

Banana Industry Export Market Development Strategy 2023

*A quick overview of international trade
opportunities and considerations*

STRATEGY SUMMARY

To review the opportunities to export Australian bananas, Hort Innovation has developed a comprehensive export market development strategy. The strategy has been produced using levies from the banana industry and funds from the Australian Government.

The supporting data underpinning this strategy has been prepared by market analysts and researchers McKINNA et al using its Market Potential Index (MPI) which is a framework used to filter, rank and prioritise export markets. The strategy provides a valuable resource for growers and industry more broadly to identify any trade development investment opportunities.



WHERE ARE WE NOW?

As a tropical fruit, banana production predominantly occurs in the North of Australia, in Queensland, with some production in Northern NSW, the Northern Territory and Western Australia.

Last year, there were more than 360 commercial banana growing businesses operating in Australia

Relative to the volume of national banana production, which is around 380,000 tonnes, banana exports have been minimal and opportunistic. In many years, there have been virtually no recorded exports. Total exports in the 2016/17 year were 138 tonnes or 0.04 per cent of Australia's total production.

The current trade is largely sporadic. Australian exporters are usually filling short-term market gaps when there is a market supply failure from other countries. Because such trade is usually sourcing product from the market floor, the product is not customised to suit the needs or preferences of the intended market in terms of flavour profile or branding.

WHERE DO WE WANT TO BE?

The Banana Strategic Investment Plan, which was developed with industry, identifies 'driving long-term domestic and export growth' as a priority. It also notes the need to develop export markets and product diversification that increases grower profitability.

“The best opportunity for Australian banana exports is with differentiated products.”

WHAT ARE THE OPPORTUNITIES?

The best opportunity for Australian banana exports is with differentiated products.

To export sustainably, Australian bananas will require having a significant point of difference built around branded products with considered messaging.

From the success of other Australian horticultural exports, it is clear that even highly price-sensitive markets have niche markets for ultra-premium, differentiated products. In these markets there are large segments of extremely affluent consumers who will pay a premium for better tasting or safer fruit of a very high-quality appearance.

Australian produce enjoys strong equity in terms of the country's reputation for quality, food safety and product integrity, which could be leveraged with differentiated, branded, premium banana products. Australia's reputation for premium export fruit currently rests with temperate fruit, so awareness would need to be built around Australia's credentials in tropical fruit varieties, including bananas.

There are potential opportunities to build differentiated products through:

- Flavour and nutritional claims
- Organic
- Eco-friendly
- Branding such as dipping, tattoos, etc.
- Ethical, fair trade
- Environmentally friendly
- Value-added pre-packs (e.g. tropical gift packs, children's novelty healthy snack packs, etc.)
- New varieties

The strategy identifies the best prospect markets for Australian bananas as:

- 1. Japan:** A key market for Australia with Japanese consumers willing to pay a premium for Australian produce, and strong demand for bananas generally. Japan is the highest-ranking market in terms of domestic consumption and is the largest import market being totally reliant on imports of bananas.
- 2. China (subject to market access):** A key market for Australian horticulture produce and even a very small share of Chinese consumption. China consumes around 13 million tonnes per year - to put this into perspective, this volume is 33 times Australia's total annual production.
- 3. Qatar:** Consumption is growing strongly and the market is totally reliant on imports. Relative to other countries in the Middle East, Qatar has above average per capita consumption of bananas. The higher pricing in the Qatar market helps lift Australia's competitiveness as does the fact that Qatar is an open market.
- 4. Singapore:** The Singapore banana market shows some potential for Australia but only in premium, niche markets for highly differentiated, premium product.
- 5. New Zealand:** Given the geographic advantage, cultural connection and strong supermarket relationships, there is plenty of opportunity to expand in the New Zealand banana market. The market is reasonably large and showing strong growth. Given its relative affluence, there could be premium, niche market opportunities for Australian bananas worth pursuing.

WHAT IS STOPPING US GETTING THERE?

Relative to other mature horticultural industries such as citrus and table grapes, the banana industry's export supply chain is undeveloped because the industry has been focused on servicing the domestic market.

Virtually all of Australia's banana exports to date have been handled by exporter/agents working out of the Brisbane and Sydney wholesale markets. Even larger growers do not appear to be export-focussed with few, if any, of the packing sheds licensed to export. Despite this situation, there is a sense of pragmatic optimism about the potential for export growth coming from exporters and many of them are proactively exploring opportunities.

The banana industry does not have an export market development program in place, unlike other horticultural industries of a comparable size. Such programs in other industries are engaging in in-market research to gain knowledge of how the supply chains function and what the desired product specifications are from trade customers and consumers and opportunities for collaboration in this area would benefit bananas and all of horticulture.

HOW ARE OUR COMPETITORS POSITIONED?

The largest competitors for Australian bananas are Ecuador and The Philippines. Australia's other competitors include Guatemala, Malaysia, Indonesia, Vietnam and Myanmar, although compared with The Philippines and Ecuador, these are relatively minor players.

All of Australia's competitors are developing countries that have a major cost advantage over Australia, particularly with respect to labour. Because bananas are highly labor-intensive, labour cost significantly impacts Australia's global competitiveness.

WHAT ARE THE NEXT STEPS?

The Strategy makes the following findings:

- Realistically, Australia is not price competitive globally with Cavendish bananas by a significant margin compared to the dominant players: The Philippines and Ecuador. However, market mapping shows there is a period from March to July when prices in the target markets spike due to reduced supply from the main supply countries. Fortunately, this seasonal window coincides with a period of peak supply in Australia when domestic market prices are significantly lower. The analysis indicates that the export price achievable during this period is higher than the domestic market price. Exploiting these opportunities will be key to success.
- Environmentally-friendly production systems can be a very successful differentiating factor in more sophisticated export markets, as evidenced by the premium paid domestically for such bananas. An opportunity exists to actively highlight the good practices in Australia relative to global competitors.

Hort Innovation will work with industry to determine its appetite for levy investment and roll-out of trade related research and development activities.

This summary feeds into an overarching Australian Tropical Fruit Export Strategy which aims to:

- Encourage collaboration in the tropical fruit sector to build new export business models and supply chains
- Develop new products to secure premium pricing, underpinned by strong branding
- Engage with markets to maximise immediate opportunities while also pursuing strategic market access for the longer term

For more information on the banana industry, refer to the Horticulture Statistics Handbook and the industry's Strategic Investment Plan.

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