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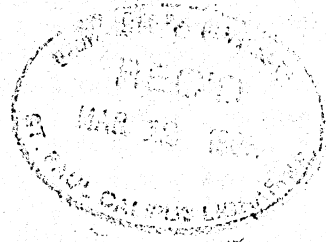
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AGRICULTURAL OUTLOOK CONFERENCE 1984



PRESENTED BY -

- **Agricultural Economics Association of South Africa**
- **Co-ordinating Committee of Agricultural Marketing Boards**
- **Department of Agriculture**
- **South African Agricultural Union**

**PALMS HOTEL
Silverton
Pretoria**

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AGRICULTURAL OUTLOOKTHE BANANA TRADE IN SOUTH AFRICA1. 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 1982 to 30 June 1983.

During Agrocon 1983 it was anticipated that the total plantings for the 1982/83 season would increase, but due to the shortage of irrigation water, quite a lot of producers were hesitant to make new plantings with the result that the area under bananas on 30 June 1983 was approximately 1,3% smaller than at the same time the previous year.

In spite of the decrease in the area under bananas, the yield increased by 19,7% which is attributed to improved production methods.

Net producer prices were lower than anticipated, mainly due to the substantial bigger crop and increased marketing costs.

2. PRODUCTION2.1. 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 9 512 hectare were planted with bananas in the Republic compared with an area of approximately 9 640 hectare the same period last year. Production decreased by 4,3% in Levubu (1 246 ha) and 4,6% in Burgershall (2 883 ha) while production increased by 4,7% in

Malelane area (1 220 ha) and by 2,9% in Natal (1 938 ha) and remained virtually constant in Letaba (2 225 ha).

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

Previous Season (1 July 1981 to 30 June 1982)

As a result of favourable weather conditions which prevailed in all the production areas, the total quantity of bananas delivered to the Board was approximately 3% higher than the previous year, mainly attributed to additional plantings. An unusual high production was experienced during the peak period (September - December) and the Board was compelled to implement a quota system.

The gross proceeds of bananas in 1981/82 was R34 422 590 or R350 per ton compared with R312 per ton during the previous year (1980/81).

An increase of 3% in total production resulted in an increase of 15,6% in gross proceeds.

Present Season (1 July 1982 to 30 June 1983)

Contrary to what was expected, there was a decrease of approximately 1,3% in plantings for 1982/83 which was due to the severe drought which prevailed in all the production areas since the beginning of 1983.

In spite of the decrease in plantings, the supply of cluster bananas which were ripened and marketed through the Board, increased by 19,4% while the supply of single bananas showed an increase of 22,2%.

This increase in production is mainly attributed to improved production methods. An unusual high production was experienced during the spring and early summer (September 1982 to January 1983) and the Board was compelled to implement a quota system once again.

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 1982/83 was R41 317 875 or R350 per ton which is the same as the previous year. The gross proceeds of cluster bananas was 19,8% more than the previous year whilst single bananas accounted for an increase of 27,5%.

2.3. Prospects : Coming Season
(1 July 1983 to 30 June 1984)

According to estimates approximately 627 hectare old orchards will be cut out during the year i.e. to 30 June 1984 whilst plantings on 399 hectare cleaned banana ground and on 975 hectare "new" ground are planned which holds out the prospect of a total expected area of 10 259 hectare under bananas at June 1984.

The supply of bananas from July to October 1983 was more or less the same as the corresponding period the previous year, but the unfavourable weather conditions will result in a reduction of approximately 8% in the supply during the period November to June 1984 as compared with the previous year.

It is estimated that the total production for 1983/84 will thus be approximately 7% lower than in 1982/83.

2.4. Production Potential

The average annual total banana production in the Republic for the past five years (1978/79 to 1982/83) was 86 124 ton against an average of 72 444 ton for the previous five years, viz. 1973/74 to 1977/78. This meant an increase of 18,9%.

The expected increase in plantings up to June 1984 indicated clearly that banana production will increase at a gradual rate. Against that there are indications that yields may show a declining tendency due to unfavourable weather conditions. The tendency still remains in South Africa to increase production by planting more bananas, instead of improving production efficiency on the same area. The economics of banana growing in South Africa make it possible for profits to be made at low yield per hectare. Only 13% of banana growers in Transvaal achieved 25 ton bananas per hectare or more the past year, while a large percentage of growers were not even achieving 10 ton per hectare.

It is expected that banana cultivation will continue to increase in the future but the rate of increase will not be as rapid as during the past decade.

The following factors play an important role in production potential:

1. The effect which the availability of sufficient irrigation water has on the average yield per hectare and:

2. Technological development

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

As from 1 September 1983, the Board will appoint a Plant Pathologist from the United Kingdom on a two year contract, to do research work aimed at solving the problem of panama disease. This contract research will be done in co-operation with the C.S.F.R.I.

The Board makes periodic donations towards the banana research programme of the C.S.F.R.I. During April/May 1983, the Board collaborated with the Department of Agriculture in sending an official of the C.S.F.R.I. to Australia, Israel and the Canary Islands. The main objective was to obtain information of benefit to the banana research programme in South Africa.

Research work was been concentrated in the fields of study which need the most urgent attention in the banana industry. This include cultivar evaluation, crop timing, plant densities and spatial arrangements, irrigation schedules and systems, bunch covers, nitrogen fertilisation and Panama disease.

The Board imported the cultivars Grand Nain, Valery and Poyo into South Africa in 1979, and the Canary Islands strain of Dwarf Cavendish in 1981. These cultivars are kept at the C.S.F.R.I. and will be evaluated in field trials at Burgershall and Levubu.

3. MARKET CONDITIONS DURING THE PAST
TEN YEARS AND PROSPECTS FOR 1983

3.1. Exports

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

3.2. Local market

As the Republic does not import or export bananas the total production estimated at 118 000 ton during 1982/83 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 quantities 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 104 965 ton first grade cluster bananas and 12 955 ton single bananas were received and marketed by the Board during 1982/83. This means an increase of 19,7% in comparison with the previous year. This is the largest quantity of bananas from Republic sources ever offered for marketing through the Board.

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 1973 rose with 32% whilst the gross proceeds increased with 337% over the same period. Whereas the volume over

this period consequently increased only with one third, the proceeds increased threefold. Thus, the price per unit increased with 208% from approximately R2,37 to R7,31 over the past ten years, that is an average of 21% per year which indicates that banana prices more or less kept pace with the inflation rate.

3.3. Market prospects

Expected market conditions during 1984 should be more favourable than in 1983 and the wholesale price should be a good deal higher than the past number of year mainly owing to the unfavourable weather conditions; The expected higher demand as a result of the population increase; the possible real income of the black population; and the expected relative small increase in production.

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 decreased by 7% during the past year as a result of the substantial increase in production and the rising transport and container costs, compared with an increase of 11% the previous year.

Although a further increase in marketing costs, and an increase in plantings are expected producer prices will show a reasonable increase in the next year mainly due to a smaller supply as a result of the unfavourable weather conditions.

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 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 but the rate of increase will not be as rapid as during the previous ten years (6 658 ha in 1973 - 9 512 ha in 1982). Although suitable agricultural soil is limited due to climatic requirements, 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 production.

7. SUMMARY

Production of bananas is restricted to the subtropical areas in the Republic viz. Eastern and North Eastern Transvaal Lowveld and the Southern Natal coastal areas. As a result of a shortage of irrigation water, production decreased slightly in 1982/83, viz from 9 640 hectare on 30 June 1982 to 9 512 hectare on 30 June 1983.

The Transvaal areas have 7 574 hectare under bananas whilst the product is grown on 1938 hectare in Natal.

In spite of the decrease in plantings, the yield increased by 19,7% in 1982/83. This increase in production is mainly attributed to improved production methods.

An unusual high production was experienced during the summer months (October 1982 to January 1983) and the Board was compelled to implement a quota system once again.

As the Republic does not export any bananas, the total production estimated at 125 000 ton must be marketed locally. Of this total, the Board marketed 118 000 ton at a gross income of R41 317 875 or R350 per ton. The gross proceeds of bananas increased by 20% in 1982/83 compared with the previous year.

It is anticipated that plantings for the 1983/84 season will increase slightly. The unfavourable weather conditions will, however, result in the total production for 1983/84 being approximately 7% smaller than in 1982/83.

The expectation is that the total production of bananas will increase in future years but the rate of increase will not be as rapid as during the past ten years.

Expected market conditions during the first half of 1984 should be more favourable than in 1983 and the wholesale price should be a good deal higher than the past number of years mainly owing to the unfavourable weather conditions. Consumer prices will inevitably also be higher.

The Board operates four-weekly pools i.e. 13 pools per year and the net proceeds of the different pools are divided amongst the producers in proportion to the quantities of bananas delivered by each producer

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during the pool period. The total annual average net payments to producers i.e. after deduction of transport, container and ripening costs as well as levy, amounted to R23 723 992.

The average net payment per container decreased by 7% during 1982/83, compared with an increase of 11% the previous year.

Substitutes for bananas, viz. other fresh fruits, have an influence on banana sales especially in times when these substitutes are in production. During September to November these substituted fruits are scarce and expensive and banana sales then reach a peak. Because bananas are available throughout the year, product substitutes are not a threat to banana cultivation.

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

Year	Levubu	Letaba	Burgershall	Malelane	Natal	Total
1973/74	1 444	1 354	2 279	851	730	6 658
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	1 110	1 938	9 512

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
1973/74	3 986 066	R 9 452 404			
1974/75	3 926 398	11 065 999			
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

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ANNEXURE 3: Quantities of Bananas sold in the various market areas (20 kg units)

Quantities of bananas sold in the various marketing areas (20 kg units)				
Centre	1981/82		1982/83	
	Volume	%	Volume	%
Natal	480 127	9,8	594 991	10,1
Pretoria	728 216	14,8	737 732	12,5
Rand	1 494 094	30,3	1 616 448	27,4
Bloemfontein	134 028	2,7	173 923	2,9
Kimberley	86 239	1,8	86 053	1,5
Cape Town	796 693	16,2	1 036 165	17,6
Port Elizabeth	294 945	6,0	325 407	5,5
East London	104 929	2,1	169 143	2,9
Black markets	553 554	11,2	756 496	12,8
Other	251 606	5,1	399 654	6,8
Total:	4 924 431	100,0	5 896 012	100,0

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

<u>Clusters</u>		<u>Singles</u>	
1973/74	1,21	1979/80	1,68
74/75	1,40	80/81	1,92
75/76	1,86	81/82	2,25
76/77	2,57	82/83	2,09
77/78	3,14		
78/79	3,29		
79/80	3,32		
80/81	4,11		
81/82	4,57		
82/83	4,26		

