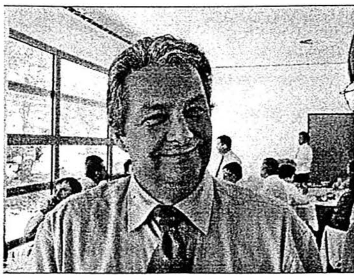
problems in banana segmentation. Fair trade bananas can be a combination of practically all the segments: bananas for children in Denmark, organic bananas in many countries, bananas of specific origin like West Indian bananas in the United Kingdom, etc. We are about to introduce other fair trade fruits such as mangoes, grapefruit and other citrus. Does segmentation like that of banana exist for these fruits?

François Dalle
To the best of my knowledge, we do not have experience of this for other products—pineapple, mango, etc. I do not know if there is real market demand. Mango is still a 'small' fruit with 20 000 tonnes in France in comparison with 500 000 tonnes of bananas. It is more necessary to make these other products known to the consumer than to consider segmentation.

A certain segmentation does exist in pineapple, with Victoria, Cayenne and MD-2 fruits, and possible air-sea segmentation. In mango, there is a small segmentation of varieties as professional have good knowledge of the varieties with the best taste, those with the least fibre, etc. but there is not really any promotion at shelf level ■



Potato market segmentation policy

Eric Bargy, Director of GERMICOPA, eric.bargy@germicopa.fr

Potato is the fourth largest crop in the world. The French production area totals 104 000 hectares giving approximately 4 million tonnes. Classified by use, a million tonnes is from family gardens and for consumption by the grower, a million tonnes is sold on the domestic market, a million tonnes on the 'processing industry' market and then a million tonnes is exported, mainly to the other EU countries.

An interesting phenomenon is that the activity of processing units increases steadily each year. As a result, potato is also an industrial product with, in particular, the well-known increase in frozen chips. It is also increasingly eaten fresh.

Another marked feature of the market is a fairly distinct evolution with regard to varieties. 'Bintje', the most classic, basic variety, is tending to decrease and now covers only a small half of the market. Firm-fleshed varieties and a number of others are gaining shares in a market that is thus changing in terms of variety.

The distribution chain is extremely classic, with seed producers for the varietal aspect, seed collectors like GERMICOPA and then collector-packers and growers of potatoes for consumption. Some growers call upon collectors who then redistribute in the commercial channel. Others contact the distribution sector directly. These are called producer-sellers. Some are organised in groups and others are not.

There is thus steady evolution in this channel, which is centred on three large interprofessional organisations that supervise a number of subsector rules.

The first of these is the GNIS (*Groupement interprofessionnel des semences et plants*) that handles potato planting material. The second is the GIPT (*Groupement des pommes de terre industrielles*); this handles all problems concerning industrial potatoes and potatoes for fresh consumption between growers, the industry and members of the industrial chain. The third is the CNIPT (*Centre national interprofessionnel de la pomme de terre*) that assembles the various players in the potato distribution channel and plays an important role in differentiation strategies and in communication between producers and consumers and between producers, distributors and retailers. These interprofessional organisations are therefore useful facilities for interesting dialogue between the different partners in the distribution channel.

Some economic comments concerning the period since the 1950s

Observation of a long period of evolution of added value in French agriculture and agricultural and food industries from 1959 to 1995, shows that the investment and product processing part took place essentially in the agrifood industry and not in the agricultural production sector. Another point is that three key periods in this movement of added value in the agrifood industry are observed in comparison with that of French industry in general.

The first period runs from 1949 to the early 1970s. The development of the agrifood industry was fully comparable with that of industry in general.

Then, from the 1970s, the agrifood industry grew very strongly with a change and a real effort to process agricultural produce. This was also true for other channels, including fruit and vegetables.

Finally, since the 1980s, added value has tended to decrease as an index. It should not be considered that when the added value decreases company profits also decrease. The profitability of the system decreases; this is a broader concept in terms of added value. But above all, investments are no longer made directly in the agrifood industry and goods and services (e.g. haulage) are increasingly subcontracted. The outsourcing of many services has enabled the emergence of groups like Pomona. All these notions of service accompanying the agrifood industry are not very old on a macroeconomic scale, as they date back for hardly more than a decade.

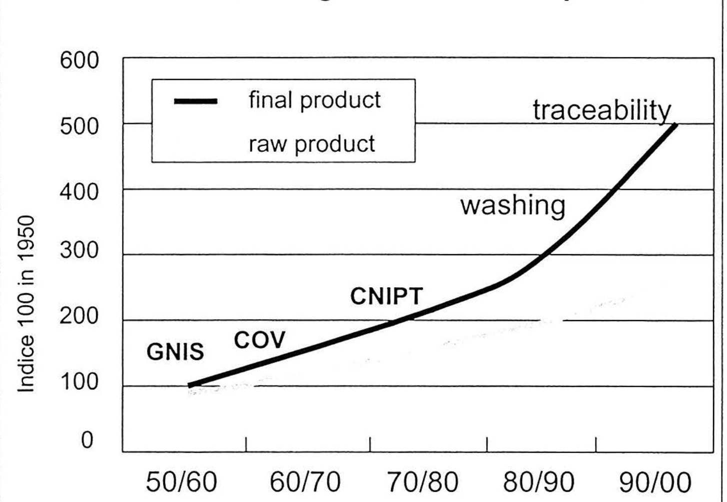
The other point concerns evolution in price and demand elasticity. Observation of the period running from 1956 to 1976 shows that potato prices increased considerably and the variation in the volume of purchases continued to decrease. Other products are more elastic, with poultry being a characteristic example: the price of the product is greatly reduced by industrialisation, leading to a steady increase in consumption.

Therefore the fact of lowering the price of a host of products during this period systematically increased consumption. This was not the case of potato, fish, horse meat and beef. The curve was then very different in the next decade, when a change in eating habits occurred. All this is based somewhat on the long term. It can be seen that the price of potatoes has continued to increase and that consumption has remained stable.

However, other products display little elasticity. The fact of lowering the price of products no longer affects the volume consumed. There is thus a new and very different economic trend.

An increasing proportion of intangibles has been incorporated in the final price of the finished product from the period 1950-1960 until now. This is the share of services, of outsourcing. This intangible proportion includes, for example, the GNIS interprofessional organisations, the appearance of plant certificates and protected varieties, the creation of the CNIPT, washing and packaging. Today, we talk in terms of traceability, monitoring and food safety. All these features are intangibles included in the product and match consumer demand. This of course increases product value but not necessarily in the agricultural sector. Thus, our growers do not necessarily understand why the initial price of agricultural produce has not increased in the same proportions as the price of the final product, whence the well-known business of 'double labelling'. The intangible proportion is therefore increasing.

The share of intangibles in the final product



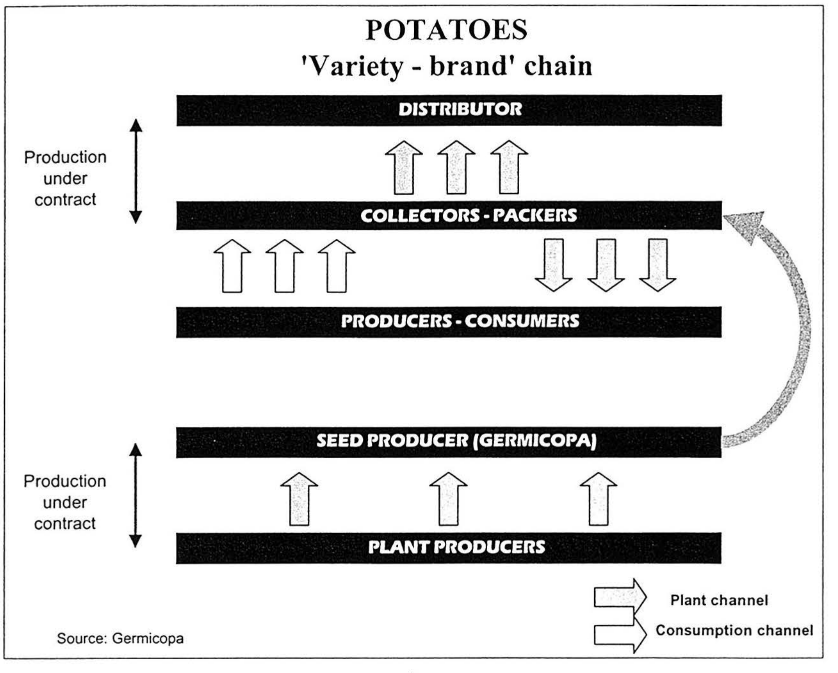
Source: Germicopa

Logistic infrastructure has progressed with the services share so that the product can be made available when it is required and to provide quality assurance. Today, everything is moving with history. Intangible features such as food safety, washing, packaging, marketing, promotion and advertising form part of the final price of the product but are not directly known material components.

Potato growers wish to make satisfactory profitable use of their farms. This individual logic does not necessarily always correspond to the other logic—that of the channel of distribution. Growers tend to increase volumes to respond to their individual logic. However, overproduction trends emerge if this is done. Very large volumes of non-differentiated, standard produce ('Bintje' variety) come on to the market and create problems of price and profitability throughout the chain. It is therefore necessary to abandon this volume logic and examine the market context.

Let us take the example of potato consumption in Germany. This was 100 kg per person per year and has fallen to below 75 kg. However, within this, industrial potato has developed strongly and now attains practically 50% of German potato consumption. There has thus been an overall decrease in volume but also a differentiation in the type of product consumed.

The same phenomenon is seen in France. The general consumption curve is tending to dip, but with some recovery in 1995, and is stabilising at 75 kg per person per year. This is also the European average. Quality variations are also seen here. The firm-fleshed varieties are making steady progress, industrial potatoes—especially chips—form about 40% of consumption and washed potatoes have appeared (requiring suitable varieties). The latter is a fairly recent phenomenon that gained impetus in the 1990s and forms 90% of the produce sold in supermarkets.



Interprofessional bodies play a primordial role

There is conflict between two types of logic—the individual logic of increasing volumes and market logic that desires a decrease in volumes and quality developments. This paradox between the different players in the chain must therefore be resolved. This is the role of the interprofessional organisations.

Product quantities are limited by a contractual policy and varietal identity must be mentioned. Traceability components are developing and can form differentiation features.

The important point is therefore to attempt to differentiate—meaning controlling quantities and product quality. If possible, this should be achieved by means of the good tool formed by protected varieties whose development can be controlled.

Some examples of protected, differentiated varieties: 'Amandine' is fairly recent, with appropriate packaging and marketing, 'Samba', served in all Courte Paille restaurants, with cooking method specifications and signs, 'Juliette', which has developed as a variety-brand in England, with its attractive taste, its appearance and special packaging, and the 'Chérie' variety with firm red flesh sold in the 'Pomme Saveur' range and pre-packed for cooking in a microwave oven.

There are also possibilities for differentiation in industry. We are developing, with McCain in particular, the differentiation of a chip variety called 'Daisy' in order to make it a special product. A variety-brand system with monitoring of the channels must be organised for this. Plant growers sign contracts with a seed supplier, GERMICOPA, which breeds varieties and owns the varietal protection rights. GERMICOPA sells mainly to collector-packers who sign contracts with growers. The latter produce potatoes that return to the packers, who handle packaging and marketing. The distributor makes an effort in promotion, marketing and advertising—which is not as simple as all that. Restaurateurs are targeted with the help of a number of famous chefs in order to get mention in the press, as are amateur gardeners and the traditional distribution channel or the supermarket channels that account for a large proportion of sales (for cooked 'Amandine', promotion in recipes and women's magazines).

All this promotion leads to specific budgets but is necessary. Success in this type of investment means above all not depending on quantitative logic but keeping a quality approach. This logic starts with the consumer—'from the fork to the farm'—and not with the grower.

Long-term reasoning is required for breeding varieties because the process takes 20 years from crossing to the registration of a variety and sale, with recognition by the public. Time and patience are necessary to make this grow. Then one can hope for a certain success ■

Questions / Answers

Jean Harzig, L'Echo

I see that you mention wisdom with regard to quantity, especially for the grower. This also implies that you show wisdom in your sales of seed. You must therefore set an example. This deserves to be mentioned.

Eric Bargy

Indeed, there are not many potato breeders in Europe and elsewhere in the world. It is a profession in which patience is such a virtue that there are few competitors. Much energy and real faith in the profession are necessary today to be a potato breeder, because the processes involved are long. However, it is true that once we have found something, it is necessary to know how to protect it and therefore possess elements for the protection of varieties. There is a true intellectual property aspect and, as it is a development and marketing facility, this protection is even more important if one wishes to use it for promotion purposes.

Jean Harzig

Another aspect that seemed important to me—and I think that it might interest the banana sector—is insistence with which you talked of the three interprofessional organisations, and especially the CNIPT, that operate in the potato sector and to which you clearly award considerable merit in terms of regulation.

Eric Bargy

I believe that it is necessary for people to get on with each other and understand their common advantages in working together. Potato is a long-term product. This means that no retailer or industry can envisage working in conflict with growers over such long periods. This would compromise the profession to too great an extent. This notion of long term therefore necessarily induces contractual policies and permanent contacts with growers.

Jean-Claude Montigaud, Inra

Other examples can be found to support Mr Bargy's demonstration and thus make links with other sectors, and especially that of table tomatoes. It was long sought to segment tomatoes: cherry tomatoes, stuffing tomatoes, cluster tomatoes, etc., but without result. For a year, for the first time in 10 years, something has started to happen: prices are remaining stable. What is the true explanation? It lies in the concertation between market suppliers, of whom only three, four or five are left. They have succeeded in achieving what you call supply control in the tomato sector. I believe that it is a good solution. And from this point of view, I propose that banana people should be colleagues rather than competitors.

Henri Feyt, Cirad-amis

You showed a graph comparing the evolution of the final price of potatoes in relation to movements of the farm price. You included the GNIS, the GNIS seed production taxes and the COV (*varietal obtention certificate*) in the movement of the final price, which tends to increase strongly. It seems to me that these costs are borne by the farmer growing the produce and do not therefore enter into the movement of the final price.
In addition, I do not know whether your contracts are managed by the SICASOV, but the COV totals a few tens of francs per hectare. I do not think that it can be held responsible for the movement of the curve. This results above all from problems of presentation, marketing, distribution and promotion and hence not at all the expense that you as a breeder add to the final product.

Eric Bargy

Growers ask me the same question when I show them the graph. When one reasons in terms of channel, it is difficult to know who pays what. The only known features are the farm gate price and the selling price. Within this, everybody manages their margins and must come to an agreement. Growers often think 'We pay the GNIS tax'. GERMICOPA pays it to growers in its contracts. However this does not make any difference because all depends on the price at which we purchase their potatoes. This is robbing Peter to pay Paul and vice versa and hence an everlasting debate. I would like to bring out the idea that we are including more and more service and share notions that are not the product itself. To this are added traceability, registered business, food safety and seed registration that create a gap between the product, to which these services have been added, and the raw product.

Henri Feyt

If you total the GNIS tax, registration and the COV this is fairly ridiculous in relation to the added value as a whole ...

Eric Bargy

The GNIS tax is about 80 francs per tonne (I am the chairman of the GNIS potato section). Simply, with registered seed, the existence of an interprofessional organisation for seed, etc., we provide a number of control and sanitary certification features within the seed sector. The companies may complete these with ISO certification and other features. All this becomes part of the product and the cost is covered by the grower or distributor, the everlasting debate that will never be settled.

Daouda Traoré, OCAB (*Organisation centrale des producteurs exportateurs de bananes et d'ananas de Côte d'Ivoire*)

I particularly liked your image 'from the fork to the farm' that concerns, if I understand correctly, the overall policy of contractualisation. But when does the importer intervene in the drawing up of this contract between the grower and the different middlemen? For in other sectors, when we feel that there is a market difficulty, meetings are held between producers and importers so that an agreement can be reached concerning certain conditions of production, product quality and sale. We find that we obtain profitable prices for growers in this way. And then nothing.

Eric Bargy

The interprofessional organisation encourages the contractual policy but is not physically involved. The importer or collector enters into an annual contract with a grower for the potato harvest. Once this contract has been settled it covers the season and hence the grower is assured of an outlet and a price for the whole of the season. Management is difficult if the market price is higher or much lower than the contract price because the buyer always tends to want to purchase at the lowest price. However, if everybody is disciplined, the contractual policy really cleanses the market on condition that the terms are fair for everybody ■