Global Coalition of Fresh Produce

Production and trading costs and prices in global supply chains for fruits and vegetables

Results of the 2024 industry survey

September 2024

The Global Coalition of Fresh Produce brings together fresh produce associations from around the world, based on their joint vision to create resilient global value chains for fruits and vegetables that bring a myriad of economic, environmental and societal benefits. The Coalition's mission is to voice solutions to address disruptions in global supply chains for fresh produce, including – but not limited to – rising costs, and share and promote best practices.

The analysis presented is based on the results of the Coalition's second global survey on the impacts of rising costs on suppliers of fresh fruits and vegetables. Respondents (88 in total) included fruit and vegetable producers, shippers, packers, wholesalers, distributors and other supply chain partners from Asia, North and South America, Europe, Africa, and Oceania (see Figure 1 and Figure 2).

This report presents the results of a survey conducted in the spring of 2024 by the Global Coalition of Fresh Produce into production and trading costs in global supply chains for fresh fruits and vegetables. The aim of the 2024 survey was to assess whether the industry has shown improvement following the unprecedented cost hikes experienced during the COVID-19 and post-COVID-19 periods, by comparing current responses with those received in the previous survey, carried out in early 2023.

These new data will contribute to the development of global and national perspectives on the evolving impacts of production and trading costs across the regions covered by the Coalition: Canada, the United States of America, Europe, Africa, New Zealand, Australia, and South America.

Figure 1. Respondents: type of business

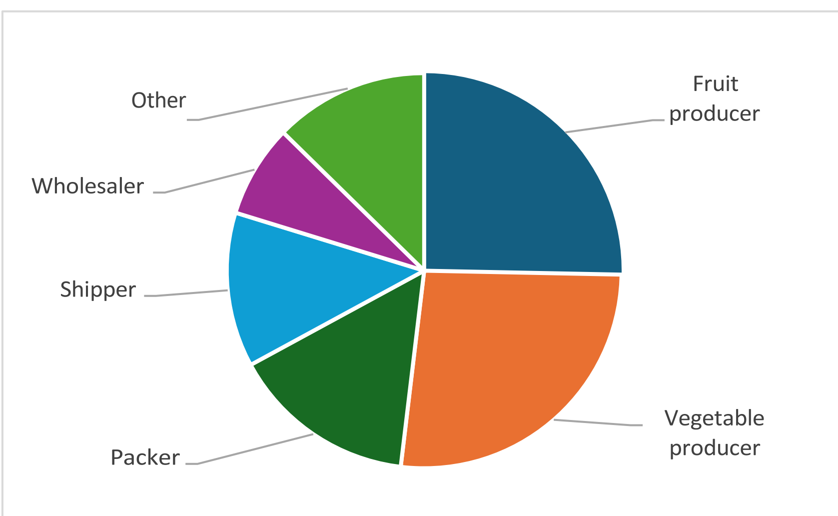
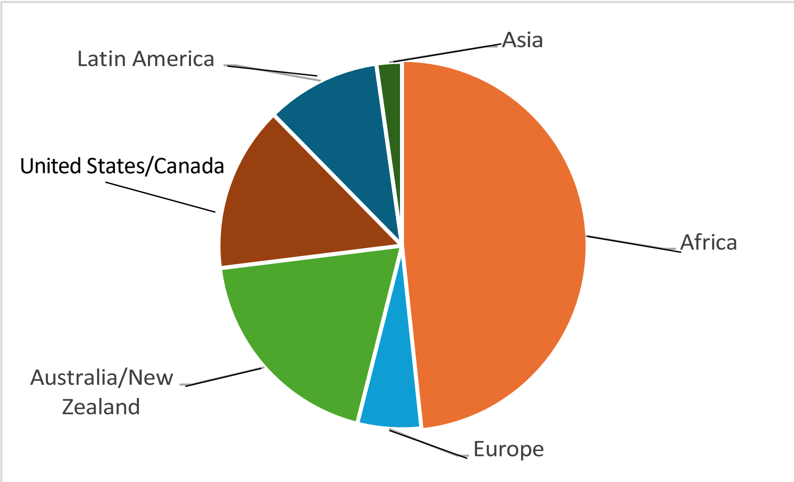


Figure 2. Respondents: country of operation



Cost increases

The vast majority of suppliers of fresh fruits and vegetables continue to face substantial cost increases, more than four years after the onset of the COVID-19 pandemic. Over four fifths of all respondents cite that they have seen the costs of labour, fuel and gas, fertilizer, electricity and shipping go up further over the course of the past year (see Figure 3). Although the increases have moderated somewhat compared to last year, the scale of the cost rises remains concerning. Similar to the previous year, the prices of construction materials (+56%), fertilizers (+33%), fuel and gas (+31%), machinery and equipment (+30%) and shipping services (+28%) have seen the most significant increases (see Figure 4).

Figure 3. Incidence of cost increases, 2024

	% of respondents citing cost increases
Labour	88%
Fuel/gas	86%
Fertilizer	84%
Electricity	83%
Shipping	80%
Cardboard boxes	78%
Crop protection products	77%
Seeds	74%
Utilities (e.g. telephone, internet)	74%
Machinery and equipment	72%
Audits, accounting, business management	72%
Land and building rents	70%
Water	65%
Construction costs (e.g. greenhouses)	65%
Storage	65%
Plant material	64%
Palettes	64%

Figure 4. Average cost increases, 2024 and 2023

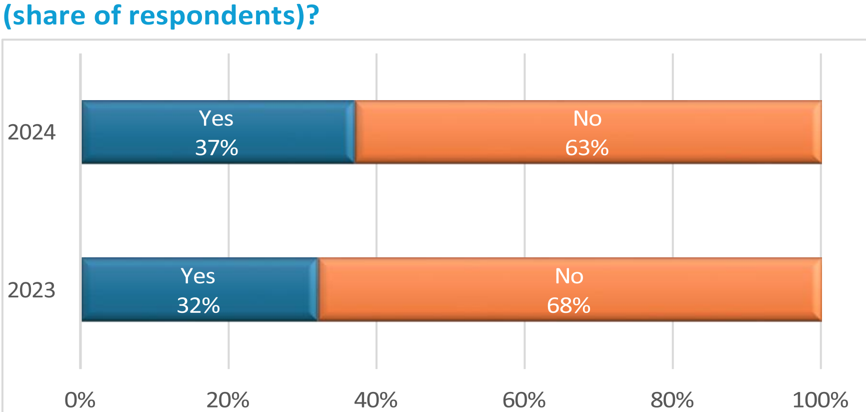
	Average cost increase (2024)	Average cost increase (2023)
Construction costs (e.g. greenhouses)	56%	48%
Fertilizer	33%	60%
Fuel/gas	31%	41%
Machinery and equipment	30%	26%
Shipping	28%	41%
Plant material	27%	24%
Crop protection products	26%	31%
Land and building rents	26%	30%
Electricity	25%	40%
Seeds	24%	31%
Labour	21%	28%
Audits, accounting, business management	21%	21%
Cardboard boxes	20%	31%
Storage	20%	25%
Utilities (e.g. telephone, internet)	18%	18%
Water	16%	29%
Palettes	16%	32%

Selling prices

Operators have struggled to command higher prices for various reasons, including intense price competition in the fresh produce market, limited consumer purchasing power, and a lack of bargaining power with buyers. The reality that produce suppliers are price takers rather than price makers means they cannot fully pass on the increased costs to their customers.

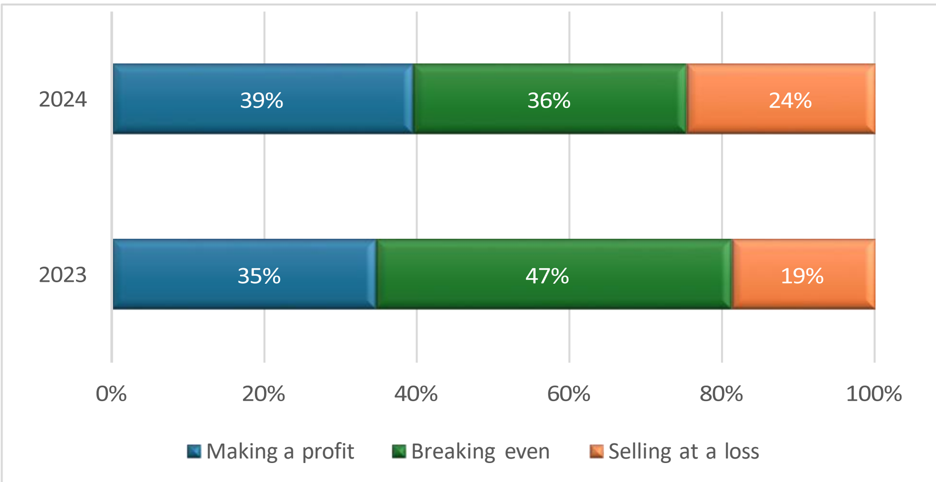
86% of respondents report an increase in their average selling price compared to last year, with an average rise of 15%. However, 63% of respondents indicate that they have been unable to raise their selling prices sufficiently to offset the rising costs.

Figure 5. Q: Have you been able to adjust your selling price to compensate for rising costs (share of respondents)?



As a result, despite the overall increase in average selling prices, rising operating costs have led 61% of the global industry to either operate at a loss (25%) or break even (36%). Alarmingly, more operators are operating at a loss in 2024 (25%) than in 2023 (19%) (Figure 6).

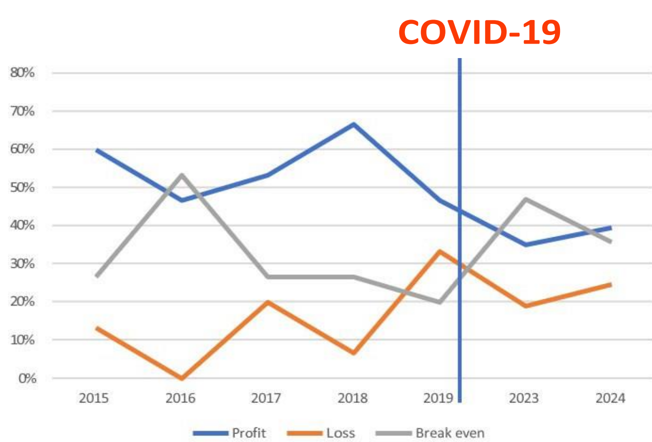
Figure 6. Profitability (share of respondents)



Profitability

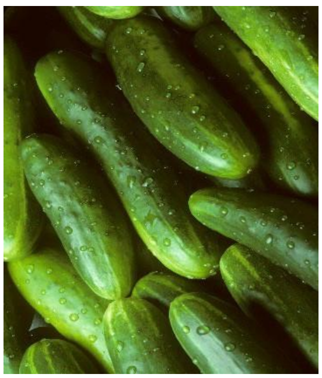
While fluctuating profit margins were a common occurrence in the industry in the pre-COVID period (2015–2019), the share of operators who are making a profit in the post-COVID era remains at an all-time low (see Figure 7).

Figure 7. Profitability, pre- and post-COVID (share of respondents)



Investment and strategic growth

More than three quarters of respondents indicate that increasing production and operating costs have forced them to postpone or cancel investments, particularly in property and capital equipment, as well as in innovation and expansion (refer to Figure 8 and Figure 9). Many respondents mention delaying essential investments in capital equipment, such as irrigation systems or fencing, and are unable to expand production due to insufficient funds for additional inputs.



Alarmingly, rising costs are also constraining operators' ability to invest in research and innovation, which are crucial for the long-term sustainability and resilience of the industry. The impacts of these cost increases will continue to be felt for years, as they limit investments that are essential for future growth and adaptation.

Figure 8. Q: Have changes in the costs of production or trading affected your investments (share of respondents)?

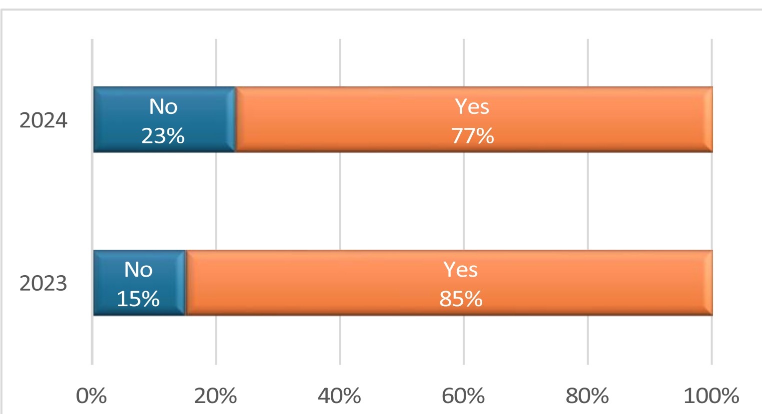
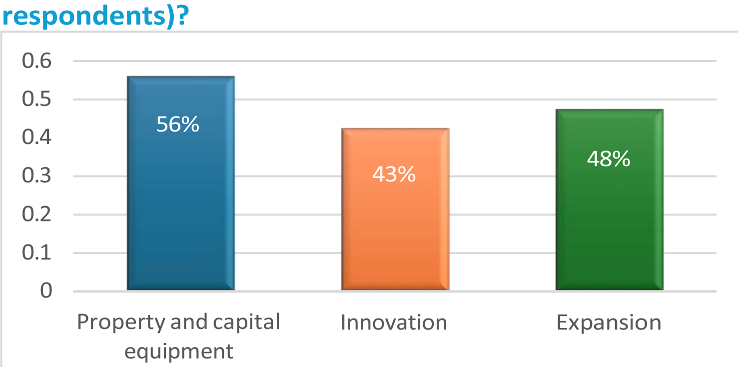


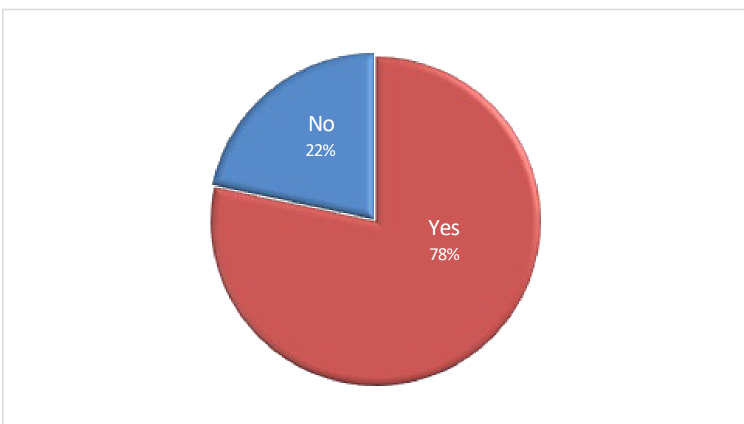
Figure 9. Q: What types of investments have been affected by rising costs (share of respondents)?



In many instances, increasing production and shipping costs continue to influence strategic and operational decisions (refer to Figure 10). For instance, exporters are consolidating shipments, decreasing shipment volumes, or opting to ship only the highest-quality produce to minimize losses during transportation.

Additionally, several producers are scaling back their production capacity by, for example, leaving fields fallow, in order to mitigate further financial losses.

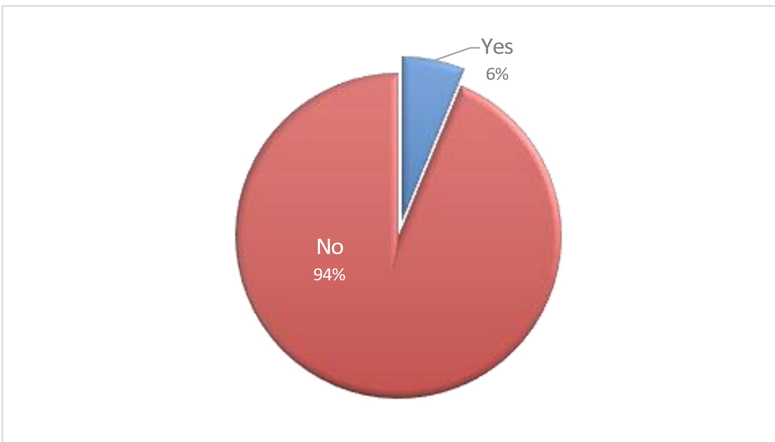
Figure 10. Q: Have changes in production/shipping costs affected your strategic/operational choices over the past year? (share of respondents)



Government support to supply chain operators

Similar to 2023, only a small minority of operators have received support from their governments to compensate for rising production and operating costs (see Figure 11).

Figure 11. Q: Have you received any financial support from your government to compensate changing costs of production/shipping over the past year?

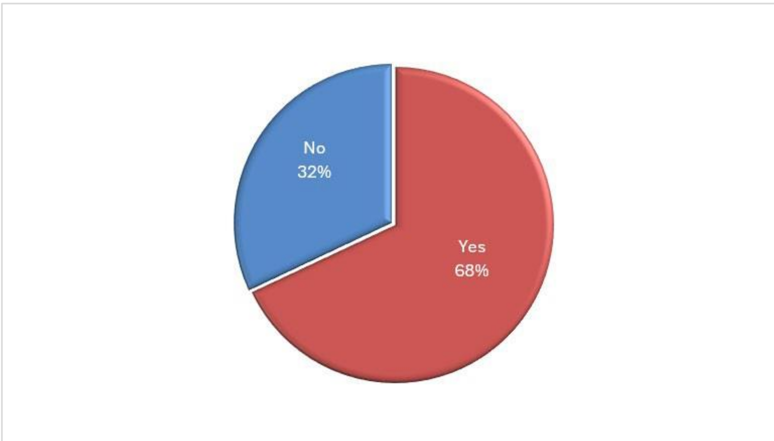


Economic sustainability of fresh produce businesses

Approximately one fifth of respondents believe that the impact of rising costs will diminish by the end of 2024. However, four fifths of respondents do not foresee a near-term easing of these impacts, especially with expectations of continued fuel price increases. Many respondents argue that once input prices rise, they seldom return to previous levels. Others point to current geopolitical tensions, including climate change, ongoing conflicts, transit disruptions in the Red Sea and the Panama Canal, and inflationary pressures, all of which are unfavorable for stabilizing production and trading costs.

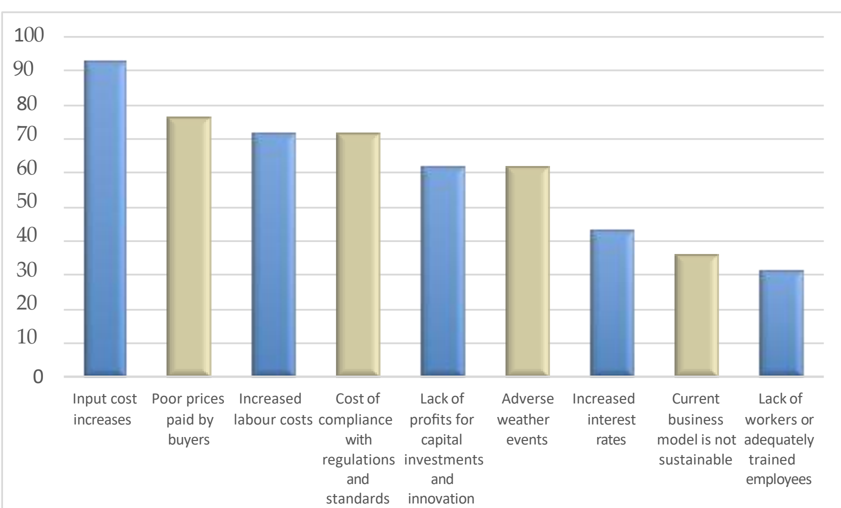
Moreover, over two thirds of respondents express concerns about the medium-term (two to three years) economic sustainability of their operations. In other words, nearly 70% of respondents are considering the possibility of closing their operations within the next two to three years (refer to Figure 12).

Figure 12. Q: Is the medium-term (two to three years) economic sustainability of your operations endangered?



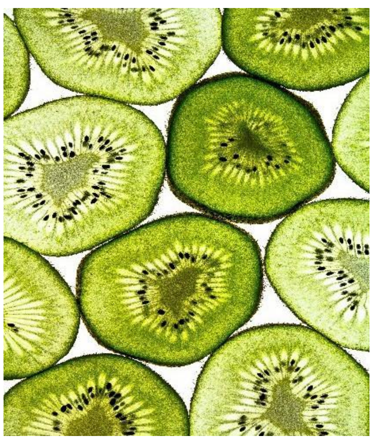
When asked about the factors posing the greatest threat to the medium-term sustainability of their businesses, nine out of ten respondents highlight increases in input costs, followed closely by low selling prices (77%). Other significant challenges undermining economic sustainability include rising labour costs, compliance costs associated with regulations and standards, inadequate profits for capital investments and innovation, and adverse weather events (refer to Figure 13).

Figure 13. Q: Which factors are endangering the medium-term sustainability (two to three years) of your operations



Conclusion

In conclusion, the findings from the Coalition's second global survey underscore the enduring challenges faced by suppliers of fresh fruits and vegetables in the wake of the COVID-19 pandemic. Despite some moderation of the cost rises, the industry continues to grapple with substantial cost increases across various inputs such as construction materials, fertilizers, fuel, machinery, and shipping services. While a majority of respondents have managed to increase their average selling prices, most remain unable to fully offset rising costs, leading to over 60% of the industry operating at a loss or just breaking even. This financial strain has further hindered their ability to invest in critical areas like capital equipment, innovation, and expansion, essential for long-term sustainability, including adaptation to climate change.



Strategic responses to these challenges include consolidating shipments, reducing production capacities and delaying investments, reflecting the industry's adaptive capacity amidst economic uncertainty. Government support has been virtually non-existent, exacerbating the financial pressures faced by operators. Looking ahead, the outlook remains daunting with ongoing geopolitical tensions, climate change impacts, and persistent inflationary pressures expected to prolong cost escalations. Consequently, a substantial proportion of respondents fear for the future economic viability of their operations, with nearly 70% considering the possibility of closure within the next two to three years.

While the industry has shown resilience in adapting to immediate challenges, the path to sustainable recovery and growth hinges on addressing the systemic issues driving cost increases and ensuring adequate support for long-term investment and innovation.