

Fresh fruit and vegetable sales hit by recession



making sense of global markets

Euromonitor International

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Although the global recession has led many consumers to try and save money by buying more basic food items and cooking from scratch, fresh fruit and vegetable sales are nevertheless suffering.

Volumes take a hit

A report published in spring 2009 by the Produce for Better Health Foundation, a non-profit consumer education foundation, found that US mothers were cutting back on fresh produce when doing their weekly grocery shop. According to the organisation, fruit and vegetable consumption had dropped by 12% and 6%, respectively, on the previous year.

In 2008 Euromonitor International fresh food data had already recorded a decline in total volume consumption of several types of fruit in the US. For example, peaches/nectarines and plums/sloes declined by 2%, grapefruit/pomelo by 6% and the consumption of pineapple – a fairly expensive fruit – dropped by a not insignificant 4%.

As one would expect, pricey, out-of-season produce appears to be the worst affected. For instance, SIMFruit, a Fruit Market Intelligence System created by the Chilean Exporters Association (ASOEX) and the Chilean Federation of Fruit Producers (Fedefruta) reported in March this year that volumes of Chilean cherry exports to the US declined by 15% to 17,000 tonnes, despite the favourable exchange rate, which resulted in a 13% fall in prices. Cherry shipments to Europe also declined by nearly 3%. Indeed, according to Euromonitor International fresh food data, fresh cherry volume sales in Germany, the biggest Western European market for cherries, claiming 22% of the region's 370,000 tonnes of fresh cherry volume sales in 2008, dropped by 9%.

Switching from fresh to canned and frozen

Hence, it comes as no surprise that Euromonitor International's just published packaged food data shows that value-added fresh cut fruit and prepared salads are also taking a beating. Global value sales of the latter are expected to decline by 2% in 2009 to US\$10.1 billion, after a commendable 53% growth spurt enjoyed between 2003 and 2008. Fresh cut fruit is likely to achieve a 1% rise to almost US\$2 billion in global value sales in 2009, which, however, is rather paltry compared to an exceedingly dynamic 137% growth performance between 2003 and 2008.

Instead of relishing fresh and freshly prepared fruit and vegetables, many consumers are being forced to switch instead to canned and frozen options. Not only are these much cheaper, but they also tend to result in significantly less wastage. For example, frozen processed vegetable value sales in the UK rose by 5% in 2008 and are set to increase by 6% in 2009, compared to a stagnant performance in the preceding three years.

Promoting fruit and veg for the public good

In light of the global obesity epidemic and other public health concerns linked to low consumption of fresh fruit and vegetables, worried governments are starting to spring into action, for instance by increasing free-fruit-in-schools schemes. Public health nutrition research leads to the uncomfortable conclusion that those worst affected by the recession are going to be low-income groups, whose fruit and vegetable consumption is already much lower than that of the average population. Some of the reasons for this are that per kilocalorie, fruits and vegetables tend to work out much more expensive than highly processed snack foods, are perceived as less filling, and are often rejected by children. Poor households often cannot afford any food wastage, and they therefore regard fresh produce as “risky”.

In late July, the European Commission announced that it was to contribute EUR27.8 (US\$39.6) million over three years to help EU countries promote their agricultural products. How much of this will go towards fruit and vegetable promotion, however, is not clear. Producers of dairy and meat tend to be much better organised (eg into powerful associations and trade bodies) than produce farmers.

Less than perfect, but perfectly good

Another recent step taken by the European Commission, and effective from 1 July 2009, was to remove the marketing standards on 26 types of fruits and vegetables. These marketing standards, which govern factors such as size and shape, were often subjected to ridicule, and described by the media as a prime example of overzealous EU bureaucracy gone mad. Although the standards are to remain in place for 10 key types of fruit and vegetables which make up 75% of EU trade by value, including apples, strawberries and tomatoes, they can from now on be sold directly to consumers as long as they are appropriately labelled so as not to be confused with, for example, “class I” produce.

In a statement accompanying the decision, Mariann Fischer Boel, the European Commissioner for Agriculture and Rural Development, aptly remarked that “in these days of high food prices and general economic difficulties, consumers should be able to choose from the widest range of products possible”.

The sale of produce, whose appearance is less than 100% perfect, for a reduced price, should help boost demand, as long as retailers can be persuaded to carry it. Supermarkets have a reputation for being very finicky in this respect, but if anything can bring about a change in culture, the recession is probably it. In Australia, banana growers have succeeded this summer in convincing retailers to sell second-grade fruit under the droll Tickled By Nature label.

Japan goes bananas

Not all kinds of produce are losing out in the battle for declining grocery budgets. Basic types, such as apples, pears, carrots, tomatoes, bananas and onions, have managed to maintain their foothold as long-established staples in consumers' shopping baskets. Indeed, Euromonitor International's 2008 fresh food data shows that onions and bananas were at the top of the fruit and veg list in terms of global volume sales growth, with a growth rate of 5%. This was higher than that of overall fruits and vegetables at 3%.

In Japan, banana sales are booming. According to figures released by the Japanese Finance Ministry, banana imports rose by 34% on last year in the first five months of 2009. The trend kicked off in spring 2008 with the release of a diet book entitled “The Morning Banana Diet”, which is reported to have sold nearly one million copies. The traditional Japanese breakfast consists of rice with fish and vegetables, but a standard bowl of rice has 252 kilocalories compared to an average banana's 90.

Japanese popular culture is well known for its obsession with appearance and weight. The tightening grip of the recession, and the fact that bananas are one of the cheapest fruits available, has turned a diet fad into a lasting trend. Dole Japan Ltd, the largest banana importer in Japan, expects its total revenues to go up by 5% this year compared to 2008 when it imported a record-breaking 330,000 tonnes of bananas at the beginning of the boom.