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In the Trenches: Invincible banana prices continue to dodge the grips of inflation

By

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Should the banana retail be \$1.99 a pound in 2023?

Inflation has forced prices up in all categories throughout the grocery store. We cannot escape the persistent reminding from the media. The egg crisis has been primarily used as the dominant representation of extreme runaway food prices. However, hardly any item on the grocery shelf, meat case, dairy, frozen food or the fresh produce department have escaped inflationary price increases — except one. The banana.

Looking back to the 1980s, the banana price was 69 cents per pound. During the 1990s that price hardly ever changed. Decades later prices were actually lowered as a competitive maneuver to draw and hold customers.

Generally in produce, retailers expect 40 percent or more gross profit. Most retail operators are only earning a top line profit on bananas of just 12 to 16 percent. That does not include the shrink which can be up to 8 percent as a result of its delicate structure, low shelf life and customer handling.

Produce directors are stranded in the middle of this banana pricing fiasco as it eats away at their gross profit. One director revealed that it is an everyday loss in their produce departments. He added that not only are bananas a loss leader, they are also a shrink loss leader.

We researched the banana retail by reverting to the 1980s and compared the inflation prices from that period up to 2023. According to the U.S. Bureau of Labor Statistics, the average competitive price of bananas today is 57 cents per pound. There are some 69 and 79 cent prices, but that's even super low in 2023.

We used the CPI Inflation Calculator on the U.S. Bureau of Labor Statistics website to find out what the banana price would be today if they were priced 69 cents in the 1980s. The calculator revealed that the price today would be \$2.63 per pound based on the year-by-year inflation rate.

We also explored the Fairtrade America website to check on the recent cost increase of bananas in order to compare it with the grocery store prices. We found that Fairtrade raised banana costs 4.5 percent at the farm level and 15 percent for the producers to cover export and packing costs. It was the highest increase in several years.

After the banana costs were raised, very few retailers followed with their own price increases. Some raised prices by only two to four cents. The majority sustained their 54 to 58 cent retail and again ate the cost in gross profit. This doesn't help directors in meeting their profit budgets, and that is getting harder to explain in every weekly sales meeting in the presence of upper management.

Why are bananas caught in a bear trap and unable to get out? Why has it been so many years that this item remains a stalemate in pricing based on the inflation trend?

Those answers are most difficult to acknowledge mainly because banana retailers became petrified within the bounteous years. This grew deep-rooted with consumers and management to a point where 54, 56, 59 cents per pound were etched in their minds.

So, how do retailers emerge from these years of banana pricing endurance? There is a stubbornness to raise prices. This is a very difficult task to accomplish due to such a durable competitive stance. It's probably going to take a major retailer to step outside of the box and gradually increase the banana retail at an interval frequency until it reaches a more profitable level. The biggest question is, which retailer will be willing to transform the shoppers and management?

The retail industry is at a crossroads with the banana pricing complication. As inflation prices continue to put pressure on retailers and the bottom line profit, consumers are changing their shopping behaviors. Customers are being more economical in the stores and are choosing more promotional values. They are also bypassing items they once purchased and can no longer afford. The one item they see as the most outstanding value is that of bananas. After all, there aren't too many food items priced under a dollar to be found in grocery stores these days.

All food prices tracked by the USDA are predicted to elevate by 7.1 percent in 2023. Food at home is predicted to increase 8 percent and food away from home is predicted to increase 8.2 percent.

Will this include more price increases in the produce department? If so, it may not likely include bananas.

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