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Markets for non-certified fresh produce in the UK

Limited options for sub-Saharan African small-scale exporters

Accord Associates LLP

Working with the whole supply chain to explore opportunities for securing, upgrading and expanding pro-poor procurement in international horticultural supply chains from developing countries

key messages

- **The market for non-certified fresh fruit and vegetables (FFV) in the UK is much smaller than that for certified products sold in supermarkets**
- **Very little FFV are currently supplied by small-scale growers (SSGs) in sub-Saharan Africa (SSA) and the opportunities for new suppliers are extremely limited**
- **Factors negatively affecting the demand for non-certified fresh fruit and vegetables outweigh those that positively affect demand, indicating a further decline in sales of non-certified FFV from SSA.**

In an effort to help reduce poverty in developing countries, many donors have promoted the international trade in horticultural produce grown by SSGs in the belief that it will deliver meaningful jobs, incomes, rural multipliers, opportunities and skills. This effort has continued in the face of rising food safety compliance standards that have eliminated many SSGs from the market. There are potential opportunities for SSGs in sub-Saharan Africa (SSA) to supply fresh fruit and vegetables (FFV) that have not met the certification standards demanded by the supermarkets. The main objective of this paper is to quantify the scale of the UK market for non-certified produce and to identify the main drivers of the FFV market to determine whether SSA producers could increase their sales of non-certified produce.

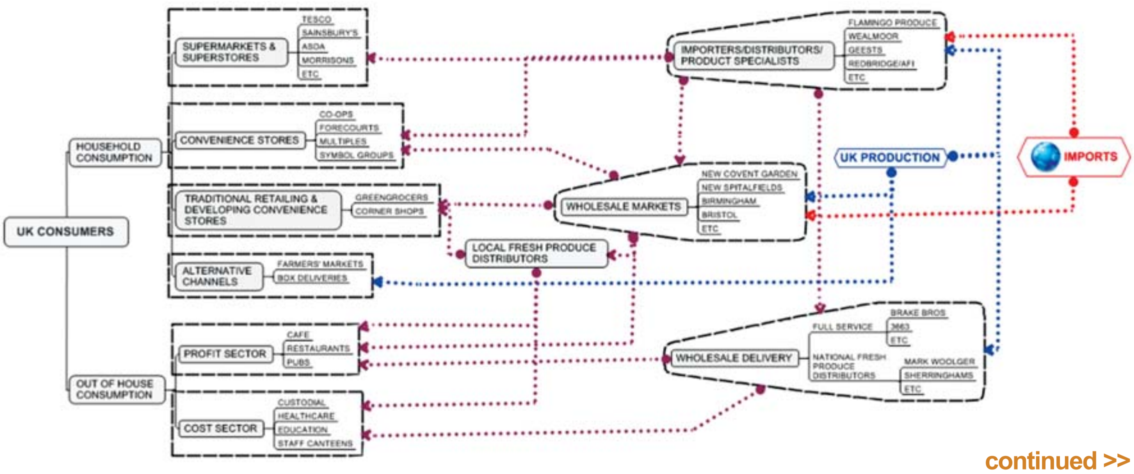
Scale of the UK market for non-certified FFV

There are two main marketing supply chains in the UK for FFV imported from SSA and other developing countries. The first and largest supply chain begins with importers who then supply direct to the multiple retailers, supermarket chains or the large food service supply companies. The second chain also starts with importers, but the produce this time is traded through wholesale fruit and vegetable markets.

Whereas the first chains requires compliance with private standards, the markets for non-certified produce only require compliance with the legal regulations set by government and the EU. The vast majority of this non-certified produce will therefore be sold through wholesale markets and will reach the consumer via independent convenience stores or will be used in the catering industry. Additionally, there is a small amount of produce that is imported directly by small supermarkets or by companies specialising in supplying to convenience stores.

The UK market for non-certified FFV was estimated to be in the region of £1.71 billion (retail value). This was broken down into about £1.34 billion in the retail sector and £0.37 billion in the food service industry. The corresponding cost and freight (C&F) value of these retail figures was estimated to be in excess of £750 million.

However, the research indicated that only about £30 million/year was supplied by SSGs from SSA (i.e. about four per cent). The main products supplied by these farmers are FFV for ethnic markets, such as yams, chillies and mangoes (whereas the main fruit and vegetable exports from SSA are bananas, pineapples and citrus, which are mainly produced by estates that are large enough to have the certification required to market



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>> continued through supermarkets). SSA can therefore compete because of its cheap labour for the very labour-intensive crops and because its climate is well suited for tropical crop production.

Factors affecting the demand for non-certified fresh fruit and vegetables from SSA

As with all industries, there are a number of factors that impact upon the trade in FFV in SSA; some are positive and some are negative.

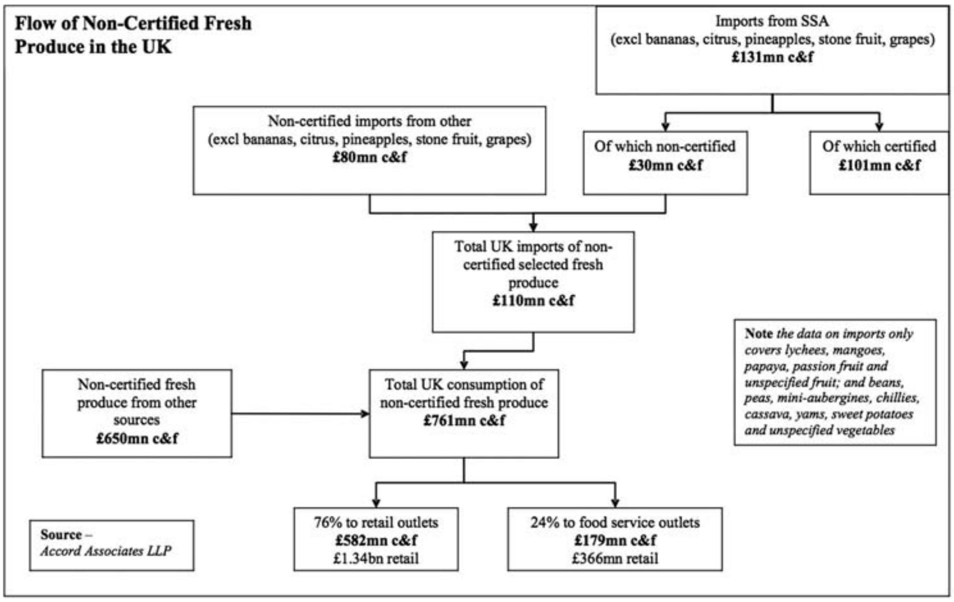
Conclusion and recommendations

It was anticipated that opportunities for SSGs in SSA to supply non-certified fresh fruit and vegetables would increase. However, while some SSA produce is marketed through this channel, the indications are that this market is decreasing as the supermarkets are taking an increasingly larger share and as the food service sector focuses more on traceability and demands certified produce.

The UK market for non-certified fresh fruit and vegetables is large, but very little is currently supplied by SSA SSGs. More importantly, it is predicted that this market will decline and that the opportunities for new SSA suppliers are very limited. Furthermore, the factors negatively affecting the demand for non-certified fresh fruit and vegetables appear to outweigh the positive factors.

Thus the main recommendations are:

- Donors should be extremely wary of promoting the export of non-certified produce from Africa to the UK – any significant increase in non-certified produce being supplied to the wholesale markets could have a dramatic effect on prices.
- Instead, donors should focus on alternative options for reducing rural poverty, such as by helping small-scale horticultural farmers trade in markets where they have greater comparative and competitive advantages, e.g., local markets, neighbouring countries and possibly the Middle East.
- It is important to help secure the existing trade in non-certified produce. Consideration needs to be given to help farmers and exporters establish a simple system of traceability and crop record-keeping to help the food service supply companies that audit their suppliers. Such a system would be much simpler than private sector certification such as EurepGAP, but it would give increased confidence to the food service sector and help with improving their 'due-diligence'.
- Consideration could also be given to the establishment of a simple certification procedure for some segments of the SSA local market.



Positive influences	Negative influences
Steady growth in the value of grocery which includes fruit and vegetables	The fruit and vegetable market in the UK is generally regarded as being mature and therefore not good for new entrants
	Increasing strength of multiple-retailers will result in more FFV having to be certified. Multiple retailers account for 84 per cent of FFV sales – an increase of 2.2 per cent between 2000 and 2002
Increase in number of convenience stores	Increase in number of multiple-convenience stores that demand certified products
	Decrease in number of independent convenience stores who do not demand certified products – which has led to a decrease in non-certified FFV sales. Outlet numbers fell by five per cent and sales fell by four per cent from 2005–07
Increase in popularity of ethnic restaurants – (although much of the fresh produce that is used are temperate vegetables that can be grown locally)	
Promotion of FFV for healthy lifestyles – but the FFV market is reaching its peak with consumption at about 2,300 grammes/person/week	Promotion of local production in both retail and food service outlets
	Environmental concerns regarding air freight of FFV
Steady increase in demand for ethnic food – from 22 to 30 gram/person/week over last five years	Preference of some restaurants to promote local and seasonal products
Growth in food service sector	Increasing demands by food service industry for traceability as the industry consolidates
	Even smaller food service companies are increasingly demanding the auditing of supply chains
	Local government institutions wanting to support local production and reduce their carbon footprint
	Consolidation in the food service industry will result in fewer, but larger, catering supply companies, which will demand higher standards of certification
	Overall, sales in the wholesale markets are, at best, steady and there is a switch from supplying retail outlets to the food service sector – much of which is very cost conscious

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