

THE REALITY OF THE BANANA TRADE

KNOWN VALUE ITEMS (KVI)

Bananas are KVIs, meaning they disproportionately drive the consumer's price perception of a retailer. This has led to a race for the bottom amongst supermarkets that has pushed down the price. Consequently, 75% of growers supplying the UK live below the poverty line.

FAIRTRADE

Fair-trade bananas account for 35% (by value) of bananas sold. Sainsbury's, Waitrose and Co-op exclusively sell FT.

80% of bananas are bought from supermarkets in the UK. This gives them a great deal of influence; a price war has greatly decreased the market price for bananas even though cost of production is increasing.

The most significant part of FT is the Fair Trade Minimum Price. This sets the price for a region, thereby guaranteeing the price for producers. Supermarkets rarely pay more than the FTMP so it in effect becomes a fixed price. Due to fierce competition, pressure was put on the Fairtrade Foundation to not increase the FTMP for growers despite growing costs.

The current FT premium is 1 US\$ per box, which is roughly 5%. This money goes to community projects in the region, and more recently, bonuses for migrant workers that would not benefit from infrastructure developments. Many supermarkets absorb this to artificially suppress the retail price to consumers.

ISSUES

A problem with FT is that producers will have to comply with the regulatory standards however there is no guarantee that a producer will be able to sell the fruit at as FT. As a result, if demand for FT is low then a grower will have to absorb the extra cost of FT certification and compliance but will only receive normal market prices. As the price war wages on, there is a danger FT produce is less favoured.



TOP BANANA

80% consumers say they would pay more for bananas if the farmers and workers benefitted. A producer receives 0.75p or every 12p banana sold.