

# Banana

## The long deflationary slide

Denis Loeillet, CIRAD  
denis.loeillet@cirad.fr

The banana is the most competitive fruit product, which is also what condemns it. Since 2010, a third of its value has been chipped away. So what is the point of being ultra-competitive? For the downstream segment, it's all too clear – it is a marker of the appeal of its stores. It has to be said that the imbalance between supply and demand favours the distributors. Which is a shame, since the production industries are being asked a lot in terms of agro-ecological transition or social progress, while being increasingly less well rewarded for doing so.

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gil-freres@wanadoo.fr

**LLISO FRÈRES**  
contact@llisofreres.fr

**MURISSERIE D'ARMOR**  
murisserie.armor@orange.fr

**RAFAEL LOPEZ**  
compta.rafaellopez@gmail.com

**SELECT AGRUMES**  
info@select-agrumes.com

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serge@select-agrumes.com

The European banana price has continued to drop, indeed reaching a historic low in 2021 (see previous article "European market in 2021"). The situation is slightly better in France, where the import price stopped deteriorating, and even picked up by 1.4 % to reach €12.3/box 2021. The efforts at segmentation and market supply management, despite it being open to all-comers and becoming dollarised at a rate of knots, are a big factor in this modest upward trend. Nor should we think that France has found the solution to falling value. We are still in extremely low price zones.



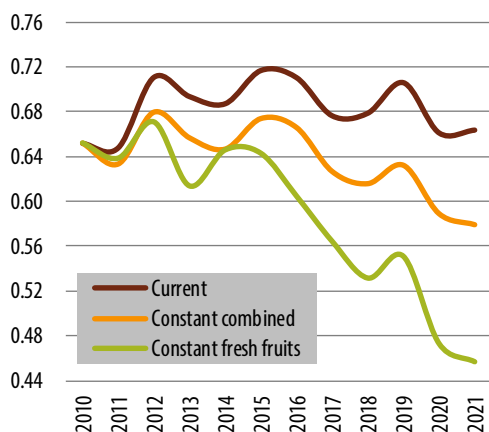
## Value down by one third in less than a decade

Contrary to the adage that comparison is reassuring, the pauperisation of the banana sector in relation to consumption, and more particularly of fresh fruit, has never been as evident in France. On the Cirad barometer, correction of the current import price by inflation in France makes for dizzying reading. There are two inflation rates available: the rate across all consumption of goods and services, dubbed "overall"; and the specific rate for fresh fruit. If we use the "overall" rate and convert the value of the import price (current price) in 2021 to the year 2010, the banana has lost 11 % of its value (constant price). More serious still: if the "fresh fruit" inflation rate is used, the fall increases to 30 %! In other words, compared to 2010, you need 30 % more bananas to purchase a kilo of fresh fruit in 2021.

An optimistic reading of this downward trajectory is that the industry's upstream operators are making a distinct contribution to moderating food prices. This is valuable in these times, when the consumer feels that their purchasing power is plummeting. But, as you will have understood, this is scant consolation for the upstream segment, which has to bear the weight of the effort, especially since it is enforced.

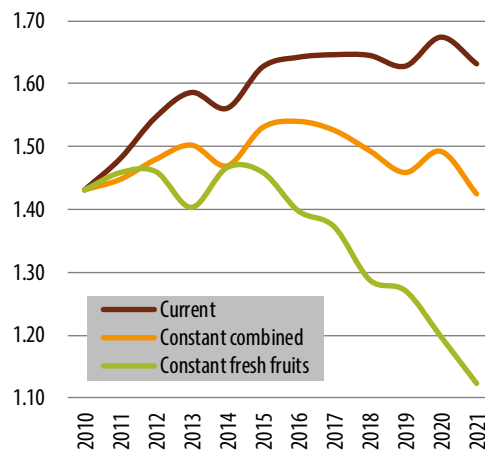
This is especially serious since France has a peculiar banana supply, in terms of its content, both environmental and social. The French West Indies are at the cutting edge in this respect, and Africa is also establishing a virtuous circle. Hence observing year in-year out that added value is being sacrificed is a market aberration, and an insult to the innovative industries.

**Banana - France - Import price on a current and constant basis (in €/kg | sources: CIRAD, INSEE)**



Note: "all consumption" and "fresh fruit" deflators

**Banana - France - Retail price on a current and constant basis (in €/kg | sources: CIRAD, INSEE)**



Note: "all consumption" and "fresh fruit" deflators

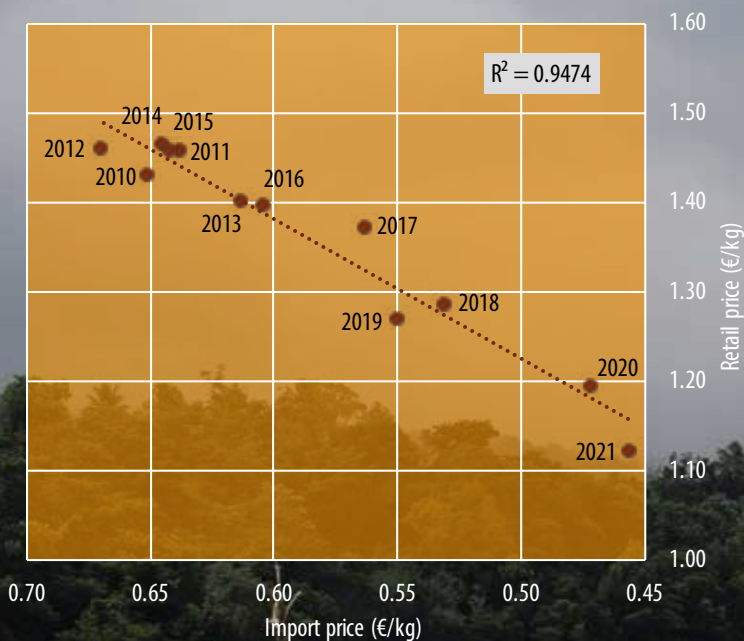
## Banana as a marker of appeal

If the imports segment is a shooting gallery, what about the retail sector? If we can believe the data from France's RNM (market news network), the retail price fell by an average of 3 % in 2021. So it has gone against the grain of the evolution of the import price. We are back to precisely the price levels from 2019, i.e. prior to the Covid pandemic. As we have just done for the import price, examination of the evolution of relative value of the banana in the basket of French households at the retail stage cannot be disputed either. The retail price in constant euros collapsed by 22 % between 2010 and 2011, if we use the "fresh fruit" inflation rate. Conversely, deflated by the "overall" index, we can see that the 2021 retail price is identical to the price recorded in 2010. The stability of the current price conceals a constant drop in the relative value of the banana in relation to its competitive world. This is one of the characteristics of a commoditised product.

Whose fault is it? We could point to all the players in the industry. Some for saying yes to all the demands from the downstream segment without compensation, and others for not rewarding the efforts of the upstream segment in terms of the social and environmental content of the fruit sold. Furthermore, if we take the banana sector alone, we can also say that a fruit which is in every case the cheapest on the shelf, and year-round at that, could withstand a higher price level without consumption being affected. We are talking about low elasticity at these already very low price levels.

This would at least make it possible to rethink for example the distribution of value in the industry in compensation for the efforts agreed. Except that it is pure supposition, and the principle of "all other things being equal" in the case of the banana is completely inoperative, and even absurd. Since, as has been said many times over, the banana is not being sold in its own right, but as a marker of a chain's appeal. This absurd situation is only possible because the supply is abundant, and the power on the market is well and truly in the hands of the most downstream link ■

**Banana - France - Constant import/retail prices relationship**  
(note: "fresh fruit" deflator | sources: CIRAD, RNM)



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