

PN-ABP-063,  
15A 82.1

# *SRD Market Intelligence Brief™* **MAHAWELI BRINED ONIONS**

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

Prepared by  
SRD Research Group Inc.  
Logan, Utah

for Market Development Division, EIED  
Mahaweli Authority of Sri Lanka

and

U.S. Agency for International Development  
Office of Private Sector Development  
Colombo, Sri Lanka

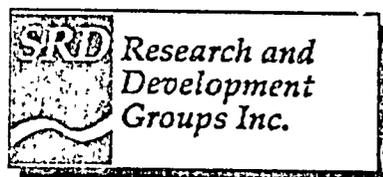
Nov 15, 1991

Presented in this report is an analysis of the import market for Brined Onions in several major world markets. Three European countries are included, Germany, the U.K., France, and one Asian market, Japan. Monthly and annual statistics covering the three year period from 1988 through 1990 detail patterns and trends relevant to potential Mahaweli exports into the markets studied.

Brined Onions are identified in trade data as "onions, provisionally preserved (for example, by sulphur dioxide gas, in sulphur water or in other preservative solutions) but unsuitable in that state for immediate consumption." Packaging for export is normally in 55 gallon plastic barrels.<sup>1</sup>

#### *Four Country Summary Graph*

In order to demonstrate the relative size of the markets



studied and their average price patterns, a summary graph appears on page two, with average monthly CIF price levels in the left graph and annual import totals in the right graph.

**Average CIF Prices.** The heavy dark line in the price graph of Figure 2 is a weighted average trend line based on the relative size and average prices of the markets analyzed. This line most closely follows the average trend line of the U.K. because of the U.K.'s relative size.<sup>2</sup> Prices in France and Japan also follow the average trend line rather closely, fluctuating between \$0.65/Kg and \$1.00/Kg. Germany's average prices have ranged from lows of about \$0.25/Kg. to over \$1.25/Kg. Although Figure 1 summarizes prices for all three years, it fails to illustrate the year to year trends illustrated in the detailed graphs which follow. Those graphs present a trend of consistently rising prices in all the European markets analyzed and a fluctuating price pattern in Japan. In the past three years, the U.K. and France have exhibited a relatively stable price history, while Germany and Japan have experienced more seasonal monthly differences.

Except for the case of Japan, it is rather unusual to find CIF prices over \$1.25/Kg and less than

# BRINED ONIONS Four Market Summary

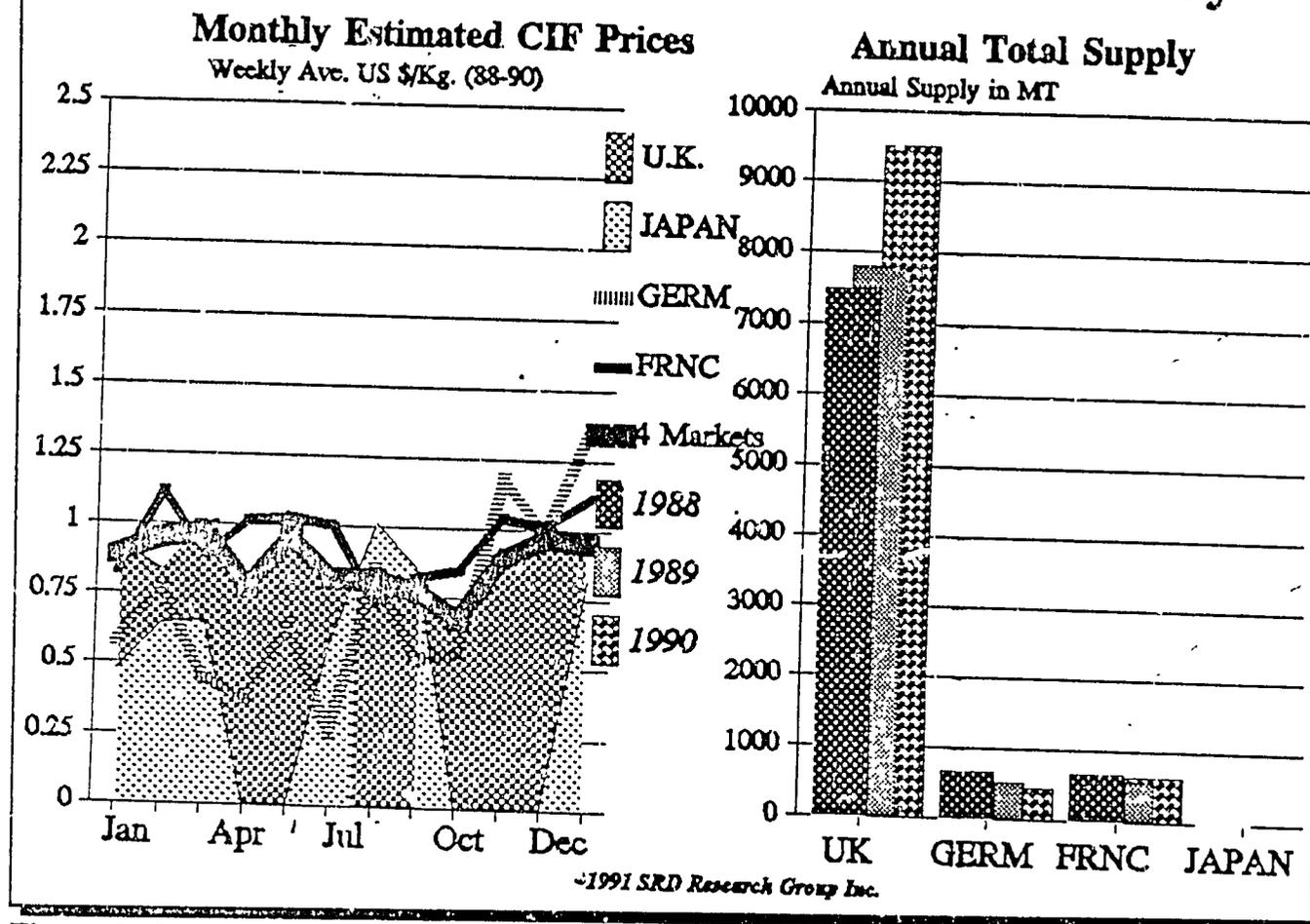


Figure 1: Summary of Average Monthly CIF Prices and Annual Supply for Four Markets

\$.50/Kg., though in 1990 average monthly prices were generally higher. Although highest of the four markets, Japan's CIF prices are comparatively unimportant because of its low annual volume of imports. For the purposes of this preliminary analysis report, CIF prices are useful indicators, but must be used with caution due to potential reporting difficulties.<sup>2</sup>

**Annual Supply Levels.** The graph in the right side of Figure 1 allows a comparison of annual import totals in all four markets studied. This graph clearly demonstrates that the U.K. has been the largest importer of the countries analyzed for the last three years, with imports of around 8000 metric tons per year. Imports into France and Germany were considerably less, averaging about 650 tons annually in France and about 550 tons in Germany. Imports by all four countries have been near the 9000 metric ton level during the period. There is a decreasing trend evident in Figure 1 in all of the countries except the U.K. The relative size of the U.K. market, however, means that total imports into all four countries has actually increased from 1988 to 1990. Just the increase from 1989 to 1990 in the U.K. was greater than the annual

market of any of the other three countries.

## Individual Country Price and Supply Graphs

The individual country graphs that follow contain a more detailed presentation of monthly and average annual price and import data in order to highlight potential opportunities and/or difficulties for Sri Lankan brined onion exports.

**Germany.** Both seasonal and annual import levels of brined onions into Germany are detailed in Figure 2 on page 3. Monthly import levels, presented in the left side of the Figure, have fluctuated between 10 and 100 metric tons per month over the last three years, except for an annual surge in April, which has represented a significant portion of the annual total, especially in 1990. Although over 250 metric tons of brined onions were imported in April of 1990, all other months experienced imports of less than 75 metric tons. The last few months of the year have been periods of very low import volumes in all three years. Although the decline in imports from 1989 to 1990 was less than the decline from 1988 to 1989, total annual imports

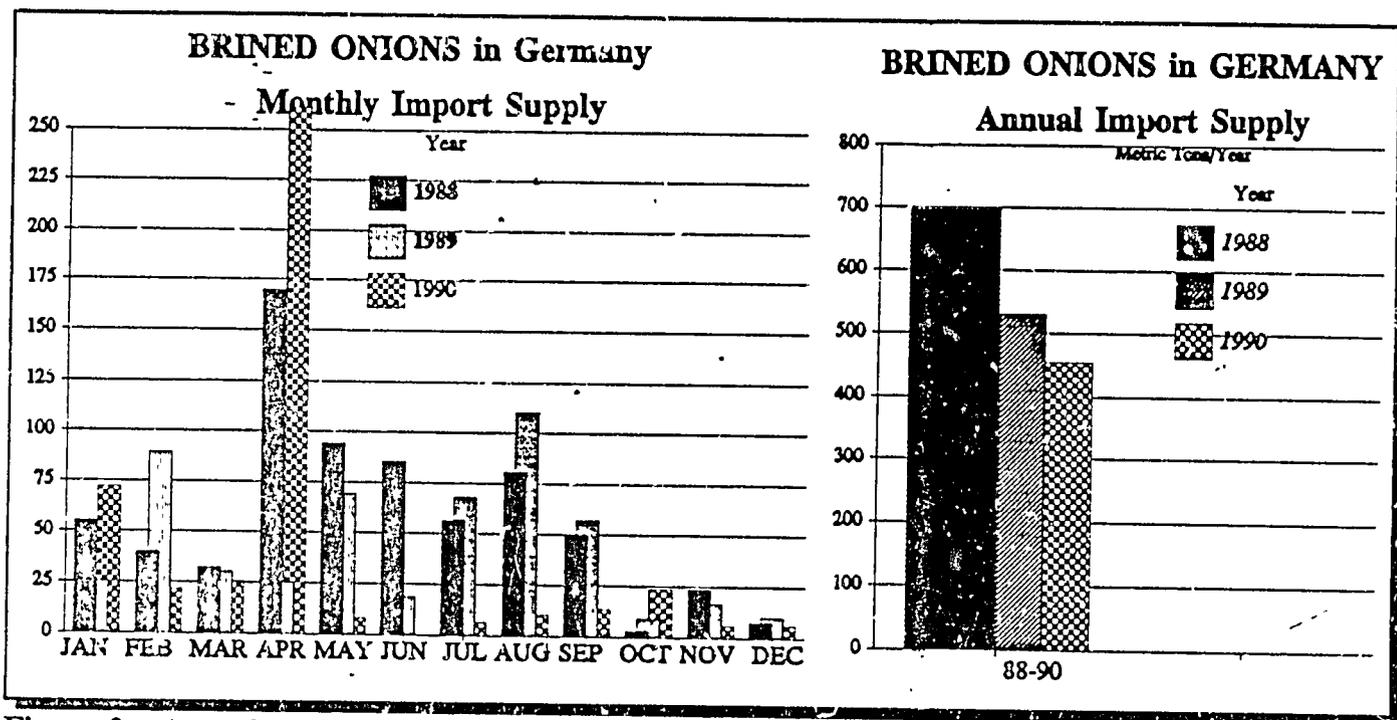


Figure 2: Annual and Monthly Imports of Brined Onions into Germany 1988-90

over the whole period have declined roughly 35 percent.

The decrease is somewhat surprising in light of the recently enlarged German population, but there appears at present to be a decreasing import trend.

This tentative conclusion suggests that Sri Lankan imports to Germany would experience serious competition, though supply and demand forces are not completely illuminated by the limited data examined here.

Seasonal and annual average CIF prices are

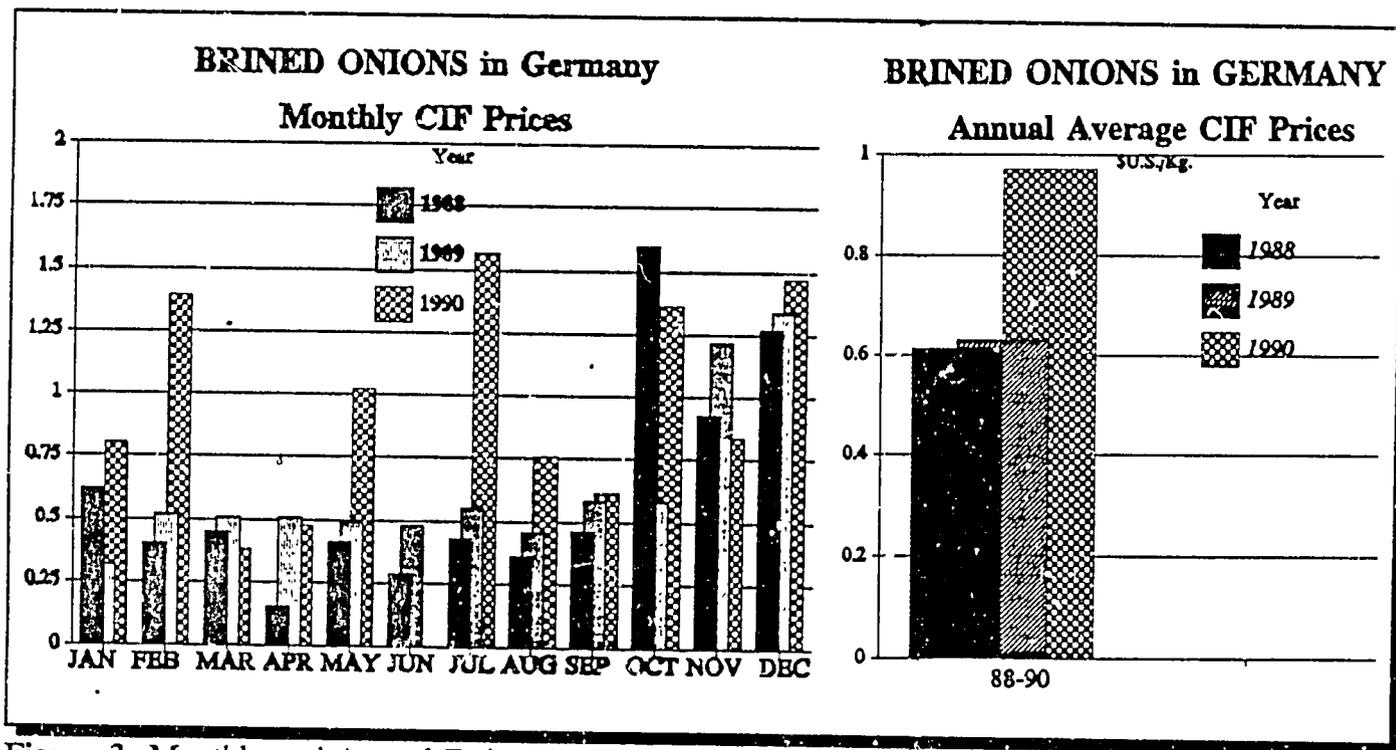


Figure 3: Monthly and Annual Estimated CIF Prices of Brined Onions in Germany 1988-90

illustrated in Figure 3. In both the seasonal and annual graphs, it is clear that in 1990 prices rose considerably over the previous two years. Annual average CIF prices for 1988 and 1989 were very close to \$0.60/Kg, but the price of brined onions in Germany apparently increased over 60 percent in 1990 to almost \$1.00/Kg. Both Japan and France, however, had higher annual average prices in 1990.

A review of seasonal import and price patterns for the three following countries will show that the German market has experienced relatively greater price fluctuation and is also the most elastic. The price patterns in Figure 3 are consistent with the volume differences in Figure 2. The market has acted predictably much of the time, with the highest prices occurring during low volume months. It should be noted that although CIF prices in Germany have increased in 1990, there were several months in which the per kilo price fell below or was near \$0.50. The month of April may be an example of what can happen during months of high import volumes: prices can fall to unprofitable levels.

*France.* The French import market for brined onions is similar in size to the German. Annual imports have fluctuated between 600 and 700 metric tons over the past three years. Although the 1990 total of roughly 650 tons was higher than the 1989 total, the right component of Figure 4 reveals a decreasing trend over

the period.

Seasonal import volumes have fluctuated less than in Germany, with monthly levels usually between 25 and 100 metric tons. There appears to be some relationship between price and import volumes, since the low annual average CIF price in 1988 of near \$.75/kg corresponds to the highest annual import level of the three years presented. An analysis of monthly import volumes in Figure 4 and monthly prices in Figure 5 for 1990, however, do not reveal any clear seasonal relationship.

Monthly import patterns, illustrated in the left component of Figure 4, indicate that seasonal import flows appear to peak annually around July and August, though 1990 experienced a somewhat steadier pattern. Monthly imports average about 55 tons.

As indicated in the right component of Figure 5, annual average prices have risen steadily during the period. From a low of just over \$.75/kg in 1988, the annual average price rose to almost \$1.00/Kg in 1989 and then to about \$1.15 in 1990. During this same period the annual import quantity has fluctuated between 600 and 700 metric tons.

Thus, it appears that the French market has the capacity to absorb the small additional imports Sri Lanka would likely supply without adverse price effects. This is a tentative conclusion and it should be kept in mind that French prices are already the highest among the European countries presented.

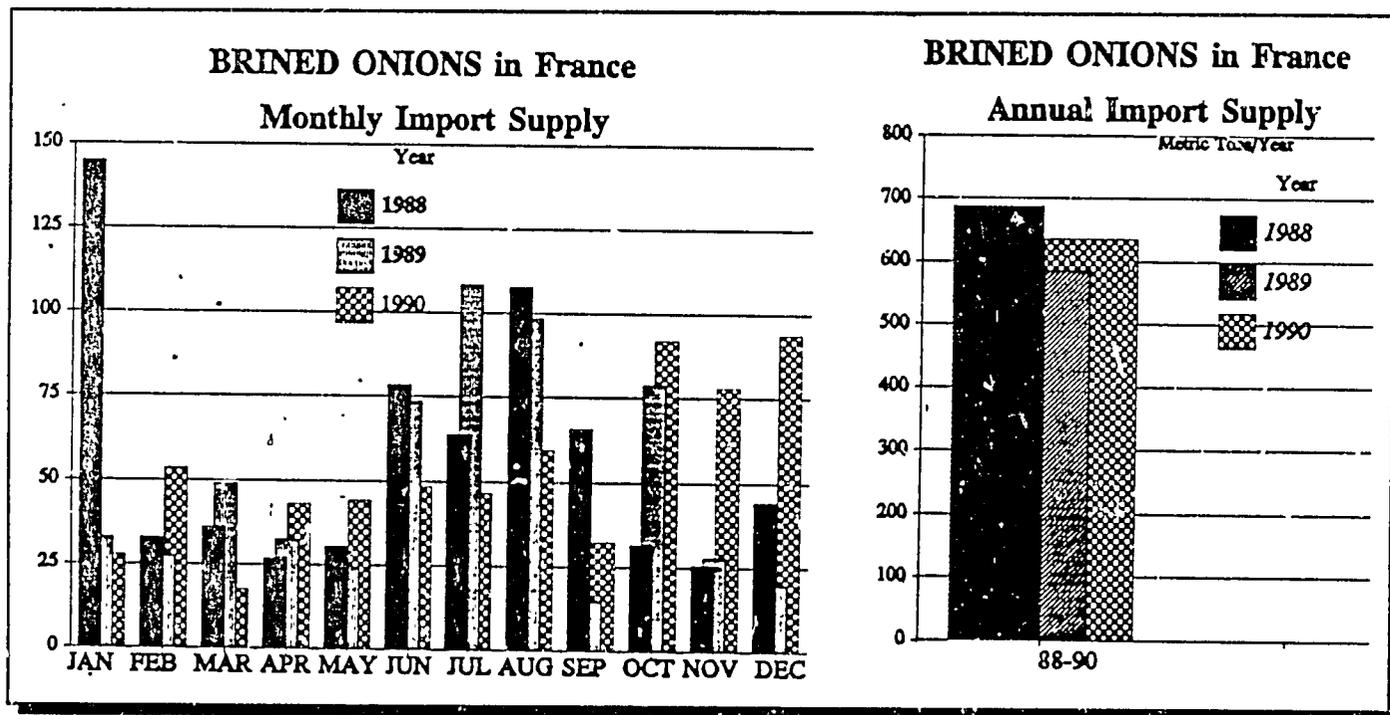


Figure 4: Monthly and Annual Imports of Brined Onions into France 1988-90

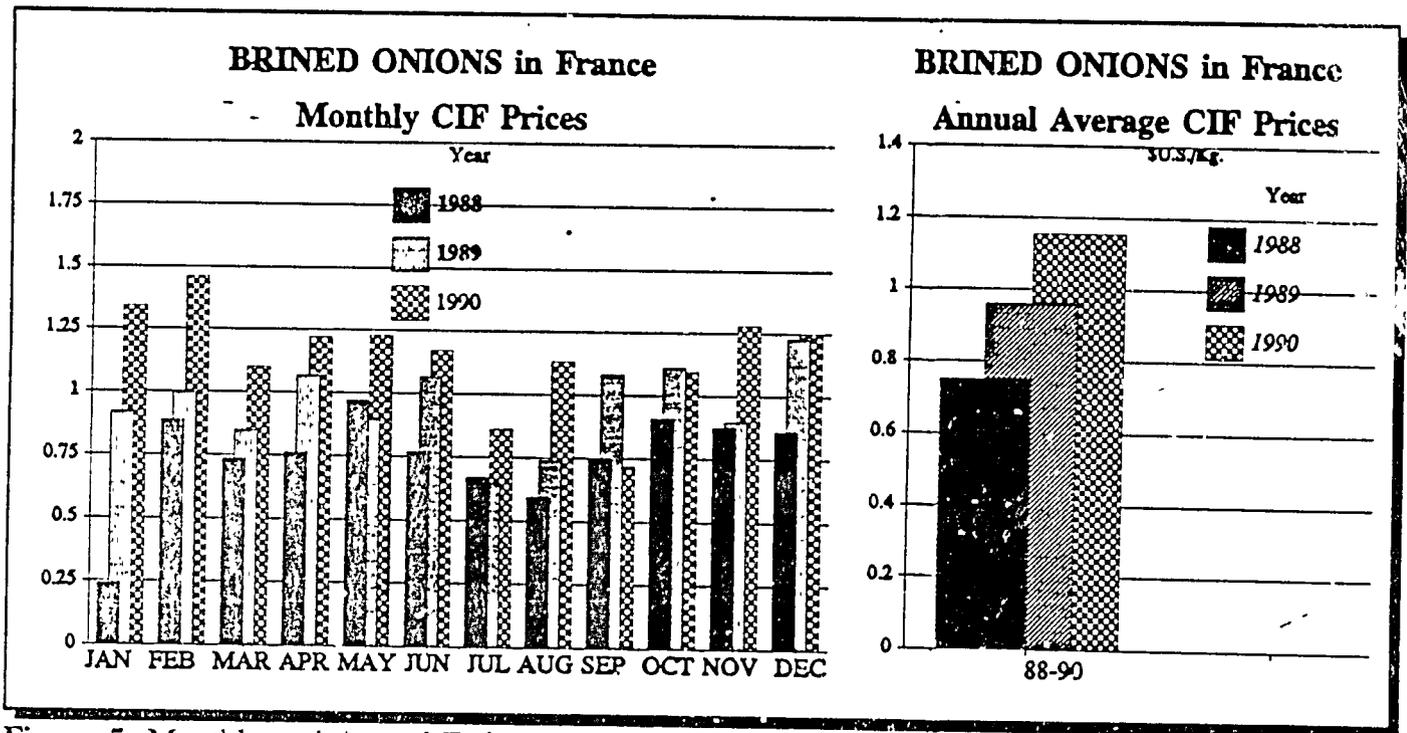


Figure 5: Monthly and Annual Estimated CIF Prices of Brined Onions in France 1988-1990

Figure 5 illustrates that seasonal price fluctuations in France appear to fluctuate from lows of about \$.60/Kg to highs of near \$1.25/Kg.

*United Kingdom.* The U.K. market is unique among the markets analyzed because of its relative size.

The U.K. market is roughly ten times larger than the other European markets presented, with annual imports averaging roughly 8000 metric tons.

Figure 6 clearly reveals a trend of increasing brined onions imports into the U.K., especially strong in 1990. A comparison of the annual import trend in

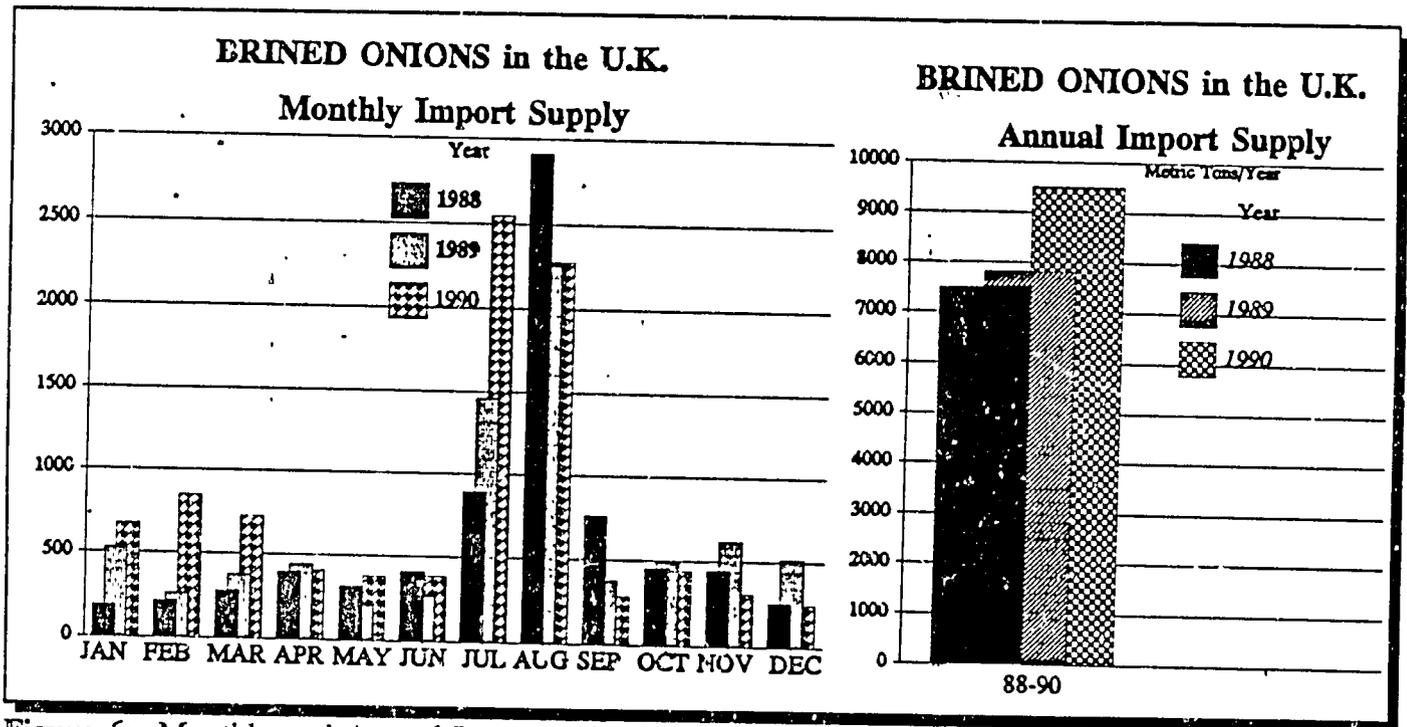


Figure 6: Monthly and Annual Imports of Brined Onions into the U.K. 1988-90.

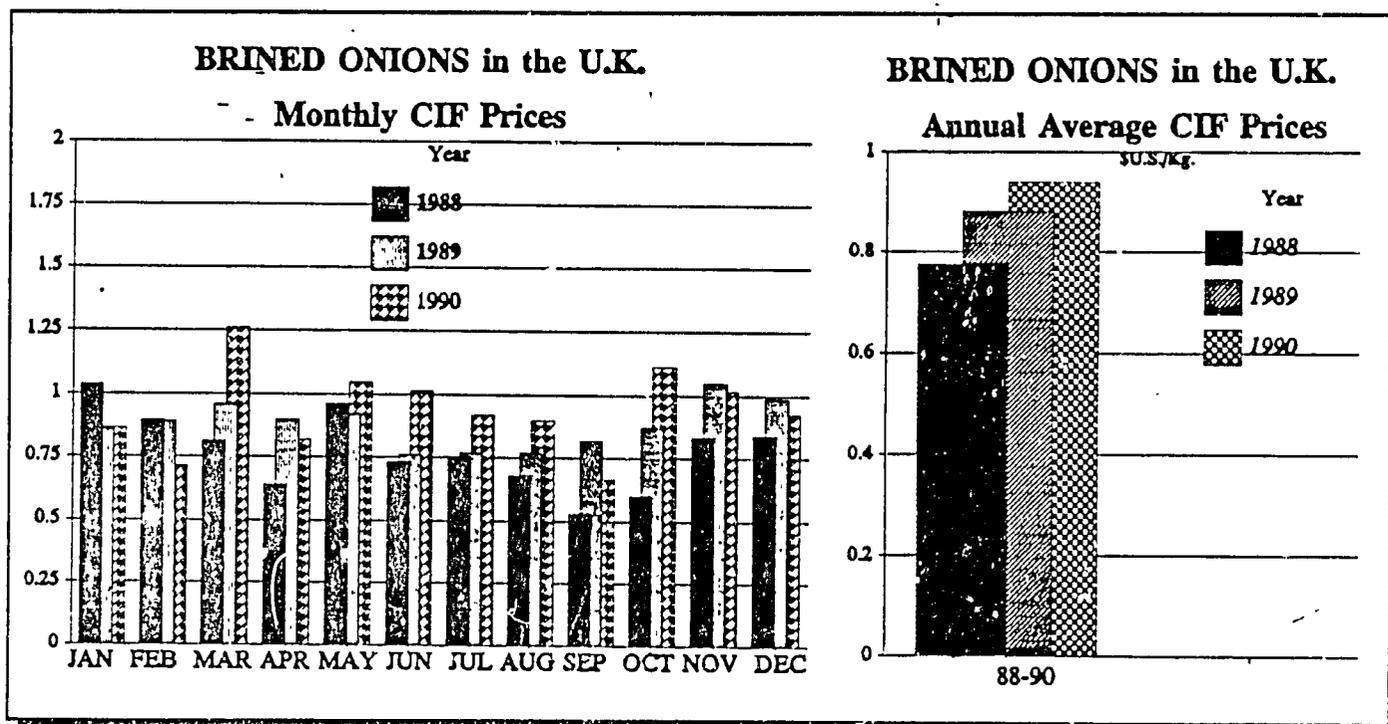


Figure 7: Monthly and Annual Estimated CIF Prices for Brined Onions into the U.K. 1988-90

Figure 6 with the annual average CIF prices for the U.K. in Figure 7 seems to indicate an immature market, with unmet demand. Steadily increasing prices have coincided with ever increasing import volumes.

Figure 7 shows that monthly U.K. imports of brined onions in 1989 experienced a pattern similar to France, with the strongest imports occurring in the summer months of July and August. Data for 1990, however, show imports rising throughout the year, with the greatest import volume in the last three months of the year. Even during relatively low volume months the U.K. imports far greater amounts of brined onions than any of the other countries analyzed.

A review of annual volumes and annual average prices for the three last years suggests that the U.K. market price is fairly inelastic. Annual import volumes appear to be unrestricted by the rising annual average price over the last three years.

The annual average CIF price in the U.K. market for brined onions has risen from just over \$.75/Kg in 1988 to about \$.85/Kg in 1989 and near \$.90/Kg in 1990. Although this is still lower than the 1990 annual average prices for Germany and France, the U.K. market is much larger and more likely able to absorb additional imports from Sri Lanka at this price level.

A seasonal comparison of Figures 6 and 7 reveal that even during the months of July and August

when the import volumes into the U.K. are many times higher than any other month, corresponding prices are still high, reflecting no negative price effects. This may be an indication that additional volumes from Sri Lanka during other times of the year would not have negative price effects

SRD considers the U.K. market the best opportunity for Sri Lanka among the countries presented. The large size of the market and its pattern of growth means Sri Lankan exports could be easily absorbed without disturbing the CIF price. Per capita consumption of brined onions has apparently risen more than 20% in the U.K. over the last three years.

**Japan.** The Japanese appear to be the lowest per capita consumers of imported brined onions of the four countries analyzed as illustrated in Figure 8. Annual import totals have dropped from about 15 metric tons in 1988 to 6 tons in 1990.

Seasonal import patterns, illustrated in the left component of Figure 8, show that imports in the last three years have appeared inconsistently, with only two short periods of imports in 1990.

Based on the information contained in this three year period, it would appear that Japan has the capacity to absorb less than 1 ton per month at current pricing levels. These extremely small amounts imported into

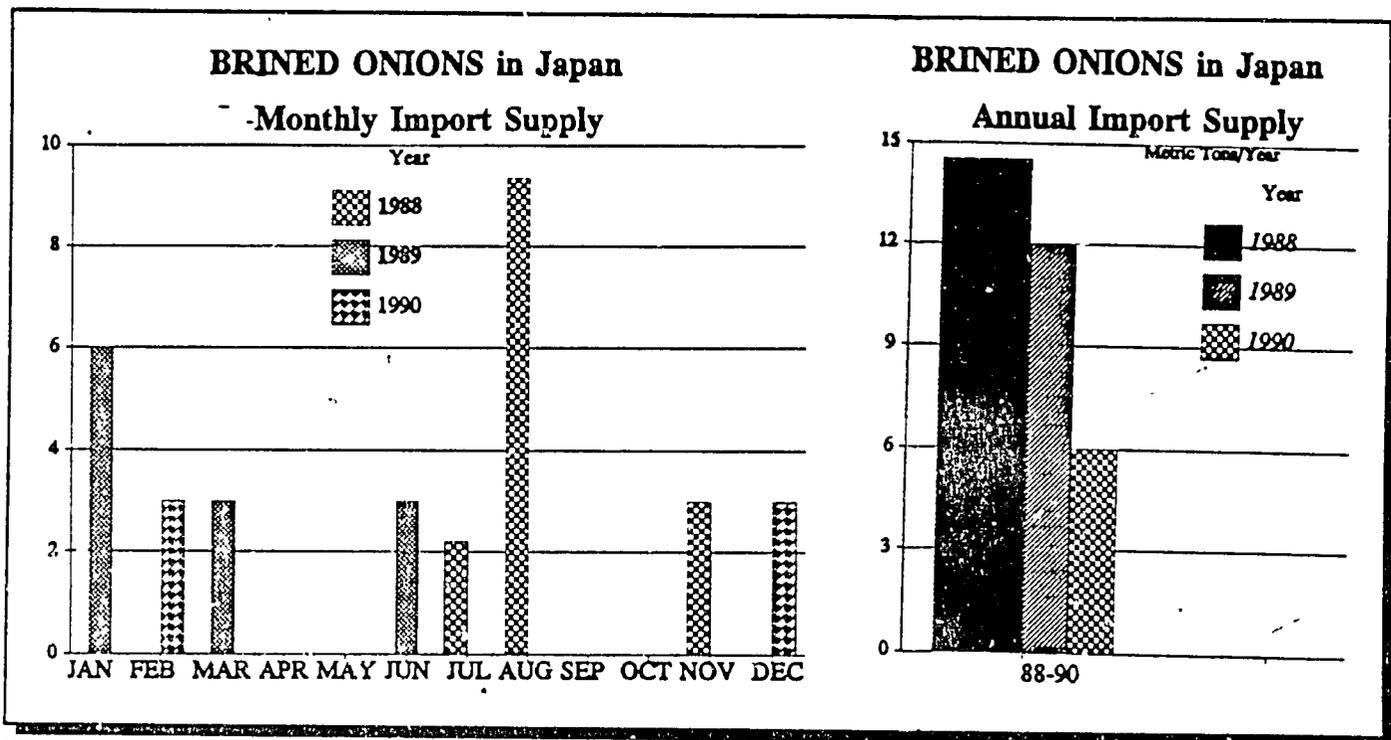


Figure 8: Monthly and Annual Imports of Brined Onions into Japan 1988-90

Japan make it an insignificant market.

Figure 9 details annual average and monthly estimated CIF prices in Japan for the past three years. A comparison with annual import volumes suggests that

the Japanese market is relatively immature. Although the annual average price in Japan was highest among the countries analyzed in all three years, the relatively small, declining annual volumes make Japan an unat-

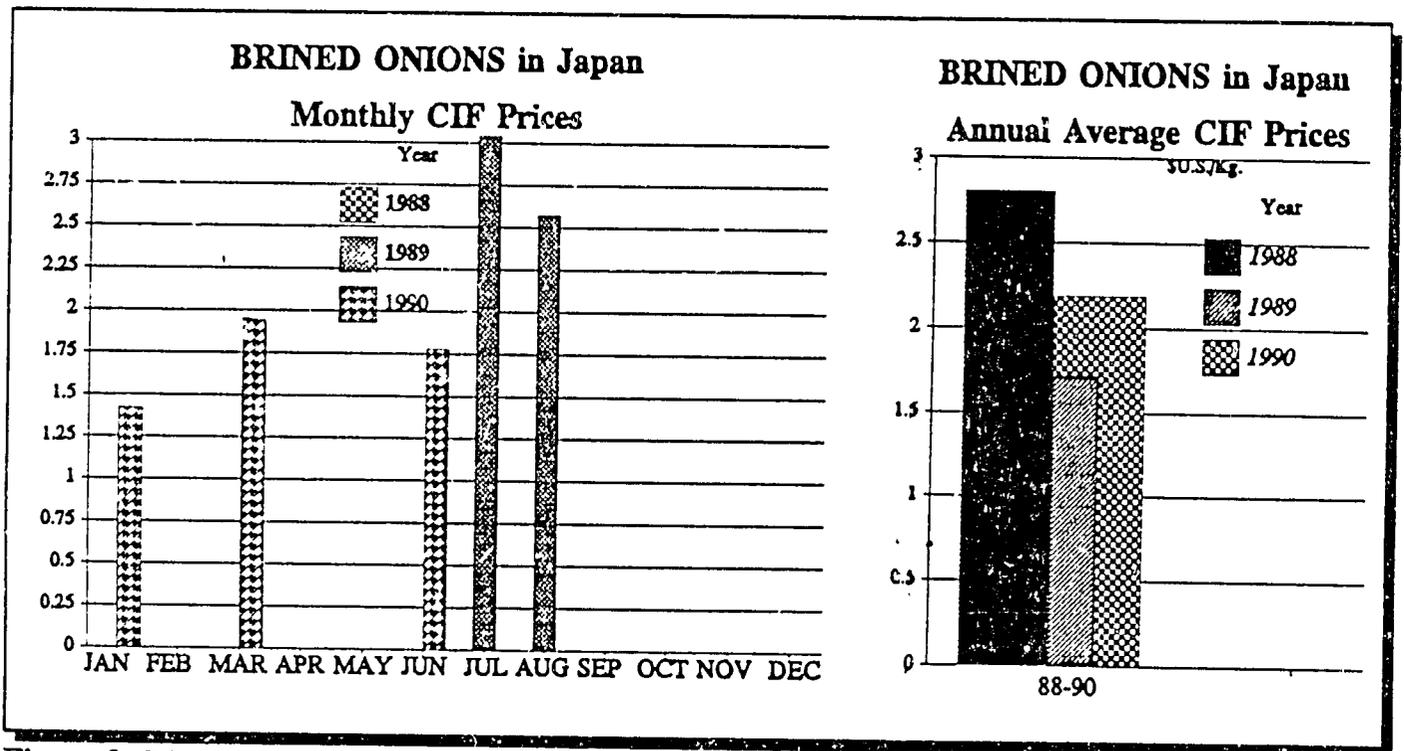


Figure 9: Monthly and Annual Estimated CIF Prices of Brined Onions in Japan 1988-90

tractive market at present. Japanese prices averaged about \$2.25/Kg in 1990.

### **Sri Lankan Costs of Production and Transport and Potential Profitability.**

Much of the detailed cost data necessary for a complete analysis of potential profitability is not presently available, consequently the data presented here can only be viewed as a general framework for analysis of costs of production and profitability.

SRD estimates that onions can be produced in Sri Lanka for roughly US\$ 0.04/Kg. A review of Sri Lankan data indicated that no commercial processing data is available. Such data would have to be generated as a part of a feasibility study by processing experts. To illustrate how to utilize the CIF price data presented in this report, in combination with such processing cost data, we estimate that the costs of processing are \$0.30/Kg.. Transport costs to the analyzed markets might be in the range of \$0.19/Kg. giving a total cost of \$.53/Kg. Using this figure as a cost basis, it would appear that profit margins could range during most periods of the year in France from \$0.20/kg to \$0.50/Kg., in the U.K. around \$0.30, in Japan near \$1.50/Kg. and in the German market, usually from no profit to around \$.75/Kg.

### **Bumpers/Lautenberg Amendment Analysis and Recommendation.**

According to import statistics the United States does not export brined onions to any of the analyzed countries. Therefore no Bumpers/Lautenberg issues are raised for the MED project, and SRD recommends that detailed feasibility analysis and support of brined onions exports from Sri Lanka to Europe proceed.

### **Summary and Conclusions.**

Of the markets analyzed, the U.K. is certainly the most significant market for Sri Lanka. While total brined onion imports into the four countries analyzed have been approximately 10,000 metric tons per year during the last three years, roughly 80% of this is concentrated in the U.K. market, which has experienced a strong increasing trend over the period. Imports into the other three countries generally had a slightly decreasing trend.

A preliminary analysis of CIF prices over that same period suggests that the increasing trend in the

U.K. is likely to be an increasing consumer demand effect since prices have risen over the period. Thus it appears that there is a good opportunity for increased supplies at current prices in the U.K. It is SRD's estimate that this market could absorb several hundred additional metric tons of supply without causing significant price drops. This does not appear to be the case, however, in the other analyzed countries. Though the French CIF prices are currently quite high, the annual import volume appears to be fairly stable. Thus, Sri Lankan exports would face serious competition. The German and Japanese markets appear the least desirable. German imports have fallen considerably over the past three years, while Japanese imports are extremely small. With an expanded population in Germany and a loosening of import restrictions in Japan, however, there may be future growth in these markets that has not yet appeared. There may also be other European countries (Netherlands, Belgium, Switzerland, Scandinavia, and Austria) with potential, but further research is needed for these markets.

Sri Lankan data on estimated costs of production and transport of brined onions were presented and combined with illustrative costs of processing. It appears profitability margins could be in the range from \$.20 to \$2.00/Kg.

## BUYERS, WHOLESALERS & IMPORTERS

### Germany

1. Standard Ubersee Handelss  
Rothenbaumchaussee 3 - West Germany  
Tlx: 211596 - Ttx: 403038 - Tel: 040-4410411  
Fax: 040-443060
2. Hans Warnke GMBH  
P.O. Box 1006525 - 2000 Hamburg 1  
Phone: (040) 241316 - Telex: 212221/2163745  
Fax: (040) 246435
3. Ermelo - Hartwich and Kaden  
Neuer Wall 73-75 2000 Hamburg 36  
Telefax: 040-364358 - Tel: (040) 363061  
Tlx: 02-12380
4. I. Schroeder KG (GmbH & Co.) Iska  
Duesternstr. 18, Hamburg 36.  
Tel: (40) 361301-0 Tlx: 211970  
Telefax: (40) 36130139
5. The Foodimpex Group - IZ Frozen Food GmbH  
Kirchweg 78 Postfach 1323  
D-2359 Henstedt-Ulzburg West Germany  
Tel: 4193-92 001 Fax: 4193-93 323  
Tlx: 218 0161 izhu d
6. Arrow Trading GmbH  
Arndstr. 2 D-2000 Hamburg 76 Germany  
Fax: 49-40-2207740 Tlx: 211 522 arrow d  
Tel: 49-40-2278060
7. TL zstar Trading OHG  
Sieker Landstr. 122. Tel 04102/63064-67  
D-2070 Grosshansdorf. Telx: 2 182834 star d  
Telefax: 04102/61287
8. Wachsmuth & Krogmann  
Neuer Wall 19 D-2000 Hamburg 36  
Ph (0)40/35 90 90 TX 212184  
Fax (00 40/35 90 91 90

### U.K.

1. R. H. Amar & Co. Ltd.  
Raans Road, Amersham, Bucks HP6 6JJ.  
Phone (0494) 721351  
Telex 83387 Fax (0494) 431453
2. Peabody Fine Foods  
Peabody House Trading Estate  
Addlestone, Weybridge Surry KT15 2RP  
Tel: (0932) 853322  
Telex: 934438 (A/B Pebody G)  
Fax: (0932) 847533
3. Martin Mathew & Co Ltd  
1 Chase Side Place, Horseshoe Lane, Enfield,  
Middlesex, EN2 6QA.  
Tel: (01)-367 5600 Telx: 265268 MARMAT G.  
Fax: (01)-366 0515
4. H & t Walker Ltd.  
Walker House, London Road, Riverhead,  
Sevenoaks, Kent TM3 2DN  
Telephone: (0732) 450721 Telex: 95679  
Fax: (0732) 459288  
Frcephone: 0800 181986
5. Condor Fruit Ltd.  
29/33 Wholesale Fruit & Vegetable Market  
Edge Lane, Liverpool  
Tel: 051-259 1301/2 051-220 9643  
Fax: 62179
6. -J.W. Gaskell Ltd. Liverpool  
Wholesale potatoe and vegetable merchants  
Phone: 051-220 8984/6
- Gorgon Gaskell (Imports) Ltd.  
Wholesale fruit and exotic merchants  
Phone: 051-220 1831/1751 Telex: 627495
- J.W. Gaskell (Manchester) Ltd.  
New Smithfield Market, Manchester

Wholesale potatoe and vegetable merchants  
Phone: 061 223 9245

Fax: (1) 43 43 57 44

-Delta Fruits Ltd. Liverpool  
Phone: 051-228 2664/5

-J.W. Gaskell (Wigan) Ltd.  
Marus bridge Market  
Wholedsale fruit and vegetable market  
Phone: 0942 43263

-Ramhill Fruit & Produce Co. Ltd. Southport  
Wholesale fruit, produce and potato merchants  
Tel: 0704 535347 Fax: 0704 501624

6. Lebbe International Agencies  
Sint-Annaplein 3- B-8000 brugge (Belgium)  
(Brokers in Belgium, France and Holland)  
Phone: (050) 33 52 83 Telex: 81738  
Fax: (050) 33 74 40

7. A.G. Benfield Ltd.  
67/69 Castle Way, Southampton  
Phone: 0703 331663 Residence: 769782  
Fax: 0703 632317 Telex: 477526

## France

1. Micro  
Rue de la Montagne F-60650 ONS-EN-BRAY  
Phone: (33) 44890046 Telex: MICRO 155 551  
Fax: (33) 44 89 01 23
2. Actival International  
18, Rue Saint Sebastien 75011 Paris, France  
Tlx: 212052 & 212056 Fax: (1) 48 06 28 49  
Tel: (1) 48 06 50 00 (20 Lines)
3. MCM Maarten Catz Merchandising B.V.  
P.O.B. 140, 3100 AC Scheidam, Holland.  
(sales offices in France and the U.K.)  
Tlx: 25462. Cables: Macame.  
Phone: 0010-4739444. Fax: 010-4739849
4. Snair & Socemas Reunies  
5/7, ruede l'Alma, 92600 Asnieres, France  
Tel: (1) 47 90 98 23 Tlx: 620973  
Fax: (1) 40 86 31 13
5. A.B.C.I.E.  
56 Boulevard de Rueilly - 75012 Paris, France  
Telex: 220149 ALHAU F  
Tel: (1) 43 44 68 77+

1. U.C. Davis, Food Technologist.

2. The Four Country Average Trend Line is based on a weighted average. Consequently, for Brined Onions the U.K. has by far the largest influence, while Japan's high prices have almost no effect.

3. 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.