. Figure 7 outlines CIF price patterns for dried banana imports into France during the last three years. During the first two of the last three years, prices were significantly lower than during 1990. Given the fact that France imported significantly less product in 1990 than in the earlier two years (see Figure 3 page 2) there appears to be a plausible relationship between price and volume supplies. Annual average data reveal this pattern more clearly than seasonal data as can be seen by setting the annual bar charts from Figures 7 and 3 alongside each other.

Seasonal price fluctuations in the case of France also appear to be plausibly supply driven as can be seen by the opposite movements in prices and volumes in the mid-year weeks in Figures 7 and 3. While Germany appears to be relatively price inelastic, France appears to be at least partially elastic and under some significant supply shortage pressure. CIF prices in France fluctuate across a very wide range seasonally, from near \$5.00/Kg. during low volume import periods, to roughly \$1.20/Kg. during high volume periods. Supply influxes on the order of 20 tons per week appear to be capable of triggering price drops of two to three fold.

United Kingdom. Figure 8 outlines price patterns for the U.K. A review of annual volumes and annual average prices for the three last years suggests that the U.K. market price is significantly responsive to supply volumes. Comparison of the annual summary portions of Figures 8 and 4 indicate that a drop in volume of approximately 45% is associated with a price increase of roughly 58%. The plausible relationship evident in annual averages is less obvious but still plausible in weekly data.

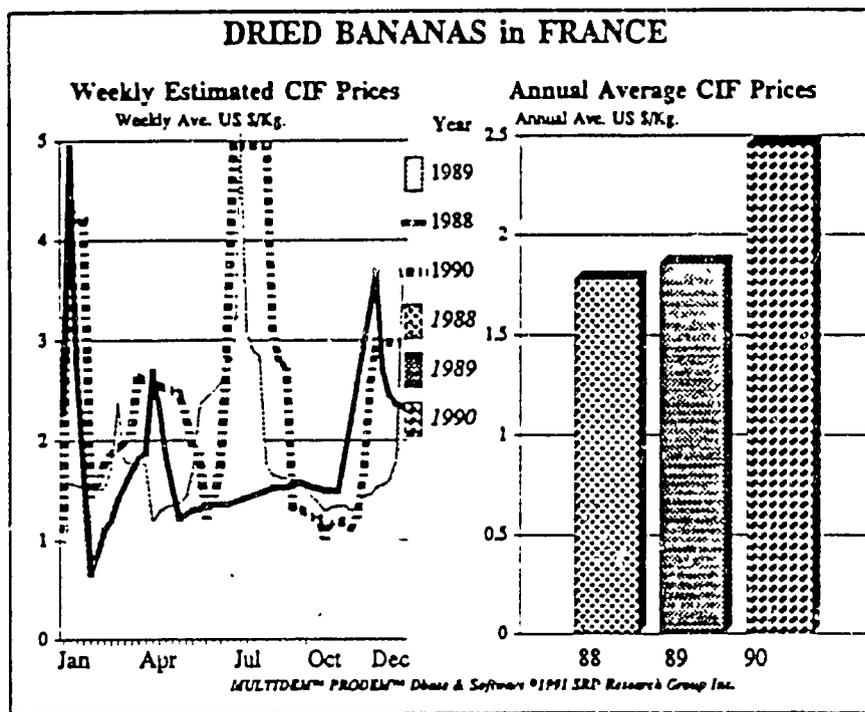


Figure 7: Weekly and Annual Estimated CIF Prices for Dried Bananas in France 1988-90

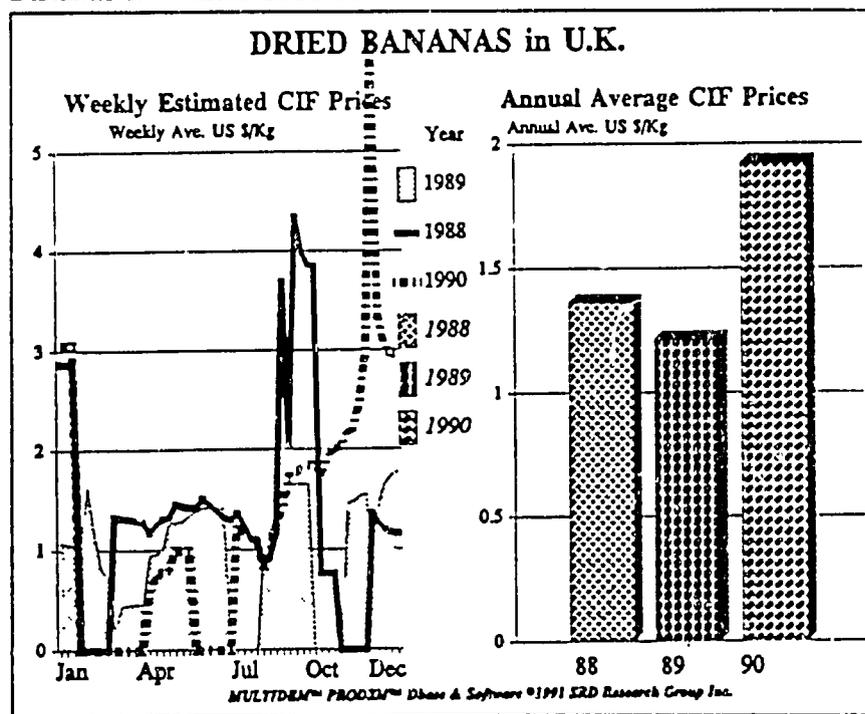


Figure 8: Weekly and Annual Estimated CIF Prices for Dried Bananas in the U.K.

U.K. prices are generally the lowest of the four countries studied, averaging near \$1.50 over the period.

Japan. Figure 9 suggests that Japanese CIF prices are not obviously related to volumes. Japanese prices are the highest on the average for the four countries and relatively stable on an annual basis at around \$2.50/Kg.

4. Sri Lankan Costs of Production and Transport and Potential Profitability.

This section is only intended to provide a framework for analysis of costs of production and profitability by comparing some available cost data with the CIF prices included in the earlier sections of this Brief. Based on a review of Sri Lankan farm production budgets, SRD estimates that specialty varieties of bananas can be produced in Sri Lanka for roughly US\$ 0.07/Kg.. Assuming a weight reduction ratio for dry bananas of 85%, this would imply a raw product cost of \$0.46/Kg. A review of Sri Lankan data indicated that no commercial drying data are available. Such data would have to be generated as a part of a feasibility study by processing experts. To illustrate how to utilize the data in this Brief in combination with such drying cost data, we assume that the costs of drying are \$0.30/Kg.. Transport costs to the analyzed markets might be in the range of \$0.19/Kg. giving a total cost of \$.95/Kg. Using this figure as a cost basis, it would appear that profit margins would range during most periods of the year in Germany over \$1.00/Kg., in Japan over \$1.50/Kg., and in the less attractive markets like the U.K. and France, usually over \$.75/Kg.

5. Bumpers/Lautenberg Amendment Analysis and Recommendation.

The United States is not a producer of bananas. Furthermore, a review of import statistics of the four analyzed countries fails to reveal any measurable imports of dried bananas from the U.S. Therefore no Bumpers/-Lautenberg issues are raised for the MED project, and SRD recommends that detailed feasibility analysis and support of dried banana exports from Sri Lanka to Europe and Asia proceed.

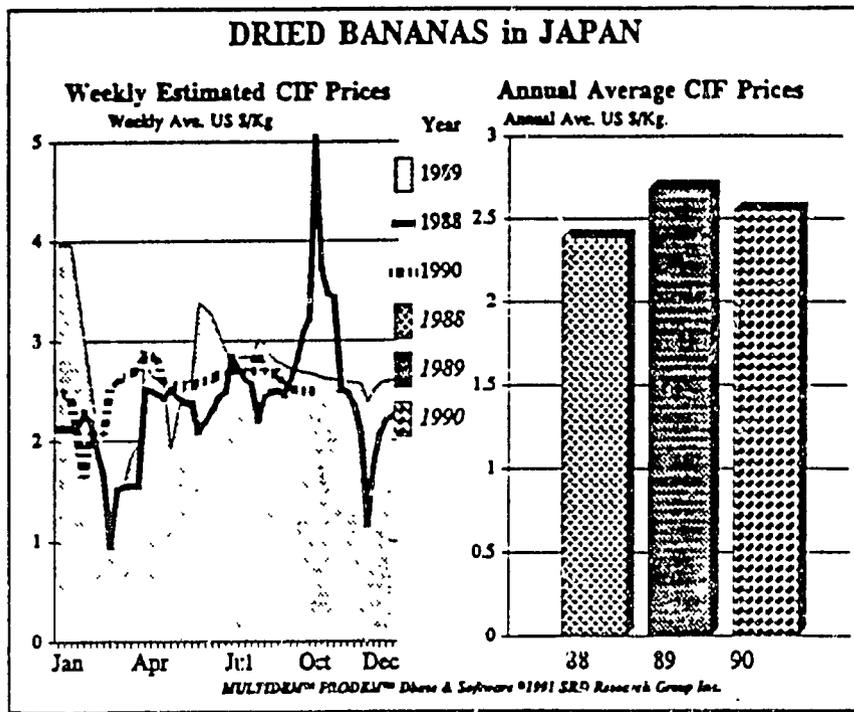


Figure 9: Weekly and Annual Estimated CIF Prices for Dried Bananas in Japan 1988-90

6. Summary and Conclusions.

Dried banana imports into the four countries analyzed have been approximately 1,500 metric tons per year during the last three years with a slightly decreasing trend over the period. A preliminary analysis of CIF prices over that same period suggests that the decreasing trend is more likely to be a supply shortfall than a decreasing consumer demand effect. Thus it appears that there is a reasonably good opportunity for increased supplies at current prices. It is SRD's estimate that these four markets could absorb roughly an additional 300 metric tons of supply without negative price effects which would substantially alter Sri Lankan profitabilities. If the rest of the Western European countries were to be included (Netherlands, Belgium, Switzerland, Scandinavia, and Austria) this market slack figure could probably be increased to 400 metric tons per year.

It appears that the two most attractive markets from a price point of view, Germany and Japan, are also the least price elastic and could absorb the largest additional volumes with least price deterioration. The U.K. and France which are less attractive from a price point of view are also the most likely to have negative price response to increased volumes.

Sri Lankan data on costs of production for fresh bananas and transport were reviewed and combined with illustrative costs of drying. It appears profitability margins could be in the range from \$0.75-1.50/Kg.

1./ CIF prices are obtained from official sources and may frequently reflect agreed upon declarations of value between buyer and seller rather than competitively established prices. Since minor processed food products are not often traded in formal wholesale markets, reliable and competitively determined wholesale prices are difficult to obtain. Therefore, CIF prices even with their inherent reporting weakness constitute the best available pricing analysis data.

2. Since dried bananas are storable, year end inventory changes may invalidate preliminary conclusions about consumption per capita drawn from annual import data.