A PROFILE OF THE SOUTH AFRICAN BANANA MARKET VALUE CHAIN

2011

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# TABLE OF CONTENTS

1. DESCRIPTION OF THE INDUSTRY ......................................................................................................... 3
   1.1 Production areas ................................................................................................................................. 4
   1.2 Production ........................................................................................................................................... 4
   1.3 Employment ........................................................................................................................................ 5
2. MARKET STRUCTURE ............................................................................................................................ 6
   2.1 Domestic markets ................................................................................................................................ 7
   2.2 Exports ................................................................................................................................................ 8
   2.3 Provincial and district export values of South African bananas ......................................................... 11
   2.4 Share analysis ................................................................................................................................... 17
   2.5 Imports .............................................................................................................................................. 19
   2.6 Processing ........................................................................................................................................ 23
3. MARKET INTELLIGENCE ........................................................................................................................ 24
   3.1 Competitiveness of South African banana exports ............................................................................ 24
   3.2 Global role players ............................................................................................................................ 28
4. MARKET ACCESS ................................................................................................................................... 28
   4.1 Tariff, quotas and the price entry system ........................................................................................... 28
   4.2 European Union (EU) regulations ...................................................................................................... 31
   4.3 United States of America (USA) ........................................................................................................ 33
      4.3.1 Tariff barriers .............................................................................................................................. 33
      4.3.2 Non tariff barriers ....................................................................................................................... 33
5. DISTRIBUTION CHANNELS .................................................................................................................. 34
6. LOGISTICS ............................................................................................................................................. 34
   6.1 Mode of transport ............................................................................................................................... 34
   6.2 Cold chain management .................................................................................................................... 35
   6.3 Packaging and marking requirements ............................................................................................... 35
7. BANANA MARKETING CHAIN .............................................................................................................. 35
8. BUSINESS OPPORTUNITIES AND CHALLENGES .............................................................................. 38
9. ACKNOWLEDGEMENTS ....................................................................................................................... 39
1. DESCRIPTION OF THE INDUSTRY

Bananas are said to be native to tropical south and Southeast Asia, and are likely to have been first domesticated in Papua New Guinea. They are amongst the most important commercial subtropical fruits grown in South Africa and are planted for sale in local markets or self consumption and only a fraction of all bananas are sold in the world markets. The production technologies used for small scale and commercial operations are so different that they are usually separated into two distinct economic activities. On the one hand, small scale production for consumption in the household or sale in local markets makes a limited use of external inputs and is labour intensive. On the other hand, production for commercial operations uses external inputs intensively and is technologically sophisticated. During the 2009/10 marketing season bananas contributed 57% (R1.2 billion) to total gross value of subtropical fruits (R2.1 billion) produced in South Africa. This makes bananas the most important subtropical fruit grown in the country. Gross value of production for bananas for the period 2000/01 to 2009/10 is presented in Figure 1 below.

![Figure 1: Gross value of production for bananas, 2000/01 - 2009/10](image)

Figure 1 indicates that bananas with a total gross value of R1.2 billion were produced in the 2009/10 production season. The figure represents a 1% increase when compared with the gross value for the previous year (2008/09) and a 138% rise in the gross value a decade ago (2000/01). The gross value has been on the rise since the 2001/02 production season and averaged R817 million during the ten years under review.
1.1 Production areas

Bananas are mainly produced in Mpumalanga (Onderberg and Kiepersol), Limpopo (Levubu and Letaba) and both the North and South Coasts of Kwa-Zulu Natal. The total hectares under banana trees during 2010 was estimated at 11 360 ha with the Onderberg area near Melalane in Mpumalanga Province been the highest contributor with 36% (4 100 ha) of the total land under banana cultivation (see Figure 2). Second is Kiepersol in Mpumalanga province with 22% (2 500 ha) of the total land under banana cultivation. This means that Mpumalanga Province is the major producer of bananas in South Africa with approximately 58% of the total land under banana cultivation during 2010. The Levubu and Letaba areas in Limpopo accounted for 12% (1 400 ha) and 8% (860 ha) respectively of the total area under banana cultivation. In Kwazulu Natal the major banana growing area is the North Coast with 15% (1 700 ha) of total area planted to bananas in 2010.

![Figure 2: Banana production areas (ha) in South Africa, 2010](image)

Source: Banana Growers Association of South Africa

1.2 Production

Bananas are tropical plants that are grown under sub-optimal, subtropical conditions in South Africa. Production is therefore severely limited by climate and although they are an adaptable crop, insight into their production limitations in the subtropics is important. Figure 3 presents the South African total banana production for period 2000/01 to 2009/10.
According to Figure 3, there has been little growth on banana production over the past ten years. Total production stood at 382 337 tons in 2009/10 season. This represents a decline of 6% when compared with the previous production season. The average annual production quantity during the period under review was 355 378 tons. During the period under consideration, production was at its lowest at 277 034 tons in 2003/04 and at its peak at 404 917 tons in 2008/09. The little growth in production volumes is the result of little growth in production area mainly because area suitable for banana production is limited in South Africa.

1.3 Employment

Full-time labourers employed on banana farms are primarily employed for a number of specialist tasks such as the control of pests and diseases. Other tasks include harvesting, supervision, operational duties in the pack houses, irrigation management, and tractor or forklift driving.

Seasonal labour is employed on a contractual basis for a fixed period of time with the main purpose of harvesting or fruit packing. The prescribed minimum wage is used as a baseline for determining basic wages in accordance with the legislation governing conditions of service. Minimum wages for farm workers for the period 1 March 2009 to 1 March 2011 are presented in Table 1. The consumer price index (CPI) is used in the calculation of annual wage adjustments. The sectoral determination stipulates that the wage increase will be determined by utilizing the CPI + 1%. In terms of percentage increase, the 2011 minimum wage is 4.5% higher than the 2010 minimum wage (CPI on 19 January 2011 was 3.5%).

Source: Statistics and Economic Analysis, DAFF
Table 1: Minimum wages for farm workers in the Republic of South Africa, 2009 - 2011

<table>
<thead>
<tr>
<th>Year Frequency</th>
<th>1/03/2009</th>
<th>1/03/2010</th>
<th>1/03/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly</td>
<td>R6.31</td>
<td>R6.74</td>
<td>R7.04</td>
</tr>
<tr>
<td>Weekly</td>
<td>R284.23</td>
<td>R303.84</td>
<td>R317.51</td>
</tr>
<tr>
<td>Monthly</td>
<td>R1231.70</td>
<td>R1316.69</td>
<td>R1375.94</td>
</tr>
</tbody>
</table>

Hortgro, 2010

The banana industry makes an important contribution to direct employment in the banana production and processing. It provides indirect employment for numerous support industries in the areas where bananas are grown. In 2010, direct employment within the industry was estimated at 27 033 people with 108 131 dependents.

2. MARKET STRUCTURE

Approximately all bananas produced in South Africa are destined for the local fresh consumption and processing. The distribution of the annual banana crop in South Africa for the period 2000/01 to 2009/10 is illustrated in Figure 4. Annually, the greatest share of the banana crop goes to the local markets for fresh consumption. The local market absorbed 60% of the total crop in the 2009/10 marketing season. Approximately 40% was absorbed by the processing market in the same season. Exports volumes are insignificant, remaining below 1 000 tons for the greater part of the past ten years.

![Figure 4: Banana annual crop utilisation, 2000/01 - 2009/10](image)

Source: Statistics and Economic Analysis, DAFF; Quantec; Own calculations
2.1 Domestic markets

Locally, bananas are distributed through different marketing channels such as National Fresh Produce Markets (NFPMs) where sales are facilitated by market agents after they have engaged with the farmers, informal traders (street hawkers), and directly by farmers to retailers and processors. Bananas are the largest contributors of sales in the major NFPMs amongst all the fruits. As already indicated above, approximately 60% of bananas produced were sold through the NFPMs in 2009/10. On the other hand, the role played by the informal sector cannot be forgotten, especially since this sector always contributes towards job creation among the largely unskilled segment of the labour market. The volumes of bananas sold through the NFPMs as well as average prices received during the past ten years are presented in Figure 5.

As indicated in Figure 5 above, the quantity of bananas sold at the major NFPMs declined sharply between the 2001/02 and 2003/04 marketing seasons. Furthermore, there was a decline in the volume of bananas sold in the NFPMs from 2006/07 to 2007/08. The declines could be attributed to a decreasing area used for banana production, an increase in the informal markets and direct sales to the wholesalers, retailers, and processors. Volumes sold at NFPMs picked up again in 2008/09 to over 240 thousand tons before declining again to 229 096 tons in 2009/10. Generally, the volume of sales at the NFPMs follows the total volume produced in a particular year. At the same time, banana prices at the NFPMs have been increasing steadily. This is an indication that the demand for bananas remained positive. The average price rose from R3 400.00 per ton in 2008/09 to R3 648.00 per ton in 2009/10, an increase of 7%.
Generally, the banana price relies on the volumes supplied to the markets. The other factor that determines the price of the bananas in and outside the markets is the quality of the produce. The produce of a better quality has the potential of fetching a better and competitive price for the farmer.

2.2 Exports

South Africa is a relatively small banana grower in terms of global hectares. Furthermore, the country is not a major volume exporter in global terms. South Africa has developed a superior tissue cultured banana plants which are now exported to countries in the Latin America, West Africa and Taiwan. The volumes of South Africa banana exports and the unit values from 2001 to 2010 are presented in Figure 6.

South Africa exported a total 331 tons of bananas with a value of R2 million in 2010. The 2010 volume is 1 ton more than the volume exported in 2009 and 75% lower that the volume export in 2001. At the same time, the unit value of South African banana exports fluctuated heavily in the ten years under review. The unit value was higher at R11 226 per ton in 2004 when the volume exporter was at its lowest at 55 tons. Similarly, a lower unit value of R2 337 per ton was recorded in 2001 when the volume of exports was at its peak at 1 302 tons.

Figure 6 further shows that South Africa is not amongst the leading exporters of bananas. South African bananas are primarily sold on the domestic markets. This is mainly due to South Africa’s location and its subtropical climate, which makes it difficult to compete against equatorial banana producing countries on
world markets. This has limited the export potential of the South African bananas. South African exports of bananas to the various regions of the world are shown in Figure 7.

It is evident from Figure 7 that over the past decade, most of South Africa’s exports of bananas were destined to the African market. 73% of all South African banana exports in 2010 went into Africa while a further 25% was not allocated at the time of reporting. During the period under review exports into Africa peaked at 1 140 tons in 2001. Europe and Asia absorb very little quantities of South Africa’s banana exports on an annual basis.

![Figure 7: Volumes of banana exports to the various regions of the world, 2001 - 2010](source: Quantec)

The volumes of South African banana exports to the different regions of Africa over the past decade are presented in Figure 8. Within the African continent it is important to note the almost all (99% in 2010) of all South African banana exports are absorbed by Southern African Development Community (SADC) member states. The remaining 1% went to West Africa.
Volumes of South African banana exports to different members of SADC are shown in Figure 9. It can be observed from Figure 9 that in 2010 the majority (69%) of banana exports that went into SADC were absorbed by Zimbabwe. Another major player in terms of South African banana exports during the past decade has been Mozambique, even though the country imported only 10 tons in 2010. As shall be demonstrated in the subsection on imports it is also important to note that Mozambique is one of the major suppliers of South African banana imports. Although in minimal quantities, Angola, Malawi and Zambia also imported bananas from South Africa during the past ten years.
2.3 Provincial and district export values of South African bananas

A review of provincial level trade data presents an interesting but somewhat misleading view of the source of bananas destined for the export markets. The fact that Western Cape and Gauteng have been amongst the leading banana exporters for the past ten years does not imply that the bananas were produced there but that the registered exporters were based in the province. Figure 10 presents the value of banana exports by provinces from 2001 to 2010. A total value of R2.03 million worth of bananas was exported by the different provinces of South Africa in 2010. The export value was almost the same as that of the previous year and 33% less than the export value in 2001. The main banana exporting provinces in 2010 were Gauteng and the Western Cape. The two provinces accounted for over 80% of all South African total banana exports in 2010.
Other provinces also export bananas but usually register minimum trade. The following figures (Figures 11 – 16) show the value of banana exports from the various districts in all the provinces of South Africa. Figure 11 below presents the value of banana exports from the Gauteng province.

It is clear from Figure 11 that banana exports from the Gauteng over the past decade were mainly from Ekurhuleni and City of Johannesburg municipalities. In 2010 exports of bananas from the Gauteng province totalled R981 thousand. This was up from R230 thousand recorded in 2009. Ekurhuleni and the City of Johannesburg recorded banana exports worth R840 000 and R88 000 respectively in 2010. The West Rand also recorded R45 000 worth of banana exports in 2010 after some years without recording any exports. Another metropolitan that recorded a large value of banana exports in 2009 after some absence was the City of Tshwane with R148 000 worth of banana exports.
The value of banana exports from the Limpopo province is presented in Figure 12 below. The biggest contributor to the exports of bananas in Limpopo is the Mopani district. Another major contributor is the Vhembe district, which recorded R23 000 worth of banana exports in 2010.
The values of banana exports by the Kwa-Zulu Natal province for the period 2001 to 2010 are presented in Figure 13.

**Figure 13: Value of banana exports by the Kwa-Zulu Natal province, 2001 – 2010**

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>KwaZulu-Natal</td>
<td>33</td>
<td>1</td>
<td>23</td>
<td>41</td>
<td>564</td>
<td>1445</td>
<td>707</td>
<td>583</td>
<td>15</td>
<td>38</td>
</tr>
<tr>
<td>Uthungulu</td>
<td>33</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>eThekwini</td>
<td>1</td>
<td>1</td>
<td>23</td>
<td>41</td>
<td>564</td>
<td>1445</td>
<td>707</td>
<td>583</td>
<td>15</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Quantec

Banana exports from the Kwa-Zulu Natal are mainly from eThekwini municipality. High export value for the leading municipality was recorded in 2006. The use of the Durban harbour as an exit point may have played a major role in eThekwini municipality being a leader in the export of bananas from the Kwa-Zulu Natal. After some significant growth in banana exports from the eThekwini Metropolitan between 2004 and 2006, export values have been declining and only rose again 2010. The value of banana exports by the Mpumalanga province is presented in Figure 14.
Figure 14: Value of banana exports by Mpumalanga province, 2001 – 2010

It is clear from Figure 14 that banana exports from the Mpumalanga are mainly from Ehlanzeni municipality. High export value for the leading district municipality was recorded in 2009. Bananas worth R267 000 were exported by the Ehlanzeni district in 2010. The value of banana exports by the Western Cape province is presented in Figure 15.

Banana exports from Western Cape are mainly from the City of Cape Town municipality. Almost all banana exports reported in the Western Cape during the last decade were from the City of Cape Town. The use of the Cape Town harbour as an exit point may have played a major role in the City of Cape Town being a leader in the export of bananas from the Western Cape. Another district that recorded exports of bananas during the last two years is the Cape Winelands.
Exports of bananas by the Free State province are reported in Figure 16.

According to Figure 16 banana exports from Free State were recorded in 2003 from the Lejweleputswa municipality. The province never recorded banana exports since then.
2.4 Share analysis

Table 2 illustrates provincial shares towards national banana exports for the past decade. It shows that the Western Cape, Gauteng, Limpopo and Kwa-Zulu Natal have commanded the greatest share of banana exports for the past ten years. This is in spite of the fact that Mpumalanga province is the leading producer of bananas. As explained earlier, this means that the leading export provinces (Western Cape and Gauteng) derive their advantage from the fact that the registered exporters are based in their provinces and they also have exit points for banana exports. Gauteng province contributed 48.3% to total South African banana export value in 2010 while the Western Cape contributed 34.4%.

This scenario raises concerns about the availability of marketing infrastructure and agro-logistics in the other major banana producing provinces of South Africa like the Limpopo, Mpumalanga and Kwa-Zulu Natal because Gauteng and Western Cape are not banana producing regions and yet the sizeable share of South African banana exports are exported through those provinces.

Table 2: Share of provincial banana exports to the total RSA banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years Province</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Western Cape</td>
<td>7.2</td>
<td>63.2</td>
<td>14.5</td>
<td>21.1</td>
<td>0.1</td>
<td>5.1</td>
<td>16.6</td>
<td>56.1</td>
<td>60.1</td>
<td>34.4</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Free State</td>
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<td>0.0</td>
<td>0.3</td>
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</tr>
<tr>
<td>Kwazulu-Natal</td>
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<td>0.1</td>
<td>7.5</td>
<td>6.6</td>
<td>23.6</td>
<td>82.4</td>
<td>68.9</td>
<td>19.2</td>
<td>0.7</td>
<td>1.9</td>
</tr>
<tr>
<td>North West</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Gauteng</td>
<td>88.4</td>
<td>36.6</td>
<td>77.7</td>
<td>13.5</td>
<td>17.6</td>
<td>1.6</td>
<td>2.6</td>
<td>7.6</td>
<td>11.3</td>
<td>48.3</td>
</tr>
<tr>
<td>Mpumalanga</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>12.0</td>
<td>0.1</td>
<td>25.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Limpopo</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>58.9</td>
<td>58.6</td>
<td>10.8</td>
<td>0.0</td>
<td>17.0</td>
<td>2.7</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

The following tables (Table 3 - 8) show shares of the various districts’ banana exports to the various provincial exports.

Table 3 presents the share of district banana exports to the total Gauteng banana exports for the period 2001 to 2010. The City of Tshwane was the leading district in banana exports from Gauteng in 2009, contributing 65 percent to total provincial banana exports. Second was the City of Johannesburg with a 24 percent contribution. During 2010, Ekurhuleni has overtaken the City of Tshwane as the leading exporter of bananas in Gauteng, accounting for 86% of all provincial banana exports.
Table 3: Share of district banana exports to total Gauteng provincial banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>West Rand</td>
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<td>0.0</td>
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<td>0.0</td>
<td>1.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>92.7</td>
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<td>5.0</td>
<td>17.1</td>
<td>62.5</td>
<td>1.4</td>
<td>10.7</td>
<td>90.3</td>
<td>10.1</td>
<td>85.6</td>
</tr>
<tr>
<td>City of Johannesburg</td>
<td>6.4</td>
<td>98.3</td>
<td>95.0</td>
<td>82.9</td>
<td>37.5</td>
<td>98.6</td>
<td>89.3</td>
<td>9.7</td>
<td>23.6</td>
<td>9.0</td>
</tr>
<tr>
<td>City of Tshwane</td>
<td>0.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>64.6</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

The share of district banana exports to the total Limpopo provincial banana exports is presented in Table 4. The exports of bananas in Limpopo during 2010 were from Mopani (22%), Vhembe (48%), Capricorn (10%) and Waterberg (21%). The major banana exporting districts however are the Mopani and Vhembe.

Table 4: Share of district banana exports to the total Limpopo provincial banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Limpopo</td>
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<td>0.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Mopani</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>81.0</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
<td>98.1</td>
<td>22.0</td>
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<td>Vhembe</td>
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<td>19.0</td>
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<td>1.9</td>
<td>47.5</td>
</tr>
<tr>
<td>Capricorn</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>9.7</td>
</tr>
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<td>Waterberg</td>
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<td>0.0</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>20.8</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

Table 5 presents the share of district banana exports to the total Kwa-Zulu Natal provincial banana exports for the period 2001 to 2010. Ethekwini is the dominant district in banana exports in Kwa-Zulu Natal. This may be because both the Durban Harbour and Airport are situated in this district. Uthungulu district recorded 98% and 4% of provincial banana exports in 2001 and 2002 respectively.

Table 5: Share of district banana exports to the total Kwa-Zulu Natal provincial banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kwazulu-Natal</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Uthungulu</td>
<td>97.6</td>
<td>4.2</td>
<td>0.0</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>eThekwini</td>
<td>2.4</td>
<td>95.8</td>
<td>100.0</td>
<td>99.8</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

All exports of bananas recorded in Mpumalanga during the past decade were from the Ehlanzeni district (see Table 6).
Table 6: Share of district banana exports to the total Mpumalanga provincial banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years</th>
<th>District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mpumalanga</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Ehlanzeni</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

In the Western Cape the leading district in banana exports is the City of Cape Town (92% in 2010) (see Table 7). The City of Cape Town, like the Ethekwini district is Kwa-Zulu Natal, has both the harbour and airport.

Table 7: Share of district banana exports to the total Western Cape provincial banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years</th>
<th>District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Western Cape</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>City of Cape Town</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>97.6</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>94.7</td>
<td>91.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cape Winelands</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>2.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>5.3</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

The Free State province never recorded any exports of bananas since 2003 (see Table 8). All exports recorded in 2003 were from the Lejweleputswa district.

Table 8: Share of district banana exports to the total Free State provincial banana exports (%), 2001 - 2010

<table>
<thead>
<tr>
<th>Years</th>
<th>District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Free State</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Lejweleputswa</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec

2.5 Imports

The volume of South African imports of bananas and unit values for the past decade are presented in Figure 17. A total volume of 36 685 tons of bananas were imported by South Africa in 2010. The import volume was 62% higher than the quantity imported in 2009 and 1315% higher than the volume imported in 2001. The increase in imports between 2002/03 and 2007/07 can be attributed to the increased demand by the local market amongst others. The other factor supporting the increasing import volumes is the lack of growth of production in South Africa. The unit values at which South Africa is importing bananas has also been rising during the last decade, increasing from R888.59 per ton in 2001 to R1 708.79 per ton in 2010.
Figure 18 below illustrates volumes of South Africa’s banana imports from the various regions during the past decade. It is evident from Figure 18 that almost all South African imports of bananas during the last decade were from the African continent. The volumes imported have been relatively stable during the period between 2001 and 2004 before increasing exponentially between 2005 and 2010. Given the fact that South African production of bananas has been relatively stable over the past decade (see Figure 3), the increase in quantities imported can be attributed mainly to increased demand for bananas in South Africa. South Africa also imports bananas from the Americas, Asia and Europe but the volumes imported from these regions are relatively insignificant when compared to those from the African continent.

Source: Quantec
Volumes of banana imports from the different regions of Africa during the past decade are presented in Figure 19. Within the African continent it is important to note the almost all (99%) of all South African banana imports in 2010 were from the Southern African Development Community (SADC) member states. The remaining 1% came from Western Africa.
Volumes of South African banana imports from different members of SADC are shown in Figure 20. It can be observed from Figure 11 that in 2010 the majority (91%) of banana imports from SADC were supplied by Mozambique. Another consistent and major player in terms of South African banana imports during the past decade has been Zimbabwe. The country contributed 3 370 tons or 9% to total South African imports of bananas from SADC in 2010. Zimbabwe has however not been able to capitalise on South Africa’s growing appetite for bananas when compared to its neighbour Mozambique which increased its exports into South Africa significantly during the past six years.

Source: Quantec
It is very clear from the preceding subsections that South Africa imports more bananas that it exports. In 2010 the country imported 36,685 tons of bananas compared to only 331 tons it exported during the same period. The result is a 36,354 tons trade deficit. The trend has been relatively the same throughout the past decade. In 2010 South Africa’s imports represented 0.07% of world imports and its ranking in world imports was 61. This is a clear indication that South Africa relies heavily on imports to meet its local demand for bananas.

2.6 Processing

The ripe banana is utilised in a multitude of ways in the human diet. That is from simply being peeled and eaten out of hand to being sliced and served in fruit cups and salads, sandwiches, custards and gelatins; being mashed and incorporated into ice cream, bread, muffins, and cream pies. Ripe bananas are often sliced lengthwise, baked or broiled, and served (perhaps with a garnish of brown sugar or chopped peanuts) as an accompaniment for ham or other meats. Ripe bananas may be thinly sliced and cooked with lemon juice and sugar to make jam or sauce, stirring frequently during 20 or 30 minutes until the mixture jells.

Banana puree is important as infant food and can be successfully canned by the addition of ascorbic acid to prevent discoloration. The puree is produced on a commercial scale in factories close to banana fields and packed in plastic-lined cans and metal drums for use in baby foods, cake, pie, ice cream, cheesecake, doughnuts, milk shakes and many other products. It is also used for canning half-and-half with applesauce, and is combined with peanut butter as a spread. Banana nectar is prepared from banana puree in which a
cellulose gum stabilizer is added. It is homogenized, pasteurized and canned, with or without enrichment with ascorbic acid.

3. MARKET INTELLIGENCE

3.1 Competitiveness of South African banana exports

Competitiveness is described as an industry’s capacity to create superior value for its customers and improved profits for the stakeholders in the value chain. The driving force in sustaining a competitive position is productivity that is output efficiency in relation to specific inputs with regard to human, capital and natural resources. In 2010, South Africa’s banana exports represented 0% of world exports and its ranking in world exports was position 77. Figure 21 depicts growth in demand for South African bananas in 2010.

As depicted in Figure 21, South Africa’s banana exports are growing faster than the world imports in the Angolan and USA markets. South Africa’s performance in these markets can be regarded as gains in dynamic markets.

At the same time South African banana exports have declined faster than the world imports in Saint Helena and the United Kingdom. South Africa’s performance in these markets can be regarded as losses in declining markets.
Figure 21: Growth in demand for the South African bananas in 2010

Source: TradeMap, ITC
Figure 22 illustrates prospects for market diversification by South African exporters of bananas in 2010. The United Kingdom and United States of America holds a larger share of South Africa’s banana exports. In terms of market size, the United States of America was the largest banana importer in 2010, with just over US$2.1 billion worth of banana imports or 17.5% of the world banana market. Second was the Belgium with just over US$1.6 billion or 13.0% market share. Belgium was followed by Germany with over US$876 million worth of banana imports or 7.2% market share.

Whilst three countries dominate world banana imports, it is interesting to note that countries like the Angola, together with Iran and China have experienced higher annual growth rate in value and quantity from 2006 – 2010. Angola experienced an annual growth rate of 63% in value, while Iran experienced an annual growth rate of 44%. China experienced an annual growth rate of 22%. These countries represent possible lucrative markets for South African banana producers.

It is also important to note that banana imports from the world to countries such as Zambia and Saint Helena have declined from 2006 – 2010 and as a result those countries have recorded a negative growth rate in banana imports.
Figure 22: South African bananas’ prospect for market diversification in 2010

Prospects for market diversification for a product exported by South Africa in 2010
Product: 080300 Bananas including plantains, fresh or dried

Source: TradeMap, ITC
3.2 Global role players

According to the FAO (2003) large-scale exports of bananas were only made possible in the early twentieth century with the development of steam ships and refrigerated transportation. Because of the perishable nature of bananas, close control of the entire marketing chain is necessary. The need for this control of the marketing chain gave rise to a situation where global banana trade has been dominated by vertically integrated companies that generally control production, packing, shipping, ripening and overall trade of bananas. The United Fruit Company (UFC) dominated the US banana market during the 1990s while Fyffes had a quasi monopoly in the UK and was the predominant player in the rest of Europe.

Margins in banana marketing are said to be low due to intense competition amongst the dominant role players. Vertical integration therefore becomes necessary because it enables firms to capture a larger share of the total product value-added and to benefit from service activities (e.g. shipping, ripening and distribution) that bring higher returns than production. As a result, the largest banana marketing companies produce or source bananas in at least four different countries, own vessels and facilities in harbours, and have storage, ripening and distribution facilities in various importing countries. It is for these reasons that these companies are usually referred to as ‘multinational companies’ or ‘transnational companies’ (TNCs).

The trade of bananas is dominated by a few TNCs. These include Chiquita, Dole Food Company, Fresh Del Monte, and Fyffes. Chiquita is the world’s largest marketer of bananas and holds a market share of about 23%. It is followed by Dole with a market share of around 20%. Fresh Del Monte is the world’s third marketer of bananas with an estimated 14% market share. The company produces bananas on company-controlled farms in Costa Rica, Guatemala, Brazil, Cameroon and the Philippines. The company also purchases bananas from independent growers in Costa Rica, Ecuador, Colombia, Guatemala and the Philippines. The top three companies account for approximately 60% of total trade in bananas. The market share of Fyffes is approximately 5%.

4. MARKET ACCESS

Barriers to trade can be divided into tariff barriers (including quotas, ad valorem tariffs, specific tariffs and entry price systems) and non tariff barriers (sanitary and phyto-sanitary measures, labels, etc). The main markets for fruit (including banana) employ various measures, both tariff and non tariff to protect the domestic industries. Whilst many of the non tariff measures can be justified under the auspices of issues such as health and standards, the tariff measures are increasingly under the scrutiny of the World Trade Organization (WTO), and as such are gradually being phased out. Nevertheless, exporters need to be aware of all the barriers that they may encounter when trying to get their produce on foreign shelves.

4.1 Tariff, quotas and the price entry system

Tariffs are either designed to earn government revenue from products being imported or to raise the price of imports so as to render local produce more competitive and protect domestic industries.
Quotas can be used to protect domestic industries from excessive imports originating from areas with some form of competitive advantage (which can therefore produce lower cost produce). Tariffs and quotas are often combined, allowing the imports to enter at a certain tariff rate up to a specified quantity. Thereafter, imports from that particular region will attract higher tariffs, or will not be allowed at all. This phenomenon is referred to as tariff-rate quotas (TRQs).

The entry price system, which is used in many northern hemisphere markets, makes use of multiple tariff rates during different periods when domestic producers are trying to sell their produce, and lower the tariffs during their off-season. Alternatively, the tariff rate can be a function of a market price – if the produce enters at a price which is too low (and therefore likely to be too competitive), it qualifies for a higher tariff schedule.

Whilst tariff regulations can be prohibitive and result in inferior market access, it is often the non-tariff barriers that restrict countries like South from successfully entering the large developed markets. Many of these barriers revolve around different types of standards, including sanitary and phyto-sanitary standards (SPS), food health and safety issues, food labelling and packaging, organic produce certification, quality assurance and other standards and grades. Table 9 presents tariffs applied by the top-ten exports markets to bananas originating from South Africa during 2010.

Table 9: Tariffs applied by various export markets to bananas (fresh or dried) from South Africa

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>HS CODE</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL VALOREM EQUIVALENT TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>0803001100</td>
<td>Plantains, fresh</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>0803009000</td>
<td>Dried bananas, incl. plantains</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>08030000</td>
<td>Bananas, incl. plantains, fresh or dried</td>
<td>MFN duties (Applied)</td>
<td>40.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>Angola</td>
<td>08030000</td>
<td>Bananas, incl. os plátanos [plantains], frescas ou secas</td>
<td>MFN duties (Applied)</td>
<td>10.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>United States of America</td>
<td>08030020</td>
<td>Bananas, fresh or dried</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>08030030</td>
<td>Plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>08030040</td>
<td>Plantains, dried</td>
<td>Preferential tariff for GSP countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Zambia</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh or dried Bananas, including plantains... Fresh</td>
<td>MFN duties (Applied)</td>
<td>25.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td></td>
<td>08030020</td>
<td>Bananas, incl. plantains, fresh or dried Bananas, including plantains... Dried</td>
<td>MFN duties (Applied)</td>
<td>25.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>08030000</td>
<td>Bananas, incl. plantains, fresh or dried</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Malawi</td>
<td>08030000</td>
<td>Bananas, including</td>
<td>Preferential tariff</td>
<td>10.00%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>
South Africa has a preferential trading agreement (PTA) with the EU. Furthermore South Africa has completely free access to the United States of America market through the generalised system of preferences (GSP). Mozambique and Malawi also have a preferential tariff for South Africa which is set at 0%. South African bananas face the highest tariff in Turkey, which imposes a 145.8% MFN duty. Zimbabwe imposes the second highest MFN duty of 40% on bananas originating from South Africa.

In reality, the tariffs are likely to be far lower for South Africa when considering the preferential agreements, but at the same time, most tariff structures are particularly complex, with quotas, seasonal tariffs and specific tariffs (an amount per unit rather than a percentage of value) all contributing to many different tariff lines and often higher duties payable than one might have anticipated initially. One must also bear in mind that most tariffs are designated to protect domestic industries, and as such are likely to discriminate against those attempting to compete with the domestic producers of that country.

It is also important to look at tariffs applied by South Africa on imports of bananas originating from other countries because South Africa is also a major importer of bananas. Tariffs applied by South Africa to imports of bananas originating from the top-ten suppliers in 2010 are presented in Table 10. It is important to note that all imports of bananas into South Africa in 2010 originated from only the six countries that appear in Table 10.

Table 10: Tariffs applied by South Africa to imports of bananas originating from the top-ten suppliers in 2010

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>HS CODE</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL AD VALOREM EQUIVALENT TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh or dried: Fresh</td>
<td>Preferential tariff for SADC countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>08030090</td>
<td>Bananas, incl. plantains,</td>
<td>Preferential tariff for SADC countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Source: MacMap, ITC
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>HS CODE</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL AD VALOREM EQUIVALENT TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwe</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh</td>
<td>Preferential tariff for SADC countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Fresh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>08030090</td>
<td>Bananas, incl. plantains, fresh</td>
<td>Preferential tariff for SADC countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Fresh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>08030090</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Fresh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>08030090</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Fresh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>08030090</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>08030010</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Fresh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>08030090</td>
<td>Bananas, incl. plantains, fresh</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or dried: Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MacMap, ITC

South Africa applies a Most Favoured Nation (MFN) tariff of 5% to bananas originating from all countries with which it does not have preferential trade agreements. Countries like Mozambique and Zimbabwe are advantaged primarily due to the Southern African Development Community (SADC) preferential tariff and also the distance. They are South Africa’s neighbouring countries and their bananas enter South Africa free of duty. Due to a preferential trade agreement with the EU, banana imports from EU member states also enter South Africa duty-free.

4.2 European Union (EU) regulations

At the end of the eighties, existing differences between the different banana companies seemed to be well established and facing the prospect of opening up huge new markets in Eastern Europe and Asia. It only seemed to be a question of boosting banana production to assure ‘fruitful’ development of the banana business. Unfortunately, it turned out not to be that easy. With the restricted EU market and no Eastern European miracle, even big companies like Chiquita turned out not to be untouchable. The introduction of the EU banana regulations changed the world banana market.

With the integration of the European market, the EU combined two main objectives:

- To create an integrated market for bananas harmonizing different trade agreements;
To guarantee that access to this market for their traditional African, Caribbean and Pacific (ACP) group and European was not hampered by the foreseen influx of cheap Latin American bananas.

The complicated 404/93 trade mechanism, introduced on 1 July 1993, was the result. The EU established four categories of suppliers, each receiving different treatment:

- EU producers (mainly Canary Islands, Martinique and Guadeloupe) covered by internal aspects of the common market. For this category, income support up to 854,000 tons is guaranteed in cases prices fall below the costs of production. This mechanism has been used for several years;
- Traditional ACP countries, i.e. the ACP banana suppliers in the years preceding the single market have duty-free access up to a maximum of 857,700 tons per year;
- Non-traditional ACP countries (e.g. Dominican Republic) and quantities from traditional ACP countries above the ceiling of 857,700 tons;
- Third countries, the so called ‘Dollar’ countries, together with the Non-traditional ACP producers, share a tariff quota of 2 million tons duty-free for non non-traditional ACP countries and with a tariff of 75 ECU per ton for Dollar bananas. The quota was increased to 2.5 million tons with the accession to the EU of Sweden, Finland and Austria.

The Dollar allocation was granted to trading companies in the following way:

- ‘A’ licenses: 66.5% reserved for traditional traders in Dollar bananas,
- ‘B’ licenses: 30% reserved for established operators of Community and/or traditional ACP bananas;
- ‘C’ licenses: 3.5% for ‘newcomers’ with ambitions within the sector.

The allocation of Dollar quotas to the ACP companies was designed to cross-subsidize the expensive ACP bananas with some Dollar banana quota rent and thus strengthen the position of the ACP companies in relation to the Dollar companies. At the same time, it led the Dollar companies to invest in ACP countries to build rights to the future Dollar quota allocation within this category.

Within this tariff quota, each import category is again subdivided according to specific economic activities such as producing, purchasing, transport and ripening, making the fruit allocation of 100% of actual quotas only possible if a company operates in all economic activities. Therefore, this last subdivision directly resulted in the need for further ongoing vertical integration to guarantee the future allocation of quotas.

Due to the insufficient level of quota allocation, the system has resulted in an active trade in Dollar licenses which, depending on demand have been fluctuating enormously up to around $7 – 8 per box. The total cash value of the licenses is calculated to over $1 billion annually.
4.3 United States of America (USA)

4.3.1 Tariff barriers

South African exporters have completely free access to the USA markets under the Generalized System of Preference (GSP) or the African Growth and Opportunity Act (AGOA). South African exporters must always compare with what Chile (the main supplier of fruit to the USA and South Africa's potential rival) must pay in terms of tariff duties when exporting fruit to the USA. Chile's access to the USA fruit market is considered to be highly preferential under its own Preferential Trade Agreement (PTA).

4.3.2 Non tariff barriers

The USA's phytosanitary regulation is conducted by Animal and Plant Health Inspection Service (APHIS), which is divided into nine sub-sections. Plant Protection and Quarantine (PPQ) and Veterinary Services (VS) are responsible for issuing permits for commodities and determining whether a commodity can be imported. The Policy and Program Development (PPD) division works with both these divisions in determining long term plans and procedures.

Some products can get pre-clearance from international Services (IS) personnel stationed in the country of origin, either at exporting terminals or through site inspections. The PPQ's main focus is to prevent the spread of diseases and pests into the USA's agriculture resources and it has personnel stationed at all airports, seaports and border stations that check imported cargo and oversee the quarantine process. Exporters or importers must make a request to export/import a commodity, provide as much information as possible on the product, its region of origin and its status that is whether there are restrictions or regulations governing that particular product from that particular region before a permit is issued, along with the conditions of importation (disinfestations treatment) or mitigation measures. Denials can be challenged and governments and companies can request a change in the status of a prohibited commodity (an investigation must be performed by the PPQ scientific team), as long as sufficient conditions have changed or a risk assessment has not been conducted within the last 10 years.

Most approved commodities can enter with inspection alone, but some may have to undergo mitigating measures including post-harvest treatments (hot/cold temperature treatments, irradiation or fumigation, depending on the requirements and which particular treatment is least harmful). The establishment of specifically and maintained pest-free areas in a country (which obviously requires extensive co-operation between the country's plant health services and APHIS IS division) or systems approaches (field surveys, random inspections or various on site treatments.

In additions to phyto-sanitary regulations, the USDA Food Safety Inspection Services (FSIS) regulates sanitary practices in the packing of food products, while the Food and Drug Administration (FDA), which is
part of the US Department of Health, regulates packaging and labelling. The HACCP protocol is used extensively. The USDA quality standards for fruits and vegetables provide basis for domestic and international trade and promote efficiency in marketing and procurement.

5. DISTRIBUTION CHANNELS

There are roughly three distinct sales channels for exporting fruits. One can sell directly to an importer with or without the assistance of an agent (usually larger, more established commercial operations). One can supply fruits combined, which will then contract out importers/marketers and try to take advantage of economies of scale and increased bargaining power. At the same time combined fruits might also supply large retail chains. One can also be a member of a private or cooperative export organization which will find agents or importers and market the produce collectively. Similar to combined fruits, an export organization can either supply wholesale market or retail chains, depending on particular circumstances. Export organizations will wash, sort and package the produce.

They will also market the goods under their own name or on behalf of the member, which includes taking care of labelling, bar-coding, etc. Most of the time, export organizations will enter into a collective agreements with freight forwarders, negotiating better prices and services (more regular transport, lower peak season prices, etc). Some countries have institutions that handle all the produce (membership compulsory) and sell only to a restricted number of selected importers.

Agents will establish contacts between producers/export organizations and buyers in the importing country, and will usually take between 2% and 3% commission. In contrast, an importer will buy and sell his/her own capacity, assuming the full risk (unless on consignment). They will also be responsible for clearing the produce through customs, packaging and assuring label/quality compliance and distribution of the produce. Their margins lie between 5% and 10%. The contract importers of fruit combines market and distribute the produce of the combines, clear it through customs and in some cases treat and package it.

Only few exporters have long term contracts with wholesale grocers who deliver directly to retail shops, but with the increasing importance of standards (GlobalGap, etc) and the year round availability of fruit, the planning of long term contractual relationship is expected to increase.

6. LOGISTICS

6.1 Mode of transport

The transport of fruits falls into two categories namely ocean cargo and air cargo. Ocean cargo takes much longer to reach the desired location but costing considerably less. The choice of transportation method depends, for most parts on the fragility of the produce and how long it can remain relatively fresh. With the advent of technology and container improvements, the feasibility, cost and attractiveness of sea transport have improved considerably. With the increased exports by South Africa, the number and the regularity of maritime routes have increased. These economies of scale could benefit South Africa if more producers
were to become exporters and take advantage of the various ports which have special capabilities in handling fruit produce (for example Durban’s new fruit terminal).

6.2 Cold chain management

Cold chain management is crucial when handling perishable products, from the initial packing houses to the refrigerated container trucks that transport the produce to the shipping terminals, through to the storage facilities at these terminals, onto actual shipping vessels and containers, and finally on to the importers and distributors that must clear the produce and transport it to the markets/retail outlets. For every 10 Degree Celsius increase above the recommended temperature, the rate of respiration and ripening of produce can increase twice or even thrice. Related to this are increasing important traceability standards which require an efficient controlled supply chain and internationally accepted business standards.

6.3 Packaging and marking requirements

Packaging can also play an important role in ensuring safe and efficient transport of a product and conforming to handling requirements, uniformity, recyclable material specifications, phyto-sanitary requirements, proper storage needs and even attractiveness for marketing purposes.

The business panel of any carton (including printed carton labels) should comply with the requirements as established by the EU or any other regulations that are specified by a target market. Producers are advised to present their designs to the Perishable Products Export Control Board (PPECB) before they can order any cartons from a manufacturer. The following is normally required:

- Class I or II
- Fruit type
- Carton depth
- Country of Origin: “Produce of South Africa”
- Complete address of exporter or producer
- Name of variety
- Content of carton: “14 x punnets or bags”
- PUC or PHC code: Registered producer – or Pack House Code with DAFF
- Date code
- Food safety accreditation number: Global Gap, Nature’s Choice registration number, etc

7. BANANA MARKETING CHAIN

Banana market structure is very heterogeneous, depending on the producing and importing countries. The presence of diverse economic actors is also different from country to country and among regions, at the several stages of the banana chain. Export bananas may be grown by many small independent growers (with a higher presence in the Caribbean banana producing countries and Ecuador), national banana companies (mainly in Ecuador and Colombia) or large transnational companies (the presence of multinationals is higher in Central America and increasing in Africa and Asia).
At a later stage of the chain, after cleaning, packaging and quality control, bananas are transported through independent reefer carriers or by the fleet owned by multinationals. When they arrive to the importing country, they may pass through importers or wholesalers, needing to be ripened before they arrive to the different retail outlets in order to be purchased by the consumers. However, the major feature of the international banana market overall is its oligopolistic nature, meaning that a few major transnational banana marketing corporations dominate international banana marketing and trade, being able to exercise their market power at several or all the stages of the banana marketing chain.

The special characteristics of a product of high perishability, such as bananas, require the careful control of the growing, packaging, transport, handling, ripening and distribution process. This leads to a highly vertically integrated banana sector, where large transnational companies tend to control from direct growing of bananas in producing countries, through ownership of specialized refrigerated shipping and ripening facilities, to even distribution networks in importing countries. The high investment of capital required in this export oriented banana business later enables these companies to profit from economies of scale, since they are able to provide consistently large quantities of high quality banana at lower costs and from different geographical sources, due to the technological advantages they enjoy in production, shipping and marketing. Therefore, they control the higher proportion of banana value added, since it is normally concentrated in shipping and marketing activities. This is the reason why even if production and export of bananas are highly concentrated in developing countries; it is mainly developed countries that tend to capture the benefits of banana trade through their large transnational banana marketing companies. Figure 23 presents, to a certain extent, a scheme of the international banana marketing chain.
Until the seventies transnational banana corporations were present at every stage of the banana marketing chain, from growing to final consumers. They owned plantations, transport infrastructures and ripening facilities. However, in the last 20 years there has been a move away of multinationals from direct growing in order to focus on more specific marketing and distribution activities. Multinationals tend now to establish long term supply contracts with independent local banana growers, specifying shapes, quantities, standards of quality, packaging and so on. In many cases, multinationals also provide inputs in order to control the quality.

By following this strategy of moving away from direct growing, multinationals avoid production risks, such as those related to the occurrence of natural disasters as well as environmental and social costs of production. It is the local producer who has to face these costs and has to comply with environmental and social standards. At the same time they are still controlling the banana marketing chain through their supply chain.
contracts. Since most of the value added in bananas comes from transport and distribution activities, multinationals keep the higher share of margins. Independent producers are usually organized in associations in order to negotiate their contracts with multinationals. However, there have been some attempts from independent producers to internationally commercialize their bananas, with diverging results. In some cases, such as Comunbana (a multinational banana marketing company launched by the Union of Banana Exporting Countries), it failed because it lacked the required great scale and the huge amounts of capital, as well as the coordinated work of several producing countries. However, there have been some examples of success, such as Uniban. The retreat of multinationals may open new opportunities for local growers in developing countries, looking for more direct negotiation with Europe, for example.

Therefore, traditionally the international banana market has been a producer driven market, where transnational banana marketing companies played a prominent role in setting the rules of the game. However, during the last decades, this situation has changed. Banana companies are facing the challenge of the increasing role that is being played by supermarkets and retail chains in the distribution of bananas in developed countries, mainly in the EU and USA. This tendency is also developing in Latin America and Asia. Actually it is possible to say that the international banana market is assisting to a process that could be called reversal of the marketing chain. Increasing concentration and consolidation in retail chains has improved their position and power in the market and allowed them to move backwards in the marketing chain in order to better control it, determining conditions of production and distribution of bananas and benefiting a higher share of the profits, without necessarily taking direct ownership.

This downstream shift of power in the banana marketing chain, and for produce in general, is leading to increasing vertical coordination, mainly through supply chain management practices used by the retail chains. Supermarkets tend to build long-term relationships with preferred suppliers in order to guarantee a continuous supply at the required levels of quality.

8. BUSINESS OPPORTUNITIES AND CHALLENGES

The banana industry encompasses a large value chain and business opportunities can be found in banana production, tissue culture, input supplies such as fertilizers, chemicals and irrigation equipment, carton manufacturing, refrigeration, transport and marketing agents.

The banana industry is currently facing the following challenges:

- High capital costs of infrastructure. Bananas need to be ripened artificially in ripening rooms before marketing. At present, most of these facilities are concentrated in large urban areas and it is difficult for smaller/rural municipalities to create such facilities.
- High cost of toll fees. Banana producers pay toll fees on most of their bulk inputs because transporters add it as a separate cost item on their invoices. The producer is also liable for the toll fees of the produce to the markets.
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9.5 United Nations Conference on Trade and Development
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9.6 International Trade Centre
www.intracen.org
9.7 FAO (2003)

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