

Rt Hon Dr Vince Cable MP
Secretary of State
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET

14 February 2014

Dear Secretary of State,

Fairtrade Foundation 2014 Campaign: Fair pricing of bananas

I am writing to inform you about our new campaign to Make Bananas Fair. The campaign, which launches during Fairtrade Fortnight (24th February – 9th March), calls upon you to lead government action to address the impact of banana retail price wars on farmers and workers around the world.

In the last 10 years, the UK supermarket sector has almost halved the retail price of loose bananas while the cost of producing them has doubled. The effects are being felt down the supply chain, trapping many of the farmers and workers who grow them in poverty. This cannot continue.

We are calling on you to urgently investigate retailer price wars on bananas, evaluate the impact on the long-term interests of banana producers and UK consumers and take action on the findings.

Bananas and the supermarket price wars

As you will be aware, the supermarket sector in Britain is one of the most concentrated and competitive in the world, with price promotion on “known value items” one of the most visible features of that competition.

Nowhere is price promotion more visible than for loose bananas. The price of a kilo of loose bananas has fallen from £1.08 in 2002 to 68 pence today. Over the same period costs of living and costs of production for banana farmers and workers have risen dramatically.

The pressure on price means that no-one in the supply chain – retailers, banana companies or growers – are able to adequately invest in improving the sustainability of the banana industry. Retailer representatives have estimated that supermarkets may be losing hundreds of thousands of pounds per week as a result of price competition on bananas.

Meanwhile, the farmers and workers that Fairtrade works with on a daily basis need prices that fully cover their costs of sustainable production, including living wages, health and safety, fair terms and conditions, environmental sustainability measures, and to invest in

their future viability. However, we doubt that this goal can be met while supermarket price wars continue, especially for those farmers who operate outside the Fairtrade system.

Although farmers and workers in the Fairtrade system have some degree of protection, the pressure on price places retailers with significant commitments to Fairtrade bananas at a significant additional disadvantage in the market, and makes it harder for Fairtrade to improve standards and incomes in the developing world.

What should be done?

We recognise that no single actor will be able to address a complex challenge like this alone, hence the need for co-ordinated government action alongside business and civil society stakeholders. Alongside competitive pressure, competition regulation itself appears to place constraints upon finding solutions to this key sustainability challenge, given the central place of low retail prices to the problem.

The current regulatory framework assumes that the market will correct unsustainably low prices as well as artificially high ones, but evidence over the past decade suggests that this is simply not happening. The rights of producers to receive truly sustainable prices and the rights of consumers to purchase ethically, sustainably sourced produce are losing out to the pressure for the lowest possible prices, regardless of the true cost.

The regulatory environment appears to be undermining the government's declared interest to see long term sustainability of food supplies and poverty reduction through trade.

Our call to action

We urge you to show co-ordinated government action to address this urgent matter, in the interests of sourcing the UK's food sustainably and treating all in the supply chain fairly. A summary of our recommendations to government are as follows:

Department for Business, Innovation and Skills (BIS) and UK market regulators

- The Department for Business, Innovation and Skills (BIS) should show leadership by co-ordinating government action to investigate retailer pricing on bananas and evaluate its impact on the long-term interests of banana producers and UK consumers. The government must also commit to act on the findings.
- The Competition and Markets Authority (CMA) should launch a market investigation into the banana industry. This should look at how short term efficiency gains from low pricing affect producers' ability to produce, innovate and achieve sustainability in the medium to long term and the effect of this on future pricing and UK consumers.
- BIS should seek an amendment to the Groceries Supply Code of Practice to cover overseas producers that supply UK major retailers through a third party

Department for Environment, Food and Rural Affairs (DEFRA)

- DEFRA should work with BIS to investigate the effects of downward pressure in value chains on the sustainability of UK food and to promote the need for transparency by retailers and traders on value at every stage of their supply chains.

Department for International Development (DFID)

- The Department for International Development (DFID) should ensure that the UK's positive impact on poverty among banana farmers and workers is strengthened by supporting initiatives that incentivise living wages and sustainability in agricultural supply chains.

Alongside our call to government, we are calling upon retailers to strengthen their commitments to banana farmers and workers, by making public commitments to meet living wages and paying the full cost of sustainable production in their banana supply chains.

We would welcome the opportunity to discuss our campaign and research findings with you at a mutually convenient time. We will be in touch with your office to seek a date to meet as we are keen to discuss this with you.

Yours sincerely



Michael Bidney
Chief Executive

Copy to:

- Ian Livingston, Minister of State for Trade and Investment, BIS
- Jenny Willott, Parliamentary Under-Secretary of State, BIS
- Clive Maxwell, Chief Executive, OFT
- Owen Patterson, Secretary of State for Environment Food and Rural Affairs
- George Eustice, Parliamentary Under-Secretary of State, DEFRA
- Justine Greening, Secretary of State for International Development
- Alan Duncan, Minister of State, DFID
- Lynne Featherstone, Parliamentary Under-Secretary of State, DFID