

# Private Sector *Trade Note*



## CARICOM's Papaya Trade

Recently, world import spending on fresh papayas has not been very dynamic. Whereas global merchandise import spending grew by 3% per annum between 2006 and 2010,

**Table 1: Top Importing Markets for Fresh Papaya**

### ► GLOBAL FRESH PAPAYA TRADE OVERVIEW

Trade in fresh papaya is another business opportunity in which CARICOM firms have made some inroads on the global market. In 2010, Belize and Jamaica ranked amongst the top 10 exporters of this commodity globally. Fresh papaya represents another international trade opportunity that can be promoted through international trade negotiations, and this Trade Note will highlight recent trade performance, and the tariff treatment that can be expected in major international markets. In 2010, fresh papaya import trade represented a US\$238mn global market. The USA was the top import market accounting for over 41% of global fresh papaya sales in 2010. Other top import markets for fresh papaya in 2010 included Germany; Canada; Portugal; The Netherlands; Spain; and The United Kingdom. These countries jointly accounted for over three-quarters of global fresh papaya import expenditure in 2010 (see Table 1).

Importers	2010 spending (USD 000)	USD/ton	Import exp. growth 2006-2010 (%)	volume growth 2006-2010 (%)	Imp exp growth 2009-2010 (%)	Import share (%)	Average tariff (%)
<b>World</b>	<b>238,232</b>		<b>2</b>	<b>0</b>	<b>1</b>	<b>100</b>	
United States of America	98,568	641	3	4	1	41.4	2.2
Germany	18,430	2,577	7	-3	-3	7.7	0
Canada	16,538	1,229	2	1	8	6.9	0
Portugal	16,192	2,706	10	2	5	6.8	0
Netherlands	12,439	1,804	-6	-16	-3	5.2	0
Spain	12,184	2,208	7	-1	9	5.1	0
United Kingdom	10,786	2,131	-8	-12	-35	4.5	0
Japan	7,464	2,686	-9	-10	-7	3.1	0.7
Singapore	6,241	277	8	-1	19	2.6	0
France	6,024	2,900	-7	-7	12	2.5	0
Italy	5,211	2,407	7	2	20	2.2	0
Switzerland	4,684	3,490	10	-1	16	2	0
Hong Kong, China	4,373	897	-15	-23	34	1.8	0
El Salvador	1,919	243	28	17	16	0.8	14.5
New Zealand	1,541	1,988	-4	-10	39	0.6	0
Austria	1,511	3,514	12	-1	9	0.6	0
Belgium	1,407	2,797	-1	-12	-19	0.6	0
Sweden	1,205	3,473	-4	-14	6	0.5	0
Luxembourg	1,066	1,807	24	20	-35	0.4	0

Source: International Trade Centre, TradeMAP. <http://www.trademap.org> Retrieved October 16, 2011.

import spending on fresh papayas only increased by a relatively slower 2% per annum over this period. The growth trend is even less impressive between 2009 and 2010, slowing to only 1% growth in this period. However, even with this seemingly sluggish import performance, fresh papaya importers in a few countries have exhibited some dynamism.

In one respect, the fresh papaya market seems relatively open, as tariffs do not figure as a major impediment to trade for most of the top import markets. In 2010, only The USA, Japan and El Salvador imposed trade duties on imports of fresh papayas. However, these markets jointly represented almost half of import spending in 2010.

Mexico was the top exporter of fresh papaya in 2010 accounting for almost 35% of global export sales. Other top exporters of fresh papaya in 2010 included, Brazil (17.5% of global export sales); Belize (10.1% of world export sales); The USA (8.2% of global sales); and The Netherlands (7.2% of world export sales). The fresh papaya market is dominated by a few countries, as the top five export suppliers accounted for almost 80% of global exports in 2010. The most dynamic exporters between 2006 and 2010 included Ecuador (26% growth in export sales); Guatemala (41% growth) and Sri Lanka (31% growth).

### ► CARICOM FRESH PAPAYA TRADE PROFILE

CARICOM exporters are major players in the global fresh papaya trade capturing almost 12 cents out of every dollar of export sales generated in 2010. Fresh papaya exports represent an area of recent dynamism for regional exporters. This sector has kept pace with exports from the resource sectors of energy and mining. Whereas total regional export sales have grown by 10.7% annually between 2001 and 2010, export sales for CARICOM fresh papayas have grown by 10% over this period.

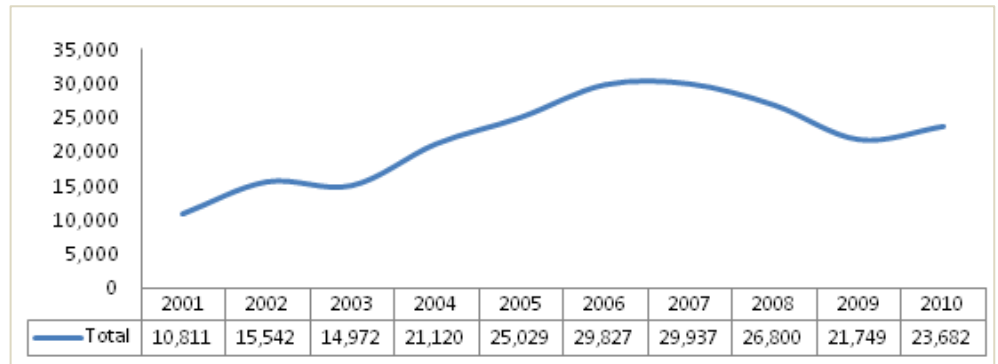
In 2010, CARICOM exporters of fresh papaya generated US\$23.7mn in sales. This outturn represented a 9% recovery from the almost 20% decline observed between 2008 and 2009. CARICOM fresh papaya exporters did not seek a wide range of markets, as in 2010, they generated all their international sales from 6 markets. This represents a contraction in the market spread as in 2001, CARICOM exporters of fresh papayas generated their sales from 12 countries. Therefore, exporters have focused on fewer markets, and have achieved some success in penetrating those markets.

It is also apparent that papaya exporters are focusing on extra-CARICOM markets as Barbados was the only regional export market for this product in 2010. In fact, between 2001 and 2010, Antigua and Barbuda was the only other regional market

that was explored when intermittent export sales of US\$2,000 and US\$12,000 were observed in 2005 and 2007 respectively. The top markets of focus were the USA and Canada, jointly accounting for circa 98% of export sales in 2010. The United Kingdom, Ireland, Barbados and The Netherlands were the other fresh papaya export markets in 2010.

Based on export price, in 2010, Guyana was the most competitive exporter of fresh papaya with a price that was 27% cheaper than Belize's export price. At the other extreme, fresh papaya exports from Jamaica were the most expensive from CARICOM in 2010 at almost quadruple Belize's export price. There seems to be a negative relationship between price and

**Figure 1: CARICOM Export Sales of Fresh Papaya (US\$'000).**



Source: International Trade Centre, TradeMAP. <http://www.trademap.org> Retrieved October 16, 2011.

Belize was the top CARICOM exporter of fresh papaya generating 85% of export sales in 2010 (see Table 2). In 2010, Belize accounted for one tenth of global export sales of fresh papaya and was the world's third ranked exporter of this product. Jamaica was the only other commercial exporter of fresh papaya in 2010 capturing another roughly 2% of global export sales. Export sales from Guyana also grew by 39% annually between 2006 and 2010, with significant growth of 370% between 2009 and 2010. Dominica's export of fresh papaya grew by 118% between the same period.

There are disquieting signs, as Belize's export sales have contracted overall by 9% between 2006 and 2010. Equally concerning, is the observation that export volume has also contracted, which signals a loss of international competitiveness and productivity. Additionally, St. Lucia, and Suriname have retreated from exporting fresh papaya with severe contraction in export sales. However, there have been some positive observations, with Belize's export sales growing by 12% specifically between 2009 and 2010. Fresh papaya exports from Trinidad and Tobago, Dominica and Guyana have also shown some dynamism. Trinidad & Tobago's export sales generated from fresh papaya grew by 27% between 2009 and 2010, concurrent to a 13% average yearly expansion in export volume between 2006 and 2010.

sales value, as Belize, dominates export sales, and has a competitive price. Jamaica's fresh papaya export sales were more dynamic relative to Belize even with a seemingly uncompetitive price. CARICOM exporters were generally pricing their fresh papaya exports at a higher price than the global average export price. In 2010, the region's fresh papaya exports were almost 80% higher than global export prices, signaling possible diseconomies of scale, and possible logistics and cost uncompetitiveness factors.

## 2.1 Export Market Analysis

### 2.1.1 Overview of the USA's Fresh Papaya Market

In 2010, the USA was the top import market for CARICOM's fresh papaya both in terms of import spending, and import volume. Additionally, the USA reported growth in import expenditure of fresh papayas which was in excess of global demand trends. This implied some dynamism in spending between 2006 and 2010, and suggests maintaining a focus on this market as a viable export destination for this product. However, both Jamaica and Belize have not been competing well in this market (see Table 1).

<sup>1</sup>Trade data for CARICOM in 2010 is preliminary, and in some cases mirror statistics have been used..

The market for fresh papaya in the USA was dominated by exporters from Mexico, Belize, Brazil, and Guatemala who jointly accounted for over 96% of import spending in 2010. The Dominican Republic and Jamaica were secondary players in the USA fresh papaya market. Guatemala seems to have bright long term prospects in the USA, as there was significant dynamism in export sales between 2006 and 2010. Indeed, this export growth has accelerated between 2009 and 2010 to over 171%, to almost triple sales in just a year. Guatemala is also a major competitor as export sales to the world grew by 41% per year between

2006 and 2010. Belize has not been exploiting its price competitiveness. In 2010, Belize was able to sell fresh papaya 17% cheaper than Guatemala, but is losing market share. Between 2006 and 2010, Belize's exports of fresh papaya to the USA declined by 8% annually. Belize also has to be concerned about the dynamism in export sales of the Dominican Republic.

There was an overall contraction in Belize's export sales of fresh papaya globally which implies some significant supply side constraint. There

are no tariffs being incurred by any of the major fresh papaya suppliers in the USA. It may be appropriate for Belize to seek to utilize its free trade agreements with Guatemala and the Dominican Republic to develop useful partnerships in trading fresh papaya. It is possible that shipments of fresh papaya can be consolidated and shipped from the least cost location to reduce per unit shipping costs and facilitate greater negotiating leverage for pricing arrangements in the USA. At the moment, Belize's price competitiveness does not seem to be a significant driver of competitiveness in the USA export market for fresh papaya.

## 2.1.2 Overview of Canada's Fresh Papaya Market

As was the case in the USA, Mexico was the top exporter of fresh papaya to Canada in 2010. Brazil, Ecuador, Belize, the USA and Jamaica also figure as major suppliers of fresh papaya for Canada's import market. Mexico was also amongst the most dynamic exporters to the Canadian fresh papaya market. Between 2006 and 2010, Mexico's export sales of fresh papaya grew by 59%. Guatemala, Costa Rica and Jamaica were the other dynamic exporters between 2006 and 2010. CARICOM's exporters of fresh papaya have an interesting approach to

(49%); and Lithuania (188%), however, in terms of import spending, these markets were not significant global markets (see Table 1).

A number of markets paid premium prices for fresh papaya, and it is suggested that CARICOM exporters investigate those premium priced markets (i.e. those markets that paid more than 40% higher than the average price of the top 30 import markets in 2010) to assess possibilities for market development. In 2010, the premium import price markets included France (40% premium on average price of the top 30 import markets in 2010); Switzerland (68% premium); Austria (69% premium); Sweden (67% premium); Norway (122% premium); Lithuania (51% premium); Finland (63% premium); and Denmark (60% premium). Jointly, these "premium price" markets are significant, as they represented almost 7% of global import spending in 2010. "Premium priced" markets also provide opportunities for arbitrage for those companies who are interested in shipping fresh papayas sourced from lower priced exporters, to these higher priced import markets.

Fresh papaya exporters should assess the role of trade negotiations in their market development initiatives.

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Table 2: CARICOM Exports of Fresh Papaya

Exporters	Value exported in 2010 (USD thousand)	Unit value (USD/unit)	Annual growth in value between 2006-2010 (%)	Annual growth in quantity between 2006-2010 (%)	Annual growth in value between 2009-2010 (%)	Share in world exports (%)
CARICOM	23,758					11.9
Belize	20,234	631	-9	-8	12	10.1
Jamaica	3,291	2,473	3	-3	1	1.6
Trinidad and Tobago	95	1,105	3	13	27	0
Guyana	94	459	39	29	370	0
Dominica	24	2,667			118	0
Saint Lucia	17	1,545	-33	-26	-91	0
Barbados	1					0
Saint Vincent and the Grenadines	1	500		23		0
Suriname	1		-37			0

Source: International Trade Centre, TradeMAP. <http://www.trademap.org> Retrieved October 16, 2011.

exporting to Canada. Jamaican papaya exporters have basically retreated from exporting to the USA, and are apparently focusing more on exporting to Canada (i.e. trade diversion). On the other hand, fresh papaya exporters from Belize have retreated from the North American market in general. Canada is a duty free market for all the major suppliers of fresh papaya.

### ► CONCLUSION

CARICOM fresh papaya exporters should consider market diversification. Between 2006 and 2010, fresh papaya importers in Portugal grew their import spending by 10% per annum, which was quintuple the global fresh papaya import growth rate. Portugal therefore represents a major market (almost 7% of global spending in 2010) which was also dynamic and could be a target for further market development by CARICOM exporters of this product. Other dynamic import markets included Switzerland (10% growth per year); El Salvador (28%); Luxembourg (24%); Indonesia (108%); Mexico (73%); Finland (32%); Argentina

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