



# ALTERNATIVE EmergingInvestor

Issue 4 - December / January



**Asian  
Frontier  
Markets**

**Bullish  
on  
Argentina?**

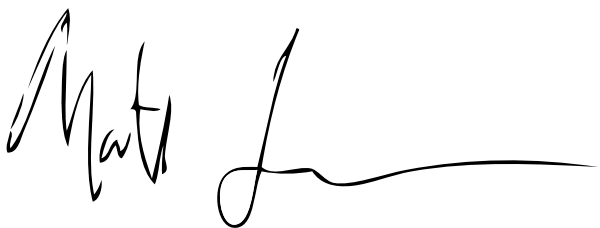
**Re-Emerging  
UK  
Real Estate**

It is human nature to instinctively fear what we do not understand. This fear can embed itself within the psyche, becoming increasingly stubborn the longer it is held onto, fighting logic and fact. What are people, in general, more afraid of: sharks or lightning? Peter Benchley's *Jaws*, for example has created a global illogical fear of the big fish; on average there are 10-15 fatalities a year from shark attack worldwide, yet the U.S. alone averages 50 lightning strike fatalities per year. Media, social behavior, entertainment, and group mentality have all worked together to create an almost universal negative perception. We have seen the same phenomenon occur in emerging markets.

Past economic crisis, political instability and historic under-regulation have all played their part in propagating the culture of fear around emerging markets, but this is rapidly evaporating. The world's investors have been barraged with emerging market news at ever increasing frequency for the better part of five years, and some of this information and understanding is beginning to stick. More and more LPs are starting to ask the right questions, if not actually making moves into emerging markets. The increased availability of information is responsible to some extent, but there has also been an expansion of understanding that may be more important. Investors are starting to see trends and opportunities more clearly, and we can see emerging market correlation with the U.S. compared with frontier markets' reverse correlation. We can use capital flows to predict currency movements, so the location of the puzzle pieces is becoming clearer. This is going to make for an incredible 2014 for those looking outside of the developed world.

From the entire AEI staff, we wish you happy holidays and a prosperous new year.

Saludos,



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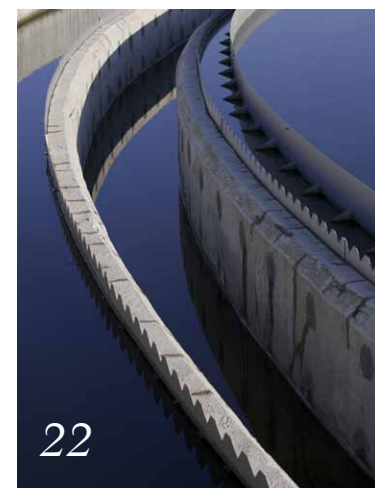
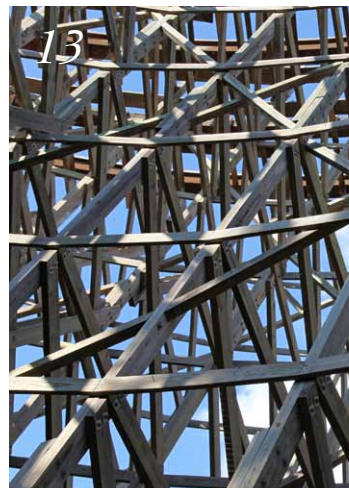
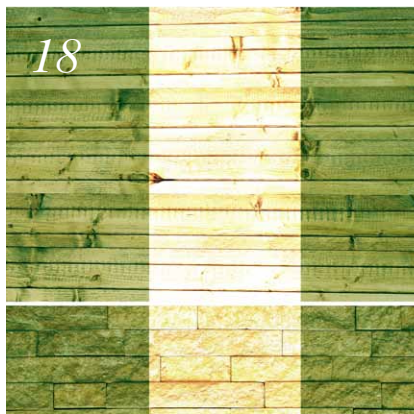
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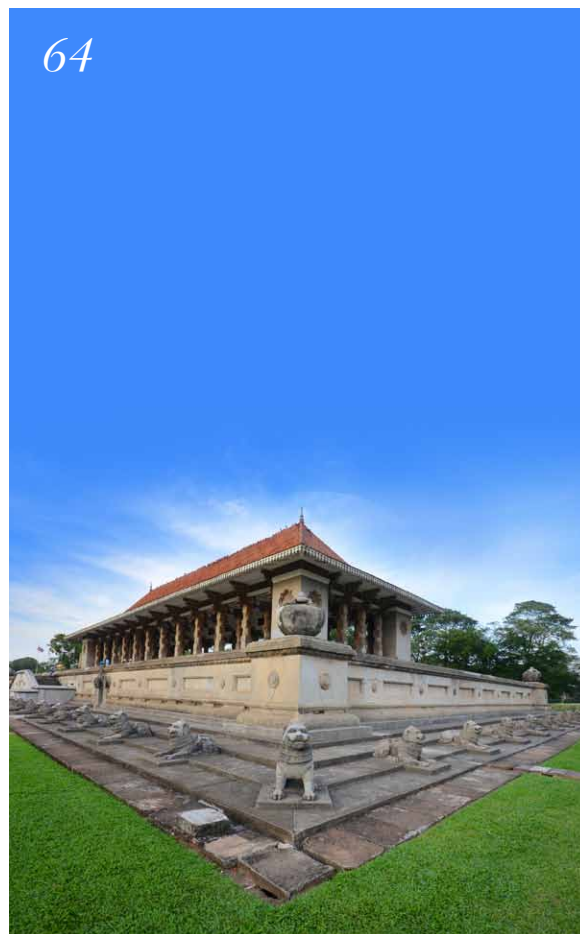
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# Big Pineapple, Small Pineapple

■ Stephen Kaczor

Pineapples account for more than 20% of the world production of tropical fruit, and they are second only to bananas as the most important harvested fruit crop. Just 12 countries create 90% of global pineapple demand. While most pineapple is harvested and consumed as fresh fruit in the country of production, pineapple exports have been dominated by one country for more than a decade: Costa Rica.





*“Panama’s stricter labor laws, with a higher minimum wage than Costa Rica’s, made it an ethical option.”*

‘Costa Rica generated 85% of global pineapple exports in 2010’

In the last decade, Costa Rican exports have exceeded US\$5 billion, and they have never represented less than half of the global export value in any one year. Other export industry players are tiny by comparison. Producers in Ecuador, Mexico, Ivory Coast and the Philippines have struggled with crop quality and export logistics. Costa Rica’s neighbors Panama & Honduras have recently begun ramping up to compete.

Only about 30% of worldwide production is exported, increasingly the MD2 variety, although the “Smooth Cayenne” variety is the most commonly grown worldwide. Major producers with few exports include Brazil, Thailand, Indonesia, India and the Philippines. Major importers are the U.S. and the E.U. Costa Rica’s success is notable given that its production represents less than 10% of global pineapple production.

Big pineapple production is highly industrialized by Dole and Del Monte, which brought the MD2 variety to Costa Rica from Hawaii in 1996. Growers use 20 kilograms of pesticides per hectare in each growing cycle, affecting soil quality, biodiversity, drinking water quality, and the health of workers and the local population. Most pineapple workers in Costa Rica are Nicaraguans who will work for very low wages. For more details on the downside of industrialized pineapple production, see Felicity Lawrence’s “Bitter Fruit” (2010, Guardian News, London).

Small pineapple is organic, fair-trade, and ecologically and socially sustainable. According to the Food and Agriculture Organization of the United Nations and the Export-Import Bank of India, demand for healthy and organically produced pineapples should increase considerably over the next 10 years. “Generally, the growth rate of organic markets is significantly higher than that of conventional markets, and that should hold true

for the organic pineapple market too, demand currently outstrips supply. Retailers increasingly demand organic pineapples of the MD2 type.” Time from planting to harvest for a pineapple crop averages 18 months.

A recent United Nations Conference on Trade & Development (UNCTD) analysis of the evolution of the world market for fresh pineapples speaks to a fierce battle between global agricultural giants and grocery retail chains. “A new driver seems to be gaining strength, as firms awaken to the advantages of using private standards as a strategic tool and to reassure anxious consumers. This is evidenced through the explosion of private and business-to-business standards aimed at guaranteeing the quality/safety of food products.” For a full commodity profile, visit UNCTD.

Successful farming of organic pineapples requires raised beds with soil rich in organic nutrients at an elevation with a tropical climate with little variation from 23.5

degrees Celsius. There are more than 100 varieties, but only 6 to 8 of them are cultivated commercially. After the variety, logistical and crop standards are two forces shaping the world pineapple market. Access to a successful cold warehousing and shipping chain, which Panama is currently implementing nationally, is as essential as efficient port operations on both shipping and receiving ends.

Also important is immediate transfer to buyers who, ideally, have participated in advance with crop standard development. Grocery retailers are increasingly participating in grower/vendor alliances in the trade of tropical fruits such as pineapples and mangos, a trend that began in the 90s. ‘A good small pineapple example is Panama’

Panama’s pineapple exports to the U.S. and Europe are expected to double over the next seven years thanks to government subsidies of 3 cents per kilogram exported. Panama has 3,500 hectares devoted to pineapples compared with Costa Rica’s 50,000 hectares and has only started exporting in the last six to eight years.

In Panama, Verba Fruit’s President Paul Vergara believes his country can produce fruit that is sweeter and has minimal pesticide levels. “Panama has hillier terrain than Costa Rica’s flat plains, and that is a significant advantage. The problem with flat land is it’s good for production and picking but it’s easy to have water accumulation which increases moisture and leads to more pests. We have hilly land so the water rolls off. Verba Fruit followed global GAP certification rules on pesticide use but in reality used very low levels. Costa Rica’s pineapple industry is several decades older, so many of the pests have become resistant to initial pesticides, forcing the country to use different chemicals compared to Panama.”

As Vergara told Fresh Fruit Portal (March 15, 2012), “Panama’s most common variety, Golden, is the same cultivar as Costa Rica’s but Panama’s is sweeter with brix levels exceeding 13.5 and reaching up to 18.” His company is currently diversifying, selling its La Dona de Panama label to medium-sized U.S. retailers on the West Coast, in addition to supplying Verba Fruit’s long-term client Fyffes. “There are

a lot of small regional chains where we can develop relationships. The color of our fruit is better as well as sweeter. We may be a smaller producer than Costa Rica but we are a viable alternative.”

He adds that Panama’s stricter labor laws, with a higher minimum wage than Costa Rica’s, made it an ethical option. “The multinationals came into Costa Rica, they bought land and prompted rapid growth of the industry. I don’t think this will ever happen in Panama. We cultivate a range of different fruit and our agricultural system is more diversified,” he says. “Vergara sees frozen exports as a major avenue to explore extending shelf-life for up to six months, which would make shipments to locations such as Asia possible.”

#### About the Author



Stephen Kaczor is a regular contributor to *Alternative Emerging Investor* and Chairman of the Big River Foundation, a non-profit focused on river and watershed ecology conservation initiatives throughout the Americas. He is an organic farmer, eco-entrepreneur, consultant, and a writer with a documentary film in production in Central America. As a Panama-based consultant, Mr. Kaczor’s focus is sustainable organizational development, research & management.

[www.BigRiverFoundation.org](http://www.BigRiverFoundation.org)