Banana Industry

Banana is the leading fruit grown in the Philippines and a consistent top dollar earner. The prospect of Philippine bananas in the domestic and foreign market is still promising. We have Cavendish, and banana chips for export. For the local market, are lakatan and latundan. The demanding for organic banana chips, Cavendish and balangon for export is also growing.

Description
- Cavendish is grown in plantation scale in Mindanao.
- Lakatan and latundan are grown commercially alos intended for the Luzon and Visayas markets
- Cardaba is known mainly for the banana chips industry
- Balangon oor bongolan is grown organically in Tupi, South Cotabato
- Organic Cavendish is being grown by the multinational corporations

Production
World
- Total world banana production for 2004 about 70.63 Million MT (FAO).
- The average world production was estimated at about 62.7 Million MT per year (FAO). The world average yield is around 15.6 MT/ha.
- Leading banana producers include India (25%), Brazil (9%), Ecuador (9%), China (8%), Philippines (8%), Indonesia (6%) and Costa Rica (3%) among others.
- Total area planted to banana is estimated at about 4.547 Million hectares in 2004 (FAO).
- In terms of production area, there is also a 1.86% per year increase.
- The average area planted for banana from 1995 to 2004 was about 4.1 Million hectares per year (FAO).

Philippines
- The Philippines ranks no.5 among the major producing countries in the world.
- Production reached 5.64 Million MT in 2004 valued at P35.5 billion, which is increasing by 3.6%/yr from only 3.5 Million MT in 1990 (BAS).
- The country's production area ranked as the third largest in the world at 414,727 ha. In 2004 or about 8.5% of the total world area, behind only to India (680,000 ha.) and Brazil (485,819 has.).
- The country’s production area is increasing at 2.2%/year (1990-2004, BAS).
Mindanao

- Production reached 4.28 Million MT in 2004, which is 76% of the total Philippine production (BAS).
- Region XI contributed about 41% of the Philippine production, followed by Region XII (11.2%), Region X (10.1%), ARMM (6.8%), CARAGA (3.6%) and Region IX (3.2%).
- Mindanao has 205,102 hectares planted to banana or 49.5% of the total for the country up from 198,071 hectares in 2003 an increase of 3.55%.
- Region XI has 66,561 hectares for banana Region X 36,249 ha, ARMM 31,029 ha, CARAGA 26,774 ha, Region XII 24,200 ha and Region IX 20,289 ha.
- Organic Cavendish is grown by Marsman Drysdale for the Japan market.
- Balangon is organically grown bongolan produced and exported by Alter trade

Processing

- Cardaba is processed into banana chips intended mainly for the export markets
- At present, there are around 26 processing plants in Mindanao with 20-60 tons cap/day and a total production capacity of 400 tons/day.
- With the aforementioned capacity, these processing plants would be requiring about 600 MT of Cardaba per day.
- Cavendish is also processed for feeds, flour and banana catsup

Cost and Return

Cardaba

- High maintenance level with 30 to 40 MT/ha yield at 15 kg/bunch, 625 mat/ha, the total production cost was computed at Php2.13/kg
- Low maintenance level with an 8MT/ha yield, 15 kg/bunch, 625 mat/ha, low maintenance production cost was computed at Php0.78/kg
- Growers can expect a net income of about Php56,000 to Php75,000 per hectare on a per kilo farm gate of Php4.

Lakatan

- For the 1st generation planting with 40 MT/ha yield at 20 kg/plant, 2x2.5 m spacing, 2,000 hillst/ha, the total production cost for the 1st generation planting was computed at Php2.77/kg.
- 2nd and 3rd generations with 20 MT/ha yield at 15 kg/plant, 2x2.5 m spacing, 1,400 hillst/ha, the total production cost for the 1st generation planting was computed at Php 2.81/kg.
- The expected net income is Php80,000 to Php170,000 per hectare on a farm gate price of Php5.70 and Php10/kg. Traders and retailers along the supply chain are also making substantial income with the retail price of about Php25-35/kg.
**Latundan**

- High maintenance level, the production cost was computed at Php2.93/kg with the following assumptions: 20 to 30 MT/ha yield at 2,000 plants/ha and 15 kg/plant yield.
- Low maintenance level, 8MT/ha yield, 15 kg/bunch and 2,000 plants/ha, cost was computed at Php3.27/kg. Growers can expect net income of Php80,000 to Php120,000/ha.
- For Cavendish the buying price is US$2.40-S3.00/box and US$2.80/box for balancon or organically grown bongolan.

**Demand and Supply Projections**

- Cavendish banana export demand is expected to grow at 3-6%/year.
- Banana chips market can absorb around 10%/year growth
- Lakatan and Latundan is expected to grow at around 3%/year
- The bulk of supply in the country, around 80% will be coming from Mindanao.

**Local Market**

- Local markets for Cardaba is still driven by the mega urban centers such as Metro Manila and Metro Cebu mainly for snack foods such as banana cue and turon
- Lakatan and Latundan are also mainly for the local markets in Visayas and Luzon

**Foreign Market/Trade**

- The Philippines rank no.2 in exporting countries in 2004.
- Major export destinations include EU (33.8%), USA (28.9%), Japan (7%), Russia (3.8%), China (3.4%) & Canada (3%).
- Cavendish constitutes the bulk of the export earnings in banana at $333 M (1.83 M mt volume) in 2003 and $324.03 M in 2004 on a volume of 1.785 M mt.
- Banana chips export volume in 2003 was 25,998.3 tons valued at $24.35 M or $0.937/kg to 55 countries.
- The banana chips industry growth from 2002 to 2003 was 14.8% in value and 9.91% in volume.
- In 2004 banana chips export leaped to $36.86 M on a 36,538 mt volume or $1.01/kg
Marketing Practices

- Domestic market for fresh banana is through the middle men getting the produce from farm
- Fresh Fruits and Vegetables Traders/Agents- buy bananas from farmers.
- Shippers at the port of origin – Cagayan de Oro, GenSan, Davao and the proposed Malalag, Davao del Sur.
- Consignees/receivers – at the port manila for sales distribution to wholesalers and jobbers
- Wholesalers or jobbers – from all over Luzon
- Retailers – Fruit stands in rich neighborhood, supermarkets, wet market and Mobile retailers (cart)

Problems

- Pest and disease such as bugtok, bunchy top and sigatoka
- High cost of farm inputs specially fertilizers
- High cost of transport
- High post harvest losses
- Unpredictable China market in the case of banana chips

Price Trend

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<tr>
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<th>LAKATAN</th>
<th>TUMAL</th>
<th>SINGIT</th>
<th>NORMAL</th>
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<tbody>
<tr>
<td>a. Farm</td>
<td>P 6.00 – 8.00</td>
<td>P 12.50 – 14.00</td>
<td>P 10.50 – 11.00</td>
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<td>b. Pier-end (per kg.)</td>
<td>FOB port of origin</td>
<td>P 10.50 – 12.00</td>
<td>P 14.50 – 15.00</td>
<td>P 12.00 – 12.50</td>
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<tr>
<td>c. FOB port of destination: Remittances (per kg.)</td>
<td>P 14.00 – 14.50</td>
<td>P 18.50 – 20.00</td>
<td>P 17.00 – 18.00</td>
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<tr>
<td>d. Wholesalers/Jobbers Prices (per kg.)</td>
<td>P 20.00 – 21.00</td>
<td>P 24.00</td>
<td>P 22.00 – 23.00</td>
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<tr>
<td>e. Retailing setting Prices (per kg.)</td>
<td>P 26.00 – 27.00</td>
<td>P 34.00 – 35.00</td>
<td>P 30.00 – 32.00</td>
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- Latundan is lower by P2.00/kg in all stages of the season.
- Saba is consistent for three last years at FARM GATE P3.50 – 4.50 range
- Verde (Cavendish) – Farm Gate buying traders price @ an average of P30.00/layer w/ 14 layers stand file and each ELF or CANTER is sold to shippers at a range of P5, 000-7,000. The market pays a remittance at an average of P3, 000.00 per stand file per 10-footer fruiter van. (Source: Paul Gabunada, President, Mindanao Fruit Shippers Association, Inc.)
- Cavendish export price - $0.182 in 2003 and 2004
- Banana chips export price - $0.94/kg in 2003; $1.01/kg in 2004
Credit Assistance
Quedancor has the following credit windows:
- Cardaba-P70,000/ha
- Cavendish-P520,000/ha
- Lakatan-P230,000/ha
- Latundan-P130,000/ha
Land Bank which caters to cooperatives has the following loanable amount at 80% of project cost
- Cardaba – P 37,000/ha
- Lakatan – P122,000/ha

Investment Opportunities
- To supply the market requirements there should be an increase in area of production of 20,000 has. for Cavendish, 4,000 has. for Cardaba, 7,500 has. for Lakatan, 9,000 has. for Latundan and 2,000 hectares for exotic banana up to 2010.
- Organic banana such as Balangon, Cavendish and even morado have excellent export market.
- Fair trade banana is another opportunity in the near future with about US$0.75/box premium.

These would also be investment opportunities in the whole supply chain:
1. Input subsystem – fertilizer, pesticides, tissue cultured planting materials, organic inputs (organic fertilizers, bio pesticides), plastic bags, plastic mulch, packaging materials.
2. Production subsystem – credit, area expansion
3. Processing – banana chips, other products (flour, vinegar, etc.)
4. Marketing – trading from farm to markets in Visayas and Luzon
5. Logistics – transport facilities from the farm to Luzon

Institutional Support
- Strong industry association such as MinFruit, Mindanao Fruit Shippers Association, Inc., Banana Industry Council of Southern Mindanao Inc.
- Growth with Equity in Mindanao (GEM)
- HVCC program through the DA-RFUs