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FAIRTRADE BANANAS ON THE POLISH MARKET

AN ANALYSIS OF THE CURRENT SITUATION
AND RECOMMENDATIONS FOR THE FUTURE



SUMMARY

The report “Fairtrade Bananas on the Polish Market: An Analysis of the Current Situation and Recommendations for the Future” has been prepared as part of the “Make Fruit Fair” campaign that is carried out in Poland by the Buy Responsibly Foundation (Fundacja Kupuj Odpowiedzialnie), in cooperation with Fairtrade Poland. The report analyzes supply chains of bananas on the Polish market. It puts special emphasis on **examining the possibilities for introducing Fairtrade certified bananas into regular retail in Poland**. As for now, they are still not available for purchase on a permanent basis.

In the report, we have analyzed the entities operating on the Polish banana market, estimated the availability of Fairtrade certified bananas, and recommended actions for the future concerning the increase of this product range in Poland.

HOW WAS THE REPORT PREPARED?

The report is based on data from publicly available sources and on information obtained in a series of interviews with selected stakeholders operating on the Polish banana market, representing almost all of the links of the banana supply chain in Poland, and on interviews with foreign experts. All the major actors were invited to take part in the study. We received answers from:

- ▶ representatives of Polish and foreign banana suppliers (Chiquita, Quiza, Company X – a large Polish importer who requested anonymity),
- ▶ a wholesaler who has its own ripening facilities (“CZARPOL” Sp. z o.o),
- ▶ representatives of big retail chains (Auchan Polska, Biedronka owned by Jerónimo Martins Polska SA, Lidl Polska, Kaufland Polska),
- ▶ foreign experts (representatives of AgroFair Europe BV, Altromercato, Fairtrade Österreich, Fairtrade Česko a Slovensko, Fairtrade International).

BANANA MARKET IN POLAND

Bananas are the second most popular fruit in Poland, following apples. According to the Institute of Agricultural and Food Economics, the average per capita consumption in Poland is at the level of 5 to 5.5 kg annually.¹ The EU average is about 10 kg, so the Polish banana market has a lot of potential for growth.

The fresh fruit and vegetables market in Poland is dominated by discount stores (30.3% of total retail sales), supermarkets (16.4%) and hypermarkets (13.5%). The “GfK Household Panel Custom Research” shows that the other distribution channels are multi-product stores (11.6%) and street vendors (14%).² Bananas are the product that is to attract consumers to the stores. This results in strong price competition among the retailers, especially as in case of fruit and vegetables the price is the key factor for choice for 53% of Polish consumers.³

Chiquita – 13%

1. www.dlahandlu.pl (accessed: November 2015).

2. Discounts sell the most of fresh fruits and vegetables in Poland. www.portalspozywczy.pl (accessed: July 2015).

3. The changes of Poles' preferences in the field of food consumption, Bank BGŻ BNP Paribas and GfK, November 2015.

About 60% of bananas on the domestic market come from direct imports from production sites (plantations), and the rest is supplied by European importers. According to the BASIC data⁴ that are based on the information from the European Commission, in 2014 the largest banana importers to Poland were:

- ▶ Chiquita – 23%
- ▶ Fyffes – 14%
- ▶ other (63%), including: Citronex, Targban, Quiza, Dole and Del Monte.

However, we lack reliable, current and more specific data on market shares of bananas in Poland, as the market players themselves acknowledge.

PROBLEMS IN THE BANANA SUPPLY CHAIN

Bananas are a plant that requires a lot of work to be grown, so their production provides a chance for employment for tens of thousands of people. On the other hand, banana production is associated with many problems, both social and environmental. Small farmers face growing production costs, falling prices, effects of climate change and competition from big plantations. Plantation workers often receive low wages that do not cover the costs of food, clothes or education for their children. Frequently, they have to work in dangerous conditions and face precarious employment.

In Latin America and more and more often in Africa, bananas are grown for export, on big plantations, as monoculture farming. Disregard for local ecosystems' conditions makes the farming require heavy use of plant protection chemicals. Bananas rank second just after cotton as to the amount of agrochemicals used in the production process. Some of them are classified by the World Health Organization as hazardous to health.

COMPANIES' RESPONSIBILITY FOR THE SUPPLY CHAIN

In the face of these problems, it is important for the companies that import and distribute bananas to take responsibility for their supply chains. In 2011, the UN published "The UN Guidelines for Business and Human Rights." They have been adopted by the European Union, including Poland. The Guidelines require every company, regardless of its size or geographic context, to respect human rights in its supply chain. It should act with due diligence and prevent human rights violations. If these rights are violated, the company must apply corrective measures. An important rule for responsibility in the supply chain is transparency. Therefore, it is crucial for the company to provide information, to consumers as well, on how it ensures human rights compliance in its supply chain.

The representatives of the Polish banana sector have various approaches to the question of their place in the supply chain and their responsibility for labour standards on the plantations that grow bananas sold in Poland. For the most part, **they are aware of ethical problems** with operating in the banana industry that sources products from the countries of the global South. Most of the large companies have social and environmental policies, compliance with which should, for instance, eliminate unacceptable working conditions at their suppliers. These documents are mostly transplanted from the company's

4. Banana value chains in Europe and the consequences of Unfair Trading Practices, Basic, www.ekonsument.pl/materialy/pobierz/625, January 2016.

headquarters onto the Polish ground. Most of the companies studied **do not have a regular, effective system for verifying if their suppliers comply with the environmental and social standards** declared in company's policies and agreements. **The companies do not inform a broad range of consumers about the standards met by their suppliers.**

FAIRTRADE AS AN ETHICAL ALTERNATIVE

Solutions for many problems concerning the non-compliance with labour and environmental standards are offered by the Fair Trade movement and the Fairtrade certification system that goes with it. Choosing Fairtrade bananas has a direct positive impact on the lives of producers⁵ and plantations workers and their communities. Farmers receive a guaranteed minimum price that is calculated based on real banana production costs and makes it possible to meet their basic nutritional, shelter, health and educational needs. There is also a Fairtrade Premium paid for every box of Fairtrade-certified bananas, meant for social and environmental purposes in local communities, e.g. buying school furniture or medical equipment. The Fairtrade mark can now be found on more than 8% of bananas sold in Western Europe.

Fairtrade can also be an effective solution to the problems with organizing and financing a company's own system of verification. It provides regular monitoring of the compliance with principles declared by the given entity. In this system, every link of the supply chain is verified according to clear and transparent criteria. In order to be able to sell Fairtrade certified products, banana producers in the countries of global South are regularly audited at their plantations, which includes unannounced checks. They are obliged to correct the irregularities found, in order to be able to use the certificate.

FAIRTRADE RECOGNITION AMONG POLISH CONSUMERS

An important argument for companies may be the fact that Fairtrade already is recognizable by Polish consumers. The research done in 2015 by the GlobeScan research company demonstrated that knowledge of Fairtrade in Poland is at 34% ("well known" and "a little known"), which ranks Polish consumers higher than in the countries where Fairtrade has been present for a longer time: e.g. in France (31%) or the US (27%).⁶ When asked if they would recommend a Fairtrade product to their friends, 67% replied yes. Those Poles who claimed to have seen the Fairtrade mark, when asked to mention some other product with this certificate, did not point to bananas as their first choice, but they were still among the first few mentioned. In an aided study with 18 options to choose from, bananas were mentioned just after coffee, tea, chocolate and cotton products, reaching 18% answers.⁷

5. In this report, the term producer has a different meaning than the commonly used, associated with manufacturers of ready-made products, companies or factories. A producer here means – in accordance with the terminology adopted in the Fairtrade system – a plantation or an organization of producers operating in the countries of the global South. More broadly, the term also covers farmers and farm workers.

6. Fairtrade International GlobeScan Consumer Study 2015 Findings Report – April 2015 Poland

7. Ibidem.

FAIRTRADE BANANAS IN POLAND

The importers, distributors and retail chains do not have Fairtrade bananas in their regular and planned offer. One exception is Auchan who launched such bananas during as part of a special offer "Bananowy SZAŁ" (Banana Craze) in May 2016. Fairtrade certified bananas make their way onto the Polish market almost exclusively as buffer supplies, received even by big importers such as Citronex or Quiza. Buffer supplies are about emergency sell-off of some quantity of fruit that have not sold on other markers.

The only importer in our study who declared introducing Fairtrade certified bananas into their offer was Quiza. Auchan will decide whether or not to continue Fairtrade bananas supplies after having analyzed the sales volumes of the first batch. AgroFair is another company interested in providing regular supplies of Fairtrade bananas on the Polish market. **The remaining importers and retail chains taking part in the study do not plan to introduce Fairtrade bananas into their offer in the nearest future.** They indicate the following obstacles: price pressure preventing them from introducing more expensive Fairtrade products, insufficient consumer awareness, limitations to the growth of the Polish banana market (no increase in banana consumption) and the necessity to make changes in the infrastructure that could be economically not viable when sales volume are low.

WHAT NEXT? RECOMMENDATIONS FOR INTRODUCING FAIRTRADE BANANAS ONTO THE POLISH MARKET

Despite the obstacles, the market for Fairtrade products in Poland is growing. The local organization Fairtrade Poland has been recently recognized by Fairtrade International – the owner of the Fairtrade mark. Changes in the awareness of suppliers and the beginnings of consumer demand can already be seen. At the stores and retail chains one can buy bananas with an organic farming or Rainforest Alliance certificate. There are also first initiatives aiming at introducing Fairtrade bananas into regular retail. This can be facilitated by suitable actions undertaken by importers, retailers, Fairtrade promoting organizations as well as joint actions by all of these actors.

Recommendations for retail chains and importers:

- ▶ **Developing cooperation with Fairtrade promoting organizations** – jointly raising consumer awareness and promoting Fairtrade products.
- ▶ **Using Fairtrade as a tool for implementing CSR strategies and policies.**
- ▶ **Ordering Fairtrade certified bananas from one's current suppliers** – avoiding problems with logistics.
- ▶ **First mover advantage** – pioneers usually benefit from being first, e.g. due to increased attention from the media and often from consumers, too.

Recommendations for organizations and institutions supporting sustainable development:

- Continuing consumer campaigns.
- Promoting Fairtrade certified products in the CSR context.
- Supporting retail chains and importers in promoting Fairtrade.
- Supporting retail chains and importers in making contact with Fairtrade bananas suppliers.
- Finding a pioneer and developing cooperation.
- Promoting Fairtrade criteria in public procurement.
- Developing cooperation with the media.



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Author: **Tomasz Makowski**

Editors: **Joanna Szabuńko, Andrzej Żwawa, Maria Huma**

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Buy Responsibly Foundation

Sławkowska 12, 31-014 Krakow, Poland

www.ekonsument.pl



Fairtrade Poland

Sławkowska 12, 31-014 Krakow, Poland

www.fairtrade.org.pl



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