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SRD Market Intelligence Brief™ **MAHAWELI PICKLED CAPSICUM**

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

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This report presents an analysis of the import market for Pickled Capsicum in several major world markets. These include Germany, the U.K., and France. An attempt was made to study the market in Japan as well, but Japanese trade data statistics do not single out pickled capsicum.¹

To facilitate explanation and allow comparison, data has been reproduced graphically, in both seasonal and annual forms. Statistics cover the three year period from 1988 through 1990, detailing patterns and trends relevant to potential Mahaweli exports into the markets studied.

For the U.K. and France, Pickled Capsicum is listed in trade data as "fruit of the genus capsicum, other than sweet peppers or pimentos, prepared or preserved by vinegar or acetic acid." In Germany the category is simply, "Capsicum with pickled preparation". Packaging for export is generally in 55 gallon

plastic barrels.

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 analysis of the Summary graph on page 2 is a weighted average trend line based on the relative size and average prices of the markets analyzed. The three year average CIF price for the three markets ranges from lows of about \$.70/Kg to highs of about \$1.30/Kg. Germany's prices have generally been the lowest, while the highest prices are in France. Both France and the U.K. have experienced significant fluctuation, from near \$1.00/Kg to over \$3.50/Kg. Prices in Germany have been the most stable, usually ranging between \$.70/Kg and \$1.00/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 show that annual average prices have risen in France and Germany, and fallen in the U.K.



PICKLED CAPSICUM Three Market Summary

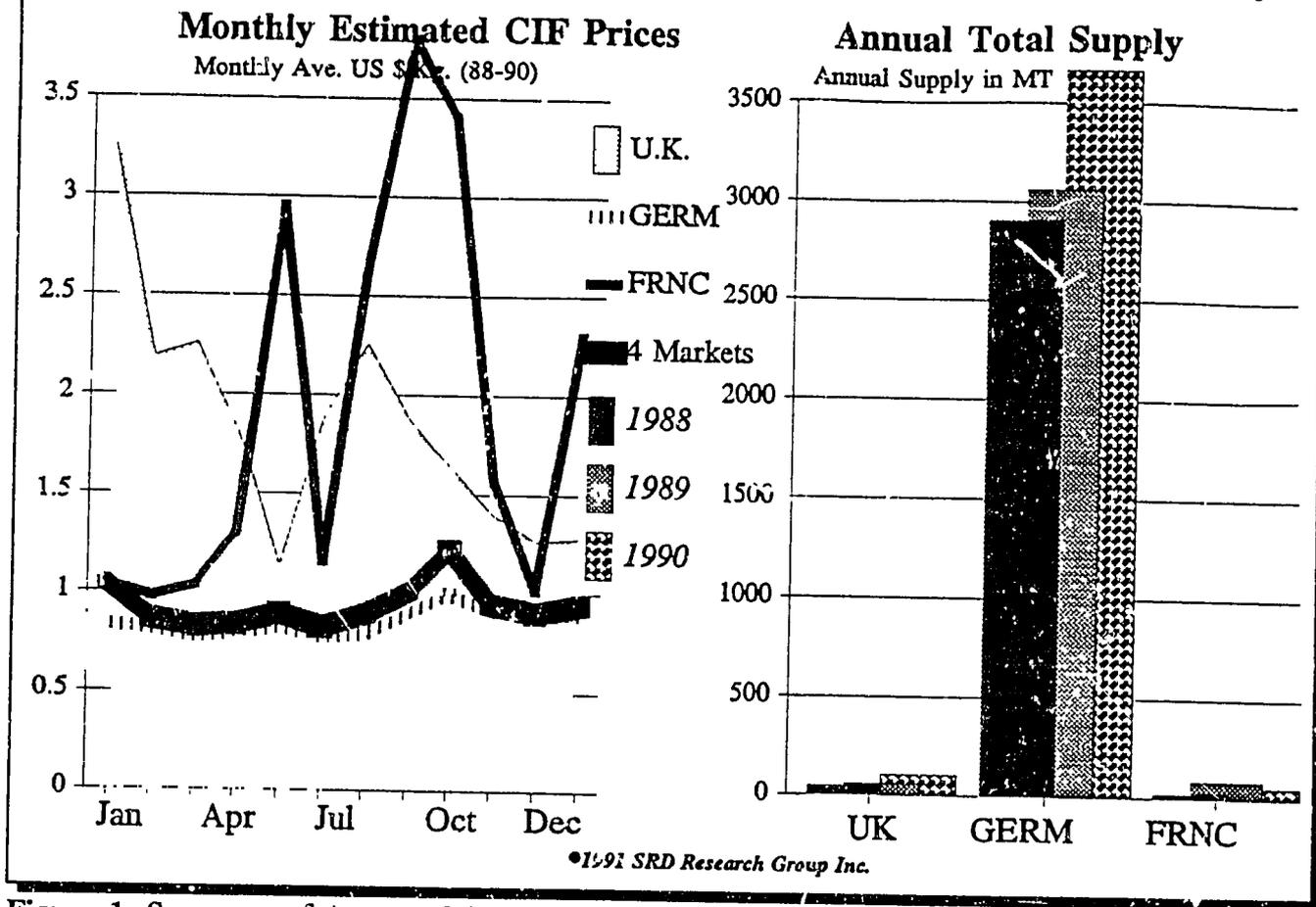


Figure 1: Summary of Average Monthly CIF Prices and Annual Supply for Three Markets

The trade statistics category for pickled capsicum probably contains several distinct kinds of capsicum, with prices ranging correspondingly. In fact, CIF prices range from under \$1.00/Kg to over \$6.00/Kg for capsicum in this trade category. This is probably a combination of distinct varieties and seasonal demand differences. In this brief, CIF prices are used, which are useful indicators in preliminary analysis but must be used with caution due to potential reporting difficulties.²

Annual Supply Levels. The graph in the right component of Figure 1 allows a comparison of annual import totals in all three markets studied. While Germany is the largest market in terms of population, the large difference in annual supply is probably due mostly to a distinction in categorizing trade data. German trade statistics apparently includes all varieties of pickled capsicum in the category of "Pickled Capsicum", whereas France and the U.K. exclude sweet

peppers and pimentos, though data for these two products is not given specifically in any other category.

Consequently, the graph on this page shows Germany as the largest market, though exact comparisons are impossible since the categories are different. Total imports into Germany in 1990 reached almost 3,700 metric tons, up from over 3,000 metric tons in 1989 and about 2,900 tons in 1988. Imports into France and the U.K. have also experienced fluctuation, though on a smaller scale. U.K. annual import totals rose to 105 metric tons in 1990 from levels of between 50 and 60 tons in the previous two years. France imported a somewhat smaller volume of pickled capsicum in 1990, but recorded a supply of 90 tons in 1989, up from under 30 tons in 1988. The supply level into all three markets has grown from just under 3,000 metric tons in 1988 to over 3,800 tons in 1990, most of this concentrated in the growing German market.

The individual country graphs that follow

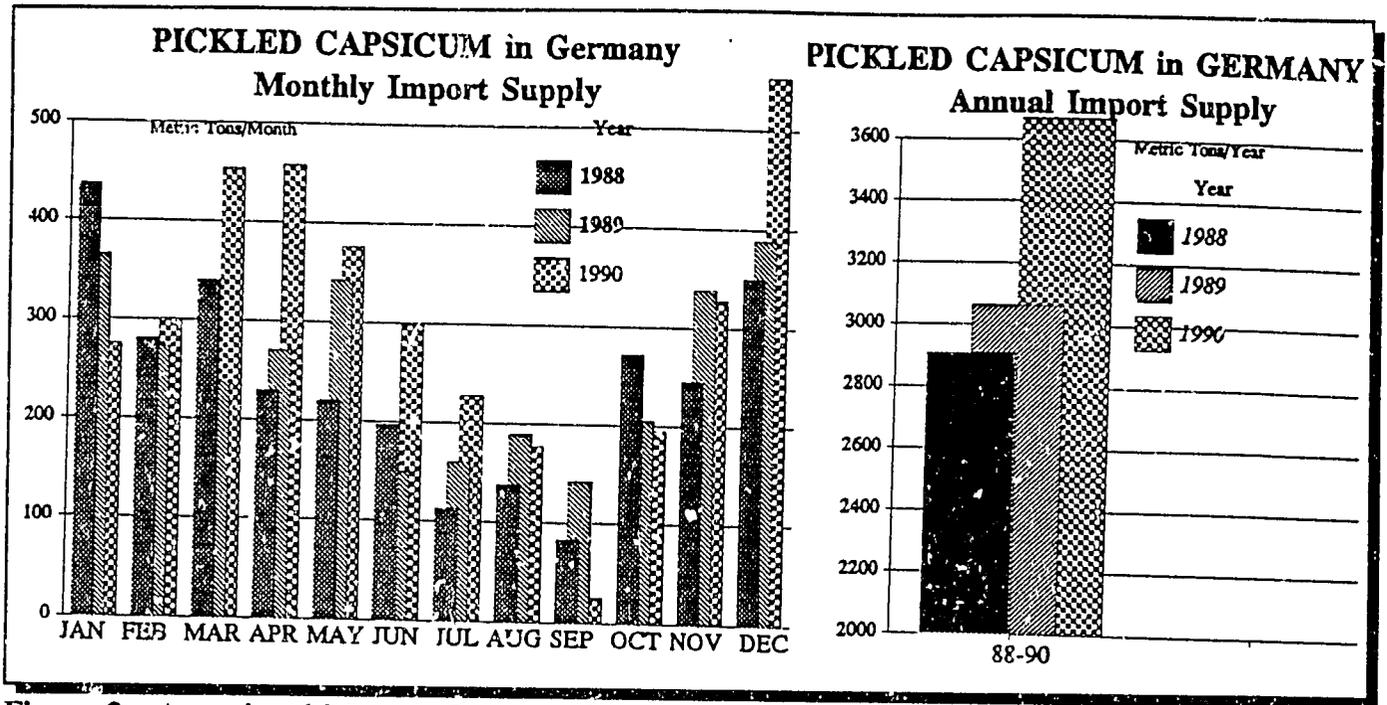


Figure 2: Annual and Monthly Imports of Pickled Capsicum into Germany 1988-90

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 pickled capsicum exports into this specialized market.

Individual Country Price and Supply Graphs

Germany. Both seasonal and annual import levels of pickled capsicum into Germany are detailed in Figure 2. While the German market is the largest of the countries analyzed, it appears to still be experiencing strong growth. Annual totals have increased from

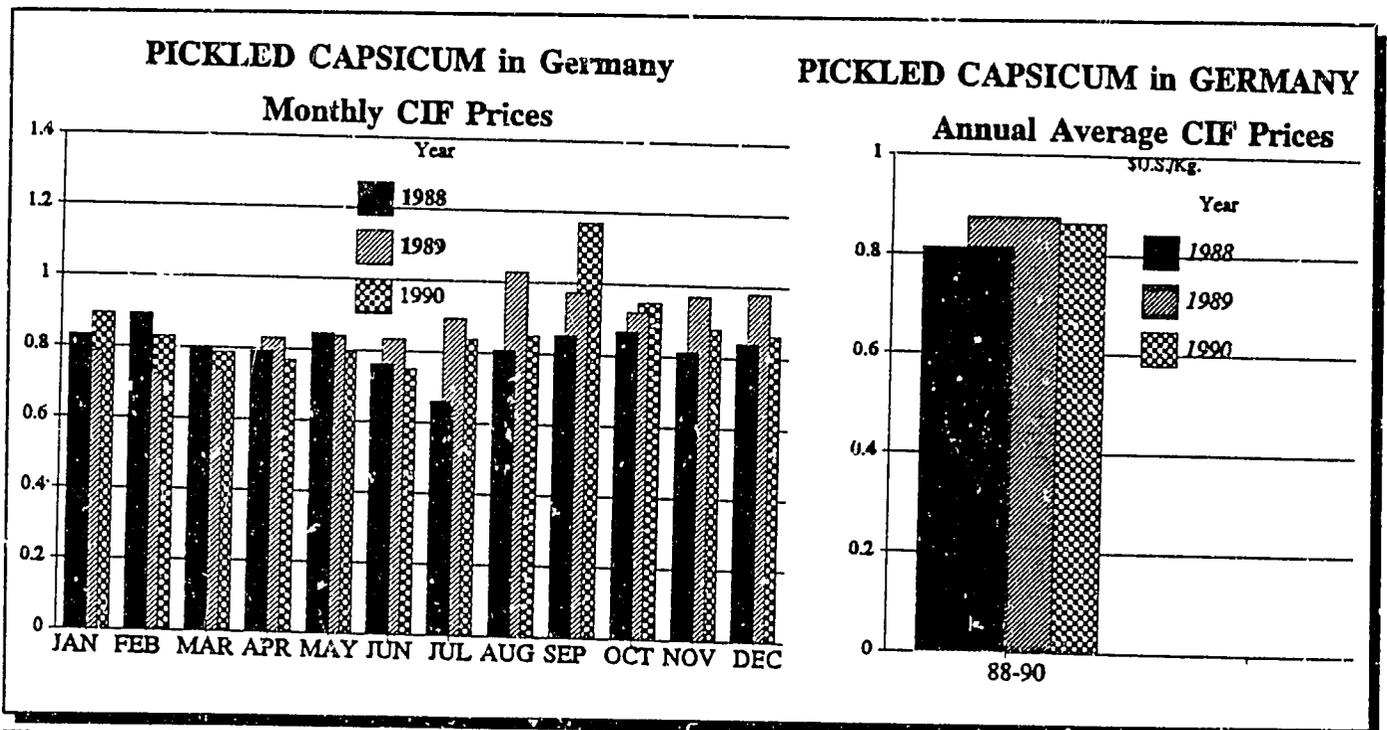


Figure 3: Monthly and Annual Estimated CIF Prices of Pickled Capsicum in Germany 1988-90

about 2,900 tons in 1988 to almost 3,700 tons in 1990. Imports average just over 300 tons per month, and supply generally does not fall under 200 metric tons per month.

Seasonal data illustrates a rather consistent pattern. A visual review of the seasonal supply graph in the left component of Figure 2 shows that imports are strong from the beginning the year through May but then gradually fall until picking up again in October. September has consistently been the smallest importing month, with only about 25 tons imported in 1990. December, on the other hand, has risen steadily to a level of over 500 tons in 1990.

Seasonal and annual CIF price information for the German market is presented in Figure 3. The annual average price in Germany has remained fairly stable over the three year period studied, at just over \$.80/kg. There has been a slight rise from 1988 to 1990, though the increase in imports in 1989 and 1990 appear to have little effect on CIF prices. This inelasticity is also apparent in seasonal data. Large volumes in December, March and April did not significantly lower prices in 1990. It appears, however, that the low supply in September is a demand deficit. September was the only month in 1990 with a CIF price over \$1.00/kg. Thus, higher prices have only occurred during very low import periods and while additional supply could probably be absorbed during most of the year, prices over \$1.00/kg cannot be expected without a drop in the overall supply.

Monthly statistics indicates that prices were generally ranged between \$.80/kg and \$1.00/kg.

France. The French import market for pickled capsicum has fluctuated rather significantly between 1988 and 1990. From a level of under 30 annual metric tons supplied in 1988, the market experienced a sharp increase in 1989 to a level of 90 tons. In 1990, however, annual imports fell to under 60 tons. Thus, while overall supply levels have increased, they appear to be unstable.

A review of seasonal supply data in the left component of Figure 3 reveals an erratic pattern. Monthly imports have ranged from none to over 25 metric tons. It appears that the first five months of the year are generally light, with imports under 10 tons, while the summer months and December have experienced relatively heavier supply. 1990 imports were quite irregular, with about half of the annual total concentrated in December.

The annual price pattern in France, illustrated in the right side of Figure 5, indicates a steadily rising price pattern. From an average level of about \$1.70/kg in 1988, the annual price rose in 1989 to about \$1.95/kg, despite a concurrent decrease in supply during 1989. In 1990, the average annual CIF prices continued rising to about \$2.40/kg. Thus, there appears to be a strong price level in France that has not yet plateaued. There does appear to exist opportunities for additional supply during several months of the year. Levels over 10 tons per month usually have corre-

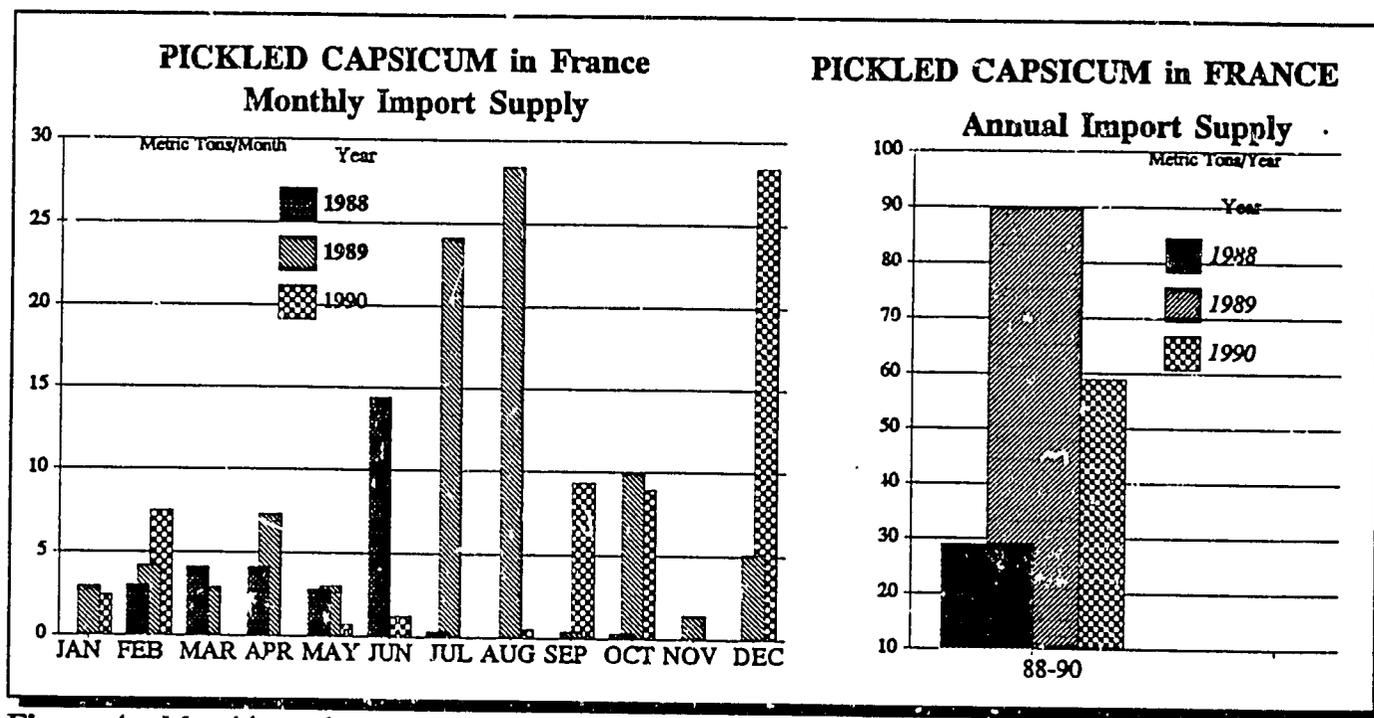


Figure 4: Monthly and Annual Imports of Pickled Capsicum into France 1988-90

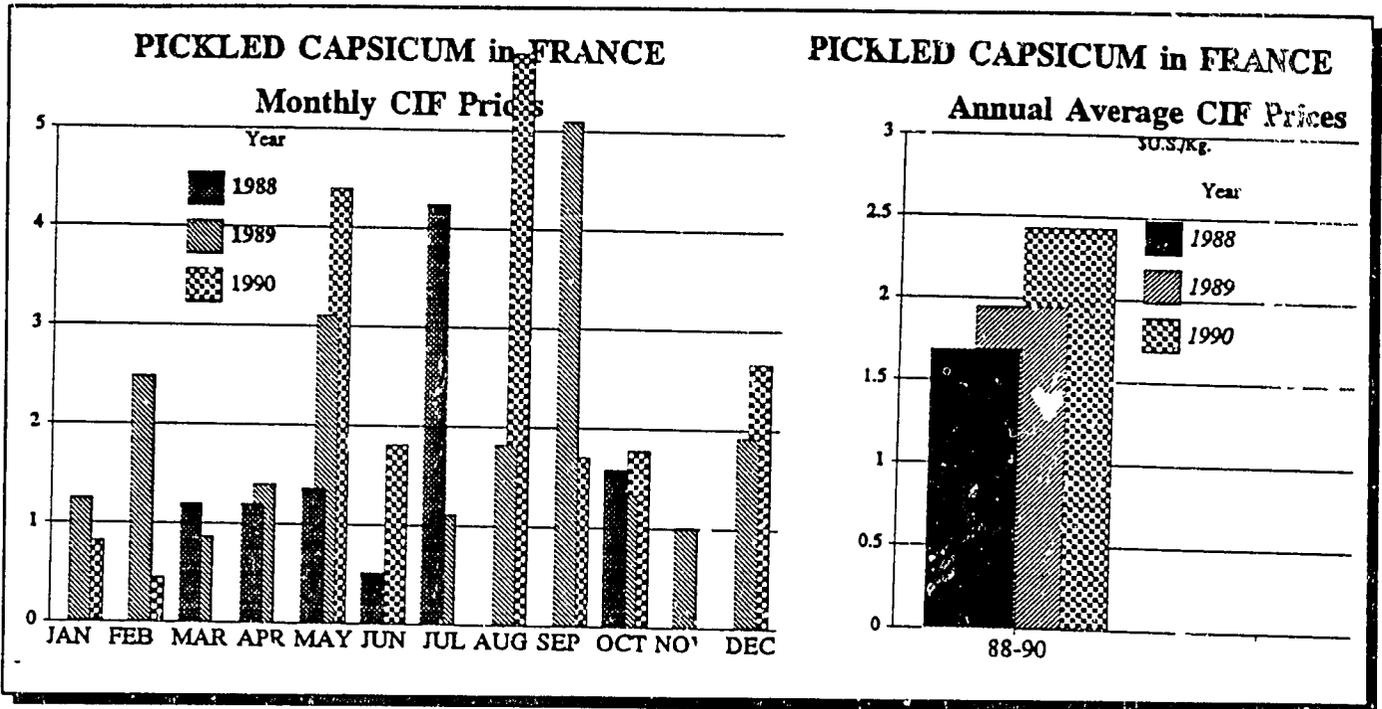


Figure 5: Monthly and Annual Estimated CIF Prices of Pickled Capsicum in France 1988-1990

sponded to CIF prices between \$1.00/kg and \$2.50/kg. France currently has the highest annual average price of the markets presented here.

Seasonally, French CIF prices have ranged from about \$.50/Kg to over \$5.00/Kg. A comparison of monthly supply and CIF prices reveals little apparent relationship. In the first few months of the year low

supply levels have corresponded to low prices, though in the summer months low volumes are sometimes equated with quite high prices. On the other hand, high volumes have not necessarily depressed prices. Thus, the French market for pickled capsicum seems to be immature with possible growth potential. Other factors may be affecting the market, such as the level

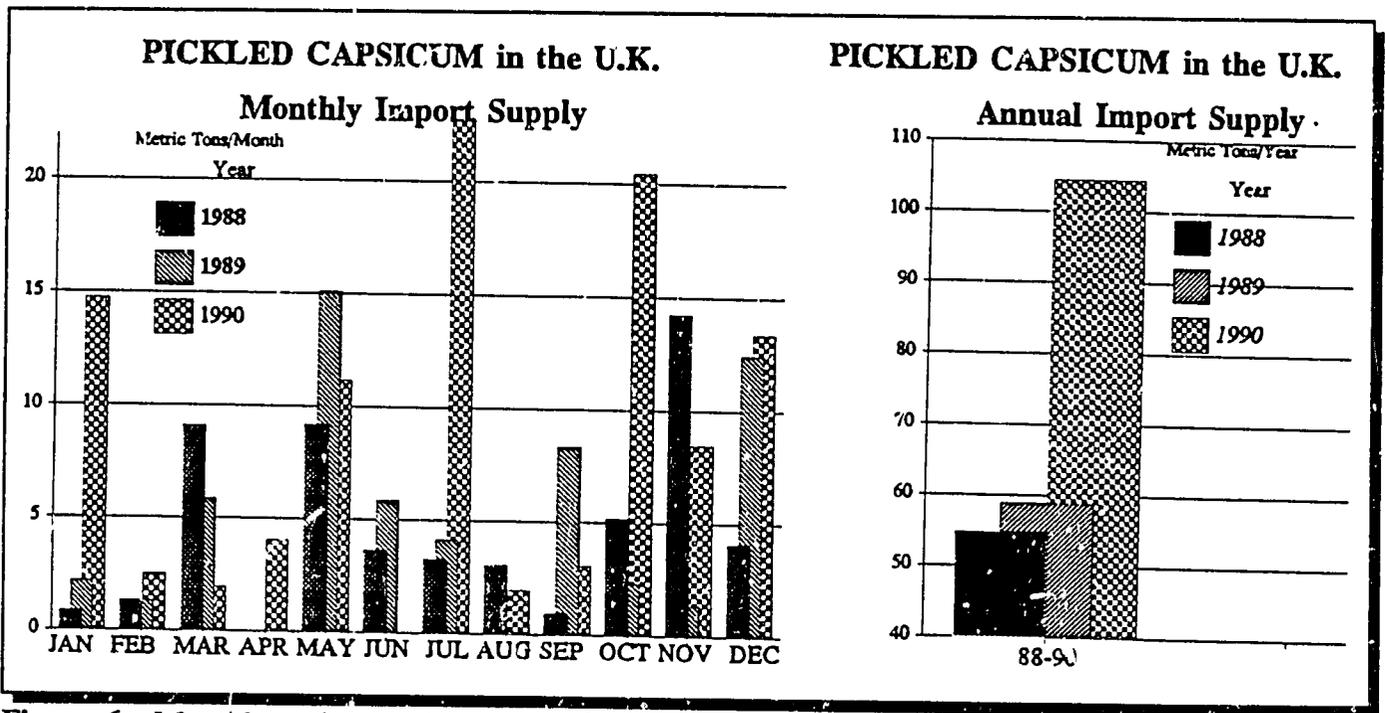


Figure 6: Monthly and Annual Imports of Pickled Capsicum into the U.K. 1988-90.

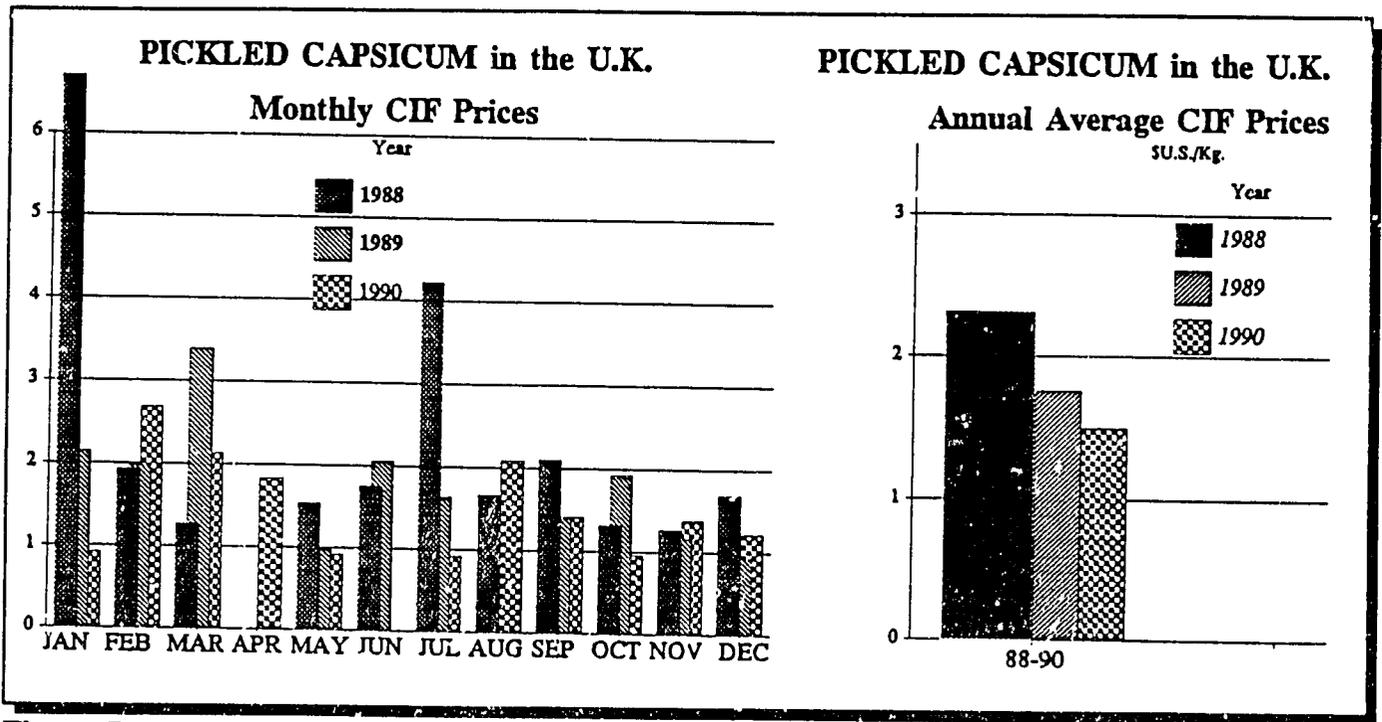


Figure 7: Monthly and Annual Estimated CIF Prices for Pickled Capsicum into the U.K. 1988-90

of domestically supplied capsicum, which is not presented here.

United Kingdom. Figure 6 outlines seasonal and annual supply into the U.K. for Pickled Capsicum. The U.K. has experienced about a two-fold increase in supply over the three year period under analysis. Imports rose from a level of 55 tons in 1988 to about 59 tons in 1989, and then rose rather dramatically in 1990 to about 105 annual metric tons. Monthly imports averaged just under 9 metric tons in 1990.

Seasonal supply data, detailed in the left graph of Figure 6, reveals no consistent pattern. Imports have appeared irregularly over the period 1988-1990, from months of no reported supply to levels over 20 tons. The strongest period in terms of supply appears to be the last three months of the year, though in 1990 January and July experienced a dramatic increase.

Annual and seasonal prices, illustrated in Figure 7, show that prices have decreased significantly over the analyzed period. From an annual average of \$2.30/kg. in 1988 prices fell to roughly \$1.75/kg. in 1989 and \$1.50/kg. in 1990.

Seasonal CIF price data as presented in the left component of Figure 7, shows that prices in most months have varied little. The differences in annual statistics is mostly the result of one of two months of unusually high prices, January and July of 1988 for example. In actuality, CIF prices appears to be fairly

stable in most months, generally ranging from around \$1.00/kg. to near \$2.00/kg. Prices in the U.K. for pickled capsicum are much more consistent than in the French market, but less so than monthly prices in Germany.

While annual data seems to suggest that the U.K. market is immature, seasonal data suggests that it is actually relatively consistent. Thus, Sri Lankan exports could only be reasonably be expected to be absorbed at a price level under \$2.00/kg.

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.

Data from Sri Lanka indicates that capsicum can be produced for about US\$ 0.28/Kg. A review of Sri Lankan data indicated that commercial processing costs would be in the range of \$.08/kg. More accurate and detailed data would have to be generated as a part of a feasibility study by processing experts. Transport costs to the analyzed markets might be in the range of \$.19/Kg. giving a total cost of about \$.55/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 \$.25/kg to over \$2.00/kg., in the U.K. from \$.35/kg. to \$1.50/kg, and in the German market, usually around \$.25/kg.

Bumpers/Lautenberg Amendment Analysis and Recommendation.

According to import statistics the United States does not export pickled capsicum 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 pickled capsicum exports from Sri Lanka to Europe proceed.

Summary and Conclusions.

The market for pickled capsicum is, like many specialty products, somewhat difficult to access due to a lack of consistent and specific trade data. In this brief, the German category that includes all pickled capsicum was used in comparison to pickled capsicum data from France and the U.K. that excludes sweet peppers and pimento. Consequently, the German market is represented as significantly larger than the French and U.K. market. Pickled Capsicum imports into France and the U.K. average only about 5 and 9 metric tons per month respectively. In the larger German market the monthly average is about 300 tons. Imports have risen sharply in both Germany and the U.K., while the French market has experienced a fluctuating pattern.

For Sri Lanka, both the U.K. and France are potentially profitable markets. Average annual CIF prices are highest in France at \$2.40/kg, though monthly price levels are quite erratic. The U.K. is less erratic, though generally prices are slightly lower. In both cases, Sri Lankan exports would probably have to be in the range of 5 to 15 tons per month at most, since higher volumes could significantly decrease profits. In Germany, a profit of \$.20/kg to \$.40/kg. could probably be achieved during most of the year. Volumes exported into Germany could be much higher, because they could include sweet peppers and pimentos, and due to the fact that the German market is experiencing solid growth.

It is SRD's recommendation that potential Mahaweli exporters concentrate on the U.K. and French markets with quantities in the range of 5 to 15 metric tons per month for profits in the range of \$.20/kg to

possibly over \$2.00/kg. In Germany, the annual import volumes are much larger and increasing, and Sri Lanka could export much greater quantities into this market, though profits would generally be in the \$.20-.30/kg range. There may be other European countries (Netherlands, Belgium, Switzerland, Scandinavia, and Austria) with potential, but further research is needed for these markets.

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Telex: 934438 (A/B Pebody G)
Fax: (0932) 847533
3. Martin Mathew & Co Ltd
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4. H & t Walker Ltd.
Walker House, London Road, Riverhead,
Sevenoaks, Kent TM3 2DN
Telephone: (0732) 450721 Telex: 95679
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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

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

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

-Ramhill Fruit & Produce Co. Ltd. Southport
Wholesale fruit, produce and potato merchants
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5. A.B.C.I.E.

1. Current statistical trade data from Japan does not contain specific information on pickled capsicum and no additional data was available.

2. 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.