

# THE IMPACT OF THE FINANCIAL CRISIS ON AGRICULTURE AND IN PARTICULAR ON THE CONSUMPTION AND DEMAND FOR BANANAS AND FRESH FRUIT IN EUROPE<sup>1</sup>

John Moverley & Carl Atkin

## Introduction

Thank you for the invitation to be with you. It is both an honour and a privilege. I have spent my career in the agriculture and horticulture industries covering the public, charitable and commercial sectors. I have operated commercial businesses and guess I can offer some experience to discussions – the white hair is proof of this. What I would say is that I am not an expert on bananas and the perspective of this paper is very much looking at bringing a European dimension to the discussions of this conference. I am equally always wary of terming myself an expert. I think the definition is ‘Someone who knows more and more about less and less until he knows everything about nothing!’

The old Chinese proverb reads ‘We live in interesting times’. I guess that to most Europeans in recent times, that would be an understatement. It is easy to forget, given the pace of change, that not many months ago, it started with spiralling oil prices, bringing with it increased costs and concerns about inflation. It was followed quickly by the realisation at last that, despite the very important discussions and actions on issues such as climate change and the environment, food security was a major issue both globally in determining how we would feed our rapidly increasing population, with significant changes in dietary needs, and also food security at individual country level. Such changes have brought with them the need for review of policies and the emergence of national campaigns such as the one in the UK of inspiring and educating people to grow or certainly know more about their food. All of this, of course, has now been overshadowed by a financial crisis of unbelievable proportions as we embark on very uncharted waters with many not quite sure where will be our destination.

Against this backdrop, our food producers and retailers must seek to chart their course. In the early phase, with spiralling energy costs, there is clear evidence that many consumers sought to trade down their standard weekly shop. Cost became even more critical and our retailers responded accordingly. Now, with our financial crisis, growing unemployment and decreased security, there are signs that alongside seeking cost reductions where possible, whilst cutting back on luxuries, consumers are in Europe trading up on some specific food purchases. Restaurants report lower bookings and people are eating and drinking more at home.

---

<sup>1</sup> This paper was first presented by Professor John Moverley OBE at the International Forum for Banana and Fresh Fruit Sector in Ecuador in April 2009. It was jointly authored with Carl Atkin of Bidwells Agribusiness.

As said, we live in interesting times. The trading figures, whilst reflecting many of the challenges, are holding up for food purchases. Again there is some evidence that people are becoming more interested in food. Undoubtedly running a food related business has never been easy but the ability to adapt quickly and respond has always been paramount and never more so than now.

This paper addresses key issues starting with general background on the credit crisis, some related demand and supply considerations in terms of food production and demand and the extent to which agriculture is recession proof and the resulting opportunities.

Against this background we look specifically at the trends in consumption and demand for bananas and related foods and then update these for recent times. We look at statistics for a major supermarket retailer in the UK for the last 12 months to give hard evidence of what might be happening.

In concluding, we will seek to make some judgements and conclusions on demand and consumption which might set a context for future planning by suppliers of bananas and related produce.

### **The credit crisis**

The current credit crisis impacting in Europe is a direct outgrowth of the fall in housing prices that began in 2006. The emergence of subprime lending in the USA brought things to a head and exposed failings in the banking system globally. This was particularly interesting given that up to a year before the major USA collapse, economic analysts thought that the European economy was relatively immune to what was happening in the USA. How wrong they were! Using the USA as an example, as a rough approximation, for every ten dollars issued by a US bank in loans, it must have one dollar in capital assets. With the introduction of financial derivatives, financial entities widely used mortgage backed securities as part of the capital backing their operations. As housing prices declined, the value of mortgage backed securities declined. As bank's assets fall in value, they must issue fewer loans. A downward spiral begins and the consequences are immense. Businesses cannot get credit even for relatively strong positions. Unemployment follows, consumer confidence falls, less money is available to spend on goods and produce and even where income level allows, anxiety creeps in and consumers spend less or importantly, in terms of food, trade down in terms of quality particularly for staple goods.

Tighter credit narrows the market for housing and prices have slumped tremendously, especially important in the UK where home ownership, rather than renting is the norm. Houses become less valuable than the loan creating negative equity. The continued decline in house values further lowers the value of mortgage backed financial derivatives and credit conditions further tighten. Unfortunately the crisis in Europe spiralled outwards from these sectors. As credit conditions tightened, loans for consumers for business operating

expenses, and for corporate expansion further tightened. This has driven down sales of many items and more firms have failed. The current crisis has been compared with that of the Great Depression but in the latter there were more contributing factors. Different approaches have been adopted by countries. There can be no certainty as to when the recession might end.

Interestingly enough in 1867, Karl Marx wrote "Owners of capital will stimulate working class to buy more and more of expensive goods. The unpaid debt will lead to bankruptcy of banks..."

### **Impact on agriculture**

In such circumstances what has been the impact on agriculture generally? In essence, the sector has shown itself to be relatively recession proof. Whilst the credit crisis in Europe has reduced demand for goods, people still need to eat and whilst demand for food continues to increase, supply is under pressure. The trend is towards real price increases in the longer term whatever the short term fluctuations. Of course, the picture varies and certainly in Europe, there is evidence of consumers trading down in their purchasing of staple food items. However, the opportunity for fruit is that the consumer may see its purchase as an added value or luxury item when times are hard. Campaigns are ongoing throughout Europe seeking to encourage greater intake of fruit and vegetables to improve health and attack obesity. In the UK, the target is eating at least five portions per person per day of fruit and vegetables. Whilst we still fall short especially in lower income groups, it is a factor helping to mitigate the impact of the credit crisis, certainly in terms of fruit purchases.

Undoubtedly the world is facing real pressures in competition for land, certainly in Europe. Creating a world where we optimise the economic, social and environmental value of our land requires a review of our systems of planning, land use and agriculture. Certainly in the UK, there is a move towards recognising the value of food for healthy living and real enjoyment. At the same time, there is growing public awareness of the challenges of climate change and the need to conserve resources. However, price remains the major driver for consumers in relation to food at retail. The difference between what people say about their buying and what they do in the supermarket can be very different. Increasing understanding of the whole food chain will contribute to maintaining a viable agricultural industry where the industry recognises that more of the same will not do.

There are key issues currently facing us all in terms of use of land. Please forgive me if my examples today are largely UK based but hopefully these can be translated to other country situations. I identify five issues. Our response to them will certainly shape the industry.

**Population:** The world's population is growing and in need of food. Over 800 million people in the world are malnourished and a third lack food security. A 40% increase in world food production is required by 2020 to meet these needs. From a national perspective, the UK

population will rise by 17% to 71m within 25 years according to the Office of National Statistics. Consequently, the policies we adopt for rural land use cannot and must not ignore food production.

**World Trade:** The impact of global choice and competition is now substantial. Food has become less valued in developed countries and choice and availability taken for granted. Yet in many parts of our world that is far from true. Imports and exports are increasing and distances decreasing through improved transport infrastructure leading to a greater need for farming to utilise comparative advantage. Appropriate procurement and consumption is vital to maintaining a sustainable balance between global trade and domestic production. Then we have significant dietary changes with major shifts in eating patterns across the world.

**The Food versus Fuel Debate.** Achieving both energy and food security where land area is limited is both a challenge and an opportunity. Agriculture must strike a balance between contributing to efforts to reduce the effects of climate change and achieving sustainability. Energy crops, viewed as a key way of reducing carbon emissions, compete for land used for food and producing food from fewer acres will require intensification and re-emphasis upon science and the transfer of technology. The EU target for bio-fuel is 5.75% of its fuel needs by 2010 and is testing. In the UK today, bio-fuel accounts for just 0.5% of fuel usage. As was demonstrated by the large increase in biofuel production from crops in 2007 in the USA, demand for bio-fuel can have a major impact on the supply of food such as wheat.

**Climate Change:** Although there are differences in scientific interpretation, the impact of climate change is critical; 10 years delay will be too late. Whilst the majority of our land will remain farmland, the pressures to alter the environmental footprint will be immense. Increasing demands on farming methods to reduce water pollution and soil erosion will be coupled with the need to accommodate significant increases in production. In addition to this, climate change may bring about shifting weather and temperature patterns resulting in reduced crop yields.

**Land:** They don't make it any more and there are real production challenges

**Fresh Water Supply:** Will water be the new oil? Globally, great changes are taking place in the supply and availability of clean water and the intensification of farming will put more strain on this. Many water distribution infrastructures are in need of major improvement to ensure supply meets demand and sadly in many areas people die because of insufficient water. Industry will be required to use water more efficiently and water storage must become common-place. There are real dangers that we run out of water. One expert has said that if we measure all the water flow in our world rivers, we have some 140 litres per head per day. A typical adult in the developed world can consume up to 200 litres in terms of what is needed to produce their food, clothes and consumer goods. The challenge is clear – water footprints rank alongside carbon ones in importance.

These factors are raised not to give a comprehensive picture but to illustrate that, whilst the current crisis might well impact on demand and certainly the currency weakening has impacted on prices, the long term position is somewhat more optimistic. Food producers will need to be quick on their feet and adapt to probably greater fluctuations in demand and price than before but, for sound businesses, there is real opportunity. According to Barclays Capital in January 2009, global wheat production was set to rise to 684 million tonnes in 2008-09 compared with a lean 596 million in 2006-07. On the face of it, this is good news but this only represents 11.7 weeks world consumption. All this impacts on all producers of food certainly including fruit. The factors of demand pull such as population, dietary shift, policy changes and bioenergy combined to supply constraints such as land and water will impact and provide opportunity in the longer term.

What will be key is technological advance and a realisation of the need to fully support science and technical advance.

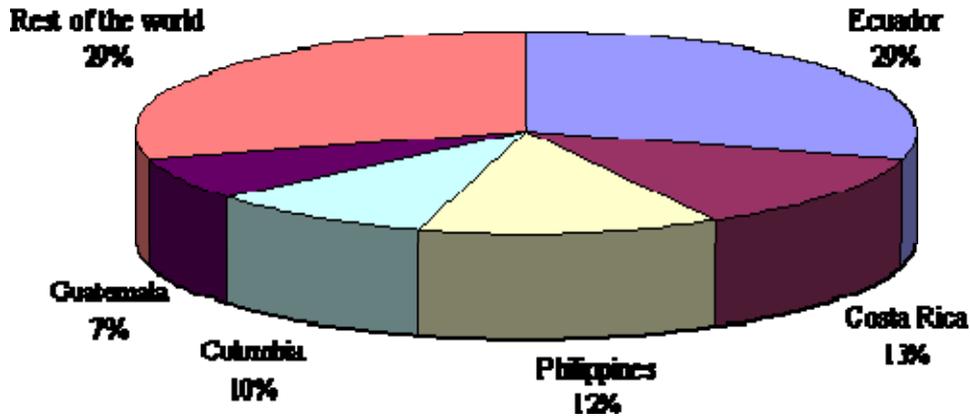
What all the statistics tell us is that agriculture is relatively recession proof and indeed food security is set to be a far more important issue than the credit crisis – more of that later.

### **Consumption and demand for bananas and fresh fruit**

We can turn now to the core of this presentation – the consumption and demand for bananas. Whilst I am aware that much of this may be known by this audience and indeed that there are greater experts in the room than I who may have much more updated information, it is I believe useful to set the scene for what has been happening to consumption and supply of bananas running up to 2006.

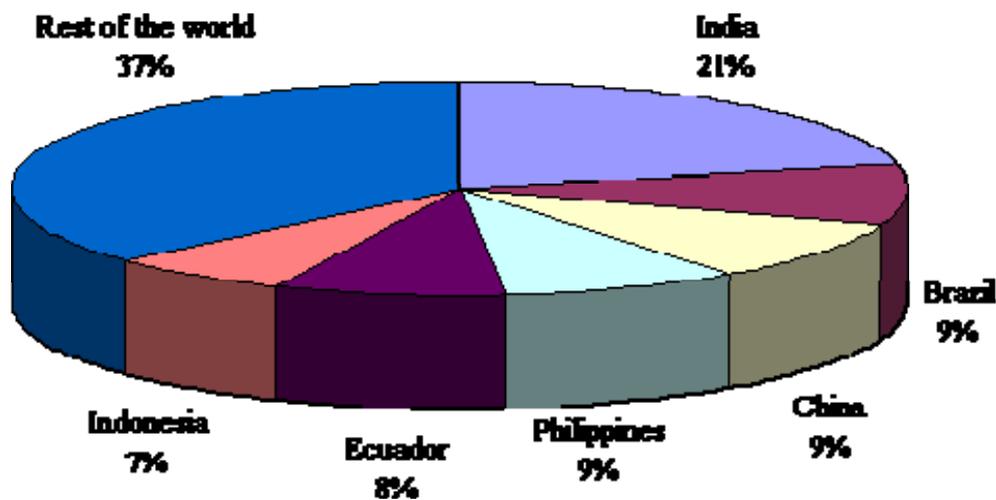
Bananas are the main fruit in international trade and the most popular one in the world. In terms of export volume they are first and second after citrus in terms of value. According to the Food and Agriculture Organization of the United Nations (FAO) Statistics estimations, world exports of banana were 16,8 million tonnes in 2006. Some of the main banana producing countries are hardly involved in international trade. In fact, only about one fifth of total banana production is internationally traded. Nevertheless, the proportion of the banana crop internationally traded increased slightly in the last decades (from around 18% in the sixties and seventies to over 22% in the 1990s and 2000s). The international banana market shows a highly regional character.

***Distribution of the world Banana exports  
Average over the 2002-2006 years***



Source: UNCTAD Secretariat from FAO statistics

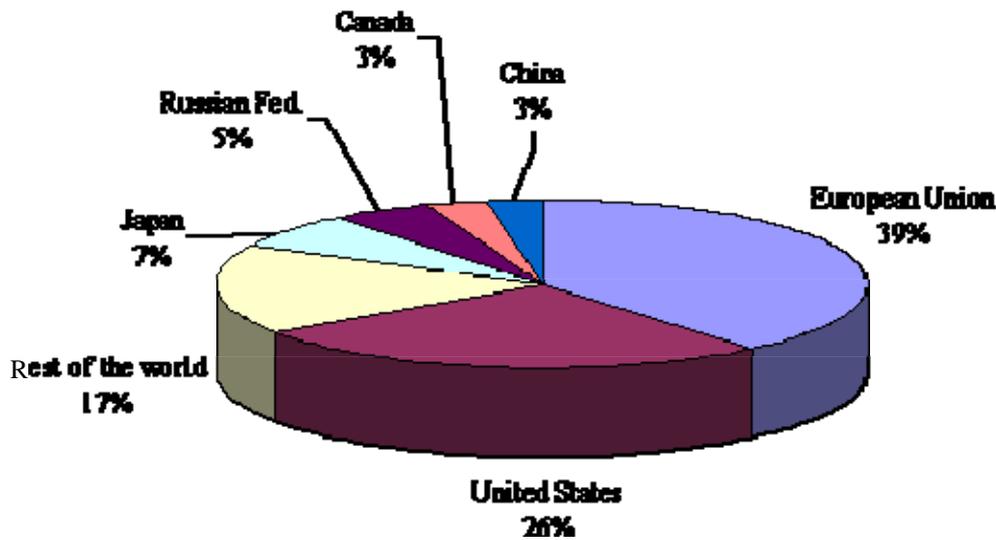
***Distribution of the world banana production by countries  
Average over the 2003-2007 years***



Source: UNCTAD Secretariat from FAO statistics

From an historical perspective, banana imports are relatively concentrated. The main importing areas are the European Union, the United States of America and Japan, which together accounted for more than 70% of world total imports in 2006, while the first ten banana importing countries represented more than 80% of total imports (considering the EU as a whole).

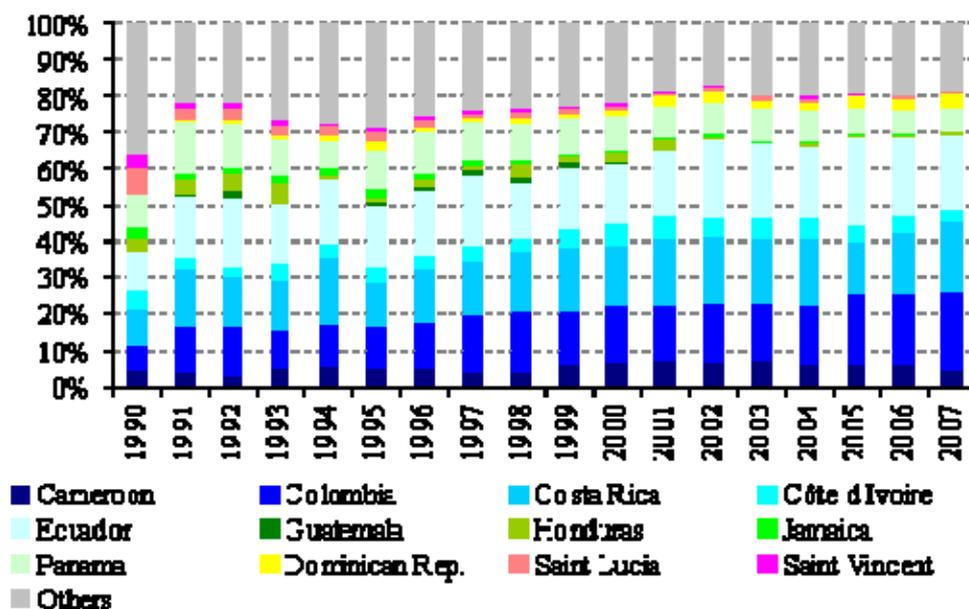
***Distribution of the world Banana imports  
Average over the 2002 - 2006 years***



Source: UNCTAD Secretariat from FAO statistics

Concerning the direction of trade in bananas, it is important to emphasise that, due to the different banana import regimes in consuming countries, the world banana trade has a clear regional character. There has been both preferential markets and open markets for bananas, although this picture has been modified in the nineties with changes in quotas and related regimes especially in Europe. Transportation costs and time in banana distribution also play a role in the regional fragmentation of the market. North American banana imports come mainly from Central and South America on an open market basis, that is, with no tariff or quantitative restrictions.

Traditionally, banana imports to the EU have originated from three sources: first, national production from Spain (Canary Islands), France (Guadeloupe and Martinique), Greece and Portugal; secondly, ACP (African, Caribbean and Pacific) countries, which have been granted preferential access to the European market under the Lomé Convention and later the Cotonou Agreement; and Central American and South American bananas given mainly free (or open) entry to countries such as Germany. However, during the nineties the EU pattern of trade in bananas has suffered from the uncertainties arising from the introduction of the EU Banana Regime and the modifications that resulted from the banana dispute that came before the World Trade Organisation (WTO).

**Geographical distribution of bananas imported in the European Union, 1990-2007**

Source: UNCTAD Secretariat from COMTRADE statistics

In the late nineties there was an oversupply of bananas, mainly due to higher exports from Ecuador and some other exporting countries. However, the main cause arose from expectations generated by the liberalization of the European Union market following the establishment of the EU Banana Regime market. In the late eighties and beginning of the nineties, banana marketing companies expanded their capacities to maximize their market shares in the profitable EU market. During the nineties the international banana market was greatly influenced by developments in the EU Banana Regime and the subsequent dispute and agreement at the WTO, which filled the market with uncertainties and limited the actions of the banana market operators. In addition, the emerging markets of Asia, particularly China, and the Russian Federation, and Eastern Europe were also considered to have great potential for bananas, but the economic situation in the Russian Federation, as well as the financial crisis in Asia meant that this was not achieved. All these circumstances, together with the sluggish growth of demand in saturated developed markets in USA and the EU resulted in the expected levels of banana consumption not being realised. This situation resulted in lower banana prices and increasing competitiveness between banana distribution companies as they restructured their businesses and sought to reduce costs.

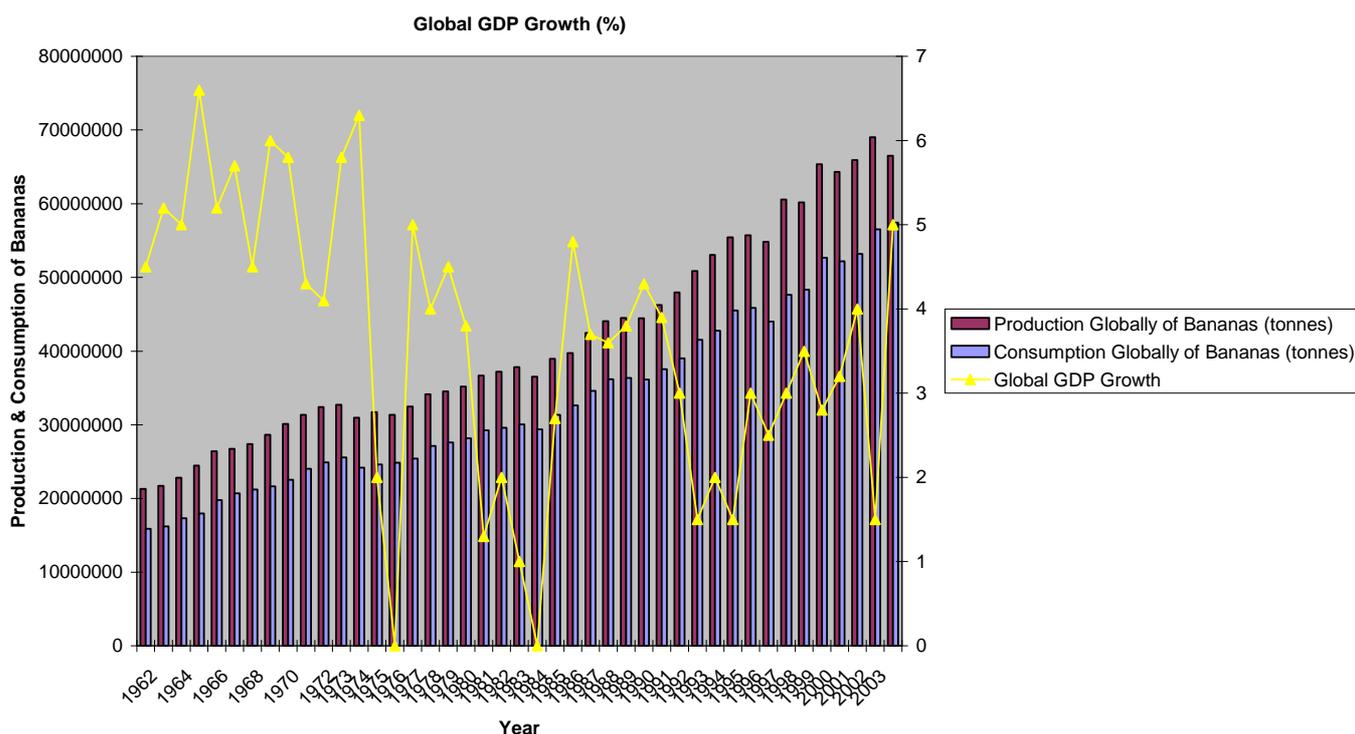
Before moving to the final element of my paper, I mention a few selected matters. In recent years, throughout Europe, there have been policy drivers encouraging the consumption of more fruit and vegetables for health reasons. It is interesting that, despite such initiatives, consumption remains below WHO/FAO minimum levels. This must present opportunities linked to appropriate promotion.

It is also interesting to look at the statistics for fruit in the EU. Statistics vary but undoubtedly the market in total remains fairly stable with traditional fruit sales declining and much more interest in exotic fruits, linked to increased customer choice and its 'luxury' appeal in given circumstances.

Finally, a reference to economic theory. In his book, *The International Banana Trade*, Julian Roche has measured elasticity for bananas finding very low figures showing consumption and demand relatively unaffected by price and income change. However, evidence is mixed, in the 80s and 90s the UK and Italy enjoyed high economic growth with increased banana consumption, whereas in the USA and Japan consumption growth was more limited.

Finally in this series it is interesting to plot the consumption and supply of bananas in the period since 1960 against change in global GDP. The statistic is marked. Consumption and demand have continued upwards oblivious to fluctuations in global GDP indicating clearly that bananas are a relatively inelastic commodity.

**Global GDP Growth and Production and Consumption of Bananas since 1960**



Source – Carl Atkin Bidwells Agribusiness

If we now turn the clock to 2007, just prior to the great changes especially in terms of credit, we can summarise the banana situation. In May 2007, the global banana market was undoubtedly booming. Euromonitor International data showed volume sales rising by an impressive 33 per cent, from 43 million tonnes in 1998 to 57 million tonnes between 1998

and 2006. Regional market growth was concentrated in Eastern Europe and Asia Pacific, increasing by 48 and 38 per cent, respectively. India had the largest market in terms of volume sales. In 2006, 17 million tonnes of bananas were sold in India, 30 per cent of the total world sales of 57million tonnes. Other large markets include Brazil and China. Brazil had the highest per capita consumption of bananas, at more than 28 kg in 2006 primarily due to the abundant availability and low price of the fruit. Interestingly, Ukraine witnessed the highest growth in banana consumption from 1998 to 2006, from 0.4 kg to 1.4 kg, an increase of 241 per cent. The availability of bananas increased dramatically in Ukraine as the market has opened up over the past ten years, aided particularly by a trade agreement with Ecuador, who supplied 80 per cent of the Ukraine's bananas at that time!

More interesting was to view the forecasts for bananas again by the same organisation, Euromonitor International. They expected growth would continue, with global volume sales increasing by a further four per cent. Growth in Eastern Europe, however, was expected to slow rapidly, overtaken by Western Europe at 10.7 per cent, as western Europeans continue to increase their fruit intake in light of the trend for healthy eating and concerns over obesity.

### Bananas

Market sizes - total volume - '000 tonnes	2006
Banana	
India	17,161.8
China	6,349.3
Brazil	5,173.5
Indonesia	3,807.7
Philippines	2,337.7
Market sizes - kg per capita	2006
Banana	
Brazil	28.2
Philippines	27.3
Thailand	22.7
Indonesia	16.8
India	15.5
Latin America	15.0
Venezuela	14.7
Kg per capita - period growth	1998-06 %
Banana	
Ukraine	241.4
Netherlands	134.6
South Korea	129.2
France	82.2
Colombia	77.0
Russia	72.3
Russia	67.9
China	65.4

Source – Euromonitor International

In the UK, in 2007, the consumption of fruit in the UK was slightly over four million tonnes, with star performances from dried fruit snacks, fresh-cut fruit and fresh cranberries and blueberries. Retail value of fresh fruit was around \$7.4 billion with 90 per cent of fruit being imported. There have been increased sales of soft citrus, berries, exotic fruit and pears. The average UK multiple supermarket now offers much more range, for example:

- More varieties of avocado & citrus fruit
- Fairtrade bananas

Latest findings show a strong shift in consumption from fresh whole fruits to fresh-cut fruits, with the latter registering total volume sales of 62,400 tonnes in 2007, representing growth of 14.7 per cent on the previous year. In contrast, total volume sales of fresh whole fruit registered only two per cent increase for the same period. (*Source: Euromonitor*).

If we now move this forward to current times using live and unique data for a large and leading supermarket in the UK and measuring actual sales values and consumption, we can see some interesting trends. The sub group looked at first in this analysis includes both conventional and organic bananas and apples with some standard vegetable products. The period shown is the 12 months to 22 March 2009 with comparison against the previous year. Against the column value for sales value and volume are indices which effectively measure change from the previous 12 months. Anything above 100 represents a real increase and less a decrease. The data shows increases in sales of bananas and indeed all fruits except for a slight fall in citrus. It is clear that, despite the pressures on incomes and the downward trend in goods purchased, the factors already described are keeping the position strong for fruit. In essence this data, a sample only, but repeatable across other retail outlets, demonstrates that the credit crisis, certainly as yet, has not really impacted on the consumption or demand for bananas. As can be seen sales values outstrip volumes because of price increases especially in terms of currency values. This is not set to change. Certainly in Britain the price of bananas without intervention could increase further as the impact of the weak pound sterling hits home. The cost of Britain's favourite fruit increased by more than a third in 2008 and further price rises look likely, according to trade magazine *The Grocer* (January 2009). Their report confirmed that bananas are particularly vulnerable to currency movements. A kilo of bananas has rocketed from an average 70 pence a year ago to 94 pence in January 2009.

However, in the UK, there has recently been substantial intervention with two supermarkets engaged in a banana war cut pricing the fruit as a loss leader. The current price is under 70 pence per kilo represents a 37% price decrease in real terms in the last 3 years and 50% since 2002. Sales of bananas, as said, have been rising for more than a decade, almost 100000 pieces per year, but the effect of this most recent price war is dramatic. A box of bananas wholesale in the week commencing 30th March 2009 was £20 but selling at an

equivalent price of £11.20. Currently the supermarkets involved are insisting that it will not impact on suppliers. This price war is recognition that banana demand stays strong and the supermarkets are using the fruit as part of a package of price reductions to maintain customer footfall.

**Selected Subgroup(s): Conventional Apples, Bananas, Carrots and other fruits and vegetables**

**Previous Period: 52 weeks from 26-Mar-07 to 23-Mar-08**

**Most Recent Period: 52 weeks from 24-Mar-08 to 22-Mar-09**

	<b>Sales Value</b>	<b>Index</b>	<b>Sales Volume</b>	<b>Index</b>
Conventional Apples	£158,726,626	105	130,506,550	99
Conventional Bananas	£116,489,974	105	168,879,830	101
Conventional Citrus Fruit	£144,235,673	107	175,109,730	99
Conventional Grapes	£150,674,920	107	86,119,900	104
Conventional Pears	£47,683,324	120	40,793,330	102
Conventional Soft Fruit	£168,905,563	106	85,121,920	104
Conventional Stonefruit	£67,459,055	99	62,775,450	108
Conventional Carrots	£50,524,921	113	98,653,770	104
Conventional Cauliflower And Broccoli	£64,703,283	98	79,205,710	93
Conventional Onions	£53,766,116	108	95,138,780	103
Conventional Potatoes	£251,551,547	109	194,715,570	100
Fair Trade Citrus Fruit	£1,685,470	102	1,291,400	107
Fairtrade Bananas	£7,068,007	129	7,072,100	138
Fairtrade Grapes	£13	0	20	0
Fairtrade Pears	£15	100	10	100
<b>All Products</b>	<b>£1,283,474,506</b>	<b>107</b>	<b>1,225,384,070</b>	<b>101</b>

Using the same live retail data, it is interesting to review other retail characteristics, again using indices and making comparisons with the previous 12 months. These show that 66.7% of customers bought bananas on their shopping trips although compared to other products bananas were purchased more frequently.

Interestingly all these figures are stronger than when last measured in January 2009. Demand in Europe was generally slow to recover after Christmas, in particular because of the very cold weather throughout Europe that adversely affected both consumption and transport. However, moderate supply had an impact.

**Selected Subgroup(s): Conventional Apples, Bananas, Carrots and other fruits and vegetables****Previous Period: 52 weeks from 26-Mar-07 to 23-Mar-08****Most Recent Period: 52 weeks from 24-Mar-08 to 22-Mar-09**

	<b>Customer Penetration</b>	<b>Index</b>	<b>Purchase Frequency</b>	<b>Index</b>	<b>Average Price Per Unit</b>	<b>Index</b>
Conventional Apples	62.29%	98	9.28	96	£1.22	106
Conventional Bananas	66.72%	99	11.75	98	£0.69	104
Conventional Citrus Fruit	63.22%	101	8.10	100	£0.82	108
Conventional Grapes	55.61%	102	7.65	97	£1.75	103
Conventional Pears	35.84%	100	5.75	99	£1.17	117
Conventional Soft Fruit	50.16%	99	6.27	98	£1.98	102
Conventional Stonefruit	43.12%	102	4.74	102	£1.07	92
Conventional Carrots	59.17%	100	8.33	100	£0.51	109
Conventional Cauliflower And Broccoli	48.03%	96	7.49	96	£0.82	105
Conventional Onions	61.94%	100	7.37	100	£0.57	105
Fair Trade Citrus Fruit	3.69%	93	1.45	95	£1.31	95
Fairtrade Bananas	14.66%	128	2.37	96	£1.00	93
Fairtrade Grapes	0.00%	100	1.00	95	£0.64	35
Fairtrade Pears	0.00%	100	1.00	100	£1.49	100
<b>All Products</b>	<b>87.48%</b>	<b>100</b>	<b>23.25</b>	<b>101</b>	<b>£1.05</b>	<b>105</b>

Finally in this series of live supermarket data, it is useful to examine trends in conventional, organic and fair trade purchases. Organic figures are given overleaf for comparison with the data above. Organic is clearly on a down ward spiral as consumers react to the premium prices for these products. However, this does not apply to fair-trade where in fact the highest increase in consumption has occurred in the last year. Consumers do care about sustainability and social issues but their worries about non organic production methods matter far less certainly in times of economic recession.

**Selected Subgroup(s): Organic Apples, Bananas, Carrots and other fruits and vegetables****Previous Period: 52 weeks from 26-Mar-07 to 23-Mar-08****Most Recent Period: 52 weeks from 24-Mar-08 to 22-Mar-09**

	<b>Sales Value</b>	<b>Index</b>	<b>Sales Volume</b>	<b>Index</b>
Organic Apples	£8,215,791	82	4,438,540	80
Organic Bananas	£15,107,228	92	12,931,580	87
Organic Citrus Fruit	£2,350,309	76	2,062,810	68
Organic Grapes	£1,595,774	90	848,390	90
Organic Soft Fruit	£5,610,289	101	2,451,220	93
Organic Stonefruit	£1,918,150	89	1,014,140	81
Organic Pears	£2,550,181	88	1,448,050	83
Organic Carrots	£7,758,708	91	7,751,750	73
Organic Cauliflower And Broccoli	£3,542,430	85	3,046,460	81
Organic Potatoes	£11,305,677	86	8,709,470	89
Organic Onions	£1,981,001	92	1,897,220	80
<b>All Organic Vegetables</b>	<b>£43,568,463</b>	<b>88</b>	<b>38,566,870</b>	<b>83</b>
<b>All Organic Fruit</b>	<b>£40,046,472</b>	<b>88</b>	<b>27,282,400</b>	<b>83</b>

	<b>Penetration</b>	<b>Index</b>	<b>Purchase Frequency</b>	<b>Index</b>	<b>Average Price Per Unit</b>	<b>Index</b>
Organic Apples	7.94%	81	2.55	95	£1.85	102
Organic Bananas	18.91%	88	3.41	95	£1.17	106
Organic Citrus Fruit	5.15%	72	1.78	92	£1.14	111
Organic Grapes	2.77%	91	1.51	95	£1.88	100
Organic Soft Fruit	6.07%	89	1.78	100	£2.29	109
Organic Stonefruit	3.54%	80	1.41	97	£1.89	110
Organic Pears	3.54%	75	2.01	106	£1.76	106
Organic Carrots	10.29%	67	3.71	106	£1.00	125
Organic Cauliflower And Broccoli	6.87%	79	2.23	99	£1.16	104
Organic Potatoes	16.75%	96	2.38	88	£1.30	96
Organic Onions	4.68%	84	2.00	91	£1.04	115
<b>All Organic Vegetables</b>	<b>37.32%</b>	<b>91</b>	<b>3.91</b>	<b>88</b>	<b>£1.13</b>	<b>106</b>
<b>All Organic Fruit</b>	<b>31.06%</b>	<b>88</b>	<b>3.67</b>	<b>92</b>	<b>£1.47</b>	<b>107</b>

Interestingly these statistics show that despite there being a decline in demand for organic products because of price differentials, this does not appear to apply to fair-trade bananas where in the supermarket analysis here, demand has gone up significantly.

Our analysis in this paper has not referred to the EU Banana regime. This is not because it is not important and indeed it has influenced the market as previously discussed. However, it is felt that it is not really within the brief of this paper and time is limited. I personally feel that the regime has offered some solutions, albeit far from perfect, and it is serving the long run interests of the producer countries both in Latin America and the Caribbean but that could prompt even more debate.

### **Conclusions and projections**

How can we summarise? Well certainly the economic situation in the European Union remains volatile. As businesses continue to fail or not be able to achieve growth forecasts, consumer confidence remains low. Prospects for improvement depend not only upon individual government stimulus plans but also on a global recovery. Government actions to date have varied. The UK banking system has moved towards greater nationalisation, increased government spending and adjustments to the money supply, but in France substantial infrastructure spending has been approved and Germany in January 2009 announced a 50 billion euro stimulus package. There are concerns that countries may retrench and introduce protectionist measures, thus working against free competition and distorting global markets. At this stage there seems no hope of coming out of the recession until 2010 although there is some consensus of an economic upturn in 2011 bringing with it rising consumer confidence, but it will be a hard road ahead. The European Commission in January 2009 provided projections on GDP growth. Ireland was expected to suffer the most in 2009 with the bursting of the construction and housing bubble. Other countries were very much on a par except for Greece with even 2009 being positive due to unusual factors. Some figures are given below rounded to the nearest 0.5%:

	2008	2009
Greece	+3.0	+1.5
France	-2.0	+1.0
Netherlands	-2.0	+2.0
Ireland	-5.0	-2.0
UK	-3.0	+1.0

Without going into the detailed projections for each European country (because they vary in the impacts and their responses to the credit crisis), perhaps some general conclusions are

possible. The health warning is of course the generalisation and differences between European countries are very significant. However these comments are set in the context of the projections referred to above. We are especially grateful to J M Ferry from the Chamber of Commerce in Avignon, France on which our conclusions are heavily drawn. Firstly, undoubtedly the greater range of fresh fruit available and longer storage times mean more consumer choice. This emphasises the need for quality in primary produce, its conditioning, presentation in transit and at point of sale. There are clear signs that the demanding nature of consumer as regards choice of variety and quality will eliminate all but higher quality products from the market. Whilst price trends are upwards, all indications are that volumes will continue to increase but equally there are signs that growth may be diminishing and not be as buoyant as might have been forecast in 2006. Despite calls for healthy eating and the like, there may well be some movement to processed fruit products certainly whilst the current difficult conditions continue in Europe.

There will continue to be a growing need for information about fresh fruit products, the available varieties and their sources. Combined with growing consumer protection rights, this will impact on suppliers who must ensure these needs are met. Our research has shown that the market for bananas and fresh fruit along with most agricultural products is relatively recession proof. Issues impacting on supply and the challenge of supplying enough food to meet the needs of a growing population are acting as a counter balance to economic pressures. We all need to eat. Whilst there is undoubtedly a trading down in food purchasing patterns, this is not really reflected in the demand for bananas and related fruit. Campaigns such as five a day in the UK linked to strong messages on health reasons for fruit and vegetable consumption are a real factor here. Indeed, in times of financial austerity, buying and consuming fruit can often be seen, certainly in the UK, as a luxury that can be afforded.

Whilst we are all pre-occupied quite rightly with the credit crisis, we must not lose focus on that other threat to global stability which is that of hunger and food supply. Only just this month, a meeting of the G8 group of Ministers warned that the world faces the prospect of a permanent food crisis endangering international stability if countries do not take action now. It adds that such a crisis will not just impact further on business but equally on social and international relations. UN figures show that 850 million people were chronically hungry before the food crisis of 2007. FAO estimate 1 billion people are the current number of chronically hungry. The economic recession impacts on purchasing power and food costs remain high – the consequences on food supply are clear and there is still much potential for increased in fruit consumption in Europe.

This paper has sought to address the impact of the credit crisis on consumption and demand for bananas and fresh fruit in Europe. It is clear that, whilst important, certainly short term, the real issues are around food security. Indeed with agriculture commodity stocks at multiyear lows, an unexpected spate of bad weather could push prices up and trigger a

further crisis upon the economic one. As the Chinese proverb says 'We live in very interesting times'

*Professor John Moverley OBE  
Senior Consultant*

*Bidwells Agribusiness  
Trumpington road  
Cambridge  
UK  
+44 (0) 1223 559451  
[John.Moverley@bidwells.co.uk](mailto:John.Moverley@bidwells.co.uk)*

*Joint Author:*

*Carl Atkin BSc (Hons) MBA  
Partner and Head of Research*

*Bidwells Agribusiness  
Trumpington Road  
Cambridge  
UK  
+44 (0) 1223 559 539  
[carl.atkin@bidwells.co.uk](mailto:carl.atkin@bidwells.co.uk)*