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SRD Market Intelligence Brief™
BANANA PULP

Seasonal Supply & CIF Prices 1988-1990
in Germany, U.K., France and Japan
Prepared August 15, 1991 by
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This *Market Intelligence Brief* presents a simplified analysis of seasonal supply and CIF prices for banana juice, pulp and puree (hereafter banana pulp) in four selected target markets including Germany, the U.K., France and Japan for the three year period from 1988 through 1990.

Banana pulp appears to be a growing world market. Panama, Brazil, Honduras, Costa Rica, Ecuador and the Canary Islands currently account for the majority of the world supply, which is estimated at between 50,000 and 70,000 tonnes per year.[1] Most of this is shipped in the form of pulp or concentrate to manufacturers in the U.S. and Europe, to be used in the production of products like baby food, dairy products and beverages such as multi-fruit drinks. Currently banana pulp is seeing growth due to its use in the growing yoghurt market. Since EEC customs entry classification does not single out banana pulp, accurate figures are difficult to access. Trade statistics, however, estimate EEC demand at near 19,000 tonnes for 1990, up from an estimated 16,000 tonnes in 1988. The largest importer in the EEC is Germany because of its high yoghurt consumption. The U.K. is the next largest market, followed by France and Italy.[2]

The U.S. market is slightly larger, with imports of 18,600 tonnes in 1989 and 21,088 tonnes in 1990. This is a continuation of the trend that has seen imports rise from around 10,000 tonnes in 1985 to 16,000 by 1988, a 62% increase. Import values rose 53% over the same period, with prices in 1988 at about the $550 per tonne level.

In 1990 prices began to rise in response to a disruption in supplies from Honduras, and problems in Brazil. In Brazil, processors reported a significant reduction in supplies due to poor weather. Coupled with smaller export returns for sellers quoting US dollars, prices rose from $870/tonne to as high as $930/tonne (for 21-22 brix pulp in aseptic drums). Prices a year earlier were around $660/tonne fot.[3]

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 Pineapple Juice 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 $.60 to $.75/Kg. Because price statistics are only available the European market as a whole, there is no distiction between the weekly estimated CIF prices for Germany, France and the U.K. Japanese prices are estimated from a trade statistics category that also includes other pulps, so variation in price may be a result of higher prices for these other pulps. A clear trend, however, is evident in the four country average trend line indicated with heavy shading in Figure 1. From a low of around $.60/Kg. in 1988, prices rose to over $.90/Kg. by the end of 1990. Prices are a bit higher in Japan, and also appear to be rising over the short three year period analyzed. CIF prices are useful indicators in preliminary analysis but must be used with caution.[4]

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 Rising from 9,000 to 13,000 metric tons in the three years analyzed. The U.K. is the most consistent importer with imports in all three years near the 3,000 ton level. Total imports by all four countries have been near the 15,000 metric ton level during the period. though there is a notable increasing trend evident in Figure 1.

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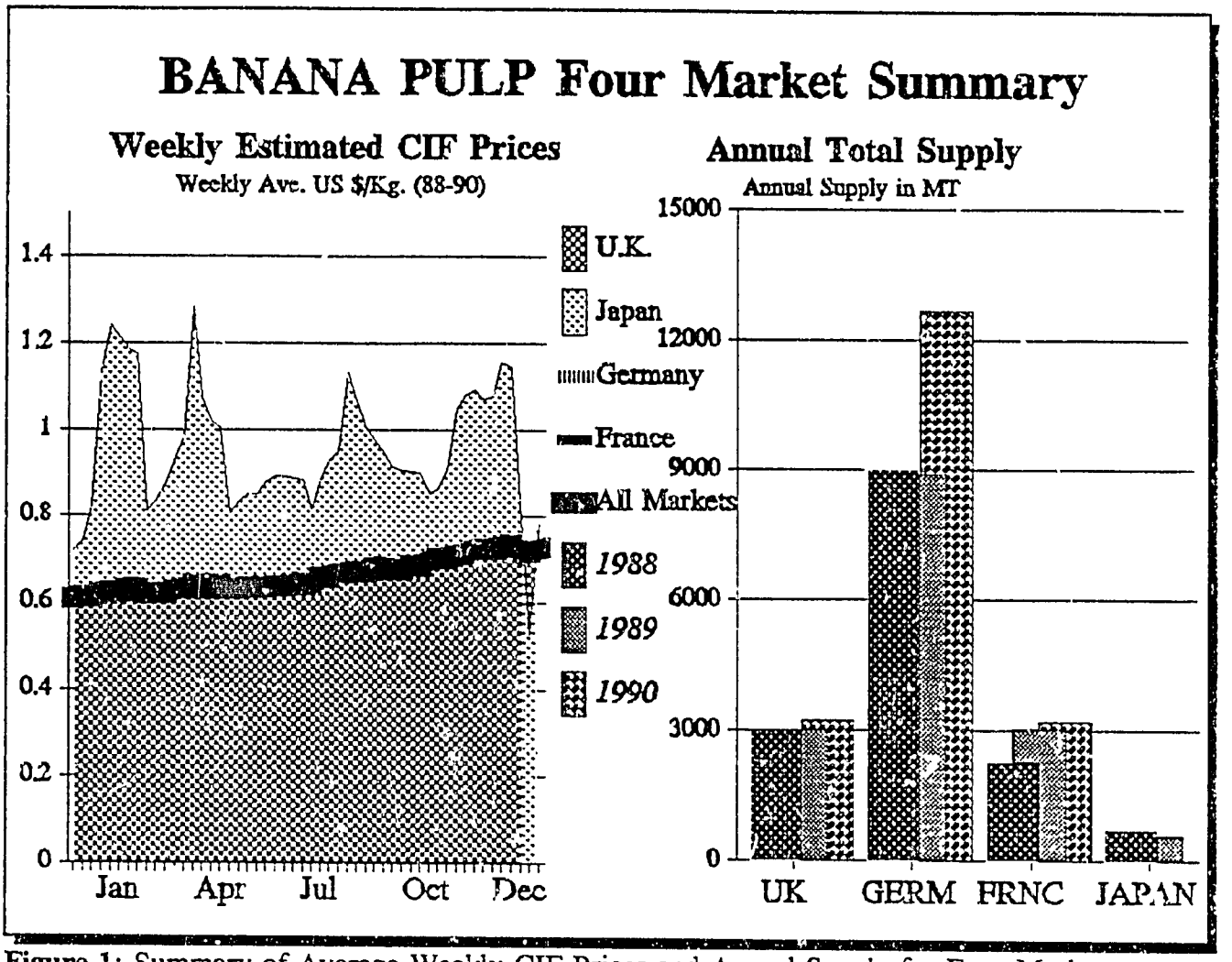

Figure 1: Summary of Average Weekly CIF Prices and Annual Supply for Four Markets

2. Import Supplies of Pineapple Juice

Germany. Figure 2 outlines import volumes in metric tons for banana pulp in the German market. The left hand component of Figure 2 outlines weekly estimated import volumes. Germany is by the largest consumer of banana pulp, with an estimated 50-60% of EEC imports.

Weekly import levels fluctuate around 200 metric tons per week and SRD estimates the recently enlarged German market to be approximately a 250-280 ton per week market. Expansion in the market is due not only to the 15% increase in population but also because of the increase in per capita consumption of yoghurt, in which banana pulp plays an important role.

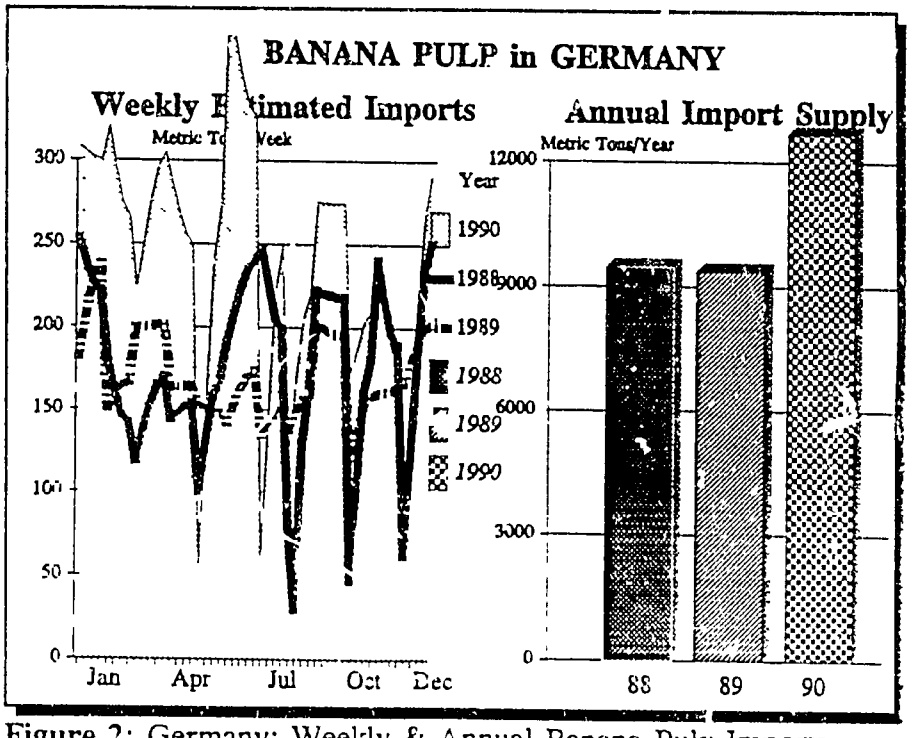

Figure 2: Germany: Weekly & Annual Banana Pulp Imports

The annual pattern displayed in the right side of Figure 2 indicates a steadily growing import trend. This translates into roughly a 20-30% increase in per capita consumption from 1988 to 1990. Annual imports near 9,000 tons in 1988 and 1989 were followed by imports of roughly 13,000 ton in 1990.

2. Import Supplies of Banana Pulp

France. The French import market for banana pulp is roughly 75% smaller than Germany. French supplies were around 2,300 metric tons in 1988 and then rose to over 3,000 tons in 1989 and 1990 French imports appear to be nearing a stable level of annual consumption, though they are still increasing slightly. Weekly import flows, assuming reasonable inventory maintenance levels, indicates France is roughly a 60 ton per week market at current pricing levels.

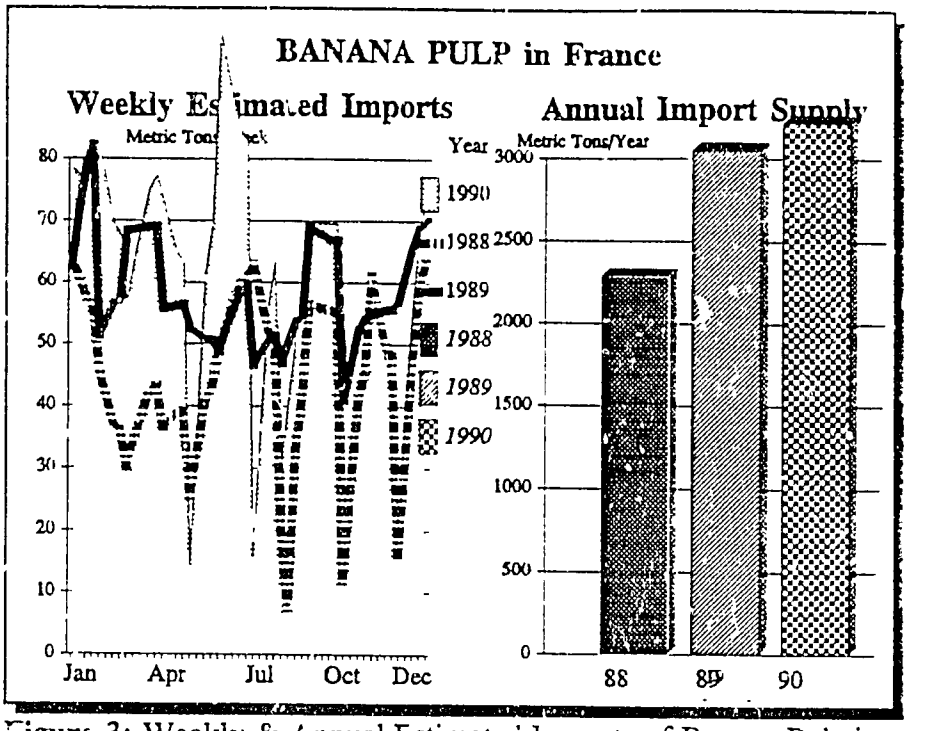

Figure 3: Weekly & Annual Estimated Imports of Banana Pulp into France 1988-90

United Kingdom. Figure 4 outlines seasonal import patterns and annual trends for the United Kingdom. The U.K. is not one of the larger consumers of yoghurt or fruit juices, but SRD's view is that the UK is a relatively "mature" market without the growth potential which exists elsewhere because annual imports totals of banana pulp have been nearly constant in the three year period. Germany and France have both experienced greater growth in this period. Faced with increased prices, the UK will probably not significantly increase import volumes. SRD expects the future of the UK market to be less attractive than the others markets discussed in terms of volume expansion capability.

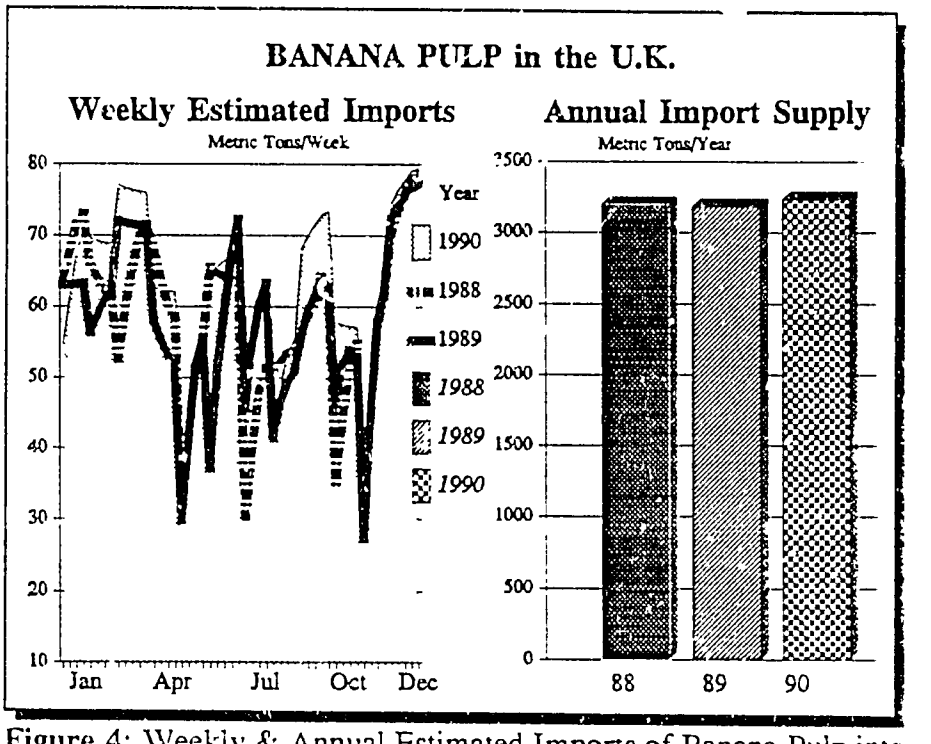

Figure 4: Weekly & Annual Estimated Imports of Banana Pulp into the U.K. 1988-90

Japan. The Japanese market is the only market of all markets studied that appears to have experienced a decrease in imports during the period studied, though 1990 data is lacking. This may change because Japan is implementing a major liberalization of its restrictive quota import system.

Japan appears to import during a three or four specific periods of the year. At their peak, these volumes are between 40 and 60 tons, which is similar to weekly volumes in France and the U.K. Annual totals, however, have ranged from over 700 metric tons in 1988 to under 600 tons in 1989. SRD feels that the Japanese market is too unstable at the current time to make a useable estimate of its ton per week capacity or to predict its medium term growth potential.

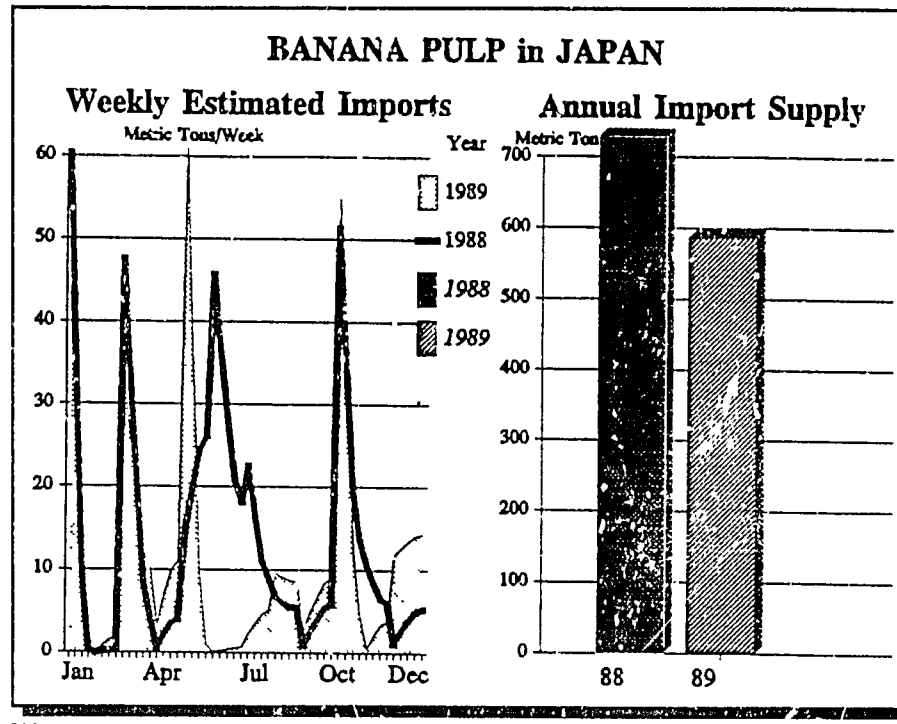

Figure 5: Weekly and Annual Estimated Imports of Banana Pulp into Japan 1988-1989

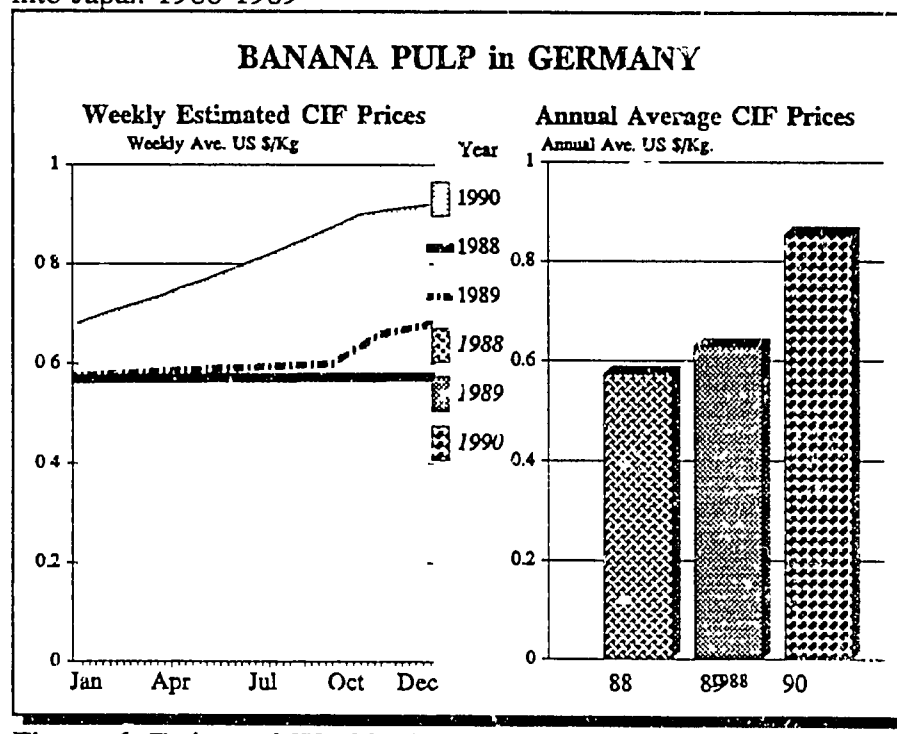

Figure 6: Estimated Weekly & Annual CIF Prices for Banana Pulp in Germany 1988-90

3. Weekly and Annual CIF Prices and Trends.

Germany. German prices, when reviewed in the light of quantity import trends, confirm that Germany was a relatively "immature" market with untapped demand potentials even before the addition of the East German population. Both prices and volumes increased from 1989 to 1990 suggesting that wholesalers and processors were able to find added markets by either trimming margins or passing price increases along to final buyers. Germany has significant long term growth opportunity, made even more attractive by the addition of 17,000,000 East German consumers.

France. Figure 7 outlines CIF price patterns for banana pulp imports into France during the last three years. French prices increased significantly in line with other importers, though its imports did not increase as dramatically as those of Germany. This suggests to us that the French market is somewhat "immature" like Germany. Though France has one of the highest levels of yoghurt consumption in Western Europe, it also has the lowest overall juice consumption level at 6 liters per person/year. This suggests that there is little potential in the juice area, but possible growth in the yoghurt market. Also, France does not have the boost of adding 17 million new consumers in a single year tne way Germany has. Thus SRD concludes, that while France is an "immature" market, its growth potential is not likely to be as large or as immediate as Germany's.

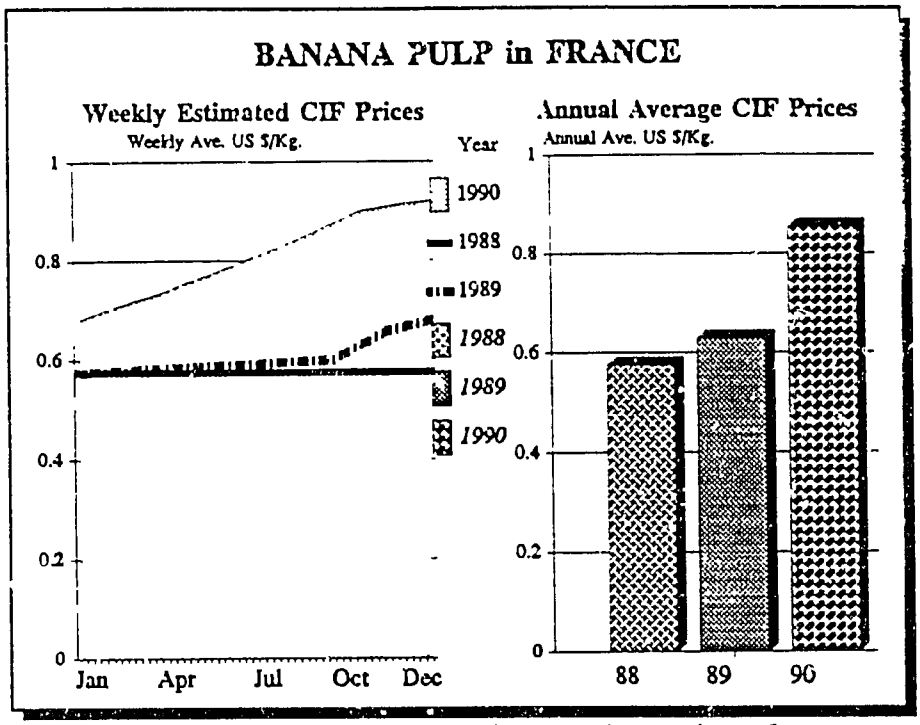

Figure 7: Weekly and Annual Estimated CIF Prices for Banana Pulp in France 1988-90

United Kingdom. Figure 8 outlines price patterns for the U.K. U.K. prices appear to have been fairly steady around $.60/Kg. in 1988-89 and then rose to around $.85 for 1990. The 25% price rise was accompanied by almost unchanged import levels. This suggests, as mentioned earlier, that the U.K. is a mature banana pulp market and than growth in quantity will come only as the result of lowered prices. This may be an overly rigid view of the UK market, but it appears the most consistent with the short run experience of the last three years.

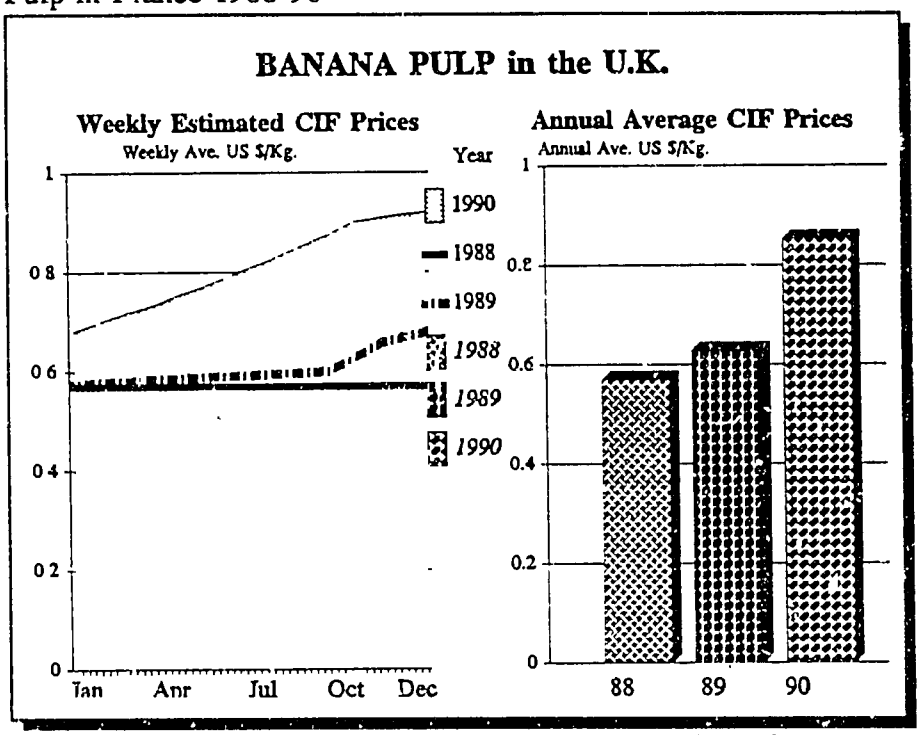

Figure 8: Weekly and Annual Estimated CIF Prices for Banana Pulp in the U.K.

There is potential for increasing U.K. overall yoghurt consumption, since it is not currently one the larger consumers of yoghurt in Europe, but large increases are not likely. Consumer preferences are hard to predict, however, and there is a chance that as overall juice and yoghurt consumption expands, banana will increase its role.

Japan. Prices in Japan, as illustrated in Table 9, appear to have risen in 1989 from 1988 levels, though as mentioned, these figures also include prices for other pulps and may not be extremely accurate for banana pulp. Reliable weekly price data for 1990 are not yet available.

The Japanese market is probably very immature as a result of rigid import restrictions. The size of its growth potential and the factors which will determine it are not yet obvious from the data available to SRD.

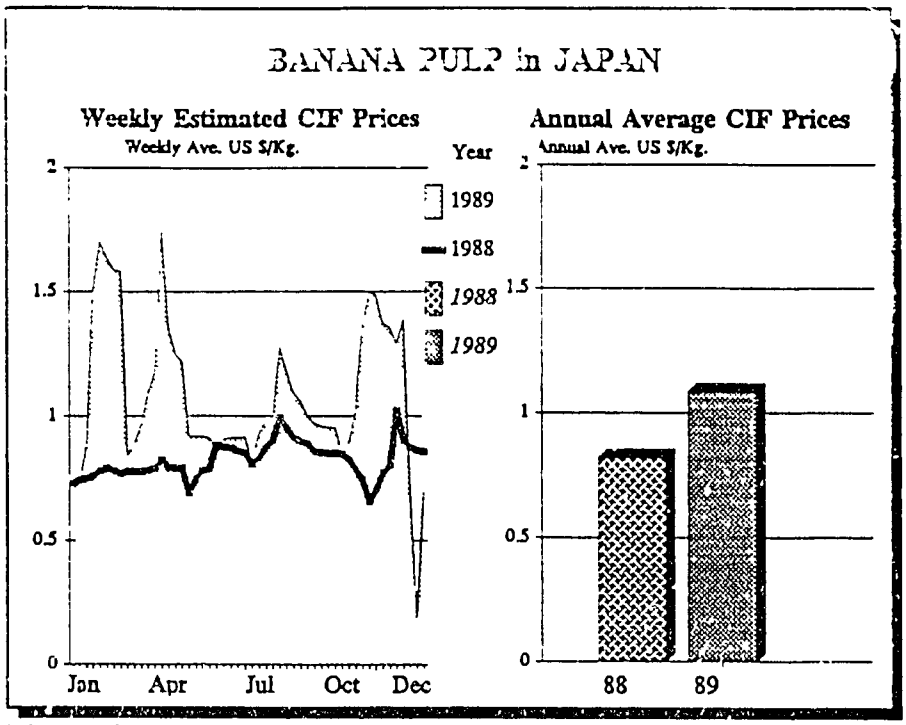

Figure 9: Weekly & Annual Estimated ~~Imports~~ of Banana Pulp into ~~the~~ Japan 1988-89 CIF PRICES

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 acceptable varieties of banana can be produced in Sri Lanka for roughly $ 0.07/Kg.. Assuming a weight reduction ratio to the average export combination of single strength juice and pulp and puree of 25%, the raw fruit cost would be approximately US$ 0.10/Kg. A review of Sri Lankan data failed to provide us with any cost data on pulp processing or concentrating. Such data would have to be generated as a part of a feasibility study by a processing experts. To illustrate how to utilize the data in this Brief in combination with such processing cost data, we have assumed that the costs of processing to be $0.22/Kg.. Transport costs to the analyzed markets might be in the range of $0.26/Kg. giving a total C&F of $.58/Kg. Using this illustrative figure as a cost basis, it would appear that profit margins would range during most periods of the year from $0.20-0.30/Kg..

5. Bumpers/Lautenberg Amendment Analysis and Recommendation.

While the U.S. is a producer of bananas, it is one of the world's largest importers and exports only insignificant quantities into the markets analyzed. Not only are the absolute quantities exported by the U.S. insignificant, but the US market share is even more insignificant.. Because the U.S. is a substantial net importer, the possibility of extending this situation to other important cases is negligible. SRD therefore recommends that detailed feasibility analysis and support of pineapple juice exports from Sri Lanka to Europe and Asia proceed.

6. Summary and Conclusions.

The banana pulp market has experienced significant growth over the past three years while at the same time prices have risen. Most European countries have increased imports and extended consumption during that period. An expected expanded market in Japan, occasioned by import liberalization, combined with the opening of Eastern Europe make for the possibility of an expanded supply situation while tightened supplies and weather problems have led to price increases of around 25%. The market has only recently been in this shortage phase with upward pressure on prices. SRD's view of the market is that it is still a very good one and will continue to be so for a considerable period, but only in certain immature markets like Germany. Still, new entrants into the market cannot expect an easy future. New entrants should attempt to position their additional supplies in market niches where expansion potentials exist in the longer run rather than simply count on riding a continued positive general market with shortage and high price conditions.

One possible niche for Sri Lanka could be in Germany based on the combined factors of the addition of 17,000,000

East German consumers with high propensity for yoghurt consumption. Another niche could be East Europe where other importers have less marketing experience and are at some transport cost disadvantage.

1. FOODNEWS, June 1990 page 33, and June 1991 page 26.

2. FOODNEWS, June 1990 page 33.

3. FOODNEWS, November 16, 1990, page 2.

4./ 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.