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AGRICULTURAL OUTLOOK CONFERENCE 1985

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PRESENTED BY —

- Agricultural Economics Association of South Africa
- Co-ordinating Committee of Agricultural Marketing Boards
- Department of Agricultural Economics and Marketing
- Department of Agriculture and Water Supply
- SA Agricultural Union

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AGRICULTURAL OUTLOOK

THE BANANA TRADE IN SOUTH AFRICA

1. INTRODUCTION

As banana cultivation is not seasonal but produced and marketed throughout the year, this paper deals with the financial year of the Board, viz. from 1 July 1983 to 30 June 1984.

At Agrocon 1984 it was anticipated that the total plantings for the 1983/84 season would increase by 8% but due to the prolonged drought, quite a lot of producers were hesitant to make new plantings with the result that the area under bananas on 30 June 1984 was approximately 3,3% smaller than at the same time the previous year.

Total production of bananas decreased from 117 920 ton during 1982/83 to 99 945 ton for the year ending 30 June 1984, i.e. a decrease of 15,2% compared with an expected decrease of 7%.

Gross proceeds increased by 20,3% whilst the total net payments to producers increased by 41,3%.

2. PRODUCTION

2.1. Most important areas

The climatic requirements for commercial banana cultivation in the Republic restrict production to the Eastern Transvaal Lowveld (Burgershall and Malelane areas), the North Eastern Transvaal Lowveld (Letaba and Levubu areas) and the Southern Natal coastal areas.

2.2. Extent of Production and Gross Proceeds

According to the most recent production survey about 9 200 hectare were planted with bananas in the Republic compared with an area of approximately 9 512 hectare the same period last year. Production decreased by 14,9% in Levubu (1 060 ha) and 12,9% in Letaba (1 939 ha) whilst production increased by 6,6% in Burgershall (3 072 ha).
The position in Malelane area (1 228 ha) and in Natal (1 901 ha) remained virtually constant.

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Annexure 1 indicates the total area under bananas for the past ten years.

Previous Season (1 July 1982 to 30 June 1983)

In spite of the 1,3% decrease in plantings and the unfavourable weather conditions which prevailed in all the production areas, the total quantity of bananas delivered to the Board was approximately 19,7% higher than the previous year, mainly attributed to improved production methods. Unusual high production was experienced during the peak period (September - December) and the Board was compelled to implement a quota system once again.

The gross proceeds of bananas in 1982/83 was R41 317 875 or R350 per ton which was exactly the same as during the previous year (1981/82).

An increase of 19,7% in total production resulted in an increase of 20% in gross proceeds.

Present Season (1 July 1983 to 30 June 1984)

Contrary to what was expected, there was a decrease of approximately 3,3% in plantings for 1983/84 which was due to the prolonged drought which prevailed in all the production areas since the beginning of 1983.

The decrease in plantings resulted in a decrease of 11,6% in the supply of cluster bananas which were ripened and marketed through the Board, while the supply of single bananas showed a decrease of 44,6% mainly because producers started to develop their own outlet channels within the production areas.

Production during the spring and early summer (September 1983 to December 1983) was on a much lower level than in normal years, consequently the Board could negotiate more favourable prices.

The total quantity of bananas marketed during the past ten years as well as the total gross proceeds thereof, is indicated in Annexure 2.

The gross proceeds of bananas in 1983/84 was R49 716 617 or R497 per ton compared with the average of R350 per ton the previous year. The gross proceeds of cluster bananas was 23,8% more than the previous year whilst single bananas accounted for a decrease of 24,2%.

2.3. Prospects : Coming Season
(1 July 1984 to 30 June 1985)

According to estimates approximately 612 hectare old orchards will be cut out during the year i.e. to 30 June 1985 whilst plantings on 702 hectare cleaned banana ground and on 840 hectare "new" ground are planned which holds out the prospect of a total expected area of 10 130 hectare under bananas at June 1985.

The supply of first grade cluster bananas from July to October 1984 was 4,6% more than the corresponding period the previous year. Favourable weather conditions in Natal and the Southern Lowveld of Transvaal was beneficial for banana production which will result in an increase of approximately 7% in the supply during the period November 1984 to June 1985.

It is estimated that the total production for 1984/85 will thus be approximately 6% higher than in 1983/84.

2.4. Production Potential

The average annual total banana production in the Republic for the past five years (1979/80 to 1983/84) was 89 528 ton against an average of 70 440 ton for the previous five years, viz. 1974/75 to 1978/79. This means an increase of 27%.

The expected increase in plantings up to June 1985 indicated clearly that banana production will increase at a gradual rate. A noticeable potential for expansion of banana production exists in especially the southern coastal area of Natal and in the Onderberg-area (Malelane/Komatipoort). Substantial banana plantings took place in areas outside the traditional banana areas especially in the independent states and self-governing areas where soil and climatic conditions are extremely favourable for this purpose. In the other established banana producing areas further expansion is limited but improved and disease-resistant planting material and improved cultivation practices contribute to increased production.

The favourable prices fetched during the past two years as a result of shortages due to the prolonged drought, was the premier reason for the increase in plantings.

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2.5. Tendencies, Friction Points, and Technological development

2.5.1. Tendencies

Notwithstanding fluctuations from year to year, production shows an increasing tendency, especially since 1977/78. The decrease during 1983/84 is a temporary occurance due to the prolonged drought.

Gross sales value and net earnings shows an increasing tendency especially from 1980/81.

2.5.2. Friction Points

- Cost Increases

  Transport and packaging costs amounted to an average of R2,47 per 20 kg unit which represents 73% of the total marketing cost.

  From 1974 to 1984 transport cost increased by 200% and container cost by 220%.

  Ripening is an important function in the marketing of bananas. Ripening cost represents 18% of the total marketing cost and increased by 315% from 1974 to 1984 which represents an annual compound rate of 12,3%.

- Consumer Preference

  The requirements of consumers play an important role in the marketing of fresh bananas. Size of fruit as well as the stage of ripeness of the fruit has an effect on the demand. Consumers prefer large fruit but when the banana bunch is harvested, the lower part is often under developed with the result that a certain percentage small fruit are marketed. Because of other factors it is impractical to market different sizes separately.

2.5.3. Technological Development

- Research

Normally the Board does not do its own research on the production aspects of bananas, but is dependant on the research being carried out by the Department of Agriculture. This work is conducted by the Citrus and Subtropical Fruit Research Institute at Nelsprut, Burgershall, Levubu and the Natal South Coast.

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In September 1983, the Board in collaboration with the Central Banana Co-operative appointed a plant pathologist from the United Kingdom for a two year contract to do research work on panama disease. He is working in close co-operation with CSFRI plant pathologists who are also working on panama disease. Much work has been done on precautions to contain the spread of this disease and recommendations are available in circulars issued by the Board and the CSFRI.

The Board makes periodic donations towards the banana research programme of the CSFRI. During 1983/84 a donation of R3 500 was made towards irrigation projects at Burgershall and Levubu.

The Board is actively represented on the Ministerial Advisory Committee for Banana Production which, among other things, discusses the progress and priorities of the research programme with the CSFRI and grower representatives. Research has been concentrated on the aspects which need the most attention in the banana industry. These include cultivars and selections, crop timing and forecasting, planting densities, irrigation schedules and systems, nitrogen fertilisation, and of course, panama disease.

Various cultivars have been imported by the Board during recent years. These are Grand Nain, Valery and Poyo from Central America, and the Canary Islands' strain of Dwarf Cavendish. These cultivars are presently undergoing detailed evaluation in comparison with Williams and Dwarf Cavendish, at Burgershall and Levubu experimental station. They are not presently available for general release.

Outstanding results were already obtained during experiments with the controlled atmosphere storage of bananas by the Research Institute at Stellenbosch. The quality of the fruit was still very good after six weeks. It is anticipated to do these experiments on a larger scale during 1984/85. The Apple Co-operatives in the Western Cape have indicated that they are keen to make their cold rooms available to the Board for the storing of surplus bananas when they do not need these facilities themselves.

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- Handling and Packaging

  Because of the perishable nature of the product it is of utmost importance to pack bananas in suitable containers. Continuous research is carried out to get a suitable container at the most economical price.

  A start has been made with trials to pack and transport bananas in the production areas in bulk containers. After ripening, the bananas will be delivered to certain sectors of the trade in returnable containers. Results of the first trials were promising and will be continued in the 1984/85 financial year. If the scheme can be implemented successfully, it can result in a substantial saving for the industry.

3. MARKET CONDITIONS DURING THE PAST TEN YEARS AND PROSPECTS FOR 1985

3.1. Exports

Owing to geographical factors it is uneconomic for the Republic to export bananas.

3.2. Local market

As the Republic does not import or export bananas the total production estimated at 100 000 ton during 1983/84 must be marketed locally.

In accordance with the Banana Scheme a producer is at liberty to sell his bananas either within the production area at any price to any person or he can deliver it to the Board for sale.

For the quentities of bananas marketed through the Board, four-weekly pools are operated, i.e. thirteen pools per year (July/June). The net proceeds for the pools are divided among the producers in proportion to the quantities of bananas delivered by each producer during the pool period.

All bananas presented weekly to the Board are marketed by way of price negotiations with the leading municipal markets and wholesale distributors. In this way the Board ensures that bananas are distributed more evenly through the country and that prices in all marketing areas prevail throughout on the same level.

A total of 92 773 ton first grade cluster bananas and 7 172 ton single bananas were received and marketed by the Board during 1983/84. This means a decrease of 15,2% in comparison with the previous year.

Annexure 3 indicates the quantities of bananas sold in the various marketing areas in comparison with the previous year.

Market conditions over the past ten years can be illustrated on the basis of Annexure 2, according to which it is clear that the supply since 1974 until 1982 rose with 34% whilst the gross proceeds increased with 329% over the past ten years, i.e. until 1983/84. Whereas the volume consequently increased only with one third, the proceeds increased threefold. Thus, the price per unit increased with 263% from approximately R2,82 to R10,23 over the past ten years, that is an average of 26% per year.

3.3. Market prospects

Expected market conditions during 1985 should not be as favourable than in 1984 and the wholesale price should be somewhat lower than the past year mainly owing to the favourable weather conditions and the expected higher supply as a result of the increase in plantings.

4. PRICES

4.1. Producer prices

The weighted yearly average net payments to producers, i.e. after deduction of transport costs from the production areas to the ripening centres, container costs, ripening costs and levy, have increased by 67% during the past year as a result of the decrease in production compared with a decrease of 7% the previous year.

Because of a further increase in marketing costs, and an increase in plantings, producer prices will show a decrease in the next year.

The average net payments to producers during the past ten years, are indicated in Annexure 4.

4.2. Consumer prices

Although the Board sells all the bananas weekly at negotiated prices, there is no price control for bananas. Prices are determined by supply and demand. It is experienced generally that consumer prices

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usually follow the same pattern as the Board's i.e. when the Board's price is reduced, consumer prices drop or increase accordingly.

Consumer prices have shown an increase during the past year with an expected increase next year.

5. SUBSTITUTION

5.1. Demand substitution

Substitutes for bananas vary from other fruits such as oranges, apples and deciduous fruit to processed products, e.g. canned and dried fruits. It is however logical that consumers for the sake of variation give preference to these fruits which are available at a particular point of time. Banana sales usually reach a peak during October/November when few other fruits are available. Owing to its high nutritional value, flavour, easy digestibility and low kilojoule content, substitutes do not hold a real threat to bananas.

5.2. Product-substitution

Although other subtropical fruits are cultivated with success in banana production areas, the probability of product substitutes are very small mainly because bananas ensure the producer of an income throughout the year. The profitability of bananas are considerably higher than other substitutes.

6. A GLANCE IN THE FUTURE

The expectation is that the total production of bananas will increase in future years.

Suitable agricultural soil especially in the independent states and self-governing areas, as well as the development of better adaptable cultivars with a higher yield per hectare, and also cultivars with good marketing and production requirements which are disease-resistant, should ensure increasing banana production.

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ANNEXURE 1: Area (ha) under bananas in South Africa

Year	Levubu	Letaba	Burgershall	Malelane	Natal	Total
1974/75	no information available					
1975/76	1 234	1 310	2 181	803	863	6 391
1976/77	1 382	1 453	2 289	857	890	6 871
1977/78	1 349	1 452	2 552	770	1 103	7 226
1978/79	1 508	1 711	2 746	830	1 625	8 420
1979/80	1 398	1 929	2 384	934	1 569	8 214
1980/81	1 353	2 172	2 936	1 050	1 747	9 258
1981/82	1 302	2 268	3 022	1 165	1 883	9 640
1982/83	1 246	2 225	2 883	1 220	1 938	9 512
1983/84	1 060	1 939	3 072	1 228	1 901	9 200

ANNEXURE 2: Quantities of bananas marketed and total gross proceeds

Year	Clusters		Year	Singles	
	Quantity (20 kg units)	Total gross proceeds		Quantity (20 kg units)	Total gross proceeds
1974/75	3 926 398	R11 065 999			
1975/76	3 666 206	12 523 265			
1976/77	3 235 381	13 742 428			
1977/78	3 297 051	16 006 760			
1978/79	3 787 703	19 406 512			
1979/80	3 834 988	21 148 694	1979/80	157 449	R 494 932
1980/81	4 265 742	27 818 007	1980/81	511 138	1 964 212
1981/82	4 394 505	32 016 632	1981/82	529 926	2 331 798
1982/83	5 248 264	38 344 099	1982/83	647 748	2 973 776
1983/84	4 638 668	47 461 395	1983/84	358 624	2 255 222

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ANNEXURE 3:

Quantities of bananas sold in the various marketing areas (20 kg units)				
Centre	1982/83		1983/84	
	Volume	%	Volume	%
Natal	594 991	10,1	538 356	10,8
Pretoria	737 732	12,5	640 673	12,8
Rand	1 616 448	27,4	1 417 939	28,4
Bloemfontein	173 923	2,9	139 558	2,8
Kimberley	86 053	1,5	71 022	1,4
Cape Town	1 036 165	17,6	815 663	16,3
Port Elizabeth	325 407	5,5	271 700	5,4
East London	169 143	2,9	127 480	2,6
Black markets	756 496	12,8	621 324	12,4
Other	399 654	6,8	353 577	7,1
Total:	5 896 012	100,0	4 997 292	100,0

ANNEXURE 4: Net payments to producers (per 20 kg)

Clusters

1974/75	1,40
75/76	1,86
76/77	2,57
77/78	3,14
78/79	3,29
79/80	3,32
80/81	4,11
81/82	4,57
82/83	4,26
83/84	6,95

Singles

1979/80	1,68
80/81	1,92
81/82	2,25
82/83	2,09
83/84	3,59