



THE US MARKET FOR GHERKINS

Market Brief #03

INTRODUCTION

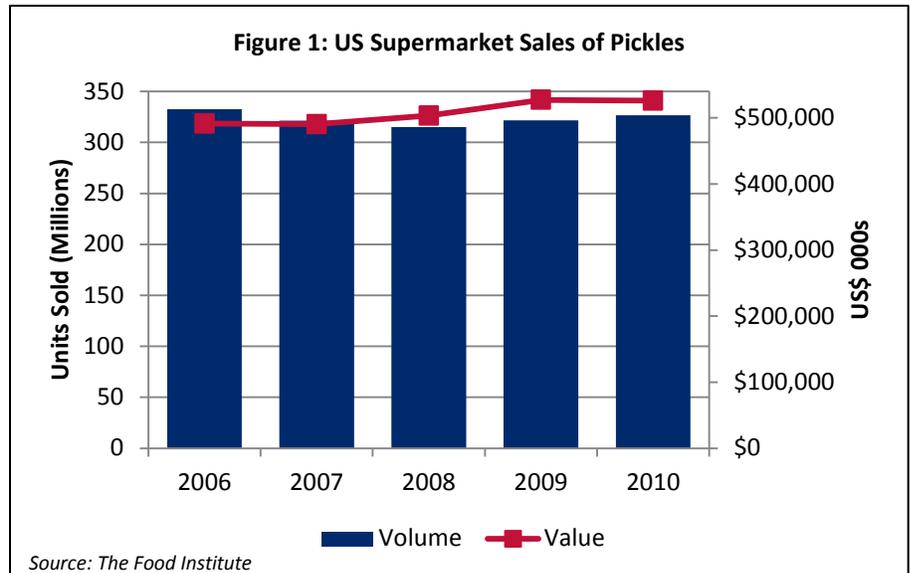
Gherkins, commonly called pickles in the US market, are cucumbers (*Cucumis sativus*) that been pickled in salt brine, vinegar/acetic acid¹, or other solution. Gherkins come in a variety of styles (i.e. whole, sliced, relish, etc.) and types (i.e. dill, sour, sweet, mustard, mild, hot, etc.). Special cultivars of cucumbers are used for pickling, which differ from the fresh cucumbers (slicers) that are typically sold in retail outlets. Pickling cucumbers are smaller than slicing cucumbers, and often have thick, rough skins. One of the most popular types of pickling cucumber is the "Kirby." The Kirby is a bumpy, yellow to green colored cucumber, which generally ranges from 3 to 5 1/2 inches in length. In this Market Brief, gherkins and pickles will be used interchangeably.



In the international market, from 2005-2010, Russia, USA, Germany, France, Belgium and Japan were the top five global importers of gherkins (brined and in vinegar/acetic acid combined). However, for this brief, only the US market will be considered due to its size and proximity to Honduras.

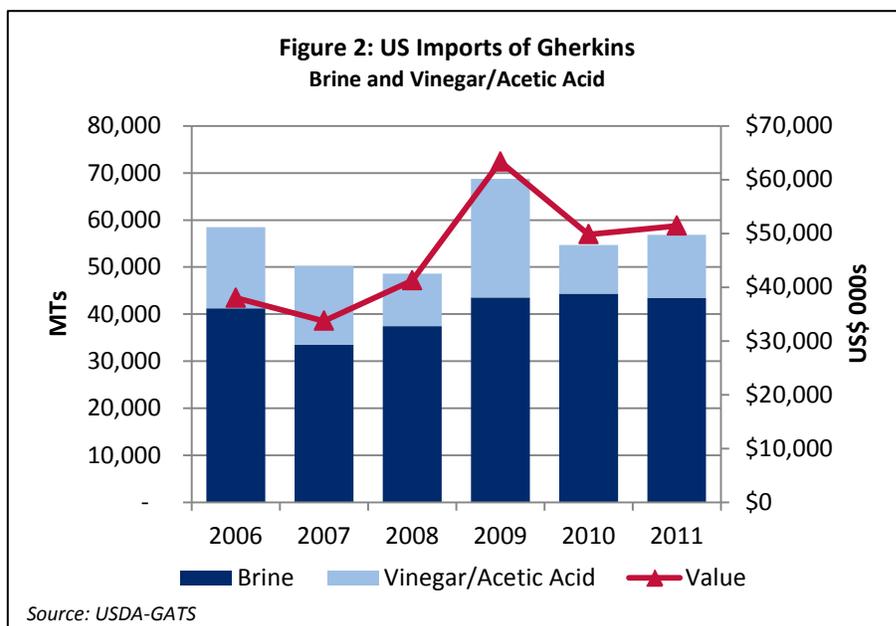
US MARKET

According to the Food Institute, from 2006-2010, US supermarket sales of pickles were relatively stagnant in both volume and value. Volume was measured according to the number of physical packages scanned, regardless of package size or type of pickle (i.e. 100 units scanned = 100 unit sales). From 2006 to 2010, volume sales declined from 332.5 million units to 326.5 million units, while equivalent values rose from US\$491.3 million to US\$526.1 million (or by 7%). The general rise in value reflects the increase in the raw product prices for US pickling cucumbers, which rose from US\$336 per MT to US\$372 per MT (or by 10%) over the same period (USDA-ERS).



¹ Acetic acid is the primary ingredient of vinegar aside from water. However, acetic acid is not vinegar. Vinegar contains many vitamins and other compounds not found in acetic acid such as riboflavin, Vitamin B-1 and mineral salts from the starting material that impart vinegar with its distinct flavor (The Vinegar Institute).

The US import market for gherkins was also stagnant, although greater fluctuations in both volume and value were recorded. The U.S. International Trade Commission (USITC) categorizes imports of pickled cucumbers under two different codes within the harmonized tariff schedule². The first code is for gherkins preserved in brine, which is water that has been saturated or nearly saturated with salt (i.e. brine). Gherkins preserved in brine, commonly known as “brine stock”, need additional processing in vinegar or another solution in order to become suitable for human consumption. The second code is for gherkins preserved in vinegar/acetic acid, which are ready for immediate consumption. According to a US industry representative, the majority of ready to consume gherkin imports are preserved in vinegar as opposed to acetic acid.



From 2006-2011, US imports of gherkins (preserved both in brine and vinegar/acetic acid) decreased slightly from 58,477 MTs to 56,880 MTs, while values rose from US\$38 million to US\$51.4 million (or by 35%) (USDA-GATS). Imports of gherkins preserved in brine and vinegar/acetic acid imports can be analyzed separately. From 2006-2011, US gherkin imports preserved in brine rose from 41,257 MTs to 43,437 MTs, while values increased from US\$29.9 million to US\$44.3 million (or by 48%). Gherkin imports preserved in vinegar/acetic acid decreased from 17,220 MTs to 13,413 MTs, while equivalent values US\$8.1 million to US\$7 million over the same period.

Table 1: US Imports of Gherkins (preserved in Brine and Vinegar/Acetic Acid)

Suppliers	2006		2007		2008		2009		2010		2011	
	MTs	\$000s										
India	37,794	\$20,615	36,457	\$20,044	35,963	\$27,061	53,287	\$46,445	36,150	\$32,620	37,805	\$32,464
Canada	7,587	\$5,141	2,591	\$2,826	2,404	\$2,831	2,713	\$2,769	6,007	\$4,135	8,335	\$5,435
Turkey	3,301	\$2,335	3,146	\$2,187	2,491	\$1,906	2,491	\$2,003	2,678	\$2,272	2,629	\$2,658
Israel	1,577	\$1,918	1,464	\$2,045	1,464	\$2,343	1,660	\$2,594	1,959	\$2,985	1,910	\$2,917
Poland	2,438	\$2,307	1,790	\$1,676	1,945	\$2,356	2,800	\$3,388	1,763	\$1,846	1,832	\$1,871
Others	5,780	\$5,708	4,802	\$4,945	4,371	\$4,754	5,828	\$6,135	6,141	\$5,982	4,368	\$6,081
Total	58,477	\$38,024	50,249	\$33,724	48,638	\$41,251	68,778	\$63,334	54,697	\$49,839	56,880	\$51,426

Source: USDA-GATS HS Codes 0711.40.00 00 and 2001.10.00 00

² Cucumbers including gherkins, provisionally preserved but unsuitable in that state for immediate consumption (HTS Code: 0711.40.00) and cucumbers including gherkins, prepared or preserved by vinegar or acetic acid (HTS Code: 2001.10.00)

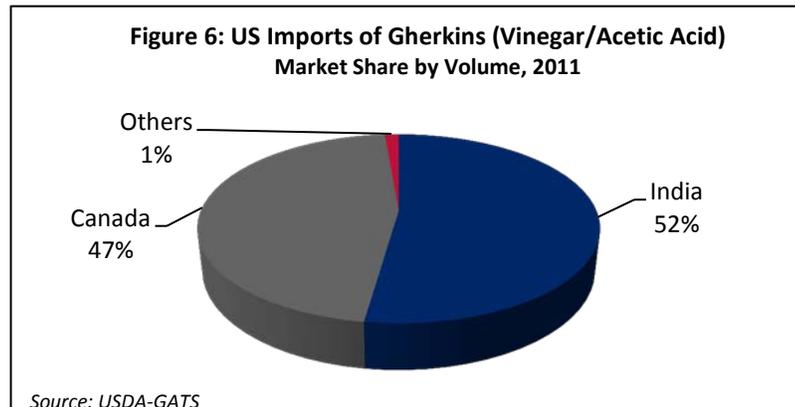
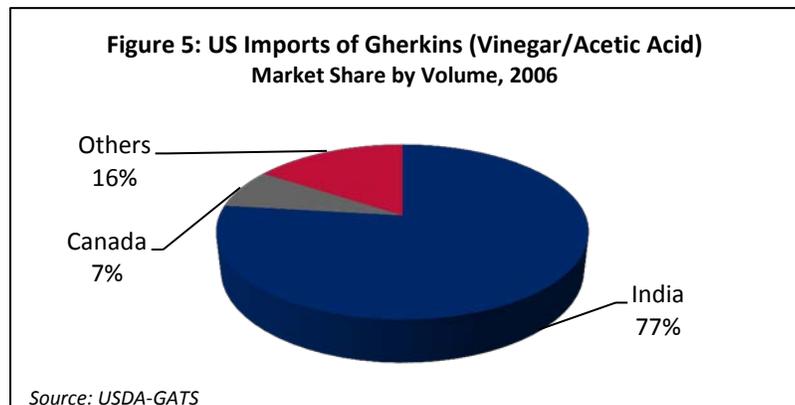
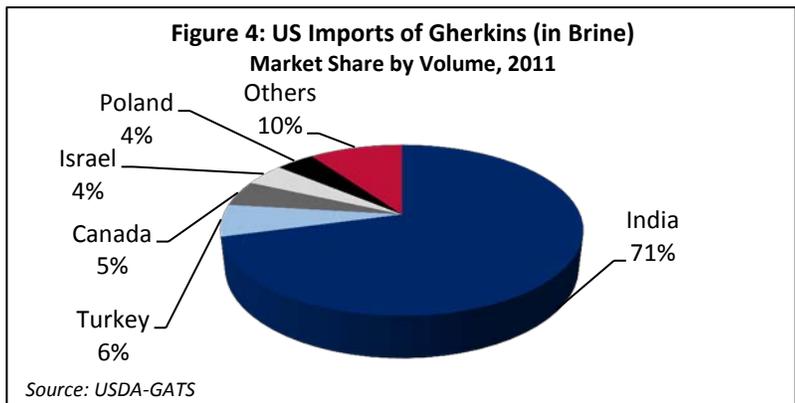
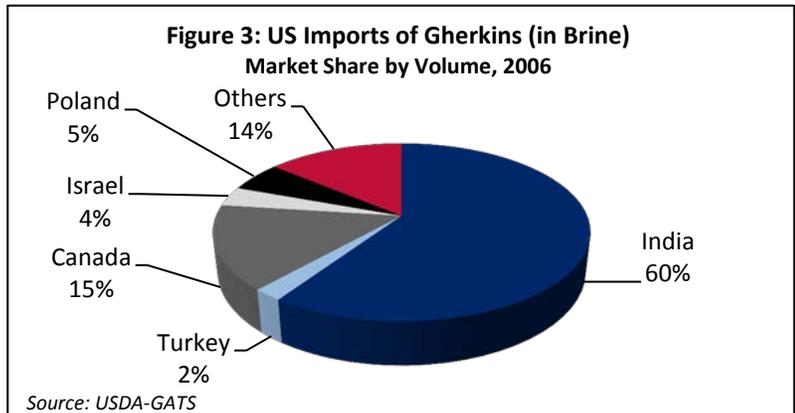
SUPPLIERS

A traditional producer of cucumber, **India** is the world's largest exporter of gherkins preserved in brine and vinegar/acetic acid. India has favorable climatic conditions, surplus labor and a large production base which gives the country the capacity to export to the international market year-round. According to a US industry source, India primarily exports small gherkins to the US market, as opposed to the larger size pickles.

From 2006-2011, India's share of the US market for brine imports increased from 60 to 71 percent. In total, US import volumes of Indian brined cucumbers increased from 24,553 MTs to 30,791 MTs. The increased market share mirrored a decreased in **Canada's** share of brined imports, which declined from 15 to 5 percent. Overall, US imports of Canadian brined cucumber declined from 6,326 MTs to 2,113 MTs. Over the same time period, India's share of the US market for cucumbers in vinegar/acetic acid declined from 77 to 52 percent or from a total of 13,240 MTs to 7,014 MTs. Conversely, Canada's share jumped from 7 to 47 percent or by a total of 1,261 MTs to 6,222 MTs.

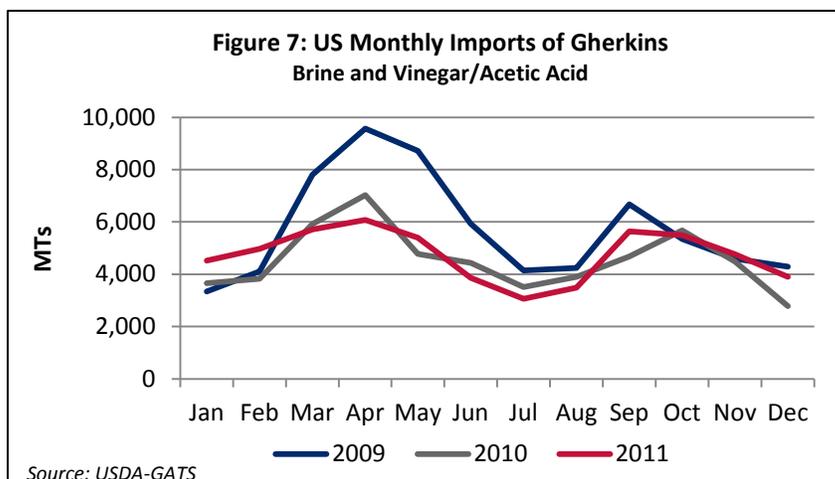
From 2006-2011, the US recorded zero gherkin (i.e. cucumber in brine and vinegar/acetic acid) imports from **Honduras** (USDA-GATS). However, the US imports a significant amount of fresh cucumber from the country, primarily from December 1 to the end of February the following year (i.e. 3-month period). US imports of fresh cucumber during this period have a general duty rate of 4.2¢ per kg, while imports from March 1 to November 30 have a general duty rate of 5.6¢ per kg. Honduras exports Kirby pickling cucumbers to the US for processing into gherkins.

From 2006-2011, **Costa Rica** was the only Central American country to export gherkins to the US market (USDA-GATS). In 2006 and 2008, the country shipped 5.4 MTs and 3.1 MTs of gherkins preserved in brine, respectively. No shipments of gherkins preserved in vinegar/acetic acid were reported.



SEASONALITY

As seen in Figure 7, US imports of gherkins peak from February to April, with a smaller spike occurring from September to October. Imports generally bottom-out in the months of July and December. The July decline in imports coincides with the cucumber production period of Michigan, which is the largest producer of gherkins in the US. Therefore the US can readily supply itself during the summer. The December decline is due to counter-seasonal production in North Carolina, South Carolina, Florida, and Texas (i.e. counter-seasonal to Michigan production in the north).



PRICES

Gherkin prices vary according to grade, size and the solution used in pickling. According to an industry representative based in India, gherkin prices (FOB³, Mumbai) in May 2012 were as follows:

Table 2: Gherkins, US\$ per KG, Mumbai (FOB) May 2012

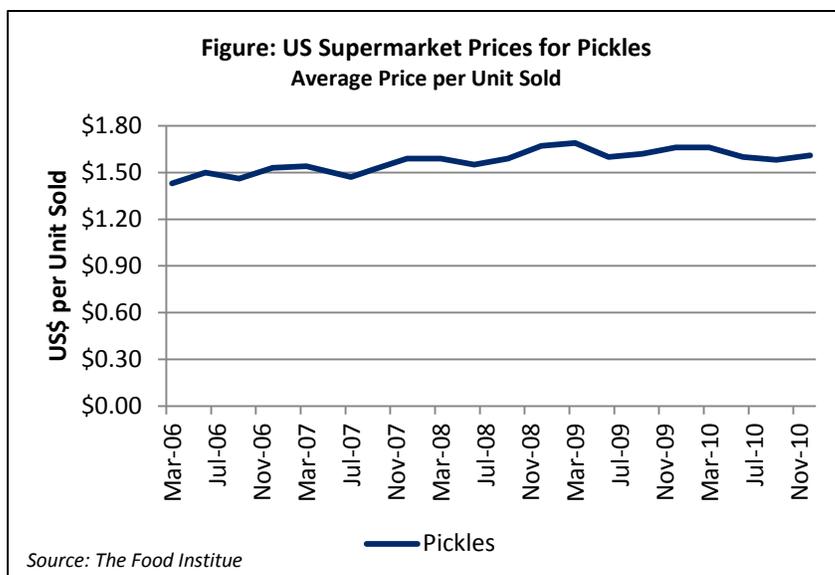
Grade	Size (Diameter)	Brine	Acetic Acid	Vinegar
30/60	18 to 25 mm	\$0.60	\$0.74	\$0.86
60/100	16 to 18 mm	\$0.78	\$0.84	\$0.94
100/300	3.33 to 16 mm	\$1.02	\$1.10	\$1.18

Source: Industry representative from India

As seen in Table 2, prices progressively rise in conjunction with the type of processing (i.e. from brine to acetic acid to vinegar). Recall, vinegar is a more complex solution than acetic acid. In addition, prices vary according to grade/size, with smaller sized (by diameter) gherkins garnering higher prices.

US supermarket price data is available from the Food Institute. Average prices are given for the physical packages sold, regardless of package size or type of pickle. As seen in Figure 8, from March 2006 to December 2010, the average price per unit sold increased from US\$1.43 to US\$1.61 (or by 13%). Price data from 2011 was not made available.

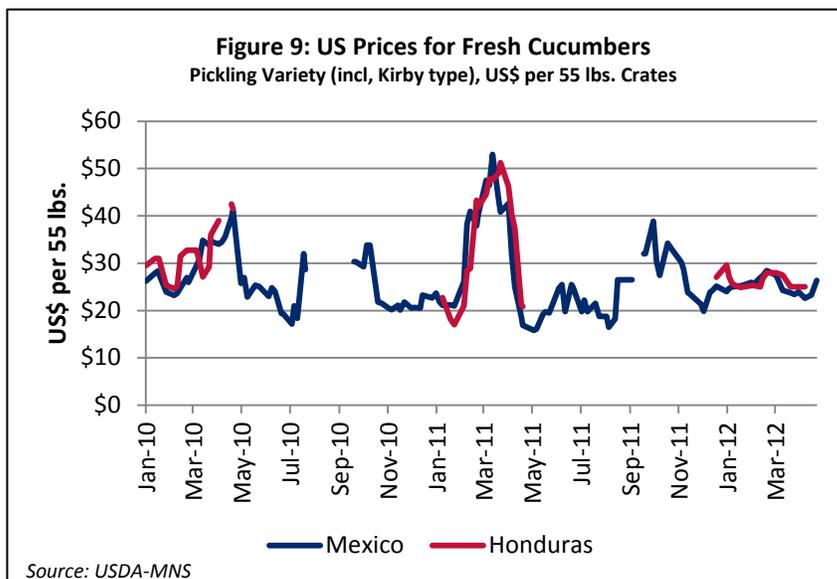
Price data is available for US imports of pickling varieties of fresh cucumbers (including Kirby type) from Mexico and Honduras in 1-1/9 bushels (or 55 lbs.) crate shipments. From January 2010 to April 2012, US prices for fresh pickling cucumbers from Mexico ranged from US\$15.79 per 55 lbs. crate in May 2011 to



³ FOB or Free-On-Board is the price paid by the buyer for the goods at the port of export. The risk of loss or damage to the goods is split between the seller and the buyer when the goods pass the ship's rail (Export Insurances Services, Inc.)

US\$53 March 2011, and had an average overall price of US\$26.57. US prices for Honduran imports ranged from US\$51.25 per crate in March 2011 to US\$17 in January 2011, and had an average overall US\$30.94 per crate.

As seen in Figure 9, US prices spiked from late February 2011 to late April 2011. According to the US's Drought Monitor, from September 2010 to February 2011, the southern US suffered from abnormally dry weather conditions. The poor weather conditions also coincided with the seasonal drop in US production of fresh cucumbers. Finally, it should be noted that US imports of Honduran pickling cucumbers are seasonal and typically occur from January to April. Due in part to its close proximity, Mexico is able to export to the US nearly year-round.



STANDARDS, LAWS AND REGULATIONS

Grades and Standards

Released in March 1991, the United States Standards for Grades of Pickles⁴ serves as the basis for inspection, grading and quality control guidelines for US producers, suppliers, buyers, and consumers of gherkins. The document defines gherkin styles and types of packs, which include cured, fresh pack or refrigerated types. Regardless of the type of style or pack, the pickles should be “preserved through natural or controlled fermentation or by direct addition of vinegar to an equilibrated pH of 4.6 or below, which must be maintained for the storage life of the product.” For complete details regarding US grades and standards, please reference the weblink in the footnote below.

OUTLOOK

Taken together, US trends in supermarket sales (see Figure 1) and import volumes (see Figure 2) are indicative of a gherkin industry that is flat. From 2006-2010, US supermarket sales of pickles slightly declined from 332.5 million units sold to 326.5 million units. From 2006-2011, US imports of gherkins preserved in both salted brine and vinegar/acetic acid also slightly decreased from 58,477 MTs to 56,880 MTs. These lackluster sale and import figures are supported by a general decline in per capita consumption of pickles, which decreased from an average of 5.3 pounds in the 1980s, 4.6 pounds in the 1990s and 4.2 pounds in the 2000s (USDA-ERS). Lastly, an US industry representative confirmed in May 2012 that the US is not a growth market for gherkins.

Despite the overall sluggish market, there may be opportunities for Honduras to enter as a niche exporter. From 2006-2011, US imports of gherkins preserved in brine (not ready for immediate consumption) actually increased from 41,257 MTs to 43,467 MTs, by 5%. India was the primary supplier of gherkins in salted brine to the US, comprising 71% of brined imports in 2011 (an increase from the 60% market share India had in 2006). If Honduras is to compete with India, exporters must be able to supply a product of comparable quality and price.

Decreasing US production of cucumbers presents more opportunities for imports from Honduras and elsewhere. If Honduras is able to offer packers and retailers a lower price structure (see Table 2 in Prices section) and a consistently high quality product, then the country should be able to successfully enter the US market.

⁴ The US Standards and Grades of Pickles: <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3010786>

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