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EXPORT OPPORTUNITIES FOR SCOTTISH SOFT FRUIT TO WEST GERMANY

MICHAEL E. DAW

May 1982

Economic Report No. 134

The North of Scotland College of Agriculture
Agricultural Economics Division

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PREFACE

This is one of a series of reports on various studies of marketing opportunities relevant to Scottish agriculture. The investigational work for all projects was conducted in 1981/82 by staff of the Agricultural Economics Division of the North of Scotland College of Agriculture. Finance was provided by the Department of Agriculture for Scotland.

All the marketing studies were aimed at improving our understanding of new markets or existing competition for Scottish agricultural produce. The emphasis was on export possibilities, and a range of products and countries have been examined.

The present Report specifically deals with the potential for soft fruit exports to West Germany and a comparison is made with domestic sales of fresh fruit to the main British supermarket chains. Assistance with the work was received from many sources (listed at Annex 1) and these are gratefully acknowledged. It is hoped that this and other marketing studies will highlight new opportunities for Scottish agriculture to exploit, building on an already impressive record of marketing its products outside Scotland.

Michael E Daw
May 1982

1. INTRODUCTION

During September 1980, a series of marketing studies was proposed by the North of Scotland College of Agriculture to the Department of Agriculture for Scotland for support and funding. One of these studies was to investigate the scope for marketing fresh strawberries and fresh or frozen raspberries, in late season to Continental Europe, particularly to West Germany. This proposal was subsequently accepted by DAFS and work commenced on the marketing project in July 1981. The main field work was conducted in September 1981 with a week of visits to German firms and official bodies, preceded by discussions with various sectors of the Scottish and UK industry. A short period of statistical work was carried out in December 1981 to assemble data on trade and prices and a postal survey of UK supermarket chains was conducted in order to compare their attitude to fresh Scottish soft fruit with their German counterparts.

The present Report is a summary of this preliminary investigation. The findings and conclusions should be considered as tentative in view of the limited staff resources devoted to the study. It is hoped to develop and firm up on various aspects of the work during 1982.

The background to the investigation was a depressed Scottish fruit producing industry in which domestic demand was regarded as weak and export competitiveness was undermined by cheap East European supplies and the strength of sterling. The processing sector, for both strawberries and raspberries, has been running at a low ebb since 1979. Efforts by private growers and co-operatives to increase the fraction of the Scottish crops available for fresh sales have only met with partial success. However, it was felt that since Scottish fruit is usually the last sizeable supply of the European season, fresh sales could enjoy some competitive advantage in July and August. It was further considered that this advantage could be exploited most fully in the large and growing fruit market in Germany, particularly since the introduction of refrigerated road transport of palletised produce treated with the Tectrol preservative. Some limited success in this direction had already been achieved by grower-co-operatives in SE England despite the fact that contra seasonal production conferred no marketing advantage to them.

This preliminary investigation, therefore, reviews the German market for soft fruit (particularly the fresh product) and makes comparisons with the possible development of greater uptake of the Scottish crop by English supermarkets.

The work has involved discussions with three Scottish soft fruit co-operatives, with British fruit traders, and with German importers, wholesalers and retailers. In addition there has been useful collaboration with such parastatal organisations as MAFF, CCAHC, ESCA, NFU and with the Universities of Hanover and Cambridge. A list of contacts and sources of information is included at Annex 1.

The following report divides into five further sections - the potential for exports to Germany of fresh strawberries, fresh raspberries and processed soft fruit, and an examination of the English supermarket demand for fresh strawberries. Some preliminary conclusions are drawn in the final section.

2. POTENTIAL EXPORTS OF FRESH STRAWBERRIES

Size and Seasonality of the German Market

Strawberries account for about 2 per cent of total fresh fruit supplies in West Germany and some 35 per cent of fresh soft fruit⁽¹⁾ supplies (Table 1). Of the 120,000 tonnes of fresh strawberries consumed annually (1978/79 and 1979/80), only one third is produced domestically, thus leaving around 80,000 tonnes to be imported. Since consumption of all fresh fruits (including strawberries) is rising and domestic output is static⁽²⁾, there is a slowly growing market for fresh strawberries imported into Germany. Already Germany is the world's largest import market for all fruit, having overtaken the UK in the early 1970s.

Table 1 Supplies of Major Fresh Fruits, West Germany¹

<u>Fruit</u>	<u>1,000 tonnes</u>		
	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>
Apples	1,695	2,272	2,325
Pears	384	464	478
Cherries	180	246	265
Plums, Damsons & Greengages	359	482	405
Apricots	16	21	17
Peaches	240	245	238
Redcurrants, Gooseberries & Raspberries	168	224	216
Strawberries	99	120	119
Blackberries & Bilberries	6	4	5
Grapes	244	271	280
Bananas	586	654	552
Other Fresh Fruit	87	96	106
TOTAL FRESH FRUIT	4,063	5,100	5,006

¹Source: ZMP Bilanz Fruit 1979/80. Fresh Citrus supplies have been separately estimated at 1.25 million tonnes.

The imports (and the consumption) of fresh strawberries are highly seasonalised with around 80 per cent by tonnage, occurring in May and June (Table 2).

Imports typically fall off during June as the German crop becomes available (mid June to mid July) and as the export crop from more southerly parts of Europe fall away. In Germany, strawberries are regarded as the fruit associated with spring, and demand slackens off

(1) Strawberries, redcurrants, gooseberries, raspberries, blackberries and bilberries.

(2) In the past five years (1976-80) - estimated German strawberry production has been 23, 30, 33, 37 and 35 thousand tonnes of which about 40% passed through commercial markets, i.e. was not self-picked (sources BML, Stat Bundesamt and ZMP).

in July as other fruits assume a more dominant position. The July level of imports varies with the season, but typically runs at around 1,000 tonnes per week. Imports fall sharply in August and volumes remain low until the following April when the Italian protected crop becomes available. During this off-season, strawberries are a specialty commodity, being flown in from the USA, Israel, Mexico, New Zealand and South Africa, depending on the season.

The small level of German exports shown in Table 2 are either re-exports or from the German crop (June) principally to France and Netherlands.

Table 2 Seasonal Imports of Fresh Strawberries to West Germany¹

<u>Year</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Aug-July Total</u>	<u>tonnes</u>
1978 imports	33,681	43,499	2,579	429	88,353	(77/8)
(exports)	(285)	(523)	(294)	(2)	(1,189)	
1979 imports	42,199	27,130	3,939	345	86,909	(78/9)
(exports)	(451)	(765)	(353)	(21)	(1,850)	
1980 imports	32,981	30,661	4,358	990	81,370	(79/80)
(exports)	(153)	(647)	(99)	(25)	(1,058)	

¹Source: Trade data from Statistisches Bundesamt.

The potential for imports during July and early August are of most interest to Scottish growers and Table 3 indicates the recent foreign sources of supply into the German market for this period. June is included for comparison.

To complete the picture, all exports are listed, and annual totals given by country.

In terms of spring and summer supplies, the season normally begins in April with imports from North East Italy and Spain, followed by the main Italian crop from May to late June which overlaps with supplies from France, Benelux and East European countries. The domestic crop of around 35,000 tonnes is normally available from mid June to late July and imports are obviously less at this time. In August (a potentially important month for Scottish exports), most supplies come from second crops in Benelux and France, and (in 1980) from Eastern Bloc countries. However, demand in August is normally much reduced and it would appear that German consumers turn away from strawberries (which have been in heavy supply from May onwards) in favour of other, later fruits such as raspberries. As an indication, fresh strawberry supplies in August were less than 10 per cent of the July figures in 1975 to 1978 inclusive.

The dominance of Italian strawberries⁽¹⁾ in the German import market is evident from Table 3 (80 per cent of annual total) with Benelux, France and Eastern European countries also significant. West Germany is well-placed to receive fruit overland from all over Europe and its airports provide good facilities for air-freighted out-of-season produce.

(1) Expanded considerably in the 1970s from 30,000 tonnes in 1970 to 58,000 tonnes in 1977 and 63,000 tonnes in 1980.

Table 3 Imports of Fresh Strawberries into Germany, by Country

Country										<u>tonnes</u>		
	<u>1978</u>	<u>June</u> <u>1979</u>	<u>1980</u>	<u>1978</u>	<u>July</u> <u>1979</u>	<u>1980</u>	<u>1978</u>	<u>August</u> <u>1979</u>	<u>1980</u>	<u>12 months Aug - July</u> <u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>
France	1,146	2,013	1,561	127	52	101	45	10	112	2,451	2,788	4,507
Belg/Lux	2,367	1,739	3,550	704	2,156	882	104	42	101	3,186	3,955	4,578
Netherlands	509	436	1,047	485	1,496	749	192	215	409	1,342	2,348	2,338
Italy	36,822	20,172	23,515	129	98	1,036	15	14	58	73,563	70,757	63,063
Austria			37									37
Spain	5	8	12						1	942	1,020	1,538
Greece	35									252		
Poland	374	784		304	23	715			60	678	807	715
Hungary	104									104		
Rumania	1,501	1,046	459	796	23	532			74	2,297	1,069	991
Bulgaria	602	919	442	15	88	317			144	617	1,007	903
Sweden						22						22
USA			3		2		73	63	23	441	593	998
Israel										1,142	1,605	1,025
Mexico										893	812	398
S.Africa										59	77	
New Zealand											31	26

¹Source: Trade data from Statistisches Bundesamt.

Note: Very small quantities (around 200 tonnes annually) of these imports are re-exported, mainly East European crops through West Germany to Holland and France.

The competition to potential Scottish exports (from around July 1st to August 10th) is likely to be first, the later Benelux crops, second (and most important) the late season German crops (especially in the north), and in August, the second crops from Benelux and France (although these are unlikely to be of similar quality to first-crop fruit from the UK).

Given similar costs of production it is unlikely that Scottish fruit would be competitive with Benelux and German fruit because of higher transport costs and long hauls resulting in greater deterioration. There could be a short period in late July and early August which would allow Scottish fruit to compete successfully but seasonal differences between years might well mean that the scale of this market opportunity would be variable in tonnage, though more level in value.⁽¹⁾ In addition to variability, the import demand in August is typically low - at 400, 300 and 1,000 tonnes from all sources in 1978, 1979 and 1980 respectively (Table 2).

It appears therefore that Scottish exports might be able to fill a gap in the last week of July and the first ten days of August, for an average season. If the Scottish crop was late (and the Dutch second crops not early), the export possibilities could extend further into August, provided that quality was maintained in these later crops. In terms of exports to West Germany, the later the Scottish crop the better, other factors remaining constant.

Prices

Obviously, the attractiveness of fruit exported from Scotland depends on German prices as compared with local and English prices. If Scottish fruit on the German market clashed with Dutch, Belgian or North German strawberries (as could occur in the first three weeks of July), it is unlikely that prices would justify the additional transport costs compared with sales in England⁽²⁾.

The mean c.i.f. prices for all imports in July and August were as follows for the past three years:⁽³⁾

	<u>1978</u>	<u>1979</u>	<u>1980</u> (DM/kg)
July	2.11	2.97	2.08
August	4.90	5.96	2.91

The variation between years is clear, as is the higher prices achieved in August compared with July. However, the August level of imports was low in all three years (see Table 2) - except 1980 when prices were well down.

More detail is presented at Table 4 to illustrate the variation between weeks and between three sources of supply. Only the five weeks of relevance to the Scottish industry are listed (last two weeks of July, first three of August) and the table includes German

(1) eg. In August, the recorded imported value was DM 2.1 mn in 1978, DM 2.1 mn in 1979, and DM 2.9 mn in 1980.

(2) A review of the English supermarket demand is included at Section 5.

(3) Derived from trade data on volumes and value.

Table 4 Wholesale Prices for all Classes of Fresh Strawberries from 13 German Markets¹

<u>Origin</u>	<u>1978</u>					<u>1979</u>					<u>1980</u>					<u>DM/kg</u>
	<u>Week Number</u>					<u>Week Number</u>					<u>Week Number</u>					
	<u>July 3</u>	<u>July 4</u>	<u>Aug 1</u>	<u>Aug 2</u>	<u>Aug 3</u>	<u>July 3</u>	<u>July 4</u>	<u>Aug 1</u>	<u>Aug 2</u>	<u>Aug 3</u>	<u>July 3</u>	<u>July 4</u>	<u>Aug 1</u>	<u>Aug 2</u>	<u>Aug 3</u>	
West Germany	4.06	4.03	3.20	5.16	-	3.78	4.51	5.78	7.45	7.50	3.44	4.08	3.91	4.02	4.47	
Netherlands	4.70	5.39	6.75	7.35	-	4.26	5.97	9.04	9.32	-	3.62	4.68	-	5.03	6.15	
Belgium	4.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

¹Mean prices from 13 wholesale markets selected by ZMP.

domestic produce since this is the main source of supply at this time of the year. Prices are higher than reported in the trade statistics since Table 4 refers to wholesale markets rather than border prices.

German domestic strawberries are consistently cheaper than the Dutch, possibly because of the quality of this late season produce. 1979 was a high priced year but in 1980 the market was apparently depressed. There is a fairly clear trend upwards from mid July to late August in all years but less marked in years of lower prices (as low as DM 1/kg for local produce). In 1979, prices were not only high but they rose sharply over the five week period, by between DM 3 and DM 5 per kg.

The volatility of the fresh strawberry market is obvious, particularly at this time of the year when the supply/demand balance is especially critical. Wide daily fluctuations are a feature of prices for all soft fruits as evidenced by the daily fresh strawberry wholesale prices at Hamburg listed in Annex 2.

These daily differences reflect quality variation but, more commonly, they are affected by changes in supplies coming on to the Hamburg market. On the other hand, the inter-week and inter-year variation at Hamburg appears less than the average prices quoted for 13 markets in Table 4 and it may be that prices are more stable at this, the biggest wholesale fruit market in Germany.

Some limited data were available at retail level which suggest more level pricing than at wholesale. The following ZMP figures⁽¹⁾ indicate the more stable nature of prices to consumers suggesting, first, that retailers adopt a policy of absorbing wholesale price fluctuations and, second, that mark-ups are not high.

<u>Week Number</u>	<u>1978</u>	<u>1979</u>	<u>1980 (DM/kg)</u>
July 4	4.89	4.77	4.87
Aug 1	4.86	4.48	4.96
Aug 2	4.81	-	5.06

It is clearly impossible to forecast likely wholesale prices for Scottish late season strawberries with any accuracy but the order of magnitude is likely to be DM 3.50 to DM 4.50 per kg in mid July rising to DM 5 to DM 7 at mid August, but highly dependent on quality; the season for competing supplies (particularly German domestic), and on meeting the buyers' requirements. At the exchange rate prevailing at early 1982 (around £:DM 4.35), these price ranges translate to mid July prices of 80 to 100 pence per kg, and 115 to 161 pence per kg at mid August.⁽²⁾ Figure 1 graphs the mean prices (Class I) for 1978 to 1980 at nine UK wholesale markets⁽³⁾. This tends to suggest that these sterling prices for exports to Germany are only marginally attractive compared with the British market, especially at an estimated increased cost of exporting of 10 to 15 pence per kg to include refrigerated transport (Tayside to Hamburg) and Tectrol treatment.

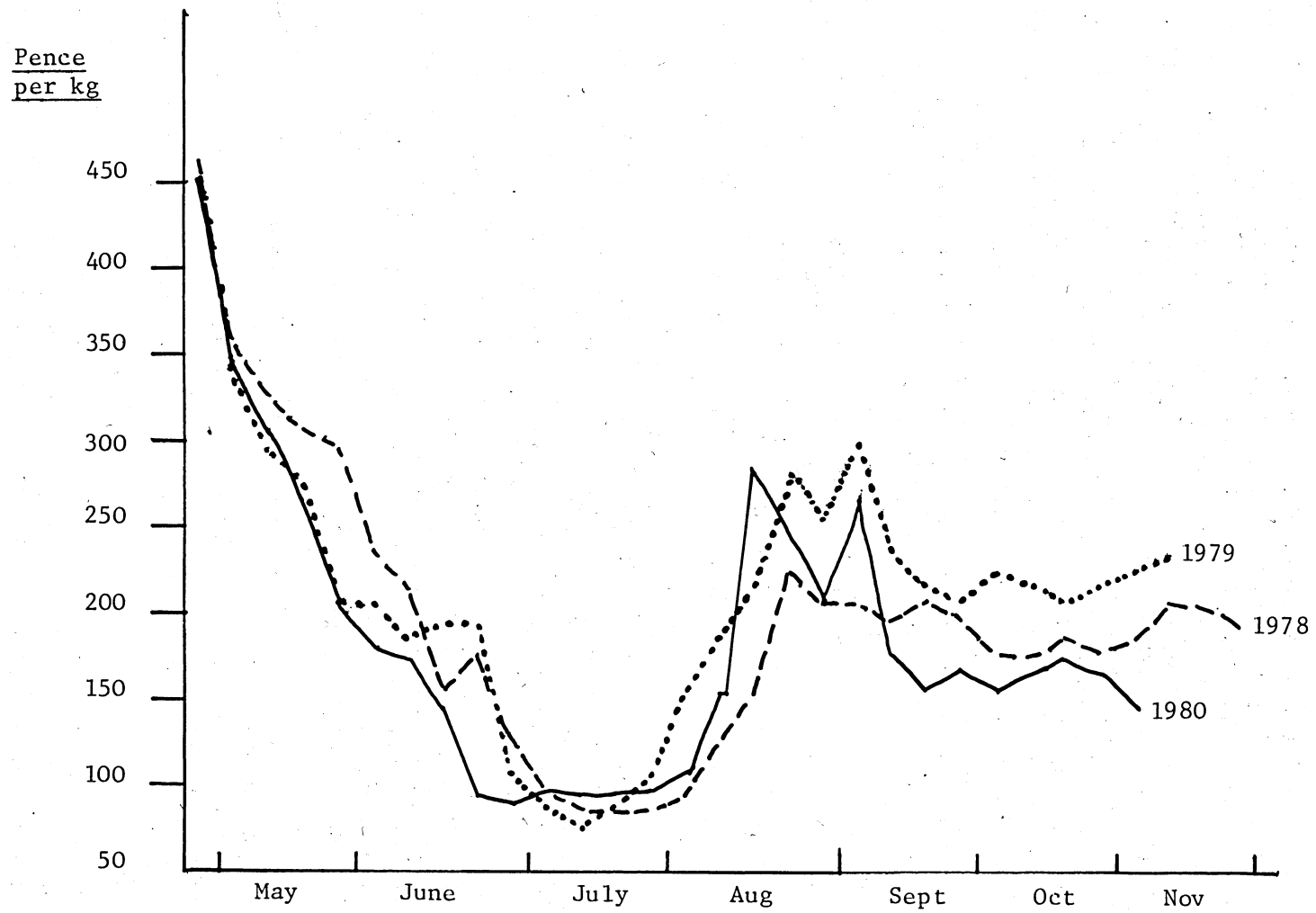
(1) Weighted average prices for West Germany.

(2) Or 37 to 47 p/lb mid July; 52 to 73 p/lb mid August.

(3) MAFF data on "most usual" prices.

Figure 1

British Wholesale Prices at Nine Markets for Class 1 Strawberries



Source: MAFF

However, this overlooks three important issues. First, the German prices were for all grades whereas only Class I is reported in the UK data (Figure 1). Although this makes exporting slightly more attractive, the effect is not large because the German market is dominated by high grade strawberries.

Second, the value of sterling vis a vis the deutschmark is currently higher than in any of the years quoted so that exports could have been profitable during certain rather limited periods in those three years - particularly in 1979 when German prices were high. But in 1981, exporting was difficult because of the higher exchange rate for sterling. Some future depreciation of sterling will obviously assist exports but rates below DM 4:£1 will be desirable for any regularity of exports to be feasible.

Third, the average market data conceal both the variation in prices obtainable and the differences between particular markets⁽¹⁾. National weekly average prices fail to indicate the wide range in prices between centres, between days within a week and between fruit of different quality. If Scottish exporters can identify and match quality standards, and select the higher priced markets, then there may be possibilities. Initially, however, such selling may well have to be somewhat opportunistic making regular commitments difficult. As rapport and confidence is built up between exporters and buyers, it may be more feasible to sell on a regular basis.

There is no doubt that there will be some days, some weeks and some outlets when exporting could be worthwhile (eg. when the German/UK price differential favours exports), or when there are marked currency movements, or when Scottish fruit is particularly suited to known markets, and for these periods it is important to be aware of the requirements of German buyers. A brief survey was conducted of a small number of such buyers in 1981 and the results of this exercise are set out below.

Requirements of the West German Market

Fresh strawberries are imported into Germany either by specialist fruit traders or directly by retail chain operators. The latter, which include large independent chains, franchised stores, and voluntary co-operatives, buy imported fruit through large central departments (or firms), dealing directly with the exporters. In some cases, the latter are large international fruit traders based outside Germany which link exporters and importers. The exporter will commonly be a fruit wholesaler operating in the country of origin but, occasionally, producers or producer-co-operatives will export alone.

Competition is vigorous, particularly since West Germany is very well placed and well organised to import fresh fruit from all the major sources of supply.

(1) For example, when lucrative North German markets are drawing on local supplies in late season, Southern German markets are undersupplied and prices are considerably higher than national prices would suggest.

(a) Wholesale Demand

Most German wholesalers would prefer some regularity of delivery so that they can line up retailer-buyers in advance. On the other hand, much of the fruit delivered into wholesalers is more spasmodic although normally deliveries are only made after prior telephoned/telexed arrangements.

The prices paid by wholesalers are rarely pre-arranged (except for guidelines obtained by the exporter) and depend on the demand and competing supplies on the day of sale. For Scottish exporters it would be highly desirable to be able to sell firm, once marketing links have been established. All the major cities have large wholesale markets where wholesalers operate their stands, and round these markets there is often a proliferation of warehouses, chill rooms and packaging lines owned frequently by the wholesaling firms.

At the height of the season, Italian strawberries may be delivered to one large wholesaler at the rate of 15 tonnes per day (one refrigerated truck) at one market. Later in the season, this frequency will fall, and for Scottish produce, one weekly delivery would often suffice for one wholesaler at one major depot. Arrivals should be timed for Sundays and/or Thursdays for sale to retailers on the following day. For the July - early August period, 500 gram unbranded punnetts would be preferred by most wholesalers, in trays, and palletised with Tectrol treatment. Later in August, when prices are higher, 250 gram punnetts are preferred.

Selling to wholesalers (either German or international) would be most appropriate for Scottish produce where the volumes were variable or the stricter conditions of quality and continuity required by retailers could not be guaranteed.

(b) Retailer Demand

Direct selling to retail chains would be a natural development for group marketing of Scottish strawberries where discipline in picking, grading, packaging and transport was strict. Prices received would normally be slightly higher than selling to wholesalers but this could soon be offset by rejected loads. The main requirements of the supermarket demand are:-

- i. Delivery. Regularly, at least twice per week by refrigerated truck to several depots (one in each of cities served) to coincide with high volume sales days - Friday, Saturday, then Monday.
- ii. Volume. 200 to 1,000 trays (5 kg) per retail drop (ie. per city) with a maximum feasible load probably 10 to 12 tonnes. In some cases, retailers would accept a full load at their central depot, then break down and tranship to individual stores.
- iii. Continuity of Supply. Essential requirement for the export season so as to enable efficient stock control, planning and promotion.

- iv. Packaging. 250 or 500 gram plastic punnetts (not overwrapped), arranged in trays and stacked on pallets up to 15 layers high, each pallet being sealed with sheet plastic and treated with Tectrol.⁽¹⁾
- v. Labelling. Usually would prefer branding with supermarket logo. Compulsory labelling covers the name of the produce, the exporter, the country of origin, filling weight, class (must be Class I to be feasible), variety. Branding by producer would be acceptable in some cases.
- vi. Quality. Above all, the fruit must appear fresh. Medium size (larger than 18 mm) is preferred, as is a dark red colour. For the latter reason, Gorella is the ideal variety, followed by Hapil or the German (Polish) variety ZingaZengana. Cambridge Favourite (although pale) would be acceptable, if fresh. German consumers are used to higher visual quality standards than on average in the UK, so that this aspect (and its continuity) is crucial to potential exports. Taste appears less important than appearance.

Selling to retailers would need to be preceded by good personal contact, supported by some trial shipments for the experience of both parties. Contracts (by volume) could be established and selling on firm prices might prove feasible after mutual experience of trading. At present most retail chains only finally agree the price after delivery.

All retailers interviewed considered that there could be a strong, specialised demand for high quality strawberries from late July through August. If dependable supplies were established, late fresh Scottish strawberries could be promoted by the retail chains through national newspaper advertising.

⁽¹⁾Note: Tectrol treatment was not considered essential by all retailers interviewed.

3. POTENTIAL EXPORTS OF FRESH RASPBERRIES

Scale of the German Market

Fresh raspberries are a relatively unimportant fruit in the overall German consumption pattern. Compared with strawberries at 120,000 tonnes consumption, raspberries amount to around 25,000 tonnes⁽¹⁾ and imports are small at around 5000 tonnes⁽²⁾. German production has remained fairly stable for the last five years - 18,400 tonnes in 1976; followed by 18,300; 22,200; 22,500; and 20,600 tonnes in 1977 to 1980 respectively⁽³⁾.

Unlike strawberries, most of the German raspberry crop is home-grown or self-picked with less than 10% moving through commercial markets. Imports typically amount to 75% of all the fresh raspberries moving into the normal retail trade.

The pattern of imports is summarised at Table 5 which shows the tight seasonality, with 75 per cent of all imports occurring in July and August, and 50 per cent in July. There is no clear trend in volumes imported over the three years.

Table 5 Seasonal Imports of Fresh Raspberries to West Germany¹

	<u>tonnes</u>			
	<u>June</u>	<u>July</u>	<u>August</u>	<u>Jan - Dec</u>
1978 imports (exports)	24 (21)	2,866 (402)	1,601 (193)	5,871 (1,341)
1979 imports (exports)	915 (447)	3,181 (326)	1,565 (274)	6,027 (751)
1980 imports (exports)	164 (87)	2,293 (206)	1,183 (30)	4,508 (343)

¹Source: Trade data from Statistisches Bundesamt.

The source of imports is dominated by East European countries (Table 6), particularly Rumania but with Bulgaria and Hungary also important. There is little out-of-season importation of fresh raspberries - which is partly explained by the attractiveness of the frozen product especially when compared with strawberries.

Scottish raspberries would potentially be available from mid-July to around August 10 and it is likely that this would be after both the German crop and the East European imports had finished.

(1) Of this, about one half is produced in private gardens and areas for family consumption.

(2) Processed raspberries, however, are imported in considerable quantities - typically five times the value spent on imports of the fresh fruit.

(3) ZMP Der Markt 1/81 - Obst Und Gemuse.

Table 6 Imports of Fresh Raspberries into Germany, by Country¹

Country										<u>tonnes</u>		
	<u>1978</u>	<u>June</u> <u>1979</u>	<u>1980</u>	<u>1978</u>	<u>July</u> <u>1979</u>	<u>1980</u>	<u>1978</u>	<u>August</u> <u>1979</u>	<u>1980</u>	<u>1978</u>	<u>Jan - Dec</u> <u>1979</u>	<u>1980</u>
Yugoslavia	-	197	-	153	264	68	161	45	-	380	525	68
Poland	-	-	-	197	248	34	19	-	134	216	254	168
Hungary	-	528	-	1,235	436	1,131	144	66	20	1,395	1,081	1,243
Romania	-	46	161	212	769	39	1,113	1,322	674	2,614	2,343	1,572
Bulgaria	-	134	-	1,045	1,441	994	161	101	301	1,224	1,723	1,307
UK	-	-	-	-	-	-	-	-	43	-	89	-
France	-	-	-	-	-	-	-	25	-	-	31	-
Netherlands	-	-	-	17	11	-	1	-	-	-	37	21
USA	-	-	-	-	-	-	-	-	-	-	15	-

¹Source: Trade data from Statistisches Bundesamt.

Prices

Figures for the last three years' imports⁽¹⁾ suggest low c.i.f. prices, with little seasonal or yearly trend:

	<u>1978</u>	<u>1979</u>	<u>1980 (DM/kg)</u>
July	1.72	2.13	1.81
August	1.89	2.22	2.23

These prices are in marked contrast to the reported wholesale prices for fresh raspberries, which mainly refer to domestic produce (Table 7). However, the prices do include a proportion of imported produce from Eastern Europe which is brought in cheaply in the fresh form (attracting lower tariffs) for subsequent processing. The quality of this fruit would be poor and largely unsuitable for the fresh market. The East European countries place much more emphasis on exporting the processed forms and raspberries for fresh consumption are regarded as a residual market as far as these countries are concerned.

But the high wholesale prices (Table 7) do indicate the potential premiums for exporting fruit of high quality comparable with the German crop. Raspberries are typically priced at 50 per cent more than strawberries, reflecting their relative scarcity.

Table 7 Wholesale Prices for German Fresh Raspberries from 13 German Markets¹

	<u>Week Numbers</u>					<u>DM/kg</u>
	<u>July 3</u>	<u>July 4</u>	<u>Aug 1</u>	<u>Aug 2</u>	<u>Aug 3</u>	
1978	5.76	5.45	5.94	6.24	6.97	
1979	6.40	6.52	7.20	7.91	8.05	
1980	7.23	7.28	6.84	6.62	6.88	

¹Mean prices from 13 wholesale markets selected by ZMP.

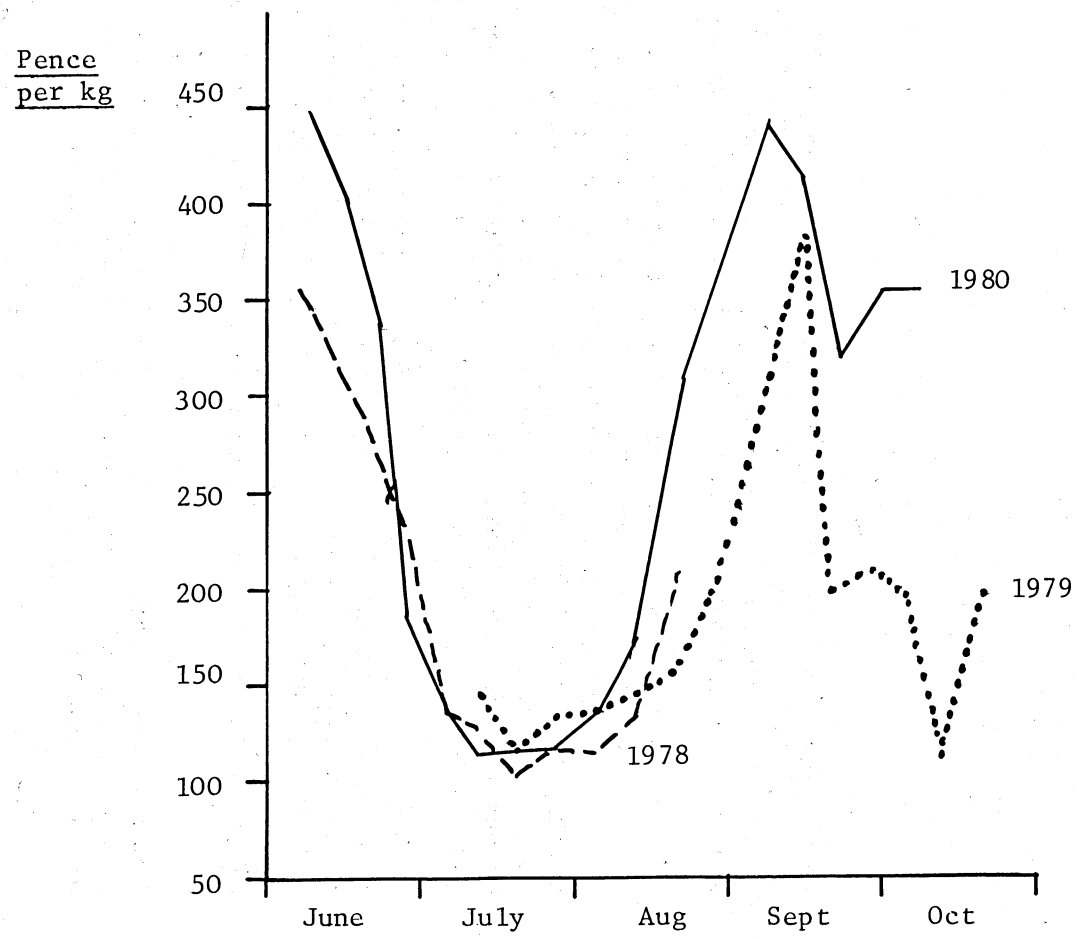
This is also borne out by more detailed price data obtained for the Hamburg wholesale market shown at Annex 3 (compare prices with Annex 2). There is an effective price ceiling on fresh raspberries set by the availability of the frozen product.

If Scottish raspberries could be picked and transported to German wholesale markets to arrive in condition similar to the local produce, prices around DM 6 to DM 7.50 per kg could be realised in most years, with relatively small seasonal differences. At current exchange rates of DM 4.35:£1 this represents 138 to 172 pence per kg⁽²⁾ which is barely attractive when compared with prices obtained on British wholesale markets in 1978 to 1980 (Figure 2). As with strawberries, it would appear that opportunities to export fresh raspberries profitably are limited to particular seasons, weeks and selected outlets - none of which can easily be forecast far in

(1) Derived from trade data.

(2) Or 63 to 78 pence per lb.

Figure 2 British Wholesale Prices at Nine Markets for Home-grown Class 1 Raspberries



Source: MAFF

advance. But, in the case of raspberries, the problem of picking for the fresh market and of transporting produce rapidly in good condition is much more difficult than for strawberries. The most appropriate way of attempting such an operation would be to export with strawberries on a trial basis and to obtain information on quality and buyers' reactions.

Requirements of the German Market

The structure of importing, wholesaling and retailing applicable to fresh raspberries is the same as described for strawberries except that fewer firms are involved because of the much lower volumes imported and handled.

The same emphasis on visual quality and on continuity of supply would apply to raspberries - particularly when selling direct to the retail chains. Delivery volumes would need to be regular but small, and punnet size would be 200 or 250 grams. There is little experience of the two main Scottish varieties but it is likely that Malling Jewel would be the more appropriate for the fresh market.

More care would be necessary in packaging raspberries and Tectrol treatment would be essential. The labelling and branding requirements are the same as described for strawberries. Transportability is the main problem (as for supplying the English markets) and trial shipments by road would be necessary first, on the back of strawberry deliveries. Air freighting appears uneconomic at the wholesale prices prevailing during the main Scottish season.

The strong reaction from potential importers, during interviews, was to welcome the possibility of increased supplies of fresh raspberries, particularly from Scotland - where considerable experience has been gained from importing the processed product over many years.

4. POTENTIAL EXPORTS FOR PROCESSED SOFT FRUIT

This study included an initial examination of the demand for processed strawberries and raspberries particularly frozen. Some early observations are included below.

Import Levels

West Germany is a substantial importer of processed soft fruit (Table 8). In the case of strawberries, imports in the processed form amount to about 25 per cent of the fresh produce in tonnage terms (15 per cent in value).

Table 8 German Imports of Processed Soft Fruit¹

<u>Calendar Year</u>	<u>Strawberries</u>		<u>Raspberries</u>	
	<u>tonnes</u>	<u>c.i.f.value</u> (DM 1000)	<u>tonnes</u>	<u>c.i.f.value</u> (DM 1000)
1978	20,680	43,010	26,078	83,699
1979	18,394	36,804	29,243	84,986
1980	20,719	38,605	17,733	49,416

¹Data extracted from national trade statistics.

But, for raspberries, imports of processed were running at five times the level of fresh fruit (in both volume and value) until 1980 when imports were curtailed by some 40 per cent.

The main suppliers of processed strawberries are Poland (around 50 per cent), Italy, Bulgaria and Holland, with Mexico important in occasional years. UK exports are insignificant (130 tonnes in 1980). The main forms of imports of processed strawberries are sulphur dioxide treated pulp, and frozen fruit and pulp.

Processed raspberry products are more valuable (around DM 3/kg c.i.f. compared with DM 2 for strawberries) and the size of the import demand is larger in value terms. The main suppliers are Poland, UK, Hungary, USSR (in 1979), Canada, Holland and Sweden. British exports have been fairly steady in both volume and value:

1978	3,104 tonnes; c.i.f. value DM 14.5 mn.
1979	2,634 " ; " " DM 13.8 mn.
1980	2,420 " ; " " DM 13.7 mn.

The UK market share has been 12, 9 and 14 per cent in each of the above years, respectively, in volume terms. Because of lower-priced fruit products from East Europe, the UK market share is greater, by value.

Raspberry products exported vary from high value individually-quick-frozen (IQF) material and block frozen raspberries to lower-priced pulp which is preserved with sulphur dioxide or is frozen.

Scope for Increased Uptake of Processing Strawberries

Because red-fleshed varieties (such as ZingaZengana) are required for the German food manufacturing industry (ice-cream, yoghurt, confectionery) and because prices are relatively low, there does not seem much scope for increasing the exports of Scottish strawberry products to West Germany.

It is unlikely that the Scottish product could compete on any regular basis with the East Europeans or the Italians. However, in years when the UK demand for processing strawberries is weak and when there is a high offtake of processing quality from the Scottish crop, specific markets might be sought in West Germany. If their supplies of red-fleshed varieties were low, the Scottish product might find a market - although not on a continuing basis.

Scope for Increased Uptake of Processing Raspberries

There is a strong demand for Scottish raspberry products which, given some weakening of the sterling-deutschmark ratio could be expanded in future, following the low export year of 1981. Three traders in frozen berries were visited during field work in 1981 and all considered that Scottish quality was excellent but it was not price competitive, because of the strength of sterling.

There appears to be a large requirement for the standard 4 x 2½ kg pack of IQF raspberries but other products enjoy periodic demand eg. IQF crumble or sieved plate frozen material.

The wide range of manufacturing uses⁽¹⁾ for frozen raspberry products in West Germany means that there will usually be a market for most types and qualities, although premiums may well be commanded for high solids content, high sugar content, deep colour and large size berries. The flexibility of final uses for raspberries and the large number of food manufacturers involved means that exports from Scotland need to be consigned to frozen fruit wholesalers who can differentiate their markets according to type, quality and price.⁽²⁾

Some Scottish processors are already in contact with these wholesalers although trade tends to occur only spasmodically. From the importer-wholesaler's point of view, regular contact and some forward commitment (on minimum volume for a given price) by Scottish producers, would be desirable. This would enable the wholesalers to organise forward their manufacturing outlets. However, firm contracts for large volumes and fixed prices are difficult for the Scottish producer in view of fluctuating exchange rates and the regularity of East European competition.

(1) eg. juices, jams, nectars, puree, confectionery, canned, jarred and flavourings for yoghurt and ice cream.

(2) Typically, such wholesalers also handle a wide range of other berry fruit such as strawberries, blackberries, gooseberries, blackcurrants, blueberries, loganberries, boysenberries, cranberries and lingon berries - with sources throughout the developed world.

But, for the trade to develop further, closer links will be necessary from the German importer-wholesaler back to the Scottish processor and to the Scottish grower. The market is available, the Scottish product is known (unlike fresh fruit) and considerable goodwill occurs.

From the small survey conducted in 1981, it was clear that Scottish fruit was preferred to East European for the premium outlets, but low export prices from Poland and Hungary compared with inflated prices from the UK (in DM terms) were hindering further expansion of Scottish exports. In addition, the delayed recession in West Germany was also depressing demand for some of the final food products which utilise soft fruit.

5. DEMAND FOR FRESH BERRIES FROM ENGLISH SUPERMARKETS

Although this investigation was geared to assess Continental demand for soft fruit, it soon became clear that some comparison would be needed between an expansion via exports to West Germany or through increased uptake by English supermarket chains. Both are competing markets and have fairly similar requirements.

There would seem little point in pursuing export markets with all the attendant problems of transport, licences and more difficult communications, if there exists a ready demand in British supermarkets for similarly priced produce.

On the question of price, Figures 1 and 2 and the German prices reported in Sections 2 and 3, suggest only occasional advantages to exporting, when comparing wholesale markets in West Germany and the UK. The same is true of prices paid by supermarkets in the two countries - differences are not marked and usually would not justify the additional costs of transport, handling and paperwork required for exporting. However, at some periods in the late season and for some German outlets there would be attractive price advantages over supplying British supermarkets. For this reason, it would be prudent to cultivate the German market, although at a much lower level than domestic outlets.

In order to obtain some idea of the attitude of English supermarket chains to Scottish berries, a small postal survey of the ten largest companies was initiated as part of this study. Full responses were obtained from six and the following points summarise their replies.

1. All would welcome increased supplies of late season strawberries and raspberries provided that quality was consistently high and regular daily delivery (for five days per week) could be guaranteed.
2. The demand for fresh strawberries in July and the first half of August is obviously variable between retailers - from 1,000 trays per week of 12 x 1 lb punnets per tray for a smaller chain, to a figure 15 times as great, nationally, for a large chain. Comparable figures for fresh raspberries would be around 10 per cent of these volumes but such quantities are commonly not available. UK raspberry production has traditionally been geared at the processing market.
3. Delivery to main depots would normally be necessary ie. not to individual stores, even where these are located close to the areas of production. For the supermarket chains in the survey, there was a number of such depots in the North of England, easily accessible from the Scottish fruit growing areas.
4. Quality requirements were universally high, particularly with regard to freshness. "Cold chain" systems of transport from field to store were preferred by some, and obligatory by others. Tectrol was not normally mentioned.

Strawberry size should be 20 mm (depending on the chain) and produce must be dry and bold. Cambridge Favourite was perfectly acceptable but other strawberry varieties were also mentioned as readily saleable - Cambridge Vigour, Dominal, Gorella, Hapil.

The postal response highlighted some criticism of Scottish quality for strawberries eg. picking over-ripe, rough handling, poor transportability - all giving rise to inferior produce for sale with severe price penalties or rejection.

The ability of fresh raspberries to travel long distances by road was questioned and interest was being shown in research work to breed firmer varieties. The premium for high quality raspberries was very high. The main raspberry varieties were acceptable (given good quality at the store) - Glen Clova and Malling Jewel; and Admiral, Glen Moy and Glen Prosen were also sold successfully.

5. Packaging requirements were for clear plastic punnets of 8, 12 or 16 oz, depending on the price per lb (smaller punnets at higher prices). The common types of tray (eg. 12 x 1 lb or 16 x $\frac{1}{2}$ lb) were satisfactory. Attitudes to branding varied amongst the respondents.
6. All firms were most interested in the scope for direct purchase from producer-groups or from individual producers. Those which already were buying from producer-cooperatives were pleased with the arrangements especially where this facilitated the continuity of supply.

In summary, all the firms responding in this small survey would welcome further supplies of late-season, high quality Scottish fruit. But in some cases, their experience with the quality and continuity of Scottish strawberries and raspberries had been disappointing. Closer links with producers and producer-groups would be welcomed.

It does appear tht the requirements of English supermarkets are broadly similar to their German counterparts although quality needs are likely to be more rigorous in Germany. Prices are not likely to be very different except for occasional weeks and for particular outlets in Germany where there could be short term advantages.

Fresh raspberries have a particularly attractive outlook (both in the UK and in Germany) if picking and transportability over long distances can be markedly improved. For Scottish strawberries, also, there is considerable scope for increasing sales through British supermarkets, particularly where late season produce comes after clearance of the English crops.

6. CONCLUSIONS

The West German market for fresh strawberries and raspberries and frozen raspberries does offer a useful alternative to the UK for Scottish produce. There are particular exporting opportunities which could be exploited but sellers will need to be very selective.

In general, the German market is large, very discerning on quality and not particularly high priced compared with the UK. Before embarking on the development of exports, full attention should be given to the domestic demand from British supermarkets (in the case of fresh soft fruit). There is considerable scope for an expansion of both fruits sold, late season, through regional and national supermarket chains. For both fruits, the management of picking, chilling, packing and transport are critical for fresh markets both in the UK and in Germany. In the case of fresh raspberries, transportability still presents large problems and research into the development of firmer fruit should be encouraged, given the strong demand for fresh raspberries in both countries.

The priority products for exporting to Germany are, first, frozen raspberries and, second, fresh strawberries. The Scottish soft fruit industry could build on its good reputation for high quality frozen raspberries given that sterling weakened by 10% from its early 1982 level against the deutschmark. East European competition is not insuperable for processed raspberries but closer links will be needed between Scottish exporters and German buyers. This may result, for example, in some limited contractual supplies at prices agreed within fixed limits. A wide range of processed raspberry products is in keen demand on West Germany.

The development of exports of fresh Scottish strawberries will depend on detailed research to find appropriate outlets, timing and quality to ensure higher prices than the German average. Otherwise there will be no advantage to exporting compared with domestic sales, in view of the similarity of average market prices and the additional costs of 10 to 15 p/kg for shipping to Germany.

Initially, the export of fresh strawberries may well have to be opportunistic but, as experience and confidence are built up, this could develop into more regular trade. In turn, this could lead to selling firm, rather than on commission. Wholesale markets should be the first target and prices at this level have been around 80 to 100 p/kg at mid-July, and 115 to 160 p/kg at mid-August. Direct selling to retail outlets could follow later. Fresh raspberries sell for approximately 50% more than strawberries and some small trial shipments would be worthwhile on the back of strawberry exports.

In summary, the home market will remain by far the predominant market for fresh soft fruit from Scotland. For both strawberries and raspberries, a greater proportion of the Scottish crop should be directed to fresh sales particularly to British supermarkets. However, it is worth pursuing the particular market opportunities which will exist from time to time in Germany, and to develop these into more regular trading links. Exports can provide another useful opening to widen the scope of fresh sales.

At the same time, the strong demand for processed raspberries in Germany should be exploited, building on the goodwill and trade which already exists for the Scottish product.

ANNEX 1 - ORGANISATIONS ASSISTING IN THE STUDY

British Consulate, Dusseldorf and Hamburg
Edeka Frucht Kontor, Hamburg
Fruchtehandels-Compagnie Hegewisch & Co, Hamburg
Helsu Helmink g.m.b.h., Bocholt
Institut fur Gartenbanokonomie der Universitat Hannover
Nordgemuse, Hamburg
Scipio Fruchtvertrieb KG, Bremen
Peter R Ufer and Co, Hamburg
Zentrale Markt - und Preisberichtsstelle, Bonn

American Fruit Importers Ltd, Southall
Grampian Growers Ltd, Montrose
Harlaw Fruit, Inverurie
Amos Hinton & Sons Ltd, Stockton on Tees
Laws Stores Ltd, Gateshead
Marks & Spencer p.l.c., London
Norfolk Fruit Growers Ltd, Norwich
Perth and Angus Fruit Growers Ltd, Forfar
Safeway Food Stores Ltd, Maidstone
J Sainsbury Ltd, London
Tesco Fresh Foods Ltd, Potters Bar

ADAS, London and Reading
British Overseas Trade Board, Glasgow and London
University of Cambridge, Dept. of Land Economy
Central Council for Agricultural and Horticultural Co-operation, London
and Edinburgh
East of Scotland College of Agriculture, Edinburgh
MAFF Horticultural Market Inspectorate
National Farmers Union, London
National Farmers Union for Scotland, Edinburgh

ANNEX 2 - HAMBURG WHOLESALE PRICES FOR GERMAN STRAWBERRIES(1)

Daily Price Ranges in DM per 500 gm

		<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>July</u>	Week 1	1.45 - 1.55	1.60 - 1.70	1.40 - 1.50
		1.30 - 1.40	1.30 - 1.50	1.20 - 1.40
		0.90 - 1.00	1.00 - 1.30	
		1.30 - 1.35	1.90	1.80 - 2.00
		1.45 - 1.55		1.80 - 2.10
		1.60 - 1.70	1.80	2.30 - 2.50
	Week 2	1.40 - 1.50	1.40 - 1.50	2.00 - 2.30
		1.50 - 1.70	1.30 - 1.50	2.40 - 2.60
		1.50 - 1.55	1.00 - 1.20	2.10 - 2.40
		1.50 - 1.70	1.40 - 1.50	2.70 - 2.80
		1.20 - 1.40		1.90 - 2.20
		1.00 - 1.10		
	Week 3	1.60 - 1.70	1.40 - 1.50	2.30 - 2.50
		1.40 - 1.50		2.00 - 2.20
		0.80 - 1.10		
		2.00	1.60 - 1.70	2.30 - 2.70
		1.60 - 1.70	1.35 - 1.50	2.00 - 2.20
	Week 4	0.95 - 1.10	1.15 - 1.30	
		1.80 - 1.90	1.50 - 1.80	
		0.85 - 1.10	1.80 - 1.90	
2.00 - 2.40		1.70 - 1.80		
1.80 - 2.00		1.70 - 1.80		
1.40		1.80 - 2.20		
<u>August</u>	Week 1	0.80	1.90 - 2.20	
			1.90 - 2.10	
		2.20 - 2.50	2.10 - 2.40	2.50 - 3.50
		2.50 - 3.00	2.50	2.25 - 3.00
	Week 2		2.00 - 2.50	2.50 - 3.00
			2.30 - 2.60	2.50 - 3.00
				2.00 - 2.50
			3.20 - 3.30	2.00 - 2.50
	2.50 - 3.00	2.00 - 2.70		

(1) Source: Information assembled by Früco, Hamburg.

ANNEX 3

HAMBURG WHOLESALE PRICES FOR GERMAN RASPBERRIES⁽¹⁾

Daily Price Ranges in DM per 250 gm⁽²⁾

		<u>1979</u>	<u>1980</u>	<u>1981</u>
July	Week 1	1.50 - 1.70 N	2.00 - 2.50 N	2.00 - 2.20
			1.80 - 1.90	
			1.90 - 2.20 S	
		1.70 - 1.75		
		1.45 - 1.55 S	1.80 - 1.90	2.30 - 2.70
		1.60 - 1.75 N	1.90 - 2.20 N	1.70 - 1.80
		1.75 - 1.85 S	2.40 - 2.50 S	1.80 - 2.10
	Week 2	2.00 - 2.10 N	1.80 - 2.20 N	1.90 - 2.20
		2.30 - 2.40 S	1.80 - 2.00 S	
		1.60 - 1.65 N	1.60 - 2.00 N	2.30 - 2.60
		1.40 - 1.45	1.00 - 1.25	
		1.65 - 1.70 S	1.90 - 2.20	
	Week 3	1.20 - 1.40 N	1.90 - 2.15 S	2.20 - 2.50
		1.55 - 1.70 S	1.80 - 2.00 N	
		1.50 - 1.70 N	1.40 - 1.50 N	1.80 - 1.85
		1.90	1.80 - 2.00 S	2.00 - 2.20
Week 4	1.00 - 1.15 N	1.60 - 1.65 N	1.80 - 2.00	
	1.40 - 1.50 S	1.80 S		
	1.10 - 1.30	1.70 - 1.90	1.40 - 1.60	
	1.00 - 1.25	1.00 - 1.20	1.80	
<u>August</u>	Week 1	1.10 - 1.20	1.40 - 1.50	1.40 - 1.60
		1.10 - 1.25		
		1.25 - 1.35	1.20 - 1.30	1.50 - 1.60
		1.50 - 1.60		
		1.35 - 1.50	1.15	2.00 - 2.20
	Week 2	1.20 - 1.35	1.30 - 1.50	2.10 - 2.30
		1.00 - 1.10		
		1.30 - 1.40	1.20 - 1.40	2.40 - 2.60
		1.40 - 1.50		2.30 - 2.50
		1.40 - 1.50		2.30 - 2.40
	Week 3	1.50 - 2.00		2.20 - 2.30
		1.80 - 2.25		2.40 - 2.30
		2.00 - 2.50		

(1) Source: Information Assembled by Früco, Hamburg.

(2) N: from North Germany; S: from South.