

From the pages of Jim Prevor's Perishable Pundit

Sometimes buyers forget that in this industry there are no factories. We are dealing with live plants, real weather events and much more. Recently Central America, the heart of the banana industry for North America, has suffered severe damage from hurricanes. What does this mean for the banana industry? We asked Pundit Investigator and Special Projects Editor Mira Slott to find out more:

✕ **Renato Acuña Delcore**
President of
[Dole Fresh Fruit International](#)
San Jose, Costa Rica

Q: I appreciate your taking on my extensive questions to help us cover this important story in more depth, and to alert retailers of the impacts and key information they need to know.

A: Thank you for placing attention to this critical issue. Back-to-back hurricanes, [Eta](#) and [Iota](#), have devastated banana production and entire communities in Honduras and parts of Guatemala across the industry, yet it's largely not been reported because of other headlines owning recent news in both the trade and consumer media.

In fact, even some retailers are not aware of the magnitude of what's happening there. The extensive damage will dramatically limit supply volumes from both countries for the foreseeable future and will require major investment to return production to normal levels.

Q: This devastation comes as the affected countries have grappled with the coronavirus pandemic and subsequent economic crisis. As an industry expert, your insights will be invaluable to aid the industry in navigating the best paths forward. To start, could you tell us about your background and responsibilities at Dole?

A: I started as a financial analyst in Costa Rica back in 1982. Since then, I have worked in Colombia, Honduras, and Ecuador in different positions. I assumed full responsibility for the fresh fruit business in 2014.

Q: Based on your experience and proficiency in handling a range of challenges, what are the key points you want retailers to know about the impacts of the recent

hurricanes Eta and Iota?

A: The hurricanes had a devastating impact on the banana supplies earmarked for the U.S. from Honduras and Guatemala. Industry estimates that the supply volume loss could be as much as 20% of the U.S. supply volume. To continue to support the consumer market, suppliers will be sourcing from multiple non-affected areas in other countries and navigate logistics challenges in shipping, trucking and ripening. This will represent multimillion dollar incremental costs for the suppliers.

Q: How could this crisis impact retailers' banana purchases and marketing/promotional programs? What strategies do you recommend retailers take based on these circumstances?

A: Suppliers will do everything to comply with their contracted volumes but at a very high cost. These costs are the logic behind the [force majeure](#) surcharge established by the largest banana importers to the U.S market.

In relative terms, bananas are a very low cost, very high value fruit. Under ideal circumstances, the retailers should be able to pass on the incremental cost to the end consumer. The average retail sale is about three pounds of bananas, and this extraordinary cost increase will represent less than five cents a pound. I believe that even at this price level, bananas will continue to be the best option for consumers in terms of value, and therefore should not affect sales. We do not think that any major changes in marketing and promotional strategies will be required, given that the price increase is relatively small.

Increases to the consumer prices are so low that it will not likely impact retailers' marketing and promotional strategies. That was the case back in 2011, the last time the industry faced a similar situation.

Q: For context, how important are banana sales to U.S. retailers? Do you have data to give scope and perspective?

A: Bananas have always been the top sales item in produce and a major element of grocery retail — nearly 1% of total store sales. Often consumers make judgements on retail stores based on the quality of their produce departments — and, more granularly, the produce departments themselves are rated on their bananas — how robustly they are stocked, how they are merchandised, the color and blemishes of the fruit itself. To this point, retailers in the U.S. put a high level of importance on their banana programs to draw consumers in and keep them coming back.

Q: Could you provide perspective on the size of the banana industry, and key production areas? How much banana production is done in the areas impacted by the hurricanes? Could you talk about Dole's business, and also more broadly?

A: We updated the table with actual information for 2020. In the short term is not possible to increase volumes from non-affected areas, quite the opposite, the very heavy rainfalls have stressed the plantations and production should be lower. It is probable that volumes from non-affected countries will be redirected to the US market at a significant increase in costs. The impacts to industry volumes are anticipated to be at least two years.

The Latin American banana industry exported approximately 237 million boxes of conventional bananas to North America in 2020. Central and South America — Honduras, Guatemala, Costa Rica, Ecuador, Colombia, Nicaragua, Peru — are core production areas for the industry, as are Mexico and Dominican Republic.

The extensive damage will result in limited volumes from Honduras and Guatemala for the foreseeable future and will require a multimillion-dollar investment to return production to normal levels. In addition, the sourcing of consistent, high-quality product from alternative sources will drastically increase industry costs due to strained supplies, higher cost of fruit, and changes to vessel logistics. For this reason, non-affected countries will probably redirect fruit to the North American market to meet contractual obligations.

For 2021 we anticipate a loss of over 40 million boxes in Honduras and Guatemala.

North American actual volume 2020 - conventional bananas

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Q: Are you able to quantify the extent of the damage and what it will take to rebuild and return production to normal levels? What is your assessment? (For instance, there were reports on November 10 that half of Honduran banana production was lost following Hurricane Eta. The Honduran banana sector reportedly estimates that around 8,000 hectares of plantations have been lost due to flooding from Hurricane Eta. This estimate would represent around half of the total hectareage in the Central American country).

A: It has been estimated that about 50% of Honduran production areas and 20% of Guatemalan production areas were destroyed by the hurricanes, and the rest of the area will see a negative impact on yields. The replacement of these areas will require hundreds of

millions of dollars and at least three years.

- The storm has impacted more than 5 million people in the region, and over a 100,000 people are still living in shelters.
- ETA & IOTA produced over 200 fatalities across Central America.
- Economic damage in Honduras alone is estimated at over \$10 billion (USD). About 20% of the population has lost all of their assets.
- During their passage, ETA and IOTA affected vulnerable communities across Nicaragua, Honduras, Guatemala and El Salvador.
- The economic and social consequences in the short and medium term are going to be severe, with infrastructure and agriculture heavily affected, in an area already in vulnerable conditions.

✕ **Q: What you describe is horrific. The scope of the crisis is hard to grasp... [An article in the New York Times reported](#), “The storms demolished tens of thousands of homes, wiped out infrastructure and swallowed vast swaths of cropland.” Could you elaborate on how this affects the industry?**

A: Bananas are a fragile fruit. Production and harvesting is not automated nor done by machine. It is very much still a “hands-on” process of continual care. Skilled farmers (called “bananeros”) are the lifeblood of the industry. With the communities impacted — homes, roads, bridges destroyed — their priorities lie elsewhere (as they should) in getting their lives and communities rebuilt. Thousands of hectares of banana farms were flooded causing interruptions to the business, the need to deploy emergency relief to surrounding communities, repair of roads and bridges, debris removal and facility clean-up, and work on reconstruction plans to minimize loss of employment.

Q: What will be the effect on supply volumes, and for how long?

A: This is still being determined. The volume loss represents more than 20% of North America supply. It may take more than two years for the most affected areas to recover. It is anticipated that certain plantations that were wiped out will not be reestablished.

Q: How are supply chains going to be impacted. Will there be other production areas that can fill the voids?

A: Some of the supply shortfalls will be made up by sourcing fruit from other countries, mostly Ecuador, the largest banana exporter in the world, where prices have more than doubled in the last few weeks. Supply shortages may be intensified as a result of the

approach of the beginning of the year, when demand increases.

Q: You expressed concern that retailers may not understand the full extent of the crisis...

A: News in the U.S. centered around COVID-19 and the election cycle has dominated all media coverage. The damages caused by the hurricanes were not widely covered. Retailers need to be made aware of the impacts these hurricanes have had and work with suppliers to ensure that customers continue to receive high quality bananas. They also need to understand the challenges associated with maintaining the service and be prepared for the financial impacts that are associated with this extraordinary situation.

Q: Going forward, how is Dole working with retailers to handle the supply issues?

A: Dole has been in continuous communication with retail customers in order to explain the order of magnitude impacts of having two hurricanes — category four and five — in a matter of two weeks in the same areas, and the need to institute a surcharge. The last time a similar weather-related event was back in 1998.

We very much appreciate the support and understanding of customers under extremely difficult circumstances. The plan is to lift the surcharge as soon as possible.

Q: What steps is Dole undertaking to help alleviate the crisis?

A: Dole's immediate focus has been providing needed relief for people living in and around our farms. We are working closely with authorities and relief organizations to respond to the needs of the impacted communities. Dole has been providing much needed food, potable water, road and bridge repair, and allotting space on our southbound voyages for goods and equipment to assist humanitarian organizations leading disaster relief efforts. Dole has already begun tapping alternatives of fruit and changes to vessel logistics to pick up and deliver those supplies.

Q: The *New York Times* article noted the magnitude of the ruin is only beginning to be understood, but its repercussions are likely to spread far beyond the region for years to come. Millions of people have been impacted. What is your assessment? What strategies are being undertaken? Are you working with any other companies to weather this crisis?

A: The combined rainfall from the ETA and IOTA hurricanes equals that of 1998's Hurricane

Mitch, a devastating natural disaster from which Central America took two decades to recover. Therefore, it is anticipated the region will be set back in its development for many years, a situation compounded by the pandemic. The company has been operating in Honduras for 120 years and has every intention to rebuild and continue to be one of the major employers and exporters in the country. We have been working with local and international relief agencies to assist all the social and community needs that the disasters have created. However, long term recovery will require significant multilateral aid and assistance to the governments in Central America.

Q: This devastation follows the debilitating coronavirus pandemic already wreaking havoc... Could you talk about Dole's actions to help communities in need?

A: Early in the pandemic Dole jumped in to provide more than [2 million pounds of food donations](#) in needed communities in the U.S. and Latin America, as well as other communities around the globe. Additionally, the company supplied water, masks, sanitizing gels, COVID-19 testing kits, health services, medicines, cleaning and disinfection products, protective and safety equipment, and other critically needed health supplies for families, police forces and healthcare and governmental institutions. Dole operates as an essential industry and has implemented all COVID-19 preventive measures in order to continue its business and provide much needed employment to the rural communities where we are present.

Now with hurricane relief Dole has been providing much needed food, more than 4 million pounds of bananas, potable water, repair machinery and equipment, and all ship space needed on Dole's southbound vessels to assist humanitarian organizations leading disaster relief efforts of goods and equipment. We will continue to support the communities surrounding our operations during these difficult times.

Q: Dole has pioneered landmark environmental sustainability certifications and actions. Could you talk more about your role here, and how this relates to what's happening now.

A: As a result of emergency preparedness procedures established in our certified management systems and prior experience with natural disasters, Dole employees were situated in safe locations even before the hurricanes arrived. This allowed the company to focus on relief activities at the community level, as well as assist local authorities with reestablishing roads and bridges.

Q: [Guatemala and Honduras last month called on the United Nations to declare](#)

[Central America the region most affected by climate change](#). Is Dole embarking on strategies related to climate change, and future related issues?

A: Yes, Dole recognizes the impact that agriculture can have on the climate and also the vulnerabilities that its operations have as a result of a changing climate. Over the years, the company has worked toward geographic diversification to mitigate the impact of climate change. Today we source product from seven different Latin American countries.

The company has established goals to reduce carbon emissions of its agricultural operations and to compensate for those that cannot be reduced further. At farm-level, our goal is to achieve net zero carbon emissions from Dole managed operations by 2030.

Q: Dole, and the produce industry more broadly, are constantly challenged by the perishability of fresh produce and Mother Nature, and the ability to pivot in all kinds of difficult situations. Do you have examples that parallel this current situation?

A: There is a long list of challenges in the fresh produce business beyond climate. These include:

- The incidence of pest and diseases, including [fusarium wilt TR4](#) with threatens to expand throughout Latin America
- Evolving [hazard-based regulations in Europe](#), which are becoming a barrier to trade.
- Stringent and changing customer expectations regarding quality and sustainable practices.
- Political instability, civil strife, strikes, legal uncertainty, and business interruption suffered in producing countries.

Q: How unique is this crisis, and what is your projection for future crises of this magnitude and what the industry can do to be prepared?

A: There is an important concern that the frequency and the intensity of tropical storms and hurricanes will increase over time due to climate change. In order to prepare, the industry must invest in more resilient infrastructure, including enhanced irrigation systems, levees and dykes, elevated and protected buildings and installations, and secure transportation.

Q: This has been an amazing, thought-provoking interview. Thank you for your comprehensive answers, and providing our readers with a deeper understanding of the devastation in Latin America, its impacts on the banana industry, and the

strategies going forward.

The banana giants have always been the largest produce companies, yet, oddly, they have also been the most abused. Retail CEOs, who barely pay attention to pricing on produce items, can get hysterical if a competitor beats them on banana prices — though the evidence that consumers switch supermarkets based on banana prices is actually weak.

A piece such as this shows that companies such as Dole function in leadership positions in the developing countries that produce bananas. These companies actually need margins to sustain a contribution that, in America or Europe, would fall to government.

Indeed, had the multi-national banana companies not invested in rebuilding Central America following the hurricanes, would it, in fact, fall on the US and the developed world to make these investments? Surely we wouldn't think it right, or in our interest, to allow these countries and their people to wallow in poverty and despair.

Perhaps Walmart and Lidl, Costco and Aldi, Kroger and Albertsons... could find a way to support these rebuilding efforts and the banana companies that make them happen. Perhaps consumers can be guided to understand that their purchases support an ecosystem that creates opportunity for people who really could use a break