SRD Market Intelligence Brief™

DRIED PINEAPPLES

Seasonal Supply & CIF Prices 1988-1990
in Germany, U.K., France and Japan

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This *Market Intelligence Brief*™ presents a simplified analysis of seasonal supply and CIF prices for dried pineapples in four selected target markets including Germany, the U.K., France and Japan for the three year period from 1988 through 1990.

1. Summary of Average CIF Prices and Annual Supply for all Four Target Markets from 1988 to 1990

Figure 1 summarizes weekly estimated CIF prices and annual supply for dried pineapple imports in all four of the targeted markets.

Average CIF Prices. The average weekly CIF price for the four target markets varies seasonally over a range from roughly $1.50 to $2.25/Kg. Germany's prices are generally the lowest and Japanese the highest, while U.K. prices fluctuate close to four country average price line indicated with heavy black shading in Figure 1. French prices were near $2.00/Kg for 1988 and 1989 but increased dramatically in 1990. The U.K. and Germany exhibit relatively stable price patterns, while France and Japan have experienced greater seasonal variation with strong increases in the summer weeks and lower prices during the spring and fall.

CIF prices over $3.00/Kg. and less than $1.00/Kg. are relatively rare, though in 1990 greater variation occurred. Most prices distribute closely on either side of the $1.80-2.00/Kg. average trend line. CIF prices are useful indicators in preliminary analysis but must be used with caution due to potential reporting difficulties.[1]

Annual Supply Levels. A three year history of total imports in the four target markets is presented in Figure 1. Germany is the largest current importer with imports of around 200 metric tons per year. France was the largest importer until 1990, with imports in 1990 falling to less than one tenth of the 500 ton of 1989 level. Imports by all four countries have been near the 600 metric ton level during the period and there is a decreasing trend evident in Figure 1 in all of the countries except Germany.

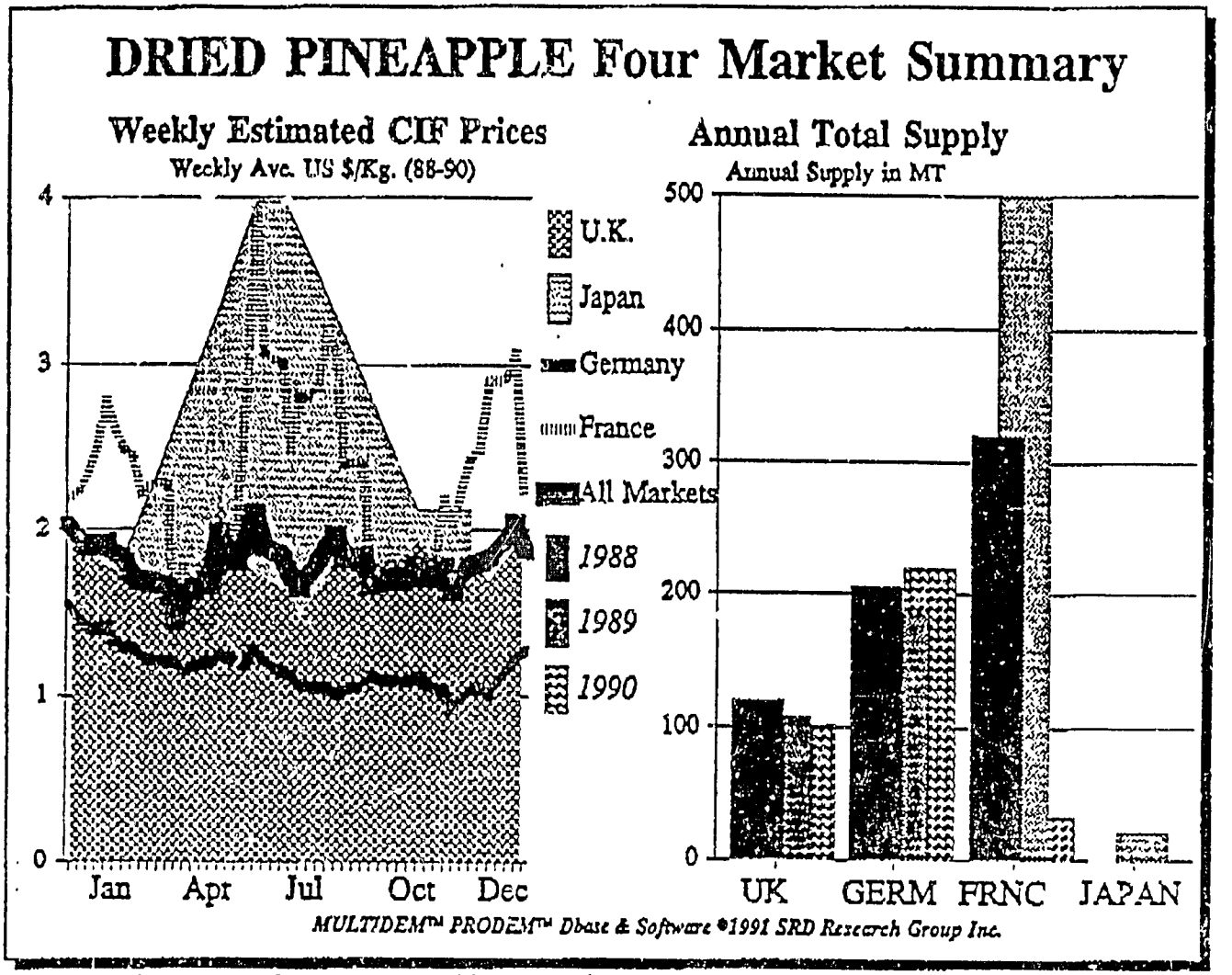

Figure 1: Summary of Average Weekly CIF Prices and Annual Supply for Four Markets

2. Import Supplies of Dried Pineapples

Germany. Figure 2 outlines import volumes in metric tons for dried pineapples in the West German market. The left hand component of Figure 2 outlines weekly estimated import volumes. Weekly import levels fluctuate around four metric tons per week and SRD estimates the recently enlarged German market to be approximately a 5 ton per week market. Seasonal imports show somewhat less fluctuation in 1990 as compared to 1988 and 1989. The annual pattern displayed in the right side of Figure 2 indicates an overall increasing supply trend implying a slight increase in overall consumption per capita from 1988 to 1990[2]. Annual imports near 200 tons in 1988 and 1989 were followed by imports of roughly 235 in 1990.

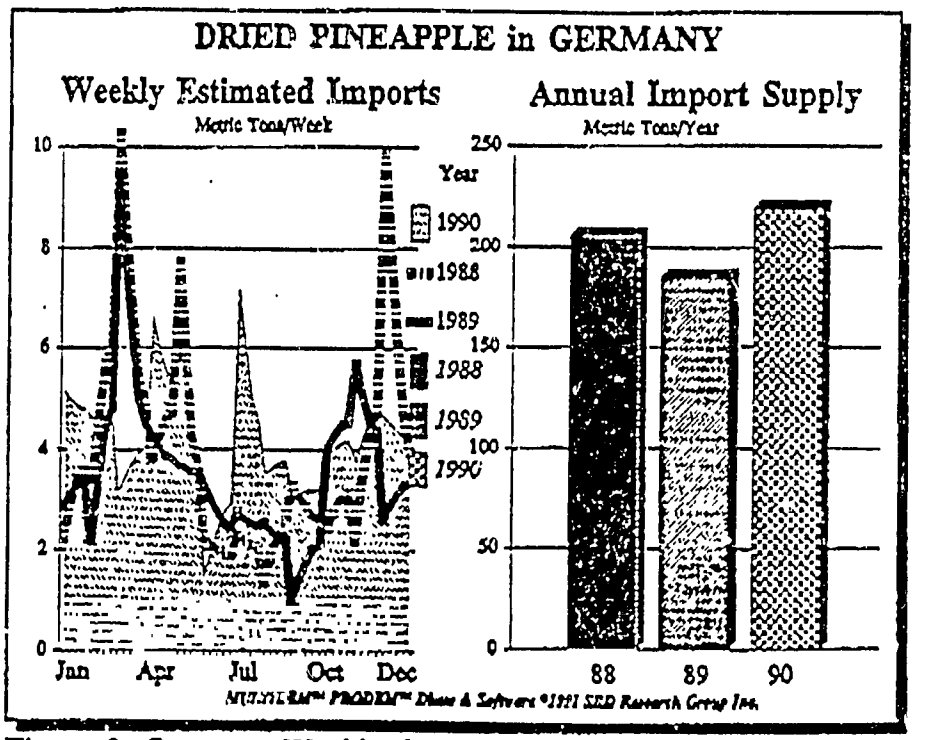

Figure 2: Germany: Weekly & Annual Dried Pineapple Imports

France. The French import market for dried pineapple has fluctuated greatly in the past few years. French supplies were over 300 metric tons in 1988, near 500 tons in 1989 and then dropped to about 40 tons in 1990. The reasons for the significant reduction in imports in 1990 are not clear, but imports from Thailand dropped from 324 tons in 1989 to 2.4 tons in 1990.

The exaggerated seasonal fluctuation of French imports appears to be a continuing process as evidenced by Figure 3. The only identifiable pattern appears to be a lull in imports around mid-year and a strong surge from about October until the end of the year.

Weekly import flows, assuming reasonable inventory maintenance levels, indicates that France is roughly an five ton per week market at current pricing levels, but supply has been unpredictable.

United Kingdom. Figure 4 outlines seasonal import patterns and annual trends for the United Kingdom during the three year analysis period from 1988 to 1990. The U.K. appears to be the most mature market. Weekly import volumes fluctuate roughly between $1.50 and $2.50/kg, with increases in the spring and decreases in the late summer. Annual import volumes have decreased gradually, from near 125 tons in 1988 to a little over 100 tons in 1990. This translates into a roughly 15% decrease in per capita consumption.

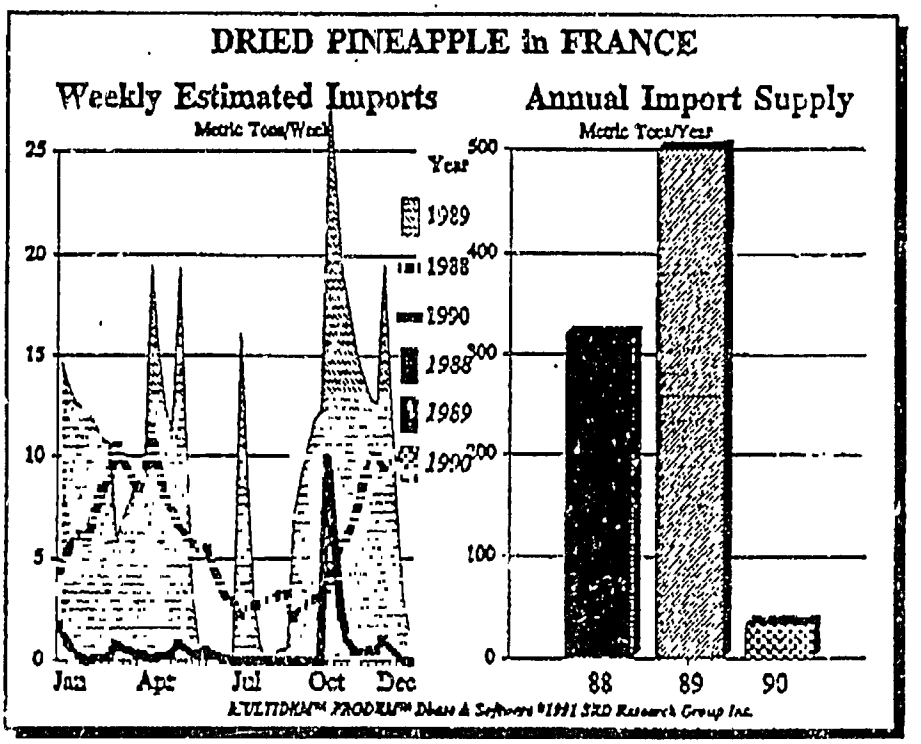

Figure 3: Weekly & Annual Estimated Imports of Dried Pineapple into France 1988-90

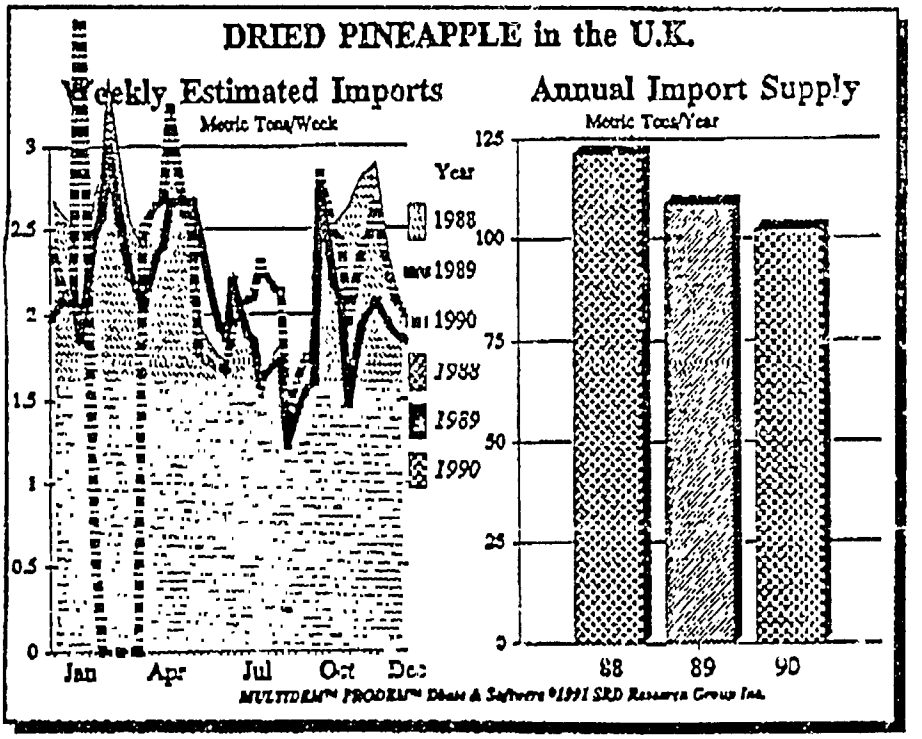

Figure 4: Weekly & Annual Estimated Imports of Dried Pineapple into the U.K. 1988-90

Japan. The Japanese market appears to be the lowest per capita consumer of dried pineapple of the four countries analyzed as illustrated in Figure 5.

Seasonal import patterns show that peaks appear to concentrate during the early and late parts of the year with very small imports during the mid-year weeks of 1990.

Based on the information contained in this three year period, it would appear that Japan has the capacity to absorb only about .05 tons per week at current pricing levels.

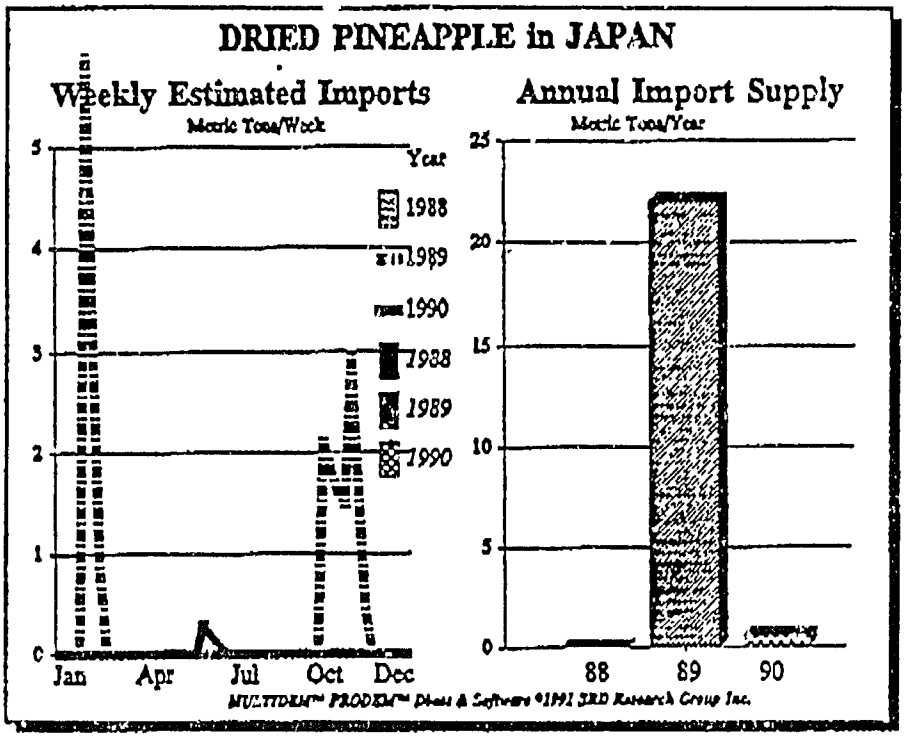

Figure 5: Weekly and Annual Estimated Imports of Dried Pineapple into Japan 1988-1990

3. Weekly and Annual CIF Prices and Trends.

Germany. Annual prices in US$ maintained the most constant picture in Germany among the four countries analyzed. Figure 6 indicates that the German CIF price was very close to $1.20/Kg. in all three years. There was a slight price increase in 1990.

Figure 2 on page 2 shows a slight increase in volume imported in 1990 as compared with 1988 as CIF prices also increased slightly. The very small rise in prices in 1990 does not appear to be associated with the change in volumes with the tentative conclusion that there is little price response to shifts in volumes imported. This tentative conclusion suggests that increased supplies from Sri Lanka could be reasonably expected NOT to have adverse price impacts though supply and demand forces are not well illuminated by the limited data examined here.

Seasonal price fluctuations are also reasonably consistent, with CIF prices ranging from roughly $1.00 to $1.50/Kg. Comparison of data for the three year period show slightly more seasonal fluctuations in 1990.

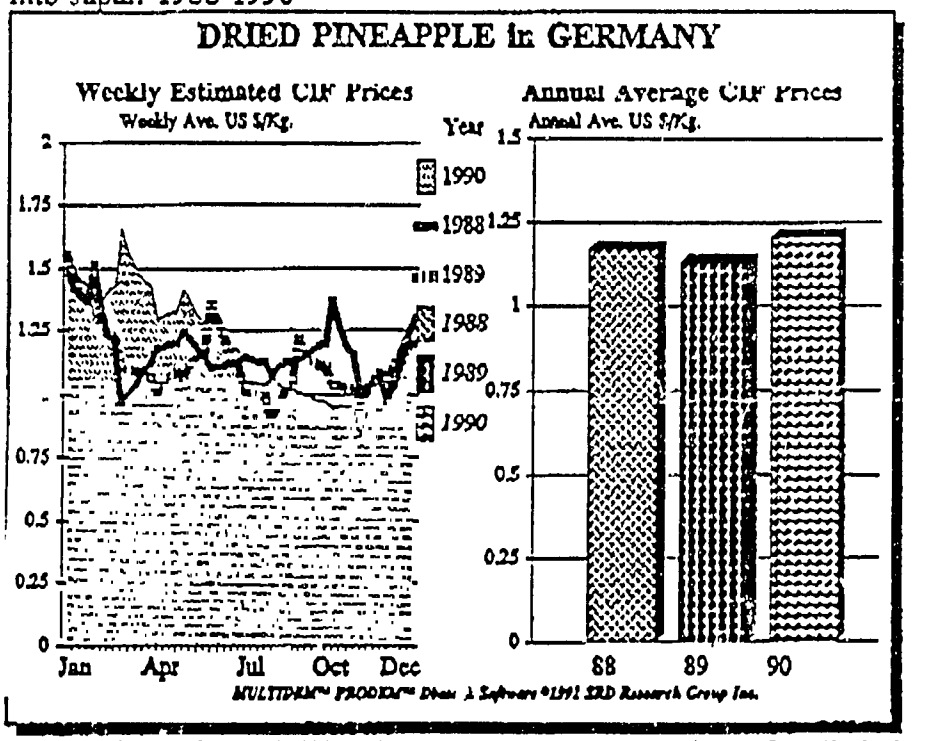

Figure 6: Estimated Weekly & Annual CIF Prices for Dried Pineapple in Germany 1988-90

Comparing these price fluctuations to variations in supply fails to show a consistent relationship between the volume of imports in a seasonal period and prices.

France. Figure 7 outlines CIF price patterns for dried pineapple imports into France during the last three years. During the first two of the last three years, prices were significantly lower than during 1990. Given the fact that France imported significantly less product in 1990 than in the earlier two years (see Figure 3 page 2) there appears to be a plausible relationship between price and volume supplies. Annual average data reveal this pattern more clearly than seasonal data as can be seen by setting the annual bar charts from Figures 7 and 3 alongside each other.

Seasonal price fluctuations in the case of France also appear to be plausibly supply driven as can be seen by the opposite movements in prices and volumes in the mid-year weeks in Figures 7 and 3. While Germany appears to be relatively price inelastic, France appears to be at least partially elastic and under some significant supply shortage pressure. CIF prices in France fluctuate across a very wide range seasonally, from near $5.00/Kg. during low volume import periods, to roughly $1.50/Kg. during high volume periods. Supply influxes on the order of 20 tons per week appear to be capable of triggering price drops of two to three fold.

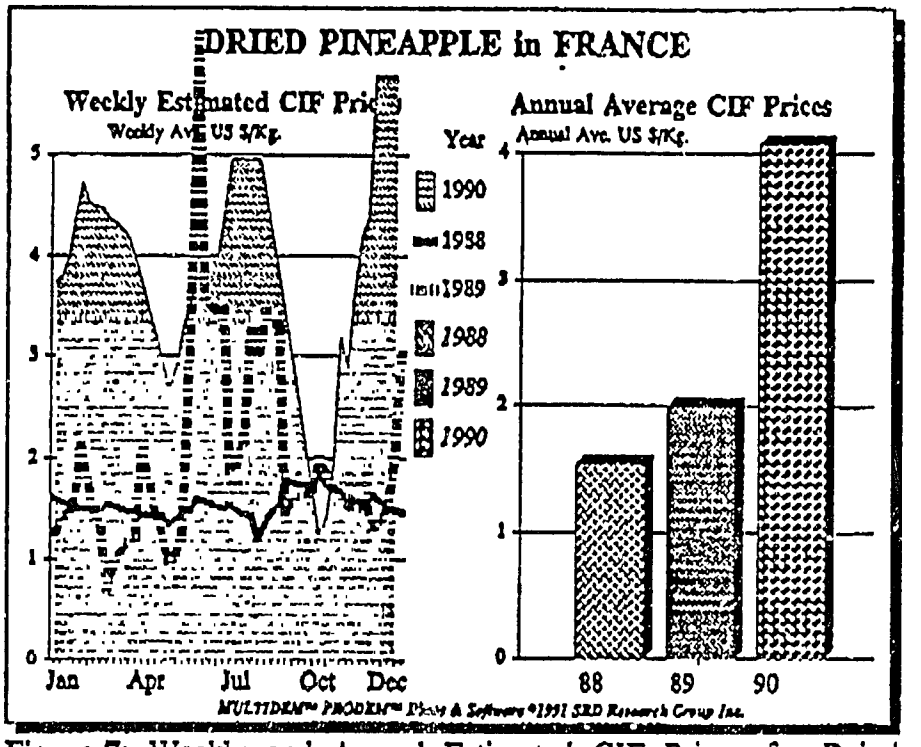

Figure 7: Weekly and Annual Estimated CIF Prices for Dried Pineapple in France 1988-90

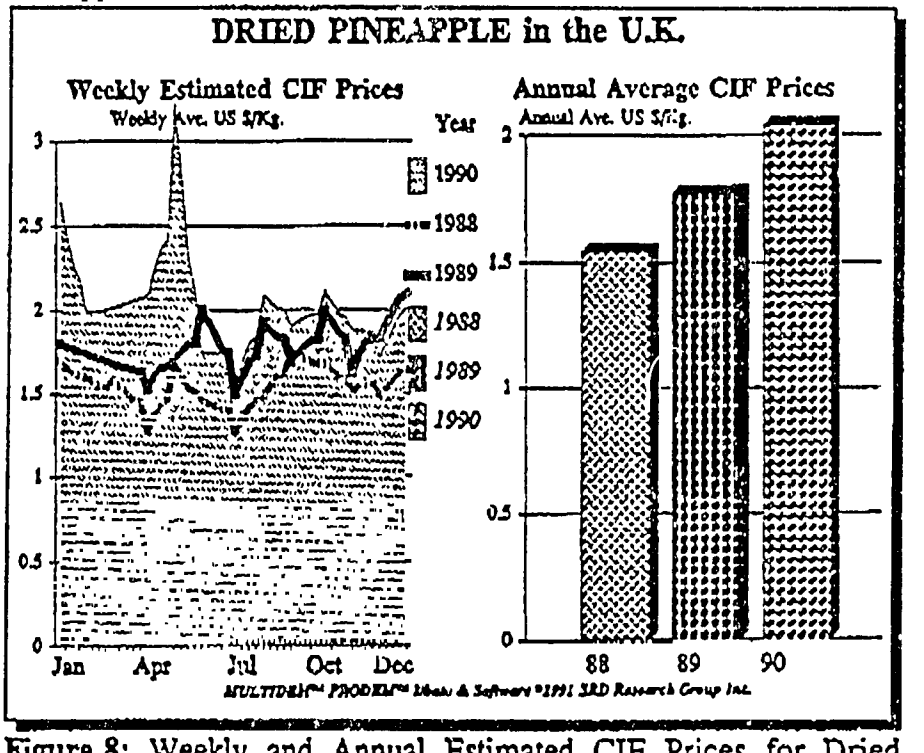

Figure 8: Weekly and Annual Estimated CIF Prices for Dried Pineapple in the U.K.

United Kingdom. Figure 8 outlines price patterns for the U.K. A review of annual volumes and annual average prices for the three last years suggests that the U.K. market price is reasonably responsive to supply volumes. Comparison of the annual summary portions of Figures 8 and 4 indicate that a drop in volume of approximately 15% is associated with a price increase of roughly 25%. The plausible relationship evident in annual averages is less obvious but still plausible in weekly data.

Japan. Figure 9 suggests that the Japanese market is relatively immature although some relationship between prices and volume can be seen when comparing 1989 and 1990 data. Relatively small, unpredictable annual volumes, make Japan an unattractive market. Like France, Japanese prices averaged about $4.00/Kg in 1990 in response to low import quantities. Japan's potential, however, appears to be insignificant in the short run.

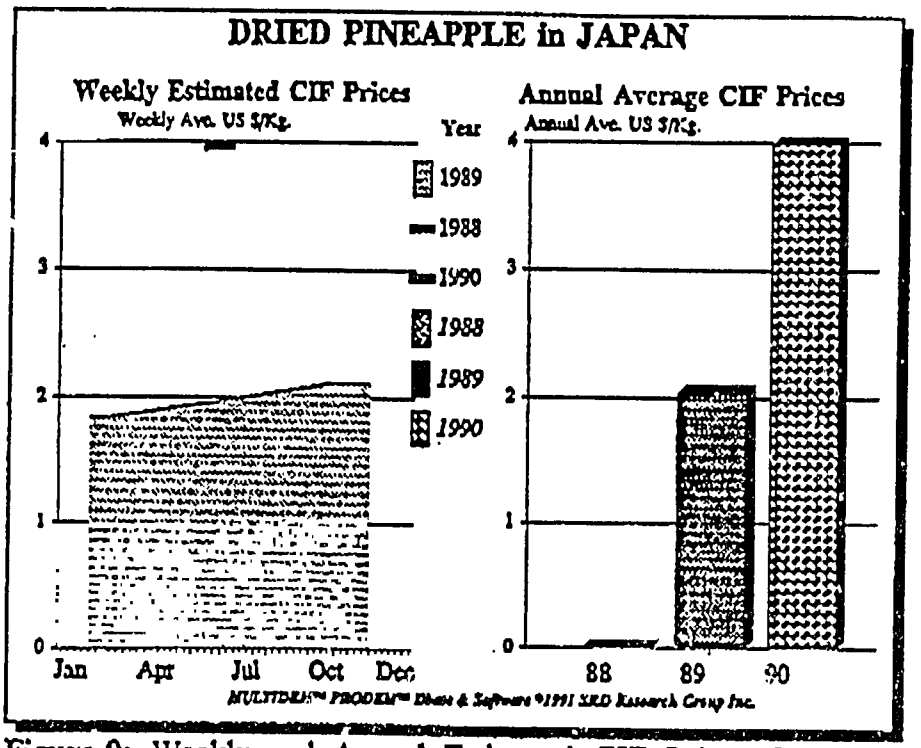

Figure 9: Weekly and Annual Estimated CIF Prices for Dried Pineapple in Japan 1988-90

4. Sri Lankan Costs of Production and Transport and Potential Profitability.

This section is only intended to provide a framework for analysis of costs of production and profitability by comparing some available cost data with the CIF prices included in the earlier sections of this Brief. Based on a review of Sri Lankan farm production budgets, SRD estimates that dried pineapple can be produced in Sri Lanka for roughly US$ 0.04/Kg.. Assuming a weight reduction ratio for dry pineapple of 84%, this would imply a raw product cost of $0.23/Kg. A review of Sri Lankan data indicated that no commercial drying data are available. Such data would have to be generated as a part of a feasibility study by processing experts. To illustrate how to utilize the data in this Brief in combination with such drying cost data, we assume that the costs of drying are $0.30/Kg.. Transport costs to the analyzed markets might be in the range of $0.19/Kg. giving a total cost of $.72/Kg. Using this figure as a cost basis, it would appear that profit margins would range during most periods of the year in France and Japan from $1.00 to 3.00/Kg., in the U.K. around $1.00, and in the less attractive German market, usually under $.50/Kg.

5. Bumpers/Lautenberg Amendment Analysis and Recommendation.

According to import statistics the United States does not export dried pineapple to France or Japan and if any is exported to the U.K. or Germany it is likely to be insignificant quantities. Therefore no Bumpers/Lautenberg issues are raised for the MED project, and SRD recommends that detailed feasibility analysis and support of dried pineapple exports from Sri Lanka to Europe and Asia proceed.

6. Summary and Conclusions.

Dried pineapple imports into the four countries analyzed have been approximately 400 metric tons per year during the last three years with a slightly decreasing trend over the period. A preliminary analysis of CIF prices over that same period suggests that the decreasing trend is more likely to be a supply shortfall than a decreasing consumer demand effect. Thus it appears that there is a reasonably good opportunity for increased supplies at current prices. It is SRD's estimate that these four markets could absorb roughly an additional 100 metric tons of supply without negative price effects which would substantially alter Sri Lankan profitabilities. If the rest of the Western European countries were to be included (Netherlands, Belgium, Switzerland, Scandinavia, and Austria) this market slack figure could probably be increased to 150 metric tons per year.

It appears that the most attractive markets from a price point of view, France, could absorb the large additional volumes up to about several hundred tons before prices would fall to less than $2.00/Kg. The U.K. is less attractive from a price point of view since it is most likely to have negative price response to increased volumes. Germany appears to be able to absorb additional volumes without price deterioration. Sri Lankan data on costs of production for dried pineapples and transport were reviewed and combined with illustrative costs of drying. It appears profitability margins could be in the range from $.50 to 2.00/Kg.

1./ CIF prices are obtained from official sources and may frequently reflect agreed upon declarations of value between buyer and seller rather than competitively established prices. Since minor processed food products are not often traded in formal wholesale markets, reliable and competitively determined wholesale prices are difficult to obtain. Therefore, CIF prices even with their inherent reporting weakness constitute the best available pricing analysis data.

2. Since dried pineapples are storable, year end inventory changes may invalidate preliminary conclusions about consumption per capita drawn from annual import data.