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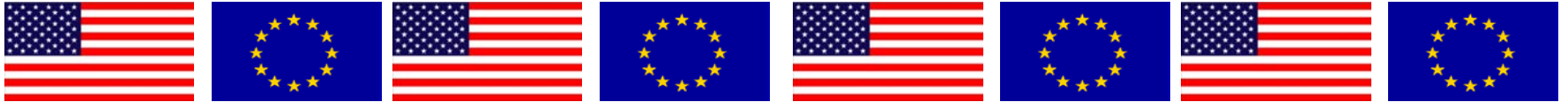
**U.S Department of Agriculture**  
**Agricultural Outlook Forum 2002**  
**February 21 & 22, 2002**

**THE U.S. HORTICULTURE SECTOR'S FUTURE IN AN ERA OF  
GLOBALIZATION**

**THE COMPETITION FOR EUROPE**

George Smith  
Executive Director  
Midsummer Marketing International  
United Kingdom

# THE COMPETITION FOR EUROPE



PRESENTED BY

**GEORGE SMITH**

*EXECUTIVE DIRECTOR*

MIDSUMMER MARKETING INTERNATIONAL

FEBRUARY 22, 2002



# European Union Member States

- ▶ The European Union (EU) is the result of a process of co-operation and integration which began in 1951 between six countries
- ▶ 50 years on and with 4 waves of accessions the EU has today fifteen member states
- ▶ The original objectives of the EU included, social harmony to avoid future military conflicts, improvements in agriculture to eliminate food shortages and to improve the incomes for those working in agriculture



# European Union Objectives

- ▶ Promote economic and social progress
  - The single market was established in 1993; single currency launched in 1999
- ▶ Assert the identity of the EU on the international scene
  - Through EU humanitarian aid to non-EU countries, foreign and security policy, action in international crisis
- ▶ Introduce European citizenship
  - Which does not replace national citizenship but complements it and confers several civil and political rights on EU citizens



# European Union Objectives

- ▶ Develop an area of freedom, security and justice
  - Linked to the operation of the internal market and more particularly the freedom and movement of persons
- ▶ Maintain and build on established EU law
  - All the legislation adopted by the European institutions, together with the founding treaties
- ▶ Today the EU is currently preparing for the fifth enlargement, this time towards Eastern and Southern Europe

# The Fifth Enlargement





# EU Grower Support

- ▶ The EU Agricultural Guidance and Guarantee Fund
- ▶ Export Refunds
- ▶ Compensation for Withdrawals
- ▶ Operational & Promotional Funds for Producer Organisations and Traders that are producers
- ▶ Intervention Payments for Market Stability





# EU Grower Support

- ▶ Production Aid for processed Fruits and Vegetables
- ▶ Specific Measures for Asparagus and Hazelnuts
- ▶ Appropriations for fresh and processed fruits and vegetables in 2001 amounted to 1,654,000,000 Euro



# European Retail Trends

- ▶ High volume mature markets are decreasing
- ▶ Low volume developing markets are increasing
- ▶ Values in mature and developing markets on the increase due to \$ rate
- ▶ Total share of brands in most markets getting lower
- ▶ Higher private label shares puts pressure on retail value and suppliers margin



# European Retail Trends

- ▶ Relatively low market development and investment due to low brand shares
- ▶ Movement from standard to luxury goods but the commodity character remains
- ▶ Concentration of retail buying power due to mergers



# The EU Consumer

- ▶ Is more aware of the origin of the products that she purchases
- ▶ Places high value on food safety, fair trade and environmentally friendly or “green” products
- ▶ Demands quality and is always on the look out for offers
- ▶ Is short on personal time
- ▶ Is willing to try new and innovative products
- ▶ Has many first rate alternatives to choose from



# Trading Constraints

- ▶ Entry Price System Tariff
- ▶ Labelling Requirements
  - ▶ Packer's identity, including Name and Address, nature of produce, name of variety, country of origin, class "extra", 1 or 2, size, or count for fruit packed in layers
- ▶ EU Marketing Standards
- ▶ Crop to Shop Due Diligence
- ▶ Seasonal Restrictions



# Trading Constraints

- ▶ Trigger Volumes
- ▶ Solid Wood Packing Material Emergency Measures
- ▶ Subsidies



# Preparing For Export

“ If your business model is not broken, break it before  
your competitors do”

*Don Tapscott, Author of “The Digital Economy”*



# External Forces

- ▶ Dollar gained strength against all EU currencies
- ▶ Sea & Air freight costs increase
- ▶ Retailers controlling the larger percentage of the fruit business
- ▶ EU retailers invest in standard metric store displays
- ▶ Category Management effectively reduces number of importers and distributors
- ▶ European producers increase production in all fruits, thus creating structural oversupply and downturn in values





# The Impact

- ▶ Access to the major retailers becomes limited as importers have to re-pack USA fruit to fit retail display units- adding more costs
- ▶ Handling and material costs increase for importer
- ▶ USA fruits become the most expensive
- ▶ CM drives out all unnecessary costs (*the profit*) from supply chain



# The Impact

- ▶ Importers trade down to lower/smaller grade which damages USA bigger and better image
- ▶ Retailers report drop in consumer uptake of lower/sizes grades and switch back to EU fruit suppliers
- ▶ Bulk of USA packed fruit gets confined to Wholesale markets
- ▶ USA Exports contract

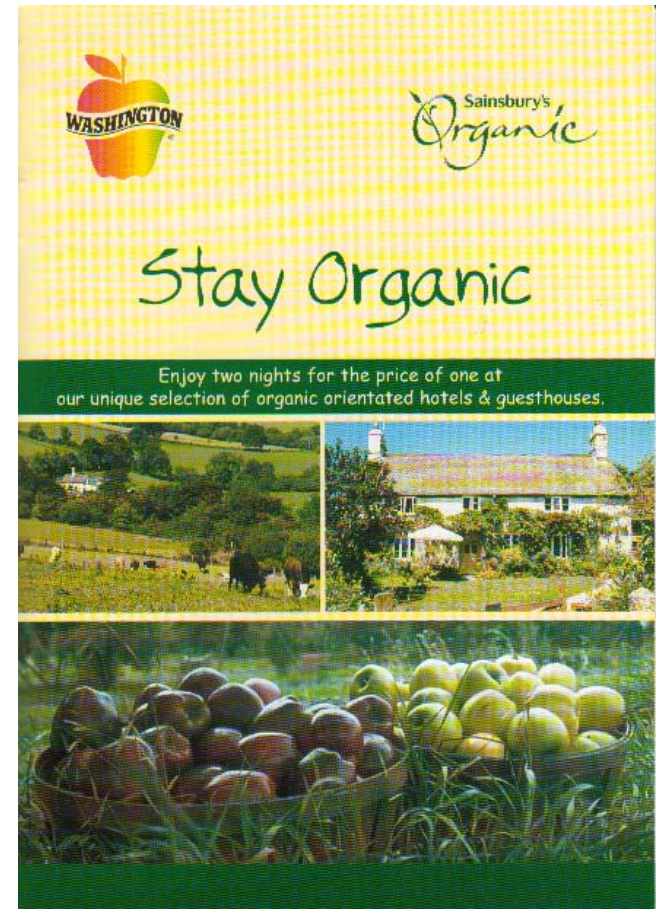


# The Need to Transform

- ▶ USA growers looking but unable to sell at earlier price levels
- ▶ Dominating varieties slowly decreasing with growth in new varieties accelerating
- ▶ Asian markets suffer economically
- ▶ Europe still seen as problematic
- ▶ Profitable grower returns if any, are weakening

# Transformation

- ▶ Washington growers pack organic apples allowing access to major stores for more than just one variety
- ▶ Relevant retail marketing support targets 500,000 consumers in one major retail chain in just 4 weeks
- ▶ Delivering customer satisfaction on the eating quality as well as the appearance of Washington organic apples



# Promotional Partners

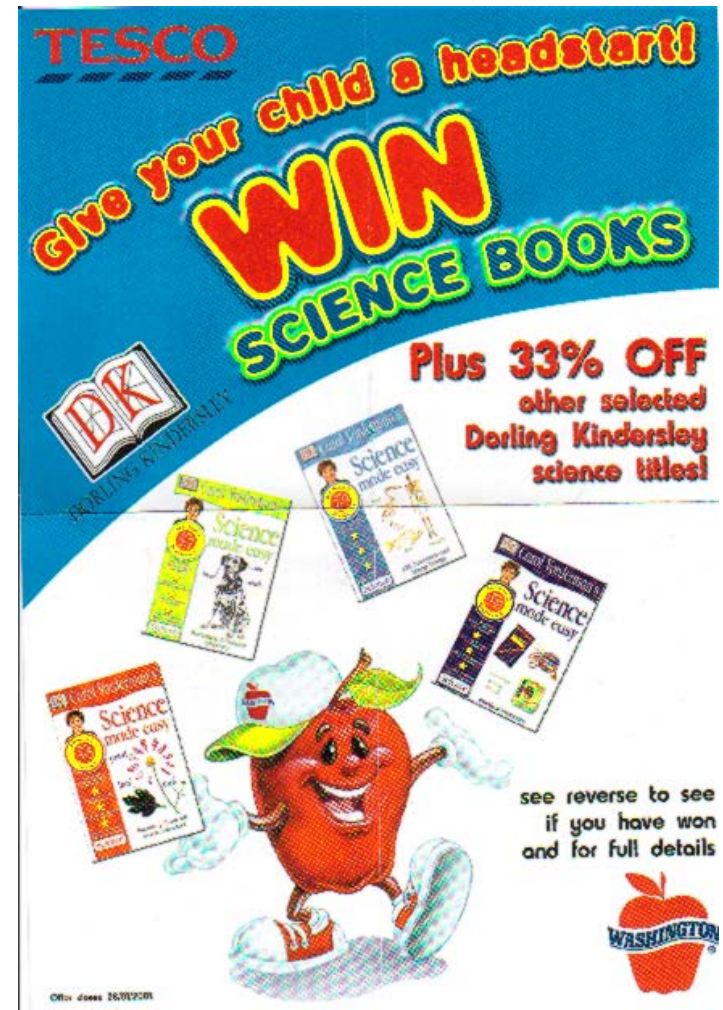
- ▶ Washington Pink Lady apples take major retail market share from main European producers.
- ▶ Account specific promotions developed for major chains
- ▶ Sainsbury's WA Pink Lady activity runs to 225,000 1 kilo promotional bags offering £125 holiday voucher
- ▶ 1st prize lottery draw of a Honeymoon in Seattle





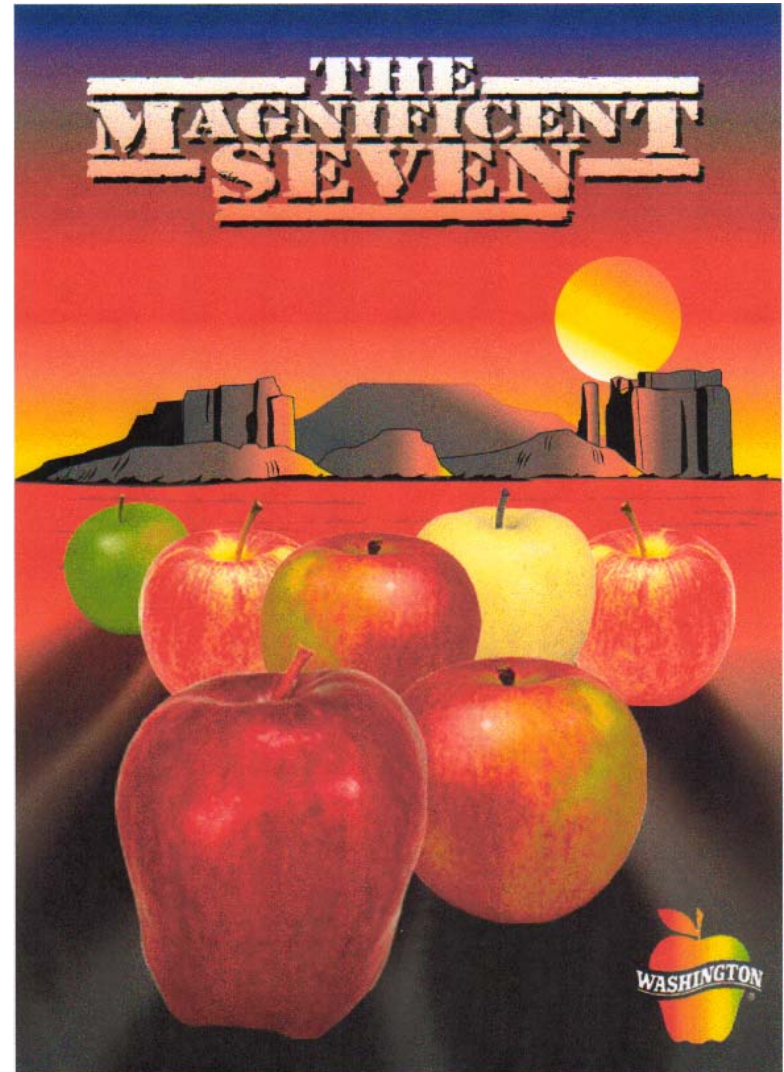
# Promotional Partners

- ▶ Link with Dorling Kindersley, (the world's leading children's publisher) underwrites Washington apples core brand values



# Promotional Partners

- Using creative themes and images in consumer “Point of Sale” materials to identify the source of origin of our products



# Promotional Partners

- Working with Warner Bros. Movieland park in Germany to create new and exciting high value on-pack promotional concepts





# Promotional Partners

- ▶ Parc Asterix in France offers a new and exciting promotional concept for families with children  
*“The Kids Go Free Ticket Offer”*



# Promotional Partners

- French consumers “go wild” for the California Pistachio gold rush promotion





# Promotional Partners

- Consumers in developing markets keen to sample and trade up to “new” products

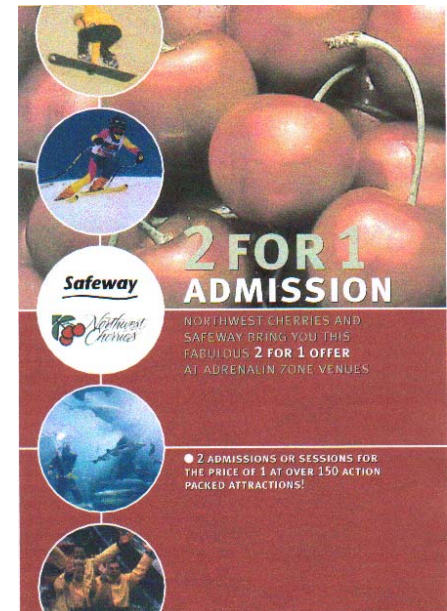
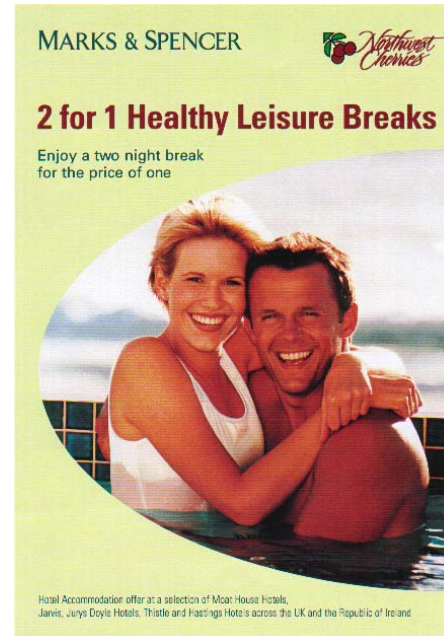


"KALIFORNIJOS  
PISTACIJOS"  
*Pirmą kartą Lietuvoje!*



# Promotional Partners

- 400,000 consumers reached in just 2 weeks during with 2 new promotional concepts aimed at children and couples in both Safeway and Marks & Spencer



# Promotional Partners

- ▶ The 2001 “See Red” merchandising campaign in the top UK wholesale markets







# Does it all work?

- ▶ Definitely in terms of clients.
  - ▮ *Access to all major importers and retailers representing 80% of the EU nut business*
- ▶ Definitely in terms of value
  - ▮ *FOB value of Organic and premium apples increased by \$3-5*
- ▶ Definitely in terms of grower/packer investment
  - ▮ *Minimal re-tooling in the pack house for metric packs of fresh sweet cherries*



# Immersed in Transformation

- ▶ By the team transformation we are creating value for growers, shippers and importers, and most importantly the end user
- ▶ The market is under real pressure from all EU member states, third country suppliers and the coming fifth enlargement of the EU
- ▶ The Premium and Organic market showing great potential
- ▶ Sales and promotional windows are still being squeezed front and back



# Conclusions

- ▶ USA “brand” producers have the quality of fruit needed to satisfy the most discerning consumer
- ▶ USA “brand” producers now have the infrastructure to service the business
- ▶ The vision, commitment, talent, team and mystic of the programme has taken the commodity character away and created FMCG’s in a very crowded market place
- ▶ The road has been tough and will get tougher in the short term
- ▶ With the right tools- the impossible can be overcome





# Competitive Strategy

- ▶ Winning the minds of the European consumer is your #1 goal
- ▶ The leading brand in any category is usually the one that got there first, if you are not satisfied with # 2 position, create a new category
- ▶ USA products are expected to be different by the very nature of their origin, it's bigger, it's better, its American
- ▶ Know the market place, it is important to see it and understand it , get out there and travel
- ▶ Focus on one idea or concept, deliver the unexpected and most importantly, be bold
- ▶ Its important to remember that quality without service is not quality



# Summary

- ▶ Offer services that will enhance and build brand awareness for both your USA “brand” own label and that of your retail customers
- ▶ Strive to complement your customers own marketing strategies and company objectives
- ▶ Work in tandem with customers suppliers
- ▶ Support your customers own in-house marketing and promotional company
- ▶ Create both arresting and meaningful ideas that encourage initial and repeat purchase



# The Mission

***“It is the American agricultural industry’s goal to give the European food industry and its consumers safe, healthy and nutritious products that can be purchased with confidence, along with Marketing and Communication support that is both relevant and effective in this evolving and demanding market.”***

# Midsummer Marketing International

- ▶ Helping to build market share for our clients in Europe
- ▶ Sales of our clients products in 2001 topped \$90M FOB

