



THE US MARKET FOR IQF ZUCCHINI

Market Brief #06

INTRODUCTION

The zucchini or courgette (*Cucumis pepo*) is a squash that is grown throughout the world, in both temperate and tropical climatic zones. Squash are commonly divided into two groups; summer and winter. Summer squash such as zucchini can be eaten cooked or raw.

The crop is widely cultivated but production statistics tend to aggregate pumpkins, squash and gourds, making exact estimates of squash production difficult to obtain. In 2010, worldwide production of the entire category totaled 22.4 million MTs with 27% (or 6.1 million MTs) being grown in China, 20% (4.4 million MTs) in India, 5% (988,180 MTs) in Russia and 4% (778,630 MTs) in the US. In general, these commodities are primarily grown for domestic consumption, with relatively little export and import trade. Notwithstanding the low trade figures, the largest importers are the US, EU and Japan. In the US, imports of this category are dominated by summer squash (i.e. zucchini) from Mexico during the winter months (CABI).



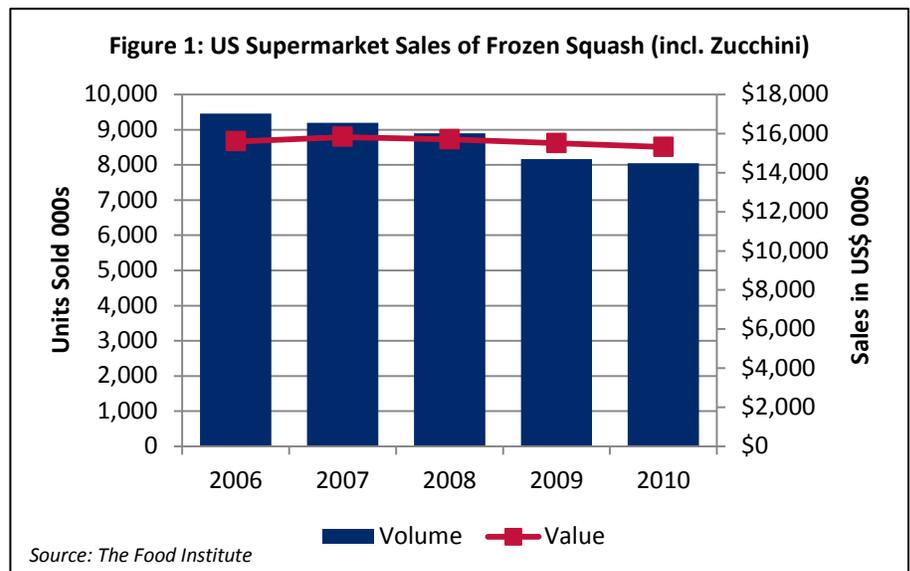
IQF Crinkle Cut Zucchini

For the purpose of this survey, only IQF or “individually quick frozen”¹ zucchini will be analyzed. IQF zucchini can be processed in variety of forms including whole-cut (smooth sliced or crinkled), half-moon, quarter-cut and diced.

US MARKET

From 2006-2010, US supermarket sales of frozen squash (including zucchini) decreased from 9.4 million to 8 million units sold² (or by 15%). The value of the sales declined slightly from US\$15.6 million to US\$15.3 million over the same period.

Frozen vegetable industry representatives confirmed that the market for IQF zucchini is stagnant and there is “enough supply to meet demand.” However, industry representatives went on to say that the IQF whole-cut form garners the highest demand in the US, whereas there is little to no demand for quarter-cut and diced forms. Whole-cut smooth sliced is typically bought by the industrial food sector, while whole-cut crinkle is generally purchased by the foodservice sector.



¹ IQF is a process which freezes food rapidly so there is no damage to the cellular structure of the food.

² Volume was measured according to the number of physical packages scanned, regardless of package size or type of zucchini (i.e. 100 units scanned = 100 unit sales).

SUPPLIERS

According to industry representatives, **Mexico** is a major supplier of IQF zucchini due in part to their large zucchini production base, modern processing facilities, NAFTA (North American Free Trade Agreement) related preferences and close proximity to the US. It was noted that **Honduras** may have difficulty competing with Mexico since the former will face higher shipping costs due to the distance from market. One US buyer stated that his company primarily imports IQF zucchini through the eastern seaboard ports of Savannah, Newark and Norfolk, which may eliminate the cost advantages held by Mexican shippers.

SEASONALITY

According to industry representatives, the US zucchini market is adequately supplied by Michigan (summer season) and Mexico (winter production season). Therefore, there are no obvious market windows that Honduras could use to its advantage.

PRICES

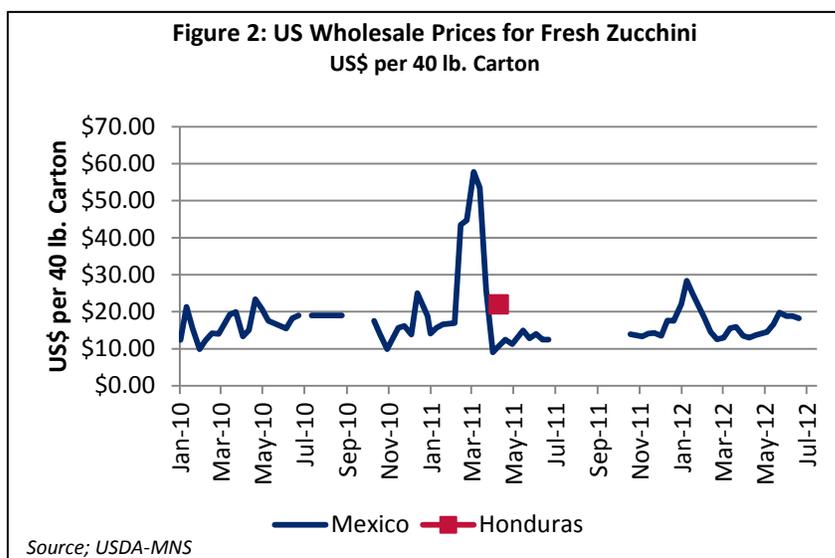
In July 2012, international prices for IQF zucchini were US\$1,135 per MT (FOB, Egypt) for long slices (i.e. zucchini sliced in half length-wise) and US\$1,245 per MT (FOB, Egypt) for diced. In August 2012, prices for long slices decreased to US\$810 per MT (FOB, Egypt) and US\$980 per MT (CFR³, New York, same shipment). In addition, prices for IQF diced zucchini

decreased to US\$870 per MT (FOB, Egypt) and US\$1,040 per MT (CFR, New York).

Date	Cut	Grade	US\$ per MT (FOB, Egyptian Port)	US\$ per MT (CFR, New York)*
Jul-12	Diced, 10*10/20*20 mm	A	\$1,245	
Aug-12	Diced, 10*10/20*20 mm	A	\$870	\$1,040
Jul-12	Long Slices	A	\$1,135	
Aug-12	Long Slices	A	\$810	\$980

Source: Industry Representative, *CFR =Cost and Freight (no Insurance), based on a 24 MT shipment

From January 2010 to July 2012, US wholesale prices for fresh Mexican zucchini ranged from a low of US\$9.00 per 40 lb. carton (April 2011) to a high of US\$57.75 per 40 lb. carton (March 2011)⁴, indicating a similar trend in pricing IQF product. According to industry representatives, adverse weather conditions (drought, excessive rain) in the US caused a crop shortfall, leading to a price spike and subsequent bottoming out. From January-June 2012, Mexican wholesale prices were on average US\$17.33 per 40 lb. carton. Honduras remains a minor supplier, driven by price and distance to market. In April 2011, the last date upon which comparable data were available, US wholesale prices for Honduran fresh zucchini were US\$22.00 per carton. Mexican zucchini was priced 50% lower at US\$10.81 per carton.



³ "Cost and Freight" means that the seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. (World Class Shipping http://www.worldclassshipping.com/incoterm_cfr.html)

⁴ In other terms, US wholesale prices for fresh zucchini from Mexico ranged from \$0.23 per pound (April 2011) to \$1.44 per pound (March 2011)

STANDARDS, LAWS AND REGULATIONS

Grades and Standards

The US has published standards and grades of frozen summer squash (incl. zucchini)⁵ and frozen cooked squash⁶. Multiple industry representatives noted that the US has strict import requirements and regulations regarding frozen vegetables. For example, IQF processing plants must meet SQF Certification⁷ and pass independent third party audits.

OUTLOOK

Taken together, US trends in supermarket sales and industry feedback suggest limited opportunities for new entrants into the IQF zucchini market. Among the various types of IQF zucchini, whole-cut (smooth sliced and crinkle) generated the most interest among US importers, while quarter-cut and diced were the least in demand. Between the two types of whole-cut, the food service sector is generally seen as the primary buyer of crinkle cut, while the industrial food sector is primarily interested in the smooth sliced form. A frozen vegetable industry representative commented that the US market was very competitive, but was willing to work with Honduran suppliers if they have state the art processing equipment and high quality control standards.



IQF Diced Zucchini

⁵ US Standard and Grades for Frozen Squash (Summer Type): <http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELDEV3011542>

⁶ US Standard and Grades for Frozen Cooked Squash: <http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELDEV3011541>

⁷ The Safe Quality Food (SQF) Program provides two standards based on the type of food supplier: SQF 1000 for primary producers and SQF 2000 for manufacturers and distributors. <http://www.sqfi.com/standards/>

REFERENCES

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http://extension.usu.edu/files/publications/publication/FN_Harvest_2007-02pr.pdf

APPENDIX

Buyers of IQF Zucchini

Company	Comments
<p>Dennis Sales, Ltd. Salisbury, MD 410-742-1585 http://www.dennissales.com/</p> <p>Contact: Ryan McLaughlin</p>	<p>For IQF green/yellow zucchini: Demand is highest for whole cut (both smooth sliced and crinkled cut), followed by quartered-cut, half-moon and diced. Diced is not widely traded. Interested in potential supply from Honduras. In general, the company mostly imports through Savannah, Newark, Norfolk and Long Beach on the west coast.</p> <p>Quotes:</p> <ul style="list-style-type: none"> • “Specialty items for specialty customers” • “Market is not seeing growth” • “Enough supply to meet demand” except in cases of zucchini crop failure in the US (mosaic disease outbreaks) • Price spike for fresh zucchini in March 2011 caused by “adverse weather conditions”
<p>Forbes Frozen Foods, Inc. Ohio 513-576-6660 http://www.forbesfoods.com/</p> <p>Contact: Roger Winters, David Winters rwinters@forbesfoods.com davidwinters@forbesfoods.com</p>	<p>Roger: Competing in the US market will require state of the art processing equipment and quality control standards. As I mentioned eggplant is very small and yellow squash / green zucchini very competitive.</p> <p>We would be interested in working with you in the development of marketable items in the US. We can aid in evaluating the opportunities from the agricultural side up and the marketing side down. What can you grow and process effectively?</p> <p>Example: Ecuador did a similar approach. They built a state of the art processing plant and started to produce broccoli and cauliflower. They took a lot of the market but at a cost and are now finding it very hard to compete profitably.</p> <p>Perhaps you could send us a list of what Honduras can grow.</p> <ul style="list-style-type: none"> • Freezing/processing plant needs SQF (Safe Quality Food) certification, the US import market for frozen vegetables is heavily regulated. • Estimate the recovery of your process line(s) • Project costs in totes (bins) • Estimate the freight to the respective markets. (Charleston, New Orleans, Elizabeth , NJ, Seattle)
<p>Lamex Foods, Inc. Minnesota 952-844-0585 http://www.lamexfoods.eu/</p>	<p>US has stringent import requirements for frozen vegetables Processing facilities must pass 3rd party independent audits (HAACP)</p> <p>Generally agreed that IQF whole-cut zucchini is in the most demand</p>
<p>Other Importers Contacted, but no feedback provided</p>	<p>Bonduelle Inc. 514-384-4281 (Montreal) → Frozen Eggplant and Zucchini http://www.bonduelle.ca/fr/index.php</p> <p>Brecon Foods, Inc. 514-426-8140 (Quebec) → Frozen Eggplant and Zucchini http://brecon.ca/web/cart.php?m=splash</p> <p>Foodguys LLC 503-570-2871 (Oregon) → Frozen Eggplant and Zucchini http://www.foodguys.com/</p> <p>Harvest Food Group, Inc. 630-821-4000 (Illinois) → Frozen Eggplant and Zucchini http://www.harvestfoodgroup.com/</p> <p>IMPERIAL VALLEY FOODS 760-203-1896 (California) → Frozen Eggplant and</p>

Buyers of IQF Zucchini

Company	Comments
	<p>Zucchini http://www.fruvemex.com/</p> <p>KENDALL FROZEN FRUITS, INC 310-288-9920 (California) → Frozen Eggplant and Zucchini http://www.kendallfruit.com/</p> <p>Martin Group LLC 206-525-1545 (Seattle, Washington) → Frozen Eggplant and Zucchini http://www.martingroupplc.com/</p> <p>VLM Foods Inc. 514-426-4100 (Quebec) → Frozen Eggplant and Zucchini http://www.vlmfoods.com/</p>