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SRD Market Intelligence Brief™

TOMATO JUICE

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 Tomato Juice and Purce in four selected target markets including Germany, the U.K., France and Japan for the 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 Tomato Juice imports in all four of the targeted markets.

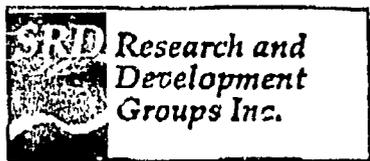
Average CIF Prices. The average weekly CIF price for the four target markets varies seasonally over a range from roughly \$.65 to \$.80/Kg. Japanese and U.K. prices are generally the highest while French and German prices fluctuate close to four country average price line indicated with heavy black shading in

Figure 1. Although the three year summary fails to reveal the year to year trends illustrated in the detailed graphs that follow, it does show that a yearly low is usually reached around March or April and prices are highest in February and the summer weeks. Japanese prices are the highest but yearly import volumes are very small. France and Germany exhibit relatively stable price patterns, while U.K. prices fluctuate more throughout the year.

The more specific country price graphs reveal that prices rose in the three largest markets from 1988 to 1990, with the largest rise occurring in 1990.

CIF prices over \$1.00/Kg and less than \$.65/Kg. are relatively rare, though in 1990 greater variation occurred. Except for Japan, most prices distribute fairly closely on either side of the \$.60-.80/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 the right component of Figure 1. Germany is the largest current importer with imports of around 18,000 metric tons in 1990, surpassing France which was the largest importer in 1988 and 1989 but has experienced a marked decline in imports. Imports into France fell



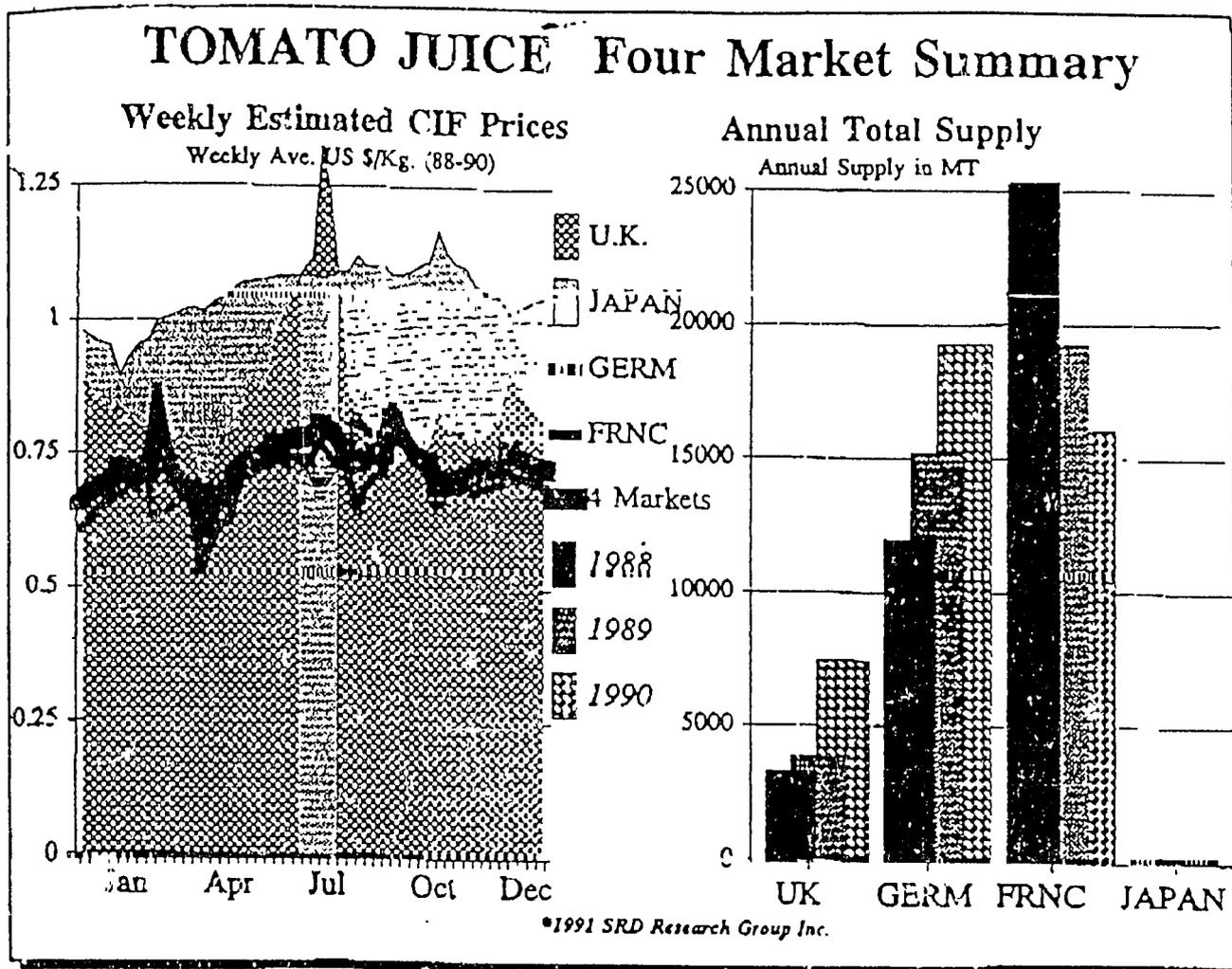


Figure 1: Summary of Average Weekly CIF Prices and Annual Supply for Four Markets

to about 16,000 tons in 1990 from a high of over 25,000 tons in 1988. Annual imports by all four countries have been near the 35,000 metric ton level during the period.

2. Import Supplies of Tomato Juice

Germany. Figure 2 outlines import volumes in metric tons for the German market. The left hand component of Figure 2 outlines weekly estimated import volumes. Weekly import levels fluctuate around 330 metric tons per week and SRD estimates the recently enlarged German market to be approximately a 380 ton per week market. Seasonal imports show fluctuation in 1990 though at a generally higher level than 1989 and 1988. The annual patterns displayed in the right side of Figure 2 indicates an overall increasing supply trend implying a increase in overall consumption of roughly 30-35% per capita from 1988 to 1990².

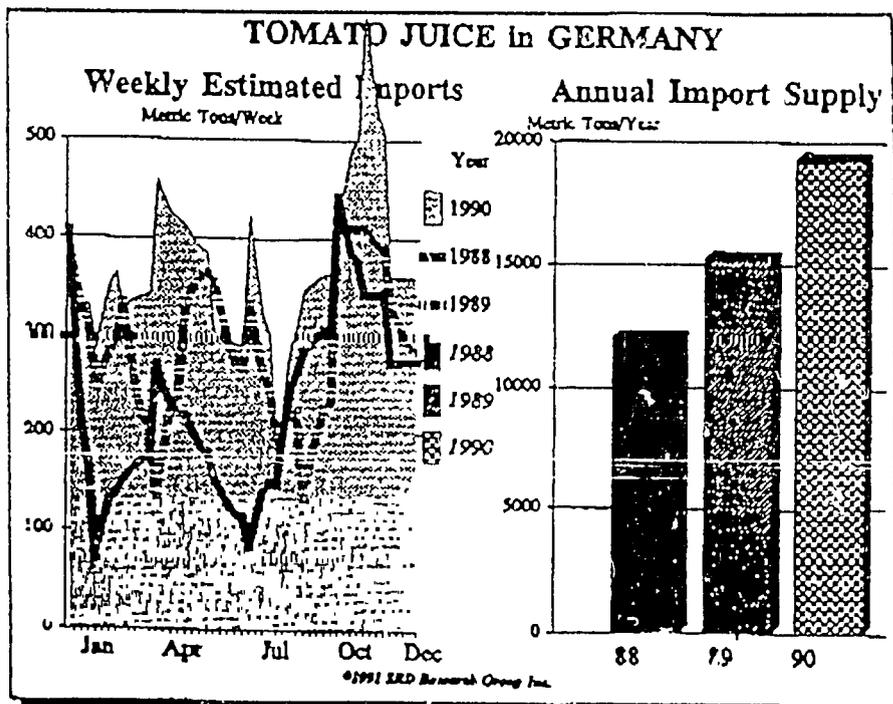


Figure 2: Germany: Weekly & Annual Tomato Juice Imports 1988-1990

France. The French import market for tomato juice has steadily decreased in the past three years. French supplies totaled over 25,000 metric tons in 1988, then dropped to near 19,000 tons in 1989 and about 16,000 tons in 1990. Although the annual average price has risen somewhat, it probably does not completely account for the reduction in imports since German and U.K. imports have risen despite roughly equal increases in price.

Seasonal fluctuation of French imports appears to follow a pattern of low volumes of imports in the summer and then a steep rise in imports during October and November. This is probably because domestic production supplies the market during the summer.

Weekly import flows, assuming reasonable inventory maintenance levels, indicates that France is roughly an 300 ton per week market at current pricing levels.

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 experiencing a consistent increase in demand as reflected in the right component of Figure 4. Total annual imports jumped to about 7,500 metric tons in 1990 from 4,000 tons in 1989 and about 3,500 tons in 1988. This translates into roughly a 50-55% increase in per capita consumption from 1988 to 1990.

The U.K. is the world's largest import market for tomato products. Since World War II the British diet has been heavy in the use of baked beans, ketchup and tomato soup, and the trends toward higher consumption of convenience foods such as pizza, pasta dishes, ready-to-eat meals and fast food¹ will likely support added growth in the tomato products market.

Weekly import volumes fluctuate roughly between 25 and 150 tons per week. In 1990 imports soared during the summer and last few weeks of the year.

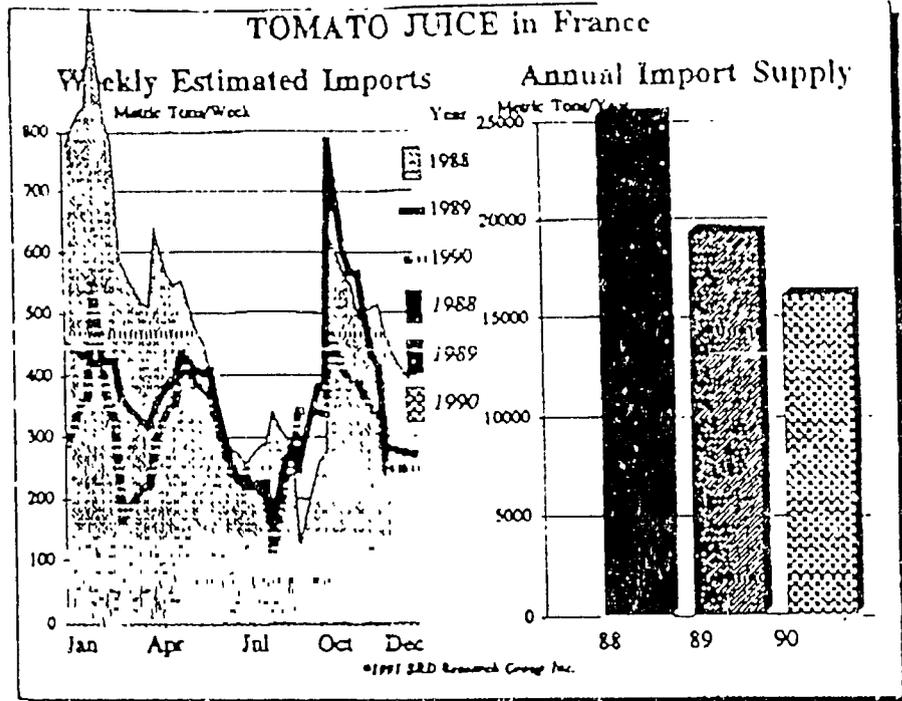


Figure 3: Weekly & Annual Estimated Imports of Tomato Juice into France 1988-90

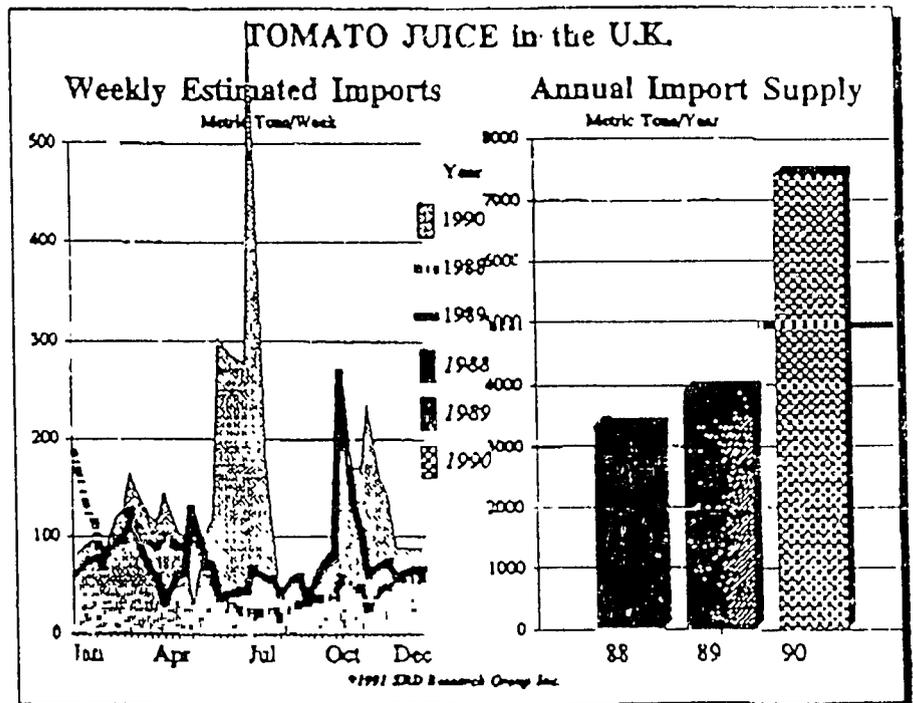


Figure 4: Weekly & Annual Estimated Imports of Tomato Juice into the U.K. 1988-90

Japan The Japanese appear to be the lowest per capita consumers of tomato juice of the four countries analyzed as illustrated in Figure 5, though differences in trade statistics classification could mean Japan's imports are not fully represented.⁴

Seasonal import patterns show that peaks in Japanese imports of tomato juice appear to concentrate during the period from April through September, with very small imports during the last few months of the year. Total annual imports appear to be more or less stable at near 200 tons per year.

Based on the information contained in this three year period, it would appear that Japan has the capacity to absorb about 4 tons per week at current pricing levels

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 has slowly risen over the three year period analyzed. The greatest price increase occurred in 1990, with the annual estimated CIF price reaching about \$.80/Kg.

Figure 2 on page 2 shows a large increase in volume imported in 1990 as compared with 1988 as CIF prices also increased. This demonstrates that Germany is still an "immature" market with growth potential since price increases appear to have little effect on import volumes. This tentative conclusion suggests that increased supplies from Sri Lanka could be reasonably expected NOT to have adverse price impacts.

Seasonal price fluctuations are also reasonably consistent, with CIF prices ranging from roughly \$.50 to \$.85/Kg. Comparison of data for the three year period show less price fluctuation in 1989 and 1990 as compared with 1988.

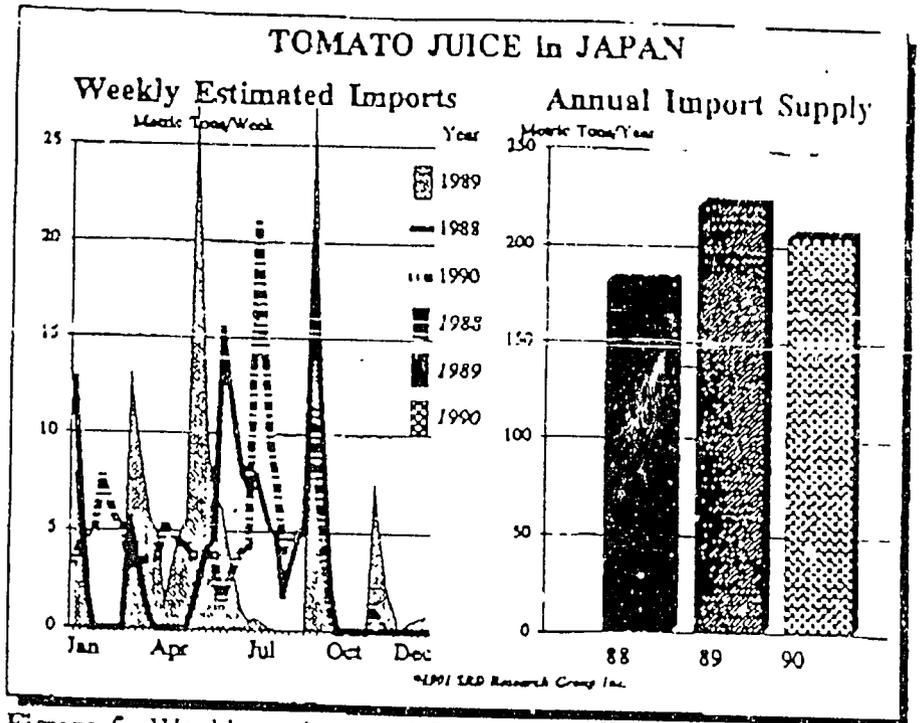


Figure 5: Weekly and Annual Estimated Imports of Tomato Juice into Japan 1988-1990

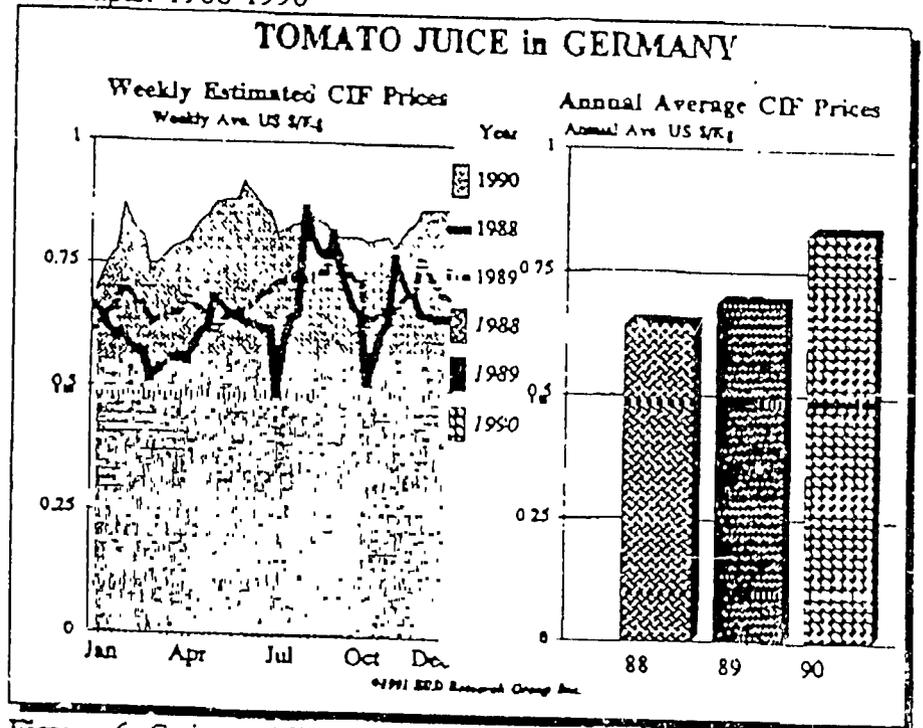


Figure 6: Estimated Weekly & Annual CIF Prices for Tomato Juice in Germany 1988-90

France. Figure 7 outlines CIF price patterns for tomato juice imports into France during the last three years. Prices have steadily risen during the past three years, though the annual estimated CIF price for 1990 is not as high as in the other three countries analyzed. Given the fact that French imports have steadily fallen, it appears that the French market is mature and import volumes are responsive to price. (see Figure 3 page 3) 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 8 alongside each other.

While Germany appears to be relatively price inelastic, France appears to be at least partially elastic and under some significant supply pressure. Weekly CIF prices in France were fairly stable in 1988 and 1989 but have experienced greater fluctuation in 1990. CIF prices range seasonally from near \$.55 to over \$1.00/Kg. during low volume import periods.

Since France has a domestic supply of tomatoes, it is possible that the domestic market is being more fully supplied by French production each year, which would account for the fall in imports. It is unlikely that the 35% decrease in imports from 1988 to 1990 has been caused by a decrease in per capita consumption on the same level.

United Kingdom. Figure 8 outlines weekly and annual 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 is still "immature". An almost doubling in imports from 1989 to 1990 was concurrent with a price increase over the same period. This infers that the U.K. market is not yet responsive to supply volumes. Comparison of the annual summary portions of Figures 8 and 4 indicate shows no relationship between import volumes and price. SRD considers the U.K. a good potential market for Sri Lankan exports, especially since the average CIF price in 1990 was highest among the four countries analyzed.

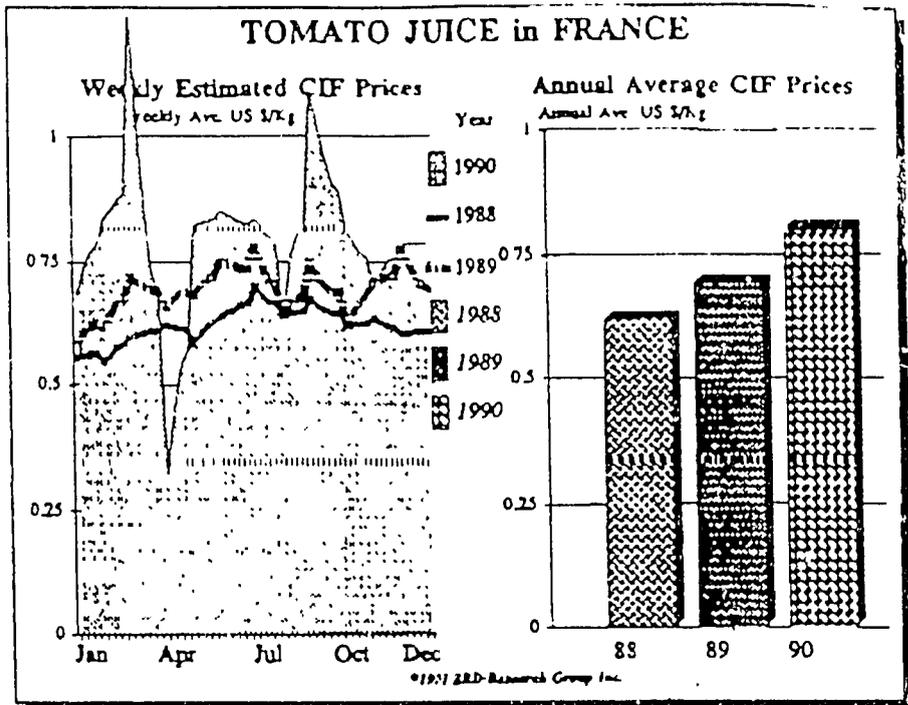


Figure 7: Weekly and Annual Estimated CIF Prices for Tomato Juice in France 1988-90

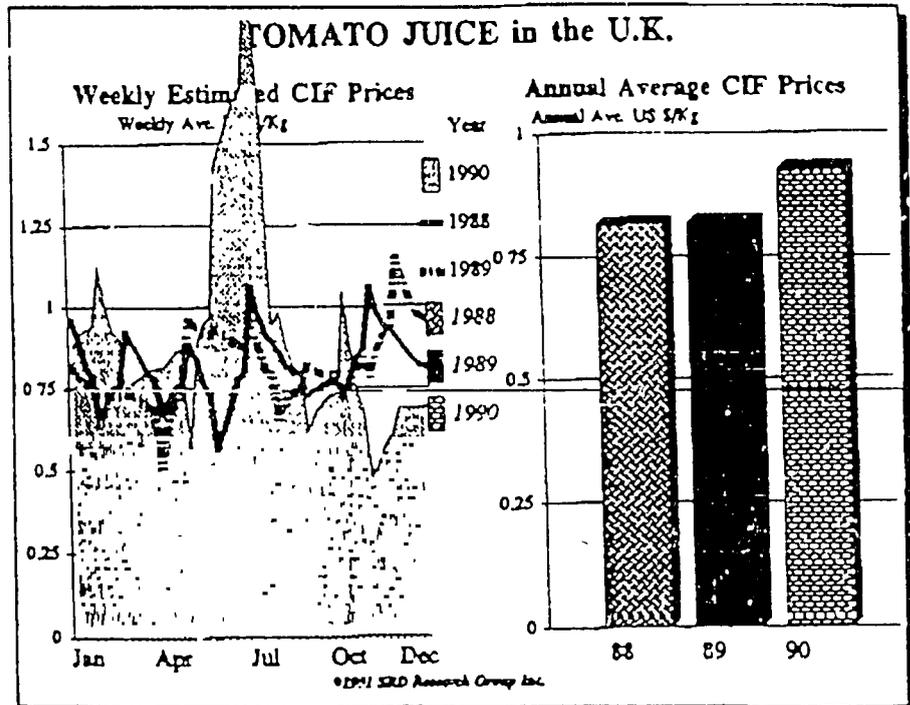


Figure 8: Weekly and Annual Estimated CIF Prices for Tomato Juice in the U.K.

Japan. Figure 9 suggests that the Japanese market is relatively immature with no observable relationship between prices and volumes. Relatively small, unpredictable annual volumes, make Japan an unattractive market. Japanese prices have had the highest annual averages in each of the three years, though 1990 prices fell significantly. At the current level of roughly 4 metric tons imported per week, Japan's potential appears to be insignificant in the short run.

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 tomatoes for juice and puree processing can be produced in Sri Lanka for roughly US\$ 0.07/Kg. Assuming a weight reduction ratio for tomato juice of 35%, this would imply a raw product cost of \$0.11/Kg. A review of Sri Lankan data indicated that no 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 data in this Brief in combination with such processing cost data, we assume that the costs of processing are \$0.22/Kg. Transport costs to the analyzed markets might be in the range of \$0.26/Kg. giving a total cost of \$.59/Kg. Using this figure as a cost basis, it would appear that profit margins would range during most periods of the year in the European markets from \$0.20-\$0.25/Kg, and in Japan around \$0.35/Kg.

5. Bumpers/Lautenberg Amendment Analysis and Recommendation.

The U.S. has traditionally been one of the world's major import markets for tomato products. In the last decade, however, domestic production has increased dramatically, mostly to satisfy domestic demand in the U.S. market. Expectations as of March of this year were for another record year of tomato production. This increased availability has meant decreased imports and the possibility for increased exports. According to import statistics, however, the United States did not export tomato juice to France or Germany during the three year period analyzed. Figure 10 outlines U.S. exports to the U.K. Total annual exports did not exceed 4% in any year and constituted only 1.26% of total imports in 1990. The small amounts that Sri Lanka would be exporting would be unlikely to effect the small U.S. share. Therefore no Bumpers/Lautenberg issues are raised for the three European countries in the MED project, and SRD recommends that detailed feasibility analysis and support of tomato juice exports from Sri Lanka to Europe proceed.

Trade statistics reveal, however, that U.S. imports into Japan amounted

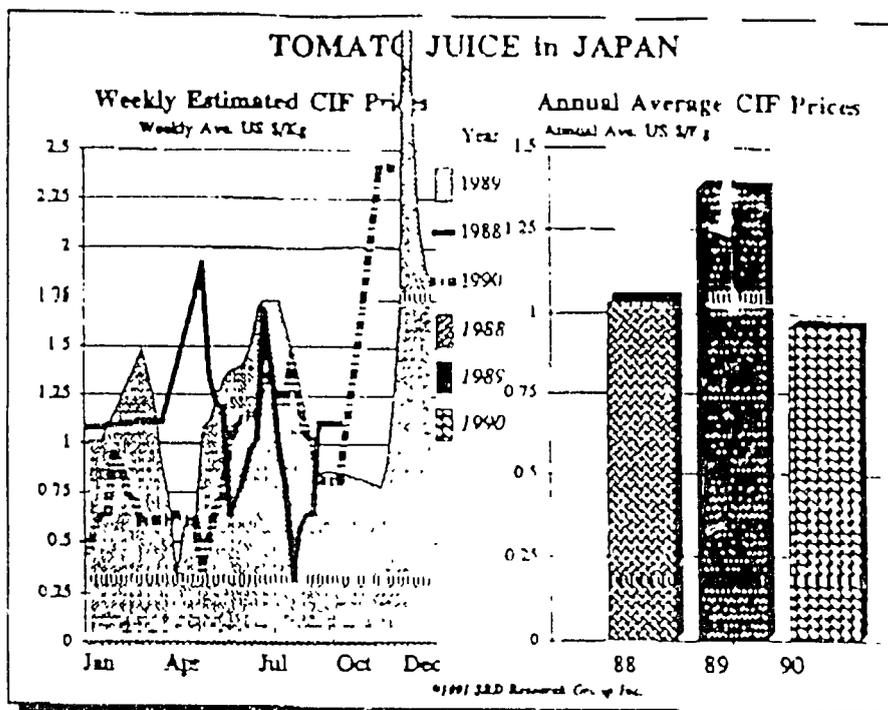


Figure 9: Weekly and Annual Estimated CIF Prices for Tomato Juice in Japan 1988-90

	Imports U.S.	US Supply	US Supply
	MT/Mo.	Supply	Percent
JAN 88	575123		0.00%
FEB	356768		0.00%
MAR	520459		0.00%
APR	375620		0.00%
MAY	330962	15430	4.66%
JUN	152988	15430	10.09%
JUL	93174		0.00%
AUG	107664	11607	13.28%
SEP	187058	16273	9.07%
OCT	205851		0.00%
NOV	162946	17310	10.62%
DEC	287709	13973	4.86%
TOTAL 88	3351104	92723	2.77%
JAN 89	284951		0.00%
FEB	356768		0.00%
MAR	435593	15792	3.63%
APR	205976	15472	7.51%
MAY	380001	15800	4.16%
JUN	212296	15430	7.27%
JUL	745055	15430	6.30%
AUG	209090		0.00%
SEP	297564	15880	5.34%
OCT	698644	15431	2.21%
NOV	276640	2286	0.83%
DEC	321689	39270	12.21%
TOTAL 89	3926267	150791	3.84%
JAN 90	361449	37907	10.49%
FEB	427997	39358	9.20%
MAR	682532		0.00%
APR	473464	16002	3.38%
MAY	315078		0.00%
JUN	1445167		0.00%
JUL	1322765		0.00%
AUG	208084		0.00%
SEP	356220		0.00%
OCT	663048		0.00%
NOV	731535		0.00%
DEC	443937		0.00%
TOTAL 90	7431276	93267	1.26%

Figure 10 U.S. Exports of Tomato Juice to the U.K.

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to over 73% of total imports in 1988, 87% in 1989 and 73% in 1990. Since the U.S. is the dominant supplier of tomato juice to Japan, Sri Lankan exports would probably compete with the U.S. share. SRD considers this in conflict with the Bumpers/Lautenberg issues and cannot recommend that Sri Lanka export to Japan unless the current condition changes.

6. Summary and Conclusions.

The tomato juice/puree market has experienced steady expansion in both the German and U.K. markets in the last three years. While French imports have fallen and Japan's market appears stable, the potential in Germany and the U.K. is promising. In both of these markets prices rose concurrent with the import increases. This signifies immature markets with growth potential. The addition of 17,000,000 consumers in Germany has created an even larger market there.

Total imports into the four countries analyzed has stayed near the 42,000 metric ton level in each of the three years. A preliminary analysis of CIF prices over that same period shows that prices have risen in all countries except Japan. In the U.K. and Germany statistics point to a supply shortfall, while in France domestic production may be causing decreasing imports. Thus it appears that there is a good opportunity for increased supplies at current prices in Germany and the U.K., but probably not in France or Japan. It is SRD's estimate that Germany and the U.K. could absorb roughly an additional 5,000 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 7,500 metric tons per year.

Sri Lankan data on costs of production for tomato juice and transport were reviewed and combined with illustrative costs of processing. It appears profitability margins could be in the range from \$0.20 to 0.25/Kg.

	Imports MT/Mo.	U.S. Supply	US Suppl Percent
JAN 88	21762	0	0.00%
FEB	0	0	
MAR	11801	11801	100.00%
APR	0	0	
MAY	12491	12491	100.00%
JUN	53041	53041	100.00%
JUL	24412	0	0.00%
AUG	14688	14688	100.00%
SEP	43076	41076	95.36%
OCT	0	0	
NOV	0	0	
DEC	0	0	
TOTAL 88	181271	133097	73.42%
JAN 89	13475	13457	99.87%
FEB	0	0	
MAR	41525	17601	42.39%
APR	14998	14998	100.00%
MAY	60745	60745	100.00%
JUN	14642	14624	99.88%
JUL	979	0	0.00%
AUG	0	0	
SEP	64018	64018	100.00%
OCT	0	0	
NOV	15514	14823	95.55%
DEC	2304	0	0.00%
TOTAL 89	221120	193186	87.37%
JAN 90	17233	17233	100.00%
FEB	24948	13428	53.82%
MAR	17233	17233	100.00%
APR	18900	0	0.00%
MAY	15014	15014	100.00%
JUN	15131	13428	88.74%
JUL	52658	52658	100.00%
AUG	18858	15822	83.90%
SEP	23604	3264	13.83%
OCT	0	0	
NOV	1995	1995	100.00%
DEC	0	0	
TOTAL 90	205574	150075	73.00%

Figure 11 U.S. Exports of Tomato Juice to Japan 1988-1990

- 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 tomato juice/puree is storable, year end inventory changes may invalidate preliminary conclusions about consumption per capita drawn from annual import data.
3. FOODNEWS, BRITIAN 91, page 29.
4. EEC statistics do not list tomato juice specifically but group tomato products into categories based on their solid content. For Germany, France and the U.K. SRD has grouped those categories that list the solid content over 12% as Tomato Paste and those with a solid content under 12% as Juice and Puree. This was based on consultation with food scientists and industry publications. Trade statistics for Japan contain a category labeled "Tomato Juice" and other listed as "Tomato puree", though no solid contents are listed. Consequently some distinction may be present between the Japanese and EEC categories for Tomato Juice and Puree and Tomato Paste.