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Opportunities for small-scale farmers in sub-Saharan Africa to supply the UK fresh fruit and vegetable markets

Accord Associates LLP

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Abbreviations/acronyms/exchange rates

BRC	British Retail Consortium
CEO	Chief Executive Officer
C&F	Carriage and Freight
C. stores	Convenience stores
DFID	Department for International Development
DEFRA	Department for Food and Rural Affairs
EU	European Union
EurepGAP	Euro-Retailer Produce working group's Good Agricultural Practices
FFV	Fresh Fruit and Vegetables
FOB	Free on Board
HACCP	Hazard Analysis Critical Control Points
HCDA	Horticultural Crops Development Authority
G8	Group of Eight
IDEA	Investment in Developing Export Agriculture
IGD	Institute of Grocery Distribution
ISO	International Organisation for Standardisation
SSA	Sub-Saharan Africa
UK	United Kingdom
USA	United States of America
USAID	United States Agency for International Development

£	UK pound sterling
USD	US dollar
€	Euro
ha	Hectare
kg	Kilogram
t	Tonne

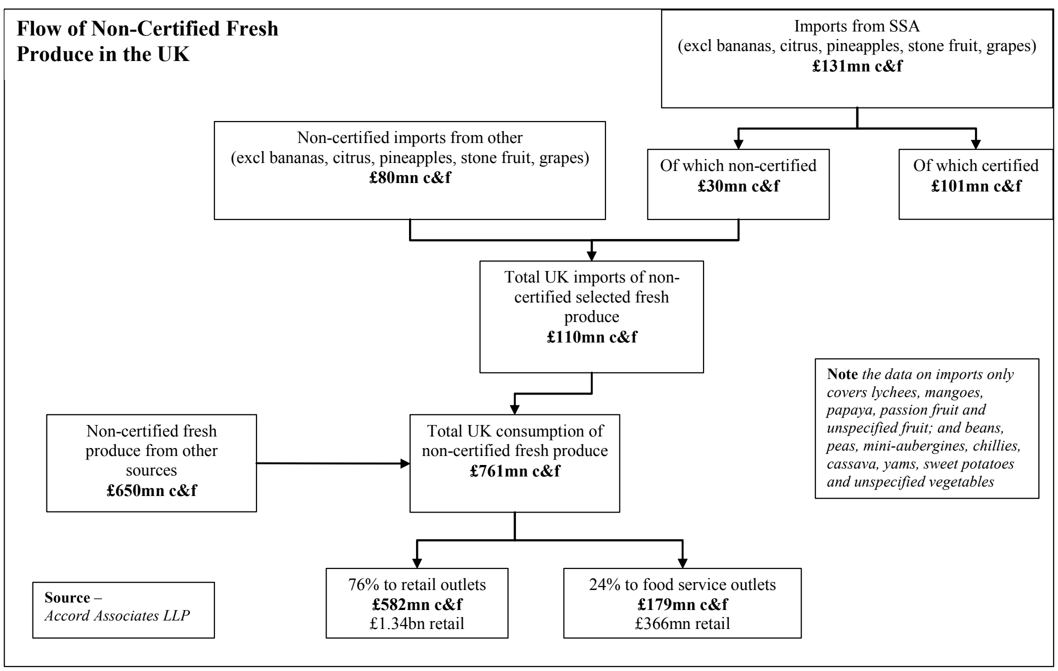
Exchange rates (May 2007)

£ 1.00 to USD 1.98
€ 1.00 to USD 1.34
£ 1.00 to € 1.48

Executive summary

In its continuing efforts to help reduce poverty in developing countries, DFID has tried to promote the international trade in horticultural produce grown by small-farmers. It has been suggested that there could be a good opportunity for small-farmers in Sub-Saharan Africa to supply fresh fruit and vegetables that have not met the certification standards demanded by the supermarkets. There has been only a very slow uptake by small-farmers to supply the markets that require, for example, EurepGAP-certified produce and therefore, it was decided to investigate the market opportunities for non-certified fruit and vegetables. The market opportunity was thoroughly researched in April and May 2007. The research concentrated on numerous trade and market interviews and an analysis of the import data.

The UK market for non-private sector certified fresh fruit and vegetables was estimated to be in the region of £1.71 billion (retail values). This was broken down into about £1.34 billion in the retail sector and £0.37 billion used in the food service industry. The C&F value was estimated to be in excess of £750 million. However, the research indicated that only about £30 million/year was supplied by SSA small-farmers (i.e. about 4 per cent). The main products supplied are ethnic vegetables, yams, chillies and mangoes. SSA therefore competes for the very labour-intensive crops because of its cheap labour or for tropical crop production because of its well suited climate.



The research identified the main drivers for the fresh fruit and vegetable market to understand whether SSA producers have the opportunity for further expanding their sales of non-certified produce. As with all industries, there are a number of drivers that impact on the trade; some are positive and some are negative.

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

Positive influences	Negative influences
Steady growth in the value of grocery and fruit and vegetable sales	Overall, the fruit and vegetable market in the UK is regarded as being mature
	Increasing strength of multiple-retailers will result in more FFV having to be certified. The multiples account for 84% FFV sales – an increase of 2.2% between 2000 & 2002
Increase in number of convenience stores	Increase in number of multiple-convenience stores – that demand certified produce
	Decrease in number of independent convenience stores (who do not need certified produce) – which has led to a decrease in FFV sales through this segment. The number of outlets was down by 5% and sales were down by 4% between 2005 and 2007.
	The fresh produce market is regarded as mature – therefore not good for new entrants.
Increase in popularity of ethnic restaurants – but much of the fresh produce that is used are temperate vegetables that can be grown locally	
Promotion of fresh fruit and vegetables for healthy lifestyles – but FFV consumption remains steady at about 2,300 gram/person/ week	Promotion of local production in both retail and food service outlets
	Environmental issues regarding air freight of FFV
Steady increase in demand for ethnic food – from 22 to 30 gram/person/week over last 5 years	Preferences for some restaurants to promote local and seasonal production
Growth in Food Service sector	Increasing demands by Food Service 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
	The consolidation in the food service industry will result in fewer, but larger catering supply companies which will demand higher standards of certification
	Overall, the sales in the wholesale markets are, at best, steady and there is a strong switch from supplying retail outlets to the food service sector – much of which is very cost conscious.

Overall the main conclusion is that the market for non-certified fresh fruit and vegetables in the UK market is large, but very little is currently supplied by SSA small-farmers. It is predicted that the overall market for non-certified produce will decline and that the opportunities for new SSA suppliers are extremely limited. On the whole, the drivers that impact the sales of fresh fruit and vegetables are against the increase in sales of non-certified produce.

The main recommendations are:

- DFID 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, there are probably better opportunities for rural poverty reduction by helping small-horticultural farmers trade in markets where they have greater comparative and competitive advantages, e.g., local markets, neighbouring countries and possibly the Middle East.
- The companies importing non-certified produce from some SSA countries sometimes had problems with consignments being detained whilst the validity of the phytosanitary documentation and other quality standards were assessed. This is, in part, due to authorities not having complete confidence in the inspection procedures in the exporting country. Consideration must be given to improving plant inspection services in the exporting country in order to speed the acceptance of products in the UK.
- It is thus 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 procedures for establishing a simple certification procedure for some segments of the SSA local market.

1 Introduction

Background

This assignment is part of the *Small-scale producers and standards in agrifood supply chains* project, which is funded by the Department for International Development (DFID). This project is working with food retailers, manufacturers, standard-setting bodies, traders and producers to ensure that supply chain standards and other procurement practices do not unduly discriminate against small-scale producers in developing countries. The project focuses in particular on export horticulture in Africa, in the context of the Africa Commission report, the focus on Africa within the 2005 Group of Eight (G8) summit where the United Kingdom (UK) held the Presidency, and the debate on the private sector's role in development.

The rationale for the umbrella project is that there is strong evidence that exporters are moving away from the smallest of growers, not because of product quality or productivity, nor with a scientific basis, but because of transaction costs associated with private retailer standards, regarding both managing their implementation and demonstrating compliance. It is not therefore clear whether African small-scale farmers' exports destined for the major retailers abroad can remain viable. The cost-price squeeze generated by downstream industry participants includes lower prices but is underscored by costs of compliance with higher standards of production. Nevertheless, one of the prime assumptions for this assignment is that these export markets are still considered profitable for all farmers of all sizes. It must be recognised that only some countries with suitable climates will be able to grow and export profitably and that, as with many agricultural activities, there are very often economies of scale to be gained by larger productive units.

One of the key assumptions in the background to the study is that some procurement practices of retailers, particularly supermarket chains, contain implicit yet non-financial/ non-price standards and barriers to entry to markets. For example, the background to the Terms of Reference notes that one of the requirements of the multiple-retailers is continuity of supply and that they impose fines if this condition is not met (i.e. if the producer undersupplies). To be able to supply on a continuous basis requires advanced technology - and can work against small-scale producers**.** Imposing fines is, of course, a financial barrier but it does indicate the problems faced by smaller farmers. The standards issue compounds other constraints facing sub-Saharan African (SSA) production, such as high costs and availability of air freight, lowering their competitive position. Additionally, there is a widespread perception that most of the costs of training, certification and internal monitoring currently has to be paid from outside. No smallholder group in Africa has achieved certification on its own, including costs.

There are several schools of thought about how to reverse the marginalisation of small-scale producers and SMEs.

- Sharing of costs and risk between retailers and small-scale producers, or at least contributing to the initial investments required for small-scale producer compliance and certification, such as training, as a shared responsibility for raising standards; or translating certification into better margins for producers, because currently there are no premiums.

- Implementation by retailers of policies to source a portion of their produce from small-scale producers.
- Efficiencies in implementation and certification. This includes emphasis on bringing down the cost of certification, e.g. through establishing national accredited bodies.

There are some issues with the above assumptions. For example, there are obviously benefits for supplying markets that demand certification; these include access to larger and more reliable markets where more consistent and better margins can be attained[1]. Exporters must realise that attaining standards is a minimum market entry requirement and not think in terms of seeking higher premiums; although it is the ability to access potentially more profitable markets that drives the attainment of the standards. Once a farmer has established the necessary standards to supply the major multiple-retailers, they have the opportunity to establish better financial planning as their markets, and prices, are more secure than when supplying markets that do not require certification. Although being certified does not guarantee market security; there are plenty of examples where multiples will stop purchasing from a supplier at very short notice.

It is also important to realise that all produce entering the UK must adhere to legal standards, i.e. must have phytosanitary certificates, must not have pesticide residue levels above certain maxima set by either the EU and/or the UK authorities, and must be labelled correctly. Also, it is a legal requirement for any actor in the horticultural supply chain to be able to identify where all the produce traded has been purchased. Multiple retailers can be encouraged to source some of their fresh produce from small-scale farmers, but if these are more costly, it is likely that these will be passed on to the end-buyer – as is the case with Fairtrade produce which is supported by the main UK-based supermarkets.

One of the assumptions of the assignment is that different supply chains offer differentiated opportunities for smallholders and smaller suppliers due to different levels of private sector governance. Thus, wholesale markets, food service and independent retailers can provide greater sales opportunities for smallholders because standards for traceability and food safety are closer to legal maxima, without the more stringent private sector standards required by multiple supermarkets. Other features, such as shorter payment terms and acceptance of small volumes, may also be more conducive to smallholder involvement. However, it must be recognised that these wholesale markets will be much more price volatile and less secure than those chains that connect smallholders to the large supermarket chains. One of the objectives of this assignment is to evaluate these basic assumptions.

Other assumptions that have also been made as part of the rationale for the study are that the importance of the non-multiple retailer channel as a market for African fresh fruit and vegetables has been underestimated. For instance, it is generally assumed that the multiples hold 80 per cent to 85 per cent market share of the UK's fresh fruit and vegetable market but these supermarkets might be less important in the sales of SSA produce. The remaining 15 per cent to 20 per cent is sold predominantly through independent convenience stores, corner shops and street markets, many of which are based in areas of high concentrations of ethnic populations. It is therefore assumed that these outlets in areas of high ethnic populations could have a larger demand for "exotic fresh fruit and vegetables". In reality, it is more likely that supermarkets are more important for some SSA-produced lines, e.g. green beans and

[1] As will be noted later, one of the disadvantages of supplying to the non-certified market is that market prices fluctuate much more than when supplying the major retailers. Some days supplying the wholesale market can be quite profitable; other days the exporter/farmer can lose money.

mangetout, whereas they will be much less important for certain ethnic lines such as yams and Asian vegetables.

It was also recognised at the start of the research that due to tightening up of European legislation and due to the food service and convenience retail sectors taking on some of the 'buyer-driven' characteristics of multiple retailing, there are changes underway in wholesale markets which can threaten their status as refuges for smallholder produce. Therefore, the increasing consolidation of the major players in the retail chain allows catering buyers to procure direct from importers thereby avoiding the traditional wholesale markets.

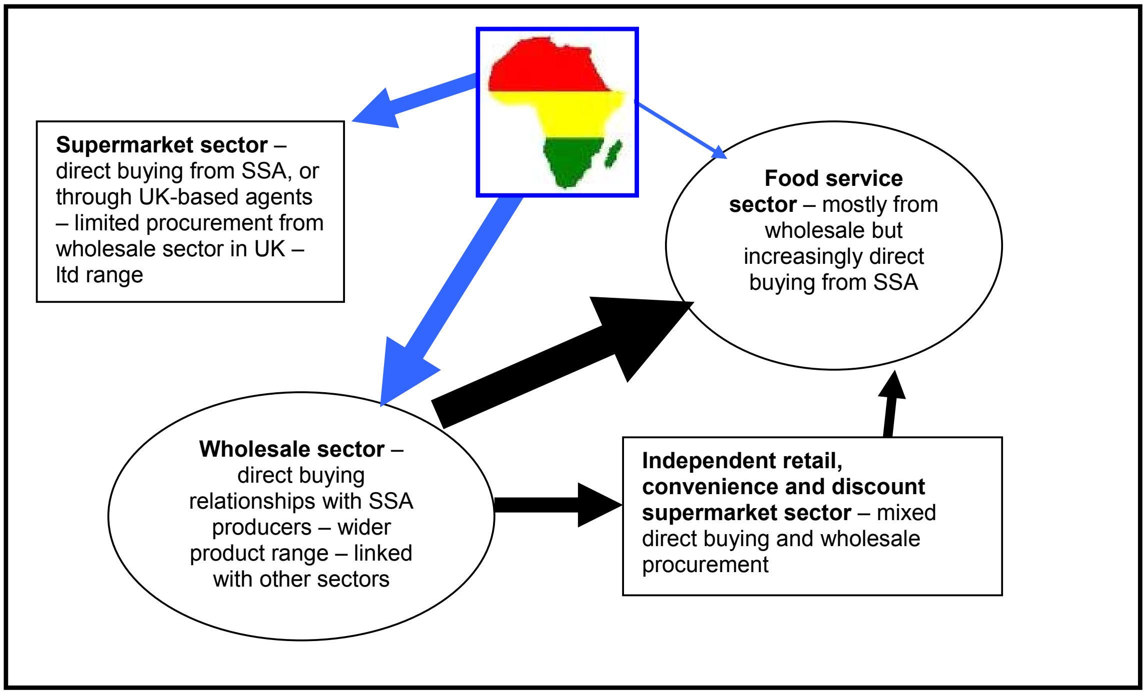
Objectives of the assignment

The first phase of this mapping study researched the supply-side dynamics of export horticulture from sub-Saharan Africa to the UK. This current assignment builds on the original work and now concentrates on the demand-side dynamics in the UK, with a specific focus on the non-supermarket sector (i.e. the non-multiple retail sector). The food consumption sector in the UK is dynamic, complicated, and different by season. The intention of the work is to further investigate the broad categories illustrated in Figure 1.1 with a view to understanding more clearly where African produce is traded and consumed. The study will determine the drivers underlying procurement from SSA for these categories and will specifically describe the opportunity for produce from SSA.

The full Terms of Reference for this study are given in Appendix 1.1. However, the broad objectives can be characterised as follows:

- To describe, in broad terms, the main channels of the UK food consumption market described in Figure 1.1. To comment on: how they differ in terms of prices offered, payment terms and stability of trading relationships; the governance regimes (both public and private sector) currently in place and how they are likely to change in the short to medium-term.
- To take a more detailed look at the position of Sub-Saharan Africa (SSA) produce in the four broad categories. To comment on the comparative/competitive position of SSA suppliers in these supply chains. To describe the profile of African produce entering the main four sectors.
- To quantify fruit and vegetable imports from SSA into the UK (where possible using official data, grey data or personal communications). To review market trends and estimate how much is marketed through multiple-retail outlets and how much is sold via the non-multiple retail outlets.
- To identify the main keys for stimulating African producers in general, and smallholders in particular, competing effectively in the UK via the different chains.
- To identify how UK buyers procure from Africa and how this procurement could be helped/changed to enhance producer benefits.

Figure 1.1: Diagram showing the fresh food sector in the UK



Source – IIED

It needs to be recognised that many of the opinions obtained in this research came from unstructured interviews. It should also be stressed that gathering accurate data on the imports of non-certified fresh produce was virtually impossible, as it is not specifically collected. Therefore, best estimates have been made on the basis of the interviews and the analysis and interpretation of official import data. In particular, getting meaningful price data from traders was virtually impossible. Whilst the traders would indicate the value of the item, it was virtually impossible to compare it with other supply chains. This is because wholesale prices vary enormously throughout the day and from day to day and because of the considerable differences in quality between the different traders and the different supply chains.

Definitions

It is important to clarify a number of definitions.

Fresh fruit and vegetables – The main thrust of this assignment is to explore the opportunities for fresh fruit and vegetable imports grown by small-farmers from Africa. The main fresh produce imports from Africa are plantation crops such as bananas, pineapples and citrus fruits whose output is targeted at the multiple-retailers and has therefore attained private sector certification. As the assignment is focused on small-farmer production, the research has focused on products that have opportunities to be supplied by SSA – these include green beans and mangetout mainly from Kenya, Zambia, Zimbabwe and Tanzania, Asian vegetables from a range of countries and yams from West Africa, mainly Ghana. Therefore, little cognisance was taken of the plantation crops.

Sub-Saharan Africa – traditionally, SSA tends to exclude South Africa. Even though it is recognised that South Africa is a major exporter of fresh fruit, this assignment has mainly concentrated on the traditional definition of SSA.

Multiple-retailers – This refers to the main supermarket chains that dominate the UK fresh produce market. As all fresh fruit and vegetables sold via multiple retail outlets should be EurepGAP-certified, this sector was not researched in depth.

Wholesale markets – There are a number of wholesale markets scattered throughout the UK. They supply most of the fresh fruit and vegetables to the independent retail outlets and a significant amount to the food service sector. In general, this trade cannot demand standards other than those set by the importing authorities and are therefore legally required.

Independent stores – These are simply stores that are not part of the multiple chains. They are smaller outlets and are generally part of the group convenience stores, which include corner and neighbourhood shops.

Convenience stores – This is a category that is based on store size and encompasses independent stores, smaller multiple-retail outlets and symbol shops. These are also sometimes referred to as C-stores or neighbourhood shops/stores.

Food service sector – This covers the places, institutions, and companies responsible for any food consumed away from home and is generally synonymous with hotels, restaurants and catering. In fact, it is often just referred to as the catering industry. One of the basic assumptions for the assignment was that this sector represents one of the more interesting opportunities for non-private sector certified produce from SSA.

Catering suppliers – These are companies that specialise in supplying the food service sector. They range from traditional "Cash & Carry" outlets to companies that specialise in delivering on a regular basis.

Private sector standards – The most widely discussed private sector standard is the Euro-Retailer Produce working group's Good Agricultural Practices (EurepGAP)[2]. This was established by the main European multinational retailers and all produce sold through them is expected to comply with it. The basic aim of EurepGAP is to ensure that the fresh fruit and vegetables sold by retailers are safe for human consumption. The UK supermarkets will often have their own standard, e.g. Tesco's "Nature Choice" and Marks and Spencer's "Field to Fork", but they are generally a variant of EurepGAP, and if an exporter already has EurepGAP certification, it is relatively simple to upgrade to one of the individual supermarket's own-standards.

Basic legal standards for the import of fresh fruit and vegetables – It is sometimes believed that fresh fruit and vegetables imported into the UK not destined for the multiple-retailers do not require any standards. This is incorrect – produce imported into the UK must have phytosanitary certificates issued by the exporter's government, forms to confirm its country of origin (EUR 1 forms), it must be labelled correctly and must not have pesticide

[2] EurepGAP was established in 1997 by the main EU retailers. However, it has grown in importance and the Eurep Board decided to re-brand EurepGAP as GLOBALGAP. This decision was announced on September 2007 at the 8th global conference in Bangkok. As the research for this study and the subsequent write-up occurred before September 2007, the acronym EurepGAP is still used.

residues above certain maximum levels. Produce imported from non-EU countries is often held at airports to confirm the accuracy of the phytosanitary certificates; officials from the Department for Environment, Food and Rural Affairs (DEFRA) often check the accuracy of labelling in the wholesale markets and there are occasionally samples taken for pesticide residue analysis.

Due diligence – this phrase is often used by traders in the supply chain to confirm that they are doing all they can to ensure that the product they sell is safe. In effect, it gives them confidence if they are ever taken to a court of law for selling unfit food.

Layout of the report

The report is divided into seven chapters. The next chapter discusses the supply chain of fruit and vegetable imports into the UK. The following chapter reviews the scale and trends of fruit and vegetable consumption in the UK. The fourth chapter reviews the structure and trends in the UK grocery and food service industry. The fifth chapter analyses the import statistics of products from SSA. The sixth chapter reviews the opinions and perceptions of the actors to non-EurepGAP produce and, in particular, produce from SSA. The final chapter discusses the conclusions and makes some recommendations that can be used by DFID for the development of their policies to assist in reducing poverty in developing countries.

The methodology used to undertake the assignment is described in the Appendices (Annex 1.2).

Acknowledgements

The main author of the report is Dr Andrew Sergeant, an agribusiness and marketing specialist, who was supported by Dr Peter Jaeger, a market research specialist[3]. The consultants are pleased to acknowledge a debt of gratitude to many traders and stallholders in the wholesale and street markets who contributed their time and opinions freely to assist with this assignment. Equally accommodating were the importers and catering companies based on the wholesale markets. A list of people interviewed is given in Annex 1.3.

The consultants are especially grateful to Michael Paske and James Cartwright for their constructive support and advice. Finally, special thanks to James MacGregor, Bill Vorley at IIED, John Linton and Andrew Graffham at NRI for their considered guidance and encouragement throughout the assignment.

The funding through DFID is acknowledged.

[3] Dr Sergeant and Dr Jaeger are both Senior Partners of Accord Associates LLP.

2 The supply chain for fruit and vegetable imports into the UK

Background

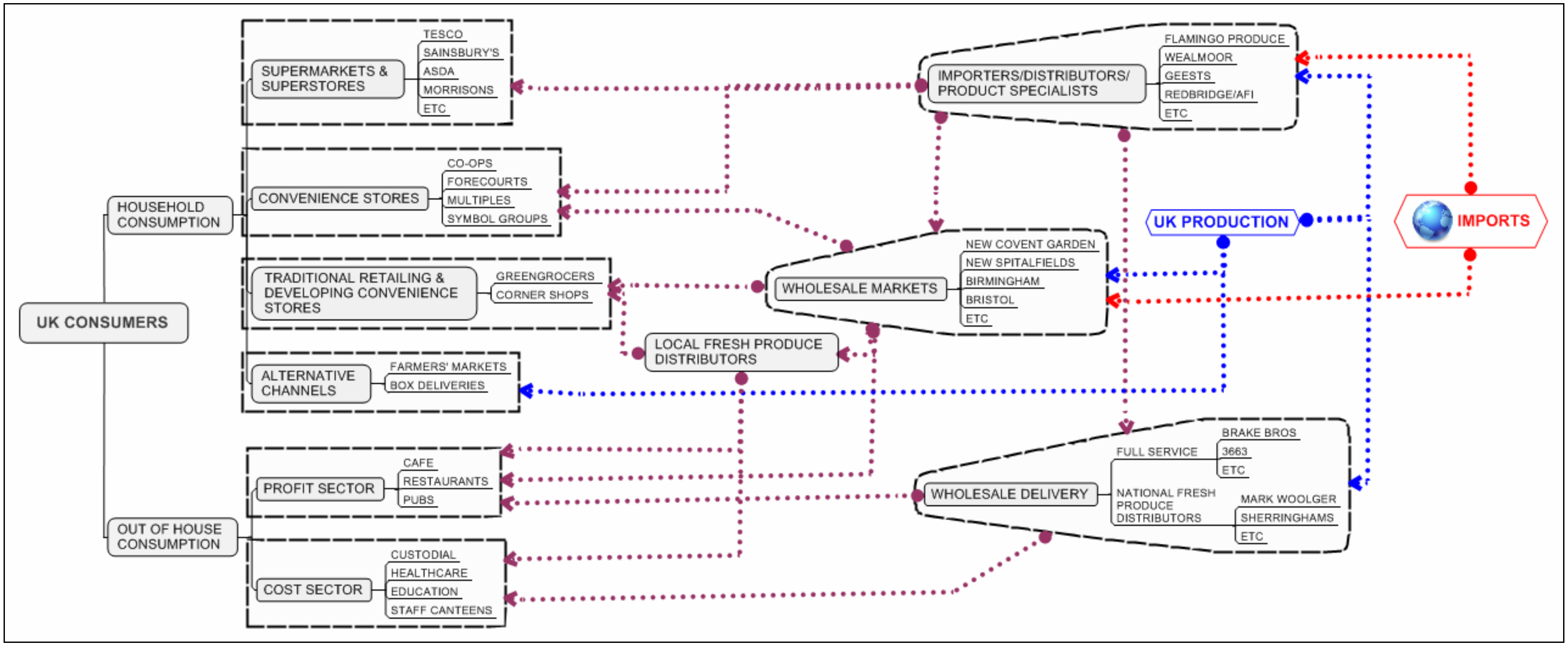
There are two main marketing supply chains in the UK for fresh fruit and vegetables imported from SSA and other developing countries[4]. The first and biggest supply chain starts with importers who then supply direct to the multiple retailers, supermarket chains or the large food service supply companies. The other chain again starts with importers, but the produce this time is traded through wholesale fruit and vegetable markets. Once the produce enters the wholesale markets, there are a number of routes that can be traced to the end-consumer; the multiple retailers/supermarket chain is much simpler (Figure 2.1). The retail outlets have been divided into four different groups depending on the size of the store/shop. There are many types of food service industries, but these have been divided into profit and cost sectors. The profit food service organisations are those that charge the customer for the service and therefore generate profits, e.g. restaurants, pubs, cafés. In the cost sector, the recipient of the service does not normally pay for it; examples include prisons, hospitals, schools, industrial canteens.

The map described in Figure 2.1 is more detailed than that shown in Figure 1.1. It is important to note that supermarkets do not buy direct from producers whether in SSA, the EU or the UK – they always use an intermediary to take ownership and responsibility until it is received in their depots. The main importers used by supermarkets are almost all based away from the wholesale markets and they are increasingly important suppliers to the large catering supply companies.

There are a different set of importers based in the wholesale markets who sell either through their own stalls or they often redistribute their produce to stallholders in the wholesale market where they are based or throughout the country – but they do not normally supply the supermarket chains. The wholesale markets supply much of the fresh fruit and vegetables to some of the smaller retail and food service outlets. There are very few direct imports of fruit and vegetables by shopkeepers. The only reported instances of direct imports by shopkeepers were of Bangladeshi produce, though it is believed that some Ghanaian yams might be imported by some retail outlets.

[4] As will be described later, there are a few shops/independent supermarkets that import non-certified produce for sale in their own shops and distribution amongst neighbouring shops. This is only a very small amount of produce – probably no more than a thousand tonnes per year, and it mainly comes from Bangladesh.

Figure 2.1: Supply chains for imported fresh fruit and vegetables to the retail and food service outlets



Source – Accord Associates LLP
Note – Symbol stores would include Lidl, Spa etc.

The main focus for this research is to understand the scale of the markets for non-certified produce, because this is where it is believed that there are no standards other than the legal ones set by governments and the EU. The vast majority of this non-certified produce will be sold through wholesale markets and will reach the consumer via independent convenience stores or used in some sectors of the catering industry. There is a small amount of produce that is imported directly by small supermarkets or by companies that specialise in supplying convenience stores.

By far the most important supply chain is via the multiple retailers or supermarket chains. Produce destined for supermarkets will be grown by farmers that are EurepGAP-certified, or the producer will be going through the certification process. In the case of SSA small-farmers, they will market to the UK via an exporter, whilst larger growers will often export themselves, but, in countries such as Kenya, there are many large-growers who now prefer to supply to an exporter[5]. UK supermarkets do not import fresh fruit and vegetables from SSA, but the exporter appoints a UK-based company that is the link with the supermarket. This company is the importer and marketing agent. Even though the supermarkets do not import directly, their representatives will visit all producers and evaluate their capabilities and food safety standards. The importing company provides a number of functions, including marketing of the produce, providing the important link between the exporter and the supermarkets, confirming quality, and undertaking the administration and documentation associated with importing and private sector standards[6]. They will also market any produce that falls out of the supermarket's specifications or that is surplus to its requirements. Effectively, this will be via the wholesale markets unless it is sold directly into the food service sectors or possibly directly to processors. All the fresh fruit and vegetables that are sold through supermarkets should be EurepGAP-certified while this is not necessarily the case with wholesale markets. Produce sold in wholesale markets will be produced on farms that are certified and non-certified; it currently does not matter whether produce sold through the wholesale markets has any private sector certification. All the wholesale traders interviewed stated that their buyers did not bother whether the produce was certified or not; which was confirmed by their buyers. Therefore, there is no price premium for certified produce over non-certified produce sold in wholesale markets – the factors that affect price are, obviously supply and demand as well as the product's physical appearance.

The fresh fruit and vegetables from developing countries destined for the food service sector has two supply chains that are in many ways similar to the retail chains. Most of the food service companies obtain their fresh fruit and vegetables from specialist suppliers – often referred to as catering supply companies. A significant portion of the food service sector requires produce that has been grown to the same standards as demanded by supermarkets, i.e. it has private sector certification[7]. Therefore, the companies supplying fresh fruit and vegetables will often source their non-EU requirements direct from the same importers who are also supplying supermarkets. However, many of the smaller food service organisations will often buy direct from wholesale markets or use suppliers who purchase at these markets

[5] This is partly because of the limited number of UK-based multiple retail outlets; there is a tendency for them to simplify the chain by reducing the number of exporters in each country.

[6] For many African-based exporters who supply the multiple-retailers, the importer undertakes an important function of ensuring that all the standards are correctly adhered to and recorded.

[7] Increasingly the institutional buyers and large chains of restaurants/food outlets are demanding that the fresh produce they prepare be safe – and the easiest way to achieve this is to implement the same standards as the supermarkets.

on their behalf. Therefore, some of the suppliers to the food service sector do not expect their produce to have higher than the legal standards. One of the tasks of this assignment is to estimate the quantity and value of non-certified fresh fruit and vegetables used by the food service sector.

Importers

There are many importers of fresh fruit and vegetables into the UK. For instance, according to official data, there were 325 different importers of "Other Vegetables" in 2006[8]; this was significantly down from the previous two years. These importers range from the large multi-national companies that import fruit by sea to small-shops that buy produce and air-freight it from developing countries. The number of importers of yam has also declined over the years considered. Importing of yams is reportedly a very volatile business because if a number of containers arrive at the same time, the market prices fall dramatically and importers can lose a lot of money.

Table 2.2: Number of importers of selected fresh fruit and vegetables, 2004/6

Product	2004	2005	2006
Aubergine	40	49	48
Yams	73	61	47
Other Veg	430	430	325
Capsicums	86	101	124
Fresh Legumes	112	115	118
Manioc	9	10	15
Papaya	126	118	106
Plantain			43
Passion Fruit	22	21	30
Dates, Figs, Pineapples, Avocados			349
Sweet Potatoes	50	45	45

Source – Accord Associates LLP, based on HM Customs' data.

Over the last few years there has been a tendency to categorise fresh fruit and vegetable importers into either those that target the supermarket trade or those that do not. Examples of large-scale fruit importers include Capespan and Company Fruitière. The big importers of air freighted fresh fruit and vegetables from SSA include Flamingo Produce; examples of medium-companies would include Exotic Farm Produce, Wealmoor and Pauls Veg.

It is important that an exporter develops a symbiotic strategic partnership with the importer, where both parties benefit from higher prices. Virtually all importers of African produce operate similar terms and conditions. The importer charges the exporter a commission basis (generally between 8 per cent and 12 per cent) and also pays all the direct costs in the UK to get the produce to the market and then charges these on to the exporter. These charges would include the costs of airport clearance, transport and storage, any repacking and documentation costs. In reality, the importer will deduct about 25 per cent to 30 per cent from the selling price – this is generally the case whether the product is sold via supermarkets or via wholesale markets. Importers sometimes have to reposition produce from one market segment to

[8] Data obtained from Her Majesty's Customs gives the name of every importer of different category of product and, in this case, the number of importers of the category "Other Vegetables (07099090)" were counted.

another if there is a problem with quality or oversupply; any costs associated with this would be passed on to the exporter.

Wholesale markets

There are a number of wholesale markets situated in many of the main towns throughout the UK. From the perspective of importers, they are often divided into primary and secondary markets. The primary markets include New Covent Garden, New Spitalfields and Western International Markets, where many importers are based who redistribute part of their stock to smaller, regional secondary markets – such as Bristol, Leicester etc. Birmingham is an interesting mix – it can be considered as a primary market because stall-holders import a considerable portion of produce from the EU, but virtually all the SSA produce sold there is obtained from other wholesale markets.

As part of the research, five wholesale markets were visited.

a) New Covent Garden Market. Covent Garden Market moved to its current site at Nine Elms in 1974. It is sometimes referred to as the "larder of London". Originally, it existed primarily as a wholesaler for street markets, shops (convenience stores) and to, a lesser degree, restaurants and other food service outlets. More recently, supplying the food service and catering industries has grown considerably – which means its customer base has changed. In fact, it claims to be the home of the biggest concentration of catering companies in the country, with at least 60 located within its premises. The total sales value of fresh fruit and vegetables at New Covent Garden Market was £296 million in 2005; with £156 million from the wholesaling trade and £140 million through catering suppliers based in the market[9]. It is likely that some of the wholesale trade is destined for the catering sector, as small mobile catering suppliers will purchase produce on behalf of locally-based restaurants and other food service companies. During the interviews with street vendors and shopkeepers, only a very few stated that they purchased their stock from New Covent Garden. Even those located relatively near to New Covent Garden Market, e.g. New Cross, Lewisham and Deptford, claimed that their produce was purchased from New Spitalfields market, either directly by themselves or by commission agents (who are referred to as "local fresh produce suppliers").

During the visit to the market, very little produce from SSA was seen and the comments by the traders were that this source accounted for less than two per cent of the throughput. This would mean that the total retail value of SSA produce was in the order of £6 million (which is the equivalent of about £4 million in C&F value). Most of the SSA produce sold was fine beans, mangetout and sugarsnap peas from Kenya. These products were grown by Kenyan producers who primarily targeted the multiples[10]. Some traders noted that they sold a range of fruit from South Africa and grapes from Namibia.

Compared with the other wholesale markets visited, New Covent Garden had very few ethnic products – there was an almost total absence of yams, Asian vegetables and hot chillies. Most of the chillies on sale were the "mild types" from Jordan. This was attributed to the fact that most of the smaller catering suppliers[11] who used New Covent Garden were providing for

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[9] Data supplied by the Covent Garden Market Authority.

[10] During the consultant's visit, mangetout and green beans were seen from the Kenyan company, Vegpro, Kenya's biggest vegetable exporter to the UK.

[11] Of course, larger catering suppliers will purchase most of their fruit and vegetables from direct/specialist importers.

customers based in the centre of London where the demand is predominantly for non-exotic meals for price-conscious consumers[12].

There are very few importers of produce from SSA and other developing countries based in New Covent Garden. The traders selling such lines obtained them from importers based outside of the market, e.g. Planet Produce.

As noted earlier, New Covent Garden has changed over the last few years and there are now fewer trading companies (wholesalers) and more catering suppliers operating in the market[13].

b) Western International Market. This market was established in 1974 and is situated near Heathrow and is therefore ideally located to receive air freighted imported produce. The market will soon move to a new purpose-built site adjacent to the existing one. It is the traditional chain of produce for West London and supplies a range of traders in secondary wholesaler markets along the M4 corridor towards Bristol.

Data presented by Nicholas Saphir stated that sales through Western International market did not change between 1990 and 2000[14]. This decade of static growth coincided with the growth of multiple retailers and the development of marketing channels away from wholesale markets. More recently, this market has gained a niche as a significant supplier of ethnic produce to West London retail outlets and catering companies but it has a lower concentration of catering companies than New Covent Garden. Because of its proximity to Heathrow, there are a number of importers based at the market who specialise in importing from developing countries all the year round, e.g. Fruity Fresh, Dhillans Farms and Saliko. Between them, it was estimated that these companies probably import about 100 tonnes of produce per week from developing countries, mainly Asian vegetables, chillies and mangoes. The main origins of these products were Ghana, Uganda, Kenya and India. Many of the other companies based in the market imported smaller amounts of produce at certain times of the year; for example, mangoes from India during its harvesting season.

Western International Market has developed a reputation as a major supplier of ethnic produce and it is hoped that the move to the new site will cement this position although some companies reported that they were not going to move to the new site (e.g. AFI/Redbridge). It does play a major role as a valuable transaction point for retailers and restaurants in West London to purchase fresh produce. Neither the Tenants Association nor the market supervisor kept records of the total sales through the market. The only source of estimated turnover for this market was provided in Nick Saphir's report, which estimated it at £300 million in 2000. Discussions with traders put SSA sales at just under five per cent, i.e. between £12 million and £15 million/year, assuming total sales were similar to the year 2000[15]. This would be the equivalent of a C&F value of about £8 million to £10 million/year.

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[12] Many of the customers are catering suppliers who are servicing institutions such as hospitals and schools, both of whom wanted healthy options but also operated on limited budgets.

[13] Many of the units in New Covent Garden have become bases for catering suppliers to bring in product and break it down for redistribution. Therefore, there are considerably fewer units open for retail trade.

[14] Review of London Wholesale Markets by Nicholas Saphir (2002) commissioned by the DEFRA and the Corporation of London.

[15] It is recognised that the total sales value at Western International has probably increased since 2000, but there is no data to estimate by how much it has grown.

c) New Spitalfields Market. This is the biggest wholesale market for fruit and vegetables in the UK[16]. It moved to the current site in the London Borough of Waltham Forest in 1991 and there are about 130 companies based in the market. The Tenants Association estimates fresh fruit and vegetable sales to be almost £500 million per year and that 15 per cent of the sales are by catering companies based in the market. However, as with New Covent Garden, a considerable portion of the fresh fruit and vegetables sold by the market traders is to small companies (or individuals) who then distribute to restaurants, retailers and catering outlets[17]. This market has a reputation for supplying independent convenience stores and street market vendors in the East of London as well as the eastern and south-eastern counties. It provides a useful clearinghouse for selling produce that is surplus to the requirements of the supermarkets, and it has strong connections with the ethnic communities with, in particular, the Chinese and Turkish communities making it their main base for procuring supplies for ethnic convenience stores and restaurants. However, this trade is for particularly low-priced produce. Of course, this is one of the characteristics of the wholesale markets – they tend to be a conduit for low-value produce.

Spitalfields Market, like Western International, has a reputation for being a major recipient of produce from developing countries. The Tenants Association estimates that 35 per cent of the wholesale traders are "ethnic", with many of them being Turkish owned. However, the market sales of all traders, including those focused on the ethnic trade, are still dominated by traditional product lines such as potatoes, onions, and tomatoes, as well as bananas, apples and citrus fruit. Of the ethnic product lines that were grown in Africa, there were significant volumes of yams, mainly from Ghana, and an array of Asian vegetables from India, Ghana, Uganda and Kenya. There were very few mangetout and green beans from Kenya. Even with the significant amounts of yams, traders and wholesalers still stated that less than five per cent of the produce originated from SSA. This would mean that the sales from SSA would be, at a maximum, about £25 million/year, which would equate to a C&F value of about £18 million/year.

The Tenants Association and the importers were confident that the trade through the market would continue to grow. Most of the traders interviewed claimed that the market was reasonably well balanced for supplies from SSA – if there was much more supply it could cause a significant reduction in selling prices. However, a few traders stated that they would be prepared to try selling produce from new SSA suppliers, but only on a commission basis!

d) Birmingham Market. This is regarded as the biggest wholesale market outside London. The current site was established in 1975 and besides trading fruit and vegetables, there are also areas dedicated to meat, fish, poultry, and flowers. The whole site turns over about £500 million per year, about half of which is fruit and vegetables, i.e. £250 million. The market authorities estimate that produce is obtained from 31 different countries, with 54 per cent by volume being sourced in the UK and a further 29 per cent from EU countries[18]. Therefore, only 17 per cent of its throughput originates outside of the EU – and very little of this is imported by companies based in Birmingham; they get most of their exotic lines from

[16] This statement is based on the data for 2005 provided by the respective Tenant Associations; this substantiates the observations made in Saphir's report.
[17] The catering supply companies can be divided into two. Those based at the wholesale market and who buy from suppliers on the market and outside of the market, bring back to their depot and then distribute. There are also other catering suppliers who buy from the traders, take it straight to their vans or lorries and then distribute it around London.
[18] Source – the Birmingham Wholesale Market website.

companies based in the London wholesale markets. The traders estimated that most of this came from countries such as the USA, Israel, South Africa and the banana-producing countries. Most of the traders believed that there was very little produce coming in from SSA and other developing countries – most of the estimates were between two and three per cent or "much less than five per cent." Therefore, the total value of produce from SSA would be about £6 million, which would equate to a C&F value of about £4 million/year. On the basis of observations made by the consultant, these estimates would appear to be correct – the majority of the larger companies sold very little exotic produce. There are a few small companies that specialise in exotic lines – mainly Asian vegetables from Uganda, Ghana, India, Pakistan and Kenya.

There are proposals to relocate the site outside of the city centre, probably nearer motorways, but nothing has been confirmed. The traders believed that sales were at best "steady" and that there was some restructuring in the market as some companies were closing down and there was an increase in the numbers and size of the catering supply companies.

e) Leicester Market. This market was visited because it is located in the city with the highest concentration of ethnic population in the UK. However, its wholesale market is only small with a very limited number of traders – in fact there were only two companies of any substance selling vegetables based in the market. Both of them confirmed that they sold very little exotic produce and, apart from very limited quantities of Kenyan green beans and mangetout (no more than 300 kg/week between them), they sold virtually nothing from SSA or other developing countries.

However, it should be noted that on the same trading estate as the wholesale market, there were two other fruit and vegetable wholesaling companies. One operated in much the same way as those on the market and the other is the country's biggest importer of non-EurepGap-certified produce into the country, Paul's Fruit & Veg. This company imports about 75 tonnes per week, mainly from India, the Dominican Republic and Ghana, and distributes a considerable amount direct to independent convenience stores in and around the Leicester area.

f) Summary of wholesale markets. Traditionally, wholesale markets provided the link between primary producers and retailers, manufacturers and catering. Most of the transactions that take place are on a commission basis. There were a few importers who would agree to buy from an exporter at a fixed price, but the vast majority of importers and traders agree to sell farmers'/exporters' produce for a fixed percentage commission. Besides being the location for establishing market prices and opportunistic marketing, the wholesale markets also performed a number of functions such as warehousing and product consolidation. As supermarkets achieved sufficient scale to undertake some of these functions, the bigger and possibly the better suppliers sold directly to them, thus bypassing the wholesale markets. As the supermarkets took more market share, wholesale markets increasingly became the recipient of produce that was out of the supermarkets' specification or surplus to their requirements – in other words they started to provide another service to the industry, that of being a place where product that could not be sold elsewhere could be marketed. However, they have still remained important for some specialist lines, such as ethnic produce. Therefore, traders based in the wholesale markets increasingly have had to survive on selling secondary quality and/or surplus produce and/or ethnic lines to independent retailers and street vendors. However, by the mid-1990s, the rising demand for catering has seen a stabilising of the status of wholesale markets, focusing on supplying mainly to catering distribution companies or specialist distributors who consolidate produce for a number of retailers or restaurants. This current status of UK's wholesale markets is in marked contrast to most other European countries that have a strong street market culture, which is also a conduit for mainly top-quality fruit and vegetables.

In summary, wholesale markets are becoming less important to the mainstream retail marketing of fruit and vegetables in the UK, but they are becoming increasingly important bases for the food service industries. They also play a very important role in the marketing of ethnic produce and for many of the non-affiliated small food retail outlets and restaurants. They are also very important to the exporters and small-scale producers of non-certified fruit and vegetables in SSA.

Nick Saphir's report estimates total sales of meat, fish, fruit and vegetables in London and the South East to be £11.2 billion and the sales through the wholesale markets is £1.55 billion – therefore wholesale markets supplied 20 per cent of the capital's requirements at the turn of the century[19]. His report estimates the total sales value of fruit and vegetables in the main London markets to be almost £1.1 billion in 2000/01[20]. The report estimates that, throughout the 1990s, New Covent Garden sales decreased by three per cent over the decade, Spitalfields increased by 14 per cent and Western International remained static. In other words, the value of fresh fruit and vegetables sold through the main London wholesale markets increased by an average of one per cent per annum, which in real terms represents a decline. Interviews with traders and importers during this assignment confirmed that total sales through the wholesale markets are, at best, static.

At each of the wholesale markets visited, the retail value of fresh fruit and vegetable sales of SSA products was estimated. In total, this amounted to about £50 million. This obviously does not capture the trade through other wholesale markets, e.g. Bradford, which is reportedly significant. Other smaller wholesale markets, e.g. Bristol and Nottingham, are reported to get their produce from the other larger wholesale markets. Therefore, the total retail value of SSA fresh fruit and vegetables through the wholesale markets is estimated to be between £55 million and £60 million/year. If this were converted back to C&F values[21], this would be about £37 million to £40 million/year. It is recognised that this analysis is very approximate, but it does give an indication of the scale of sales of non-certified fruit and vegetables from SSA. It is recognised that there could be a reasonable degree of error attached to the analysis – but the report is confident that sales through the UK's wholesale markets of non-certified fruit and vegetables (excluding plantation crops) supplied from SSA farmers will have a C&F value in the order of £30 million to £45 million per year). This would equate to an FOB value of about £25 million to £30 million – maybe at the higher end of this range as there are considerable sales of yams that have low freight costs.

[19] Given the growth in supermarket sales, the wholesale markets probably now account for less than 20 per cent of sales.
[20] This was broken down as £391,000 for New Covent Garden, £400,000 for Spitalfields and £300,000 for Western International.
[21] This assumes that the marketing costs of selling through the wholesale markets are about 33 per cent of the sales value. This assumption was based on personal experience of trading through the main wholesale markets.

Catering supply companies

There are many catering supply companies in the UK offering a range of products and services. The companies that supply fresh fruit and vegetables can be divided into three groups, which have some distinctive characteristics (Table 2.3), but there are obviously some companies that fall between the groups. The three categories could be described as large, medium and small companies; but a more relevant description could be Full-Service Providers, National Fresh Produce Providers and Local Fresh Producer Providers.

Table 2.3: Characteristics of main catering supply companies

Group	Characteristics
Large	Provide a complete package of inputs to food service users
or Full-service Providers	FFV is only a small portion of their trade – **and it is all certified**
	Very rarely use wholesale market supply chain
	Based outside of the wholesale markets
	Wide customer base – ranging from the big chains at the top-end of the market to the large institutional buyers
	Examples include 3363, Brake Brothers, Woodwards
Medium	Often located in the wholesale markets for logistical reasons
or National Fresh Produce Providers	Main line of business is FFV – but will provide some other inputs
	Only purchase from suppliers audited by themselves
	Will occasionally buy from wholesale markets – to make up shortfalls if they are let down by their direct suppliers
	Have their own cold rooms
	Main customers are institutions such as hospitals, schools, clubs
	Will be ISO 9001 certified and have a "certificate of conformity to supply"
	Examples include Mark Woolger, Sheringhams, Haluco, Inter Fruit Caterers
Small	Have small premises away from the wholesale markets
or Local Fresh Produce Providers	Most produce is bought at **one** wholesale market
	Have less than ten vehicles for delivery
	The vast majority of the supplies are FFV
	Some customers are starting to require produce from audited sources
	Customers are very local – e.g. smaller institutions, restaurants
	Are not ISO 9001 certified

The **large catering supply companies, or full-service providers,** in the UK include 3663[22], Brake Brothers and Woodward. In addition to supplying fresh fruit and vegetables, these companies also sell a wide range of products, including pre-cooked and prepared meals and dry goods such as rice, pasta etc. The biggest company is 3663, which grew out of Bookers when its troubled Cash and Carry business was sold to a South African conglomerate, Bidvest in 1999. It has a turnover in excess of £1.5 billion and has 30,000 customers to whom it supplies up to 10,000 different products. Its products range from high-quality fresh fruit and vegetables for the best restaurants to pre-cooked meals for local quick-food outlets. It also

[22] The name spells out food on a telephone keypad

supplies institutions such as prisons, hospitals, football grounds and many public and private canteens and restaurants. It is claimed that it represents 15 per cent of the UK food service market[23]. 3663 and the other big catering suppliers are based outside the wholesale markets, have very strict quality standards; they are proud to claim that they implement quality standards similar to the supermarkets. Therefore, these large catering supply companies will not be a natural target for non-certified suppliers of produce from SSA as they only use certified fruit and vegetables.

What differentiates the biggest companies discussed in the previous paragraph from other catering suppliers is that they supply a wide range of products, including pre-cooked and prepared meals, dried products as well as the fresh fruit and vegetables. The other catering supply companies predominantly supply fresh fruit and vegetables. They do also supply some other dried goods as part of the service, but the main lines are fresh produce; their customers would often get the dried goods inputs from other suppliers and, in particular, Cash and Carries. The larger fresh produce suppliers operate throughout the country, the smaller ones normally supply to locally-based customers – which is why they have been called national and local fresh produce suppliers.

The **medium-sized catering suppliers, or National Fresh Produce Suppliers,** include Mark Woolger, Sheringhams, Haluco and Inter Fruit Caterers – they generally have between ten and fifty vehicles for transporting their produce nationally. These companies are often based in wholesale markets for logistical reasons and they obtain their produce from a range of sources. They all audit their suppliers to try to ensure that they are obtaining produce from reliable sources with traceability back to the farmer who would be expected to have, as a minimum, some basic record keeping and adhere to good and safe agricultural practices[24]. These audits are initiated by the national fresh produce suppliers who have set their own standards, but traceability is important. These companies stated they preferred buying from suppliers who sourced from larger and reliable farmers who could provide traceability. As the manager at Inter Fruit Caterers stated, all their customers demand some basic traceability, which is why they have to buy from companies that they have audited. Inter Fruit supply a range of organisations, including hospitals, schools, industry canteens and the hospitality industry (e.g. football clubs). Some of the companies interviewed did admit that they would sometimes have to procure produce from non-audited suppliers if they were short-stocked, but this happens rarely. These companies might be based in wholesale markets, but overall very little of the produce was purchased directly from the wholesale market.

The medium-scale caterers were asked if their customers wanted product that could be sourced from SSA and other developing countries. The response was that they have very little demand for such product; the vast majority of what they supplied was basic, low-value items because most of the catering outlets were very cost-conscious and if they had to supply much produce from SSA, especially if it was air freighted, it would be much too expensive. In fact, many of their customers fall within the "cost sector" of the food service industry and were often looking to substitute lines if they became too expensive, e.g. if they were out of season. Therefore, the cost of transport, particularly air freight, makes the vast majority of SSA produce non-competitive for the customers of the large-scale catering supply companies.

There are many **small catering supply companies, or Local Fresh Produce Suppliers.** These tend to be very small, often only having one or two delivery vehicles and no cold stores

[23] The Independent, 10 May 2007.
[24] This is done as part of their efforts to prove "due diligence".

or warehouses - and are sometimes referred to as commission agents as this describes their method of operation. They are often characterised by only purchasing from one wholesale market and all their customers will be very local to that market. Their customers tend to be restaurants that are not part of a chain, public houses and hotels. They take orders from their customers, buy on the wholesale market and deliver on the same day. These catering suppliers provide a valuable logistical service and because they have minimal overheads, they can be a very cost-effective source of fresh fruit and vegetables. One of the larger of this group of local fresh produce suppliers interviewed – D. Mortimer and Sons – had some institutional customers who were wanting produce with traceability so they had to instigate auditing of their suppliers. They estimated that 30 per cent of their trade was for fruit and vegetables that had traceability and therefore as a rule they avoided any produce that came from developing countries[25]!

It is difficult to determine how much of the fresh fruit and vegetables these small catering supply companies actually distribute, as it is impossible to differentiate them from the restaurant owners and street vendors who purchase their own inputs. These local fresh produce suppliers could assist in the distribution of non-certified fresh fruit and vegetables from SSA because many of them believe that the produce they buy from the markets are safe and many of their customers do not expect them to either buy certified produce or audit the traders they buy from. In many ways, these small catering suppliers are simply an extension of the traditional supply chain – instead of restaurant owners or shop keepers going to the market, these small supply companies act as their proxies. However, it was interesting to note that some of these local fresh produce suppliers are becoming increasingly aware of the need to audit their suppliers and therefore this gives them concern about using produce from developing countries.

Conclusions

Supplying an increased amount of non-certified fresh fruit and vegetables was expected to be a significant opportunity for SSA small-farmers. Whilst some SSA produce is marketed through this channel, the indications are that it is small and it is a contracting market as the supermarkets are taking an increasingly bigger share of the market and as the food service sector focuses more on traceability or demands certified produce. It was understood at the start of the exercise that the larger food service companies were applying much stricter standards to their supply companies, but what was not fully appreciated were the concerns for some of the smaller institutional buyers who were also demanding some form of standards. This was normally delivered through the fresh produce supply companies auditing their suppliers. Even though these auditing procedures may not be independently verified as in the certification process with, for example, EurepGAP, they still put the small-farmers in SSA at a disadvantage.

[25] The manager reported that if they had a request for chillies from one of their customers who demanded traceability, they would supply Dutch produce rather than use imports from developing countries.

3 Fresh fruit and vegetable consumption in the UK

Patterns in quantity of fruit and vegetables consumed in the UK

The recently published Expenditure and Food Survey (DEFRA 2007) shows that the consumption of fruit and vegetables (excluding potatoes) increased by 7.7 and 10.6 per cent between 2004/5 and 2005/6. This survey covers almost 7,000 households and is undertaken annually; however, the basis for recording the data was changed after 2004/5 and free food and unspecified meals were included for the first time. This change in data collection may have contributed to the increase between the last two years. However, if the previous three years are considered, potato consumption is going down, but both fruit and vegetable consumption are remarkably constant. It is therefore important that some caution is taken with the increase in fruit and vegetable consumption because prior to the most recent year's data, consumption has been constant giving the impression of a "mature" mature.

Table 3.1: Fruit and vegetable consumption (grams per person per week)

	2002/3	2003/4	2004/5	2005/6
Potatoes	873	864	822	842
Fruit and vegetables (except potatoes)	2,307	2,269	2,274	2,448
Vegetables (except potatoes)	1,101	1,079	1,106	1,156
Fruit	1,206	1,190	1,168	1,292

Source - Expenditure and Food Survey (DEFRA 2007)

The survey also reviewed the trends for food consumed "eating out" – which was defined as food and drink that is consumed having never been taken into the household, e.g. restaurant meals, canteen meals, fast food outlets, sandwiches and pub meals. This concluded that, on average, £11.41 per person per week was spent on eating out in the UK in 2005/06. Consumption of meat, potatoes (e.g. chips) showed a decline, sandwiches, vegetables cheese/egg meals and pizzas were reasonably constant, but the consumption of ethnic meals, salads and fruit increased. The trend for the increase in eating ethnic meals should be encouraging for producers in developing countries – however, many of the ingredients used for producing ethnic meals are the traditional fruits and vegetables that are grown in the UK or the EU and are not specifically sourced from the country where the recipes were developed. Nevertheless, there will be some benefits as some of the vegetables (e.g. chillies and okra) and condiments (e.g. mango chutney) may be sourced from developing countries.

Table 3.2: Food consumption away from the home (grams per person per week)

	2001/2	2002/3	2003/4	2004/5	2005/6
Meat and meat products	94	95	97	91	86
Potatoes	88	85	83	80	74
Sandwiches	83	86	84	81	80
Vegetables	34	34	34	33	31
Cheese/egg/pizza	25	26	26	25	23
Indian, Chinese and Thai	22	29	29	33	30
Salads	16	17	18	20	20
Fruit	9.7	9.9	11.4	13.0	14.3

Source - Expenditure and Food Survey (DEFRA 2007)

Expenditure on fruit and vegetables in the UK

Mintel produce comprehensive reports on expenditure on fruit and vegetables based on their own surveys. Their report shows the trends of consumption of broad categories within the overall horticultural market. According to the latest available report[26], the UK retail market for fruit and vegetables was worth £8.47 billion in 2003[27]. They regard it as "mature", having grown by four per cent between 1998 and 2003 (Table 3.3)[28]. However, if potatoes are taken out of analysis, the retail value has grown by 11 per cent; or just over two per cent/year. Some of this increase could be due to inflation and population increases. As in many mature markets, any new growth is often driven by innovation and product development. Mintel notes that, in the case of fruit and vegetables, convenience foods, pre-packs/prepareds and ready-to-eat line items have driven the expansion of the different categories within the fruit segment, which overall lead to the small increase in consumption.

In the UK market, potato is the most widely consumed item. It accounts for 17 per cent of the total expenditure on fresh fruit and vegetables. Vegetables other than potatoes account for 45 per cent and fruit 38 per cent respectively. The value of potato sales decreased by 21 per cent between 1998 to 2003, vegetables increased by 12 per cent and fruit was up by 9 per cent over the same period (Table 3.3).

Table 3.3: Retail value of fresh fruit and vegetables sales in the UK, 1998-2003 (£ millions)

	1998	2003	% change
Potatoes	1,724	1,370	- 21%
Vegetables	3,445	3,875	+ 12%
Fruit	2,962	3,225	+ 9%
Total	8,131	8,470	+ 4%

Source – Mintel data, taken from Fresh Fruit and Vegetables (May 2003)

The broad categories within the total vegetable segment showed different patterns; sales of salads and greens showed the biggest growth while the main losers were onions and root crops (Table 3.4). The growth in salads is related to the promotion of pre-packs and speciality tomatoes and the innovation of the multi-coloured pre-packs. The increase in sales of greens (a group that covers cabbage, broccoli, green beans and peas) was due to increased sales of pre-packs and baby vegetables. Sales of root crops, which are dominated by carrots, showed a downturn. The value of mushroom sales increased despite downward pressure on prices associated with imports. The biggest loser was onions, despite an increase in the sales of speciality lines such as red onions. The possible impact of these changes in vegetable consumption on market opportunities for SSA farmers is difficult to interpret because

[26] Fresh Fruit and Vegetables (May 2003), published by Mintel.

[27] It is estimated that the UK's grocery market is £124 million (see next Section 4.1 in the next Chapter), then fresh fruit and vegetables is about 7 per cent of the UK grocery purchases.

[28] As with much of the data on the UK fresh fruit and vegetable market, there is some contradiction in the data. According to the Food and Expenditure Survey of 16,000, shoppers reported in *The Grocer* (27 January 2007), the consumption of fruit grew by 12 per cent and vegetables by 4 per cent to a combined total of 2.44kg per person per week. This difference in the data may be due to the fact that the Food and Expenditure Survey data represent the increase in consumption (i.e., weight) whereas the Mintel data are the increase in expenditure.

vegetables for all these categories are dominated by EU production. However, the biggest growth sector was "other vegetables", a category that would include many of the vegetables imported from SSA. Reasonable growth was shown in the "greens" category, which would include green beans and mangetout from Kenya.

Table 3.4: Retail value of vegetable sales in the UK, 2000-02 (£ millions)

	2000	2002	% change
Salads	1,162	1,236	+ 6.4%
Greens	726	752	+ 3.6%
Mushrooms	399	407	+ 2.0%
Roots	399	391	- 2.0%
Onions	218	195	- 10.6%
Other	726	781	+ 7.6%
Total	3,630	3,762	+ 4%

Source – Mintel data, taken from Fresh Fruit and Vegetables (May 2003)

Fruit sales have shown increases across all the broad categories (Table 3.5), which are attributed to increased snacking and the realisation of their dietary importance for healthy eating. Also, the consumption of "smoothies" has helped fruit sales. Retail fruit sales are dominated by bananas, apples and citrus – which all exhibit small increases in sales between 2000 and 2002. Interestingly, the Mintel report notes that, even though the increase in soft fruit sales was small, it was due almost entirely to "in-season" consumption, because the out-of-season product was too expensive. In percentage terms, the category that exhibited the biggest increase in sales was "other fruit" – a group that includes mangoes and pineapples.

Table 3.5: Retail value of fruit sales in the UK, 2000-02 (£ millions)

	2000	2002	% change
Bananas	643	665	+ 3.4%
Apples	613	617	+ 0.7%
Citrus	490	499	+ 1.8%
Grapes	276	280	+ 1.4%
Stone fruit	276	278	+ 0.7%
Soft fruit	245	246	+ 0.4%
Pears	153	155	+ 1.3%
Other	367	410	+ 11.7%
Total	3,630	3,762	+ 4%

Source – Mintel data, taken from Fresh Fruit and Vegetables (May 2003)

Mintel also researched the main supply chains for retailing fruit and vegetables and confirmed that the main outlet was multiple-retail chains, accounting for 84 per cent of the retail sales in 2002, an increase of 2.2 per cent compared with 2000 (Table 3.6). The category showing the biggest decrease was greengrocers and independent retailers, which declined by a very significant 7.6 per cent. Market stalls and other outlets showed small increases. From the perspective of the SSA producer of non-EurepGAP produce, it is obviously disappointing to note that the growth in fruit and vegetables sales was largest in the sector that cannot be accessed by SSA producers of non-certified produce. The independents, which represent the largest opportunity for SSA producers of non-certified produce showed a very distinct decline.

Table 3.6: Value of UK fruit and vegetable sales through different retail outlets, 2000-02 (£ millions)

	2000	**2002**	**% change**
Multiple-retailers	6,867	7,021	+ 2.2%
Greengrocers and independents	910	841	- 7.6%
Market stalls	248	250	+ 0.8%
Other	248	250	+ 0.8%
Total	8,273	8,362	+ 1%

Source – Mintel data, taken from Fresh Fruit and Vegetables (May 2003)

The data produced by Mintel can be used to gauge the maximum size of the retail market for non-EurepGAP-certified fresh fruit and vegetables. If it is assumed that all the fresh fruit and vegetables sold by outlets other than the multiple retailers do not have to be certified, it would represent a total retail market of £1.34 billion/year[29]. This figure has been used later in the mapping of the UK's non-certified fresh produce trade – it is recognised that this is based on 2002 data, but the consumer price index between 2002 and 2006 increased 0.4 per cent for fruit and 5.9 per cent for vegetables – overall, it would be less one per cent/year. Therefore, because inflation on fruit and vegetables is so small, there is no need to increase the size of the total retail market to make it comparable with other more recent statistics. It should also be noted that the estimate of the total retail market obviously does not include fruit and vegetables consumed by the food service sector.

Finally, the Mintel research estimated that the retail value of organic fruit and vegetable sales was £406 million, i.e. almost five per cent of total UK spending on fresh produce.

Changes in consumer buying patterns

There are a number of factors that are affecting the buying patterns of fruit and vegetables – even if they are not contributing to significant growth. Mintel reports the following positive influences on fruit and vegetable expenditure.

- The UK Government's advertising and promotion of the "5-a-day" campaign is expected to stimulate the consumption of fruit and vegetables.

[29] This is calculated by adding together the fruit and vegetable sales by the greengrocers, independent shopkeepers, market stalls and other outlets (e.g. farmers' markets).

- The increase in "snacking" has increased fruit consumption – this is probably the reason for the growth in fruit seen in Table 3.2. This was especially noticeable amongst younger people.
- Health concerns and the increase in numbers of people in socio-economic groups A and B. As socio-economic groups A and B eat more fruit and vegetables than groups C2, D and E, continued improvement in the national economy will stimulate the demand for fresh fruit and vegetables.
- Supermarkets increasingly recognise that fresh produce is a "destination item" and therefore they are putting greater efforts into improving the quality and range of fresh fruit and vegetables and more resources to promote the sector and thereby attract more customers.

Despite all these positive drivers that should be impacting on fruit and vegetable sales, Mintel and DEFRA data indicate that sales of fruit and vegetables are only increasing slowly.

In addition, there are some other drivers that might be expected to impact negatively on people's buying patterns on the sales of fresh fruit and vegetables. These are:

- Concerns about global warming are giving rise to questions being asked about the use of air freight on imported products[30].
- Again, as a direct result of the debate on global warming, there are concerns that consumers might want to buy locally-grown produce on the assumption that it has a lower carbon footprint[31].
- Also, there is a movement to promote locally-grown produce as being fresher and therefore healthier. This can be seen in the increase in the number of shoppers and sales at farmers' markets.

It must be noted that the data and observations made from the larger SSAs that are exporting to the UK suggest that sales are on the increase. Therefore, it would suggest that the UK public might be saying one thing but doing another – or perhaps sales from the SSA would have grown even more.

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[30] In May 2007, the Soil Association started a debate on the issue of withdrawing organic status from any air freighted products. There have also been a number of articles in the media about "eating locally, cut the carbon", often promoted by local farmers' markets.

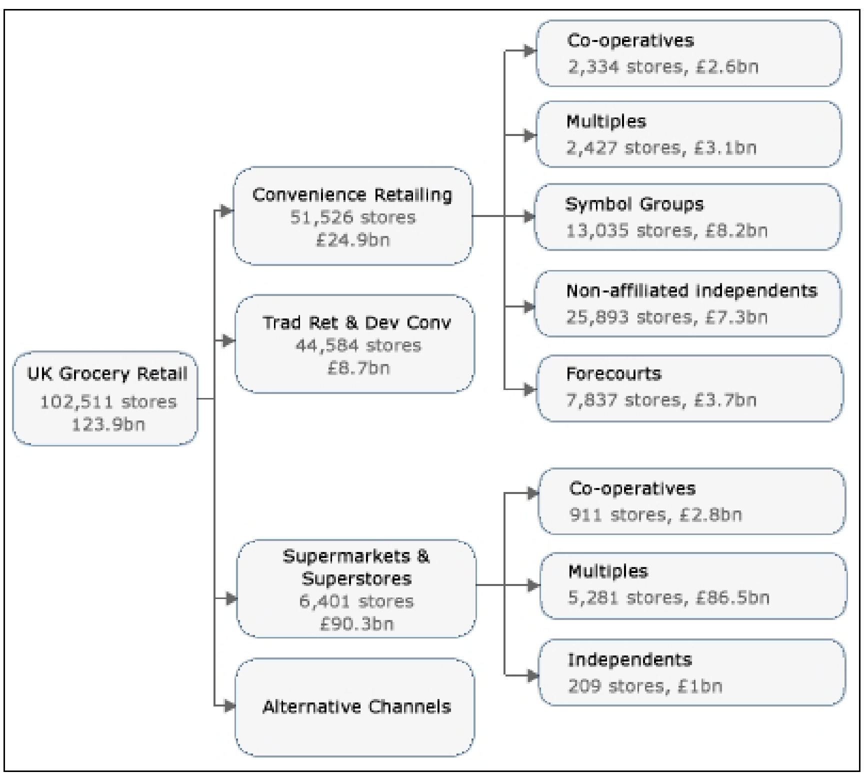
[31] It is appreciated that there have recently been considerable efforts to try and quantify the carbon foot print comparing production in Africa with the UK – and it appears that for many products, e.g. roses, much less carbon is used to produce them in Africa than in Europe. For example, Dr Adrian Williams, an agriculture expert from Cranfield University in Bedfordshire, found that growing roses in Kenya produced only 17 per cent of the carbon generated from growing them in Holland - 6,000kg per 12,000 stems in Kenya versus 35,000kg per 12,000 stems in the Netherlands. Most of the carbon generation associated with African food actually happens once the product has landed in the UK.

4 The structure and scale of the UK grocery and food service industry

The UK grocery sector

It is estimated that the UK grocery retail business is worth £124 billion, which is sold through over a 100,000 outlets (Figure 4.1). Unsurprisingly, grocery sales are dominated by supermarkets and superstores, which account for £90.3 billion of sales through over 6,000 outlets, i.e. 73 per cent of total grocery sales are concentrated in six per cent of the outlets. This is a very powerful indicator of the importance of supermarkets and superstores in the retailing of groceries in the UK. The supermarket/superstore category is dominated by the main multiple-retailers – who are now starting to invest heavily in the convenience store sector, e.g. Tesco and Marks and Spencer are establishing many local convenience stores. If the sales by the multiple-retailers in both supermarkets/superstore and convenience stores are combined, they represent total sales of £89.6 billion, i.e. 72 per cent of total grocery sales; therefore independent stores and co-operatives are relatively small players. In 2005, it was estimated that there were at least 102,500 grocery-selling outlets; 96,000 were classed as convenience stores and traditional retail and developing convenience stores, but they only account for 27 per cent of all grocery sales.

Figure 4.1: Map of the UK grocery trade, 2005



Source – Reproduced from Institute of Grocery Distribution (IGD)

Within the categories described in Figure 4.1, the two segments that are most directly relevant to non-EurepGAP supplies will be non-affiliated independent convenience stores (almost 26,000 in number but only accounting for £7.3 billion of total grocery sales) and traditional retail and developing convenience stores (almost 45,000 outlets accounting for £8.7 billion of grocery sales). These groups are obviously very significant in number but small in terms of total grocery sales – they represent about 70 per cent of the total number of grocery outlets and 13 per cent of total grocery sales. However, they are important because they are often located in areas with high concentrations of ethnic populations and therefore could be important for fresh fruit and vegetables sales from SSA and other developing countries - and because they are not part of the multiple-retailers grouping, they do not insist on EurepGAP certification.

All the supermarkets who procure fresh fruit and vegetables from outside the EU buy from importers who have established trading relationships with exporters who buy from growers who have implemented EurepGAP. There might be instances where they buy from farmers who have not yet completed the EurepGAP certification – and it was often reported by importers and traders based in the wholesale markets that supermarkets would occasionally source from non-certified suppliers when there was a shortfall, but these are, in reality, only very small amounts, and would certainly not be a reliable source of trade, nor could it be anticipated and therefore incorporated into small-farmers' production plans.

Some of the convenience stores that are not linked to the multiples also demand higher than the maximum legal standards for pesticide residues and some basic form of product traceability to the producer, e.g. the symbol groups and forecourt outlets. These outlets generally procure fresh fruit and vegetables from large supply companies who either insist on EurepGAP or audit their suppliers.

The most obvious supply chain for SSA to market their non-certified fresh fruit and vegetables is via the non-affiliated independent convenience stores; these are typically the small corner shops in some of the larger towns who either buy their fresh produce from wholesale markets or have it delivered by small companies who also procure from wholesale markets[32]. These stores do not normally demand any private sector certification standards; but of course they expect that any imported product meets the legal requirements demanded by the EU and/or UK authorities. From the perspective of seeking market opportunities for SSA producers, it is therefore disappointing to note that data presented in *The Grocer* on 5 May 2007, estimate that the number of independent convenience stores had fallen to 24,526 and sales had declined to £7 billion/year – a decrease of five per cent in the number of outlets and four per cent drop in the value of sales.

Traditional retail and developing convenience stores have a sales area of less than 3,000 sq ft and include outlets such as newsagents, small-grocers, off-licences and some petrol garage forecourts. There are a lot of these outlets but they only account for 7 per cent of all grocery trade. They are expected to be small retailers of fresh fruit and vegetables and virtually all of it will be procured, either directly or indirectly, through the wholesale markets.

Alternative channels include kiosks, markets, post offices, doorstep delivery, street vending, home-shopping and farmers' markets. There are no further data on the grocery sales through this segment, but as this category includes street markets, they might be reasonably significant

[32] The exceptions to this observation are importers of Bangladeshi products and companies such as Pauls Veg; both of which supply convenience stores directly with some of their produce.

in the sales of fresh fruit and vegetables. However, those fresh fruit and vegetables traded through these alternative channels are almost certainly procured via the wholesale market supply chain.

The Institute of Grocery Distribution (IGD) estimates that the UK grocery market will grow at about 2.9 per cent per year over the next five years, which is slightly less than the 4 per cent increase they noted between 2005 and 2006 in the sales. Growth will be at both the large-scale end of the sector, with the increase in the number of hypermarkets, and sales through convenience stores are expected to reach £33.9 billion in 2011, which is a very significant increase from £25 billion in 2005. However, given the downward trend in sales through independent convenience stores and the increase through multiple-convenience stores, this actually represents a decline in the retail market opportunity for non-EurepGAP-certified produce.

Supermarket trade

The biggest player in the UK grocery trade is Tesco, followed by ASDA, Sainsbury's, and Morrisons (Table 4.1). These "Big Four" account for just over 75 per cent of all UK grocery sales through supermarkets.

Table 4.1: Share of supermarket grocery sales by different multiples, 12 weeks to 22 April, 2007

Supermarket chain	% retail sales	Increase/decrease from previous 12 months
Tesco	31.4	- 0.6%
ASDA	16.8	+ 0.5%
Sainsbury's	16.4	+ 0.4%
Morrisons	11.1	- 0.1%
Waitrose	3.9	+ 0.1%
Somerfield	3.7	- 0.4%
Kwiksave	0.2	- 1.0%
Aldi	2.5	+ 0.1%
Lidl	2.2	- 0.1%
Independent	2.8	
Others	9.0	

Source – Just Food, 3 May 2007 based on TNS World Panel

Convenience/neighbourhood stores

Convenience stores are defined as having a sales area of less than 3,000 sq ft, open for long hours and selling products from at least eight different grocery categories. They can be subdivided into a number of different groups, including cooperatives, multiples, symbol stores, non-affiliated independents and forecourts. A recently published IGD study into the 2006 performance of convenience stores noted that year-on-year sales increased by 4.9 per cent, which is more than the four per cent growth seen in the entire grocery market. Convenience-multiples (i.e. chains with more than ten outlets) showed the greatest increase in sales (12.7 per cent), part of which could be explained by the 3.4 per cent increase in the number of outlets. These convenience stores that fall under the banner of multiples include those owned by Tesco, Sainsbury's, Somerfield, and Marks and Spencer – who are expanding their range of shops to serve the "in-town/in-city" markets. Co-op stores also showed a good increase in sales (12.5 per cent), while the number of outlets expanded by 6.6 per cent.

Outlets that operated under symbol groups (e.g. Spar and Londis) showed an eight per cent increase in sales. Independent convenience stores showed a small increase of three per cent but the number of outlets declined.

It is encouraging to note that convenience stores, which is one of the market segments targeted as a possible outlet for non-EurepGAP-certified fresh fruit and vegetables, are expanding and likely to increase more rapidly than the supermarket/superstore segment. However, much of this projected increase will come from the multiple-convenience stores which will be served by the same suppliers as the supermarkets/superstores, i.e. the product will be EurepGAP certified. The symbol stores claim their fresh fruit and vegetables come from suppliers who are EurepGAP registered or at least can provide some traceability back to the farmer, even if it is not as comprehensive as that required for EurepGAP certification. Unfortunately for SSA and other developing country suppliers, the growth projection for the independent convenience store is, at best, sluggish.

Food service sector

A Keynote report (2007) noted that the UK catering market grew by an estimated four per cent in 2006 to £30.9 billion at retail selling prices; which was an increase from £26.8 billion in 2002 (Table 4.2). In other words, the recent growth in the catering market is similar to the grocery market – about four per cent per annum. Their definition of the catering market included restaurants, fast food and takeaways, contract catering and food service management, hotels, public houses, licensed clubs and holiday camps/caravan sites. The report noted that the sector continued to undergo a considerable amount of mergers and acquisition activities, particularly in the public house and licensed club segments, but there was also substantial restructuring in other segments. This restructuring has resulted in larger groupings of food service companies – and this will also lead to a rationalisation of their suppliers. Therefore, it is likely that these large food service groupings will increasingly source from larger catering supply companies. The Keynote report noted that the industry had been adversely affected by concerns about unhealthy diets and obesity, which impacted mainly on the contract catering and fast food segments. However, companies in these sectors had addressed these issues by expanding their menus with more healthy options, which is expected to lead to increased consumption of fresh fruit and vegetables.

Table 4.2: Changes in the total UK catering market by segment, 2002 to 2006

	Value of retail sales (£ million)			**% growth**
	2002	**2005**	**2006**	**2005 to 06**
Restaurants	8,665	9,772	10,310	5.5
Fast food	7,822	8,654	8,955	3.5
Contract catering	3,695	3,865	3,918	1.4
Hotels	2,300	2,520	2,575	2.2
Public houses	1,125	1,373	1,490	8.5
Others	3,215	3,521	3,660	3.9
Total	26,822	29,705	30,908	4.0

Source – Keynote Catering Market report (2007)

a) Restaurants. The UK restaurant market grew by 5.5 per cent in 2006, although there were considerable differences in the growth between different types of restaurants, with pub restaurants expanding the quickest, at 9.1 per cent.

b) Fast food and takeaways. This sector grew by 3.5 per cent in 2006 – in part because the growth in the burger sector was just 2.6 per cent. The fastest growing portion was "other fast food and takeaways", which includes ethnic fast-food restaurants and sushi and noodle bars at 5.3 per cent.

c) Contract catering and food service management. This market grew by only 1.4 per cent in 2006. However, one interesting trend noted in this sector was that between 40 per cent and 60 per cent of the dishes on the menus were considered to be healthy options.

d) Hotels. The number of hotels in the UK continues to fall but catering sales continue to expand slowly, by an estimated 2.2 per cent in 2006.

e) Public houses. This was the most dynamic growth of all the UK's catering markets in 2006. This was attributed to "the range and value for money of the food served" in these outlets. Public houses do not use much fresh fruit and vegetables as they tend to buy prepared ready-meals.

The demand from all the segments in the catering sector is expanding; therefore the demand for fresh fruit and vegetables should also increase. However, there were some differences in the different segments – with one of the fastest growing being "ethnic fast-food restaurants", which might be a positive market driver for SSA farmers to supply ethnic fruit and vegetables, although, as has been noted before, only a very small amount of the fruit and vegetables used for many ethnic food lines originate outside of the EU[33].

It is difficult to calculate the value of fresh fruit and vegetables used in the food service industry. This is because the retail sales data discussed above include the cost of meat and fish, dried and other preserved items such as rice, flour and coffee, the preparation and cooking of the food as well as the sale of non-food items such as alcohol and other drinks. Also, there will be a considerable cost element for labour and the overhead costs of the management, buildings, establishment costs and the company's profit. Some of the food provided will be bought either pre-cooked or pre-prepared, e.g. many of the pubs buy in meals that can be cooked in a microwave oven. However, if some broad assumptions are made based on industry estimates, then the cost of fresh fruit and vegetables used in the food service industry could be estimated (Table 4.3). These assumptions indicate that the food service sector spends about £1.5 billion on fresh fruit and vegetables and about £366 million of it would be non-certified.

[33] It is interesting to note that, when talking of ethnic foods from SSA, in a country like Zambia, the most popular vegetables on the market are tomatoes, onions, potatoes and cabbage. Therefore, an increase in ethnic African food consumption will not necessarily mean an increase in the imports of vegetables from SSA as these temperate products can be obtained much cheaper from within the EU; the exception being that ethnic restaurants based on West African cuisine might well utilise a significant amount of yams.

Table 4.3: Estimated value of non-certified fresh fruit and vegetables in UK catering market segments, 2006 - £ thousands

	Total retail sales	% spend on food	% cost of food	% FFV	% non-certified	Value non-certified FFV
Restaurants	10,310,000	60	35	25	50	270
Fast food	8,955,000	80	30	5	10	11
Contract catering	3,918,000	60	30	35	15	37
Hotels	2,575,000	60	40	25	20	23
Public houses	1,490,000	20	40	10	25	3
Others	3,660,000	60	40	20	25	22
Total	30,908,000					366

Note – The total retail sales values for the different segments are taken from the Keynote Catering Market report (2007). These data (in the second column) are then adjusted to reflect the proportion of the retail costs spent on food (third column). The third column makes the adjustment to reflect the actual spend on food and the fourth column is the proportion of the food cost that is fresh fruit and vegetables. The fifth column is the percentage of the fresh fruit and vegetables that comes from either certified producers or from catering supply companies that audit its suppliers to ensure traceability.
Source - Keynote Catering Market report (2007), industry and consultant's estimates.

Most of the fresh fruit and vegetables used in the food service sector would be supplied by catering supply companies[34]. Much would come from "Full Service Providers" and "National Fresh Produce Suppliers" who would either procure certified produce or only purchase from audited suppliers that can demonstrate traceability and provide a record of the crop's history (Section 2.4). It is only really the segments supplied through some of the "Local Fresh Produce Suppliers" that might not require non-certified fruit and vegetables. However, as even some of the Local Fresh Produce Suppliers are now auditing their sources of supply, the opportunity for non-certified fruit and vegetables will be small. Also, given that most of the food service sector works in a very cost-conscious market, the extra costs associated with imported produce from SSA sources will tend to render it non-competitive.

It is estimated that around £1.5 billion is spent on fresh fruit and vegetables for the food-catering sector and that perhaps as much as £366 million could be supplied by the non-certified sources. Most of this would be via the wholesale markets but some might be direct purchases from UK farmers. During the research, there were very few indications of non-certified fresh fruit and vegetables from SAA being used in the food service industry – with the one possible exception of yams.

Processing

There is a small opportunity for fresh fruit and vegetables to be used for processing in the UK. It is recognised that, wherever possible, it is better to process fruit and vegetables in the country of origin so as to benefit from the added value. However, there are some instances where fruit and vegetables have to be processed in the UK, normally to obtain the freshness required by the customer or for economic reasons. Examples where fresh fruit and vegetables from SSA might be used for processing in the UK include fruit for fresh fruit salads or the

[34] The USDA Foreign Agricultural Service Gain report on the HRI Food Service Annual Report 2007 estimates that between 50 per cent and 60 per cent of all inputs are supplied via the "delivered wholesale channel" and between 20 per cent and 30 per cent are via "contract distribution" and "cash and carry".

manufacture of smoothies, and vegetables for combining into mixed-packs or for use in ready meals. No data are available for fresh fruit and vegetables used for processing, but it is believed to be reasonably small. It should be noted that many of these processed products, especially fruit salads, mixed vegetables and the ready meals, would be sold through supermarkets and they would expect their suppliers to only source from farms that had EurepGAP or other similar standards. Some African produce is being grown specifically to supply the large and growing ready-meal industry in the UK. In many cases, these producers are expected to only supply certified fresh produce for the ready-meal industry. For instance, Vegpro in Kenya has been asked by one of the UK's largest ready meal producers, Northern Foods, to supply bulk prepared ingredients that have full EurepGAP certification, as their main customers are supermarkets and food service companies that also demand EurepGAP. In fact, Northern Foods also supply ready-meals to Marks and Spencer, and the raw material for these must be "Field to Fork certified" (the Marks and Spencer production standard, which is more difficult to attain than EurepGAP). During the research, there was very little evidence of any significant quantities of non-EurepGap-certified fresh fruit and vegetables being imported into the UK for processing, other than the vegetables being exported from Kenya. It is also concluded that if any non-certified products are being imported for processing, it must be for a very small niche market opportunity, which would be unlikely to expand significantly.

Fairtrade

One option for small-farmers to obtain better returns is to sell under the Fairtrade brand. Oxfam claim that 80 per cent of shoppers will make an effort to buy more Fairtrade produce in 2007. Even though these statistics are impressive, sales have started from a very low base and, according to IGD data, only represent about 0.2 per cent of total grocery sales – and it does tend to be skewed towards dried products, especially tea (which has two per cent of the market) and coffee.

Efforts are now being made to scrutinise whether Fairtrade has an impact on improving the living standards of the farmers supplying the produce. However, Traidcraft claim that the impact of the Fairtrade brand is encouraging "the public's willingness to engage with these kind of big development issues and it is helping to nurture an educated, informed and growing consumer movement." In particular, it claims that the publicity and awareness surrounding the "Make Trade Fair" campaign has improved negotiating stances at world trade talks that have benefited supplies from developing countries. Despite this, there is little evidence that it has made a significant impact on the exports of fresh fruit and vegetables from SSA. This is partly because the market for Fairtrade fresh product is currently very small and therefore it would be difficult to "pick-up". If the Fairtrade movement continues to gather pace, then there might be opportunities for SSA to supply fresh fruit and vegetables. It must be stressed that, as part of the standards required by the supermarkets, there are very strict social standards concerning the employment of workers and procurement practices employed by exporters who buy from small-farmers.

Summary of the opportunity to supply non-certified produce

The objective of this chapter was to review the scale and trends of the two industries that use imported fresh fruit and vegetables, i.e. the grocery retail industry and the food service sector. Overall, both of these industries are growing slowly, by about four per cent per annum – the indications of the fresh fruit and vegetable segment of the grocery trade in the UK are that it is reasonably mature. However, within both markets, there are segments that are showing much more rapid growth. Within the retail industry, the supermarkets dominate trade and are expected to keep expanding. Even though there is expected to be growth within the convenience store sector, much of this will be driven by the investments being made by the multiple retailers in local or neighbourhood outlets. All the growth in the supermarkets and the multiple-convenience stores will be outside the reach of non-EurepGAP-certified suppliers.

The different segments within the catering industry are all growing – by almost five per cent per annum - and are expected to keep increasing. This will represent a possible opportunity for non-EurepGAP suppliers, but the industry is being increasingly consolidated into fewer, bigger players who will increasingly rely on larger catering suppliers to service their fresh fruit and vegetable requirements. These larger catering suppliers have a significant commitment to due diligence and will therefore find it increasingly difficult to source from suppliers who cannot provide traceability back to the producer.

Therefore, it is expected that the total market for fresh fruit and vegetables in the UK will continue to expand. However, the indications are that the growth will be through supermarkets and larger catering supply companies. The market for non-certified fresh fruit and vegetables was estimated by totalling the retail values of sales through greengrocers and independent shops, street vendors and others at £1.34 billion. In addition, there is a market for fresh fruit and vegetables in the catering sector, which could be in the order of £0.37 billion – which gives a total market opportunity of £1.71 billion.

It would be interesting to convert these retail figures to C&F values[35], which in turn could then be converted into FOB values for the SSA exports. In the case of supermarkets, it can be assumed that the supermarkets' margins are 38 per cent and the marketing agent/importer margins would be 30 per cent (it should be recognised that these are margins and include all the transport, packaging and administration costs as well as the marketing agent's commission). Also, these percentages will change from product to product and from supplier to supplier. If these were taken as industry averages, then the C&F value would be 43.4 per cent of the retail sales for fresh fruit and vegetables sold through supermarkets. It is more difficult to get an estimate of the marketing costs for trade through wholesale markets because the costs and the number of market intermediaries vary enormously. However, if it is assumed that the shopkeeper makes a 30 per cent commission then the marketing commissions/charges through the wholesale markets would also be about 30 per cent. Therefore the C&F value would be approximately 49 per cent of the retail value. If the same margins were applied to the cost of fresh fruit and vegetables channelled through the food service sector, this would mean that the C&F value of non-certified fresh fruit and vegetables would be in the order of £0.76 billion.

[35] Or in the case of UK-grown produce, this would be farm-gate prices.

5 Analysis of horticultural import statistics

Background

Eurostat and other fruit and vegetable import data were evaluated to estimate the tonnages and value of non-EurepGAP produce entering the UK from developing countries and how much has been exported from SSA. These data are supplied in terms of tonnage imported and cost and freight (C&F) value. In order to estimate the value to the exporting country, it is necessary to covert the C&F values into Free on Board (FOB). This was done by subtracting the approximate cost of freight from the C&F values. The cost of freight (Table 5.1) was estimated from a number of sources, e.g. importers, freight companies.

Table 5.1: Estimated freight costs to the UK on FFV imports from different origins (USD/kg)

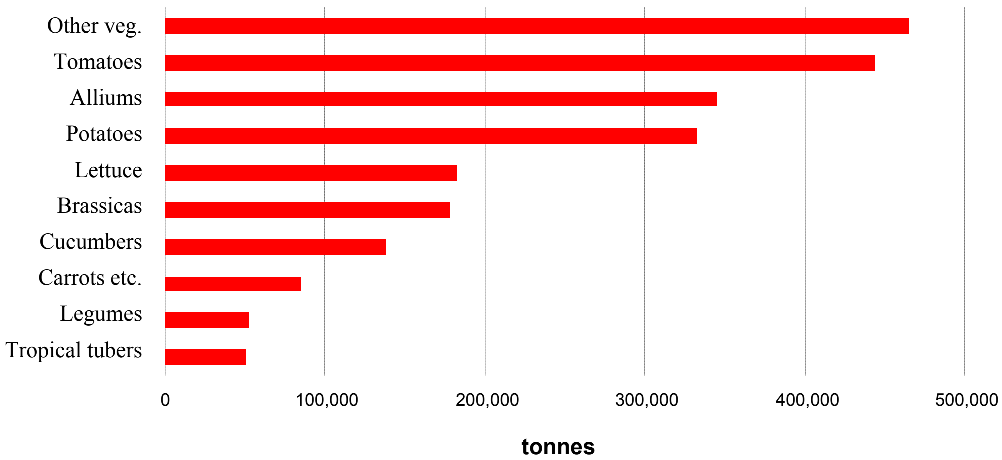
Country	Air freight	Sea freight
Kenya	1.70 to 1.80	
Uganda	1.80 to 1.90	
Tanzania	1.80 to 1.90	
Zambia	1.55 to 1.65	
Zimbabwe	1.55 to 1.65	
Ghana	1.00	0.15 (non-refrigerated)
Gambia	1.60	Similar to Ghana
India	1.35	
Bangladesh	1.30	
Dominican Republic	1.00	

Source – Consultant's estimates from a number of different sources

Total vegetable imports into the UK

In 2006, the UK imported 2.27 million tonnes of vegetables from the EU and beyond. The main product imported was classed as "other vegetables", while the next most important items were tomatoes, onions and potatoes (Figure 5.1). By far the largest share of UK vegetable imports is supplied by other EU members, and the volume of vegetables imported from overseas is perhaps only 16 per cent of the requirement. Mostly the long distance imports are out-of-season crops or types that are not suitable for the European climate, for example, tropical vegetables such as okra and chillies. The European season is extended by the climatic range available from the Mediterranean member states to the higher latitudes of the northern countries and it is not surprising that the opportunity for out-of-season crops is relatively small.

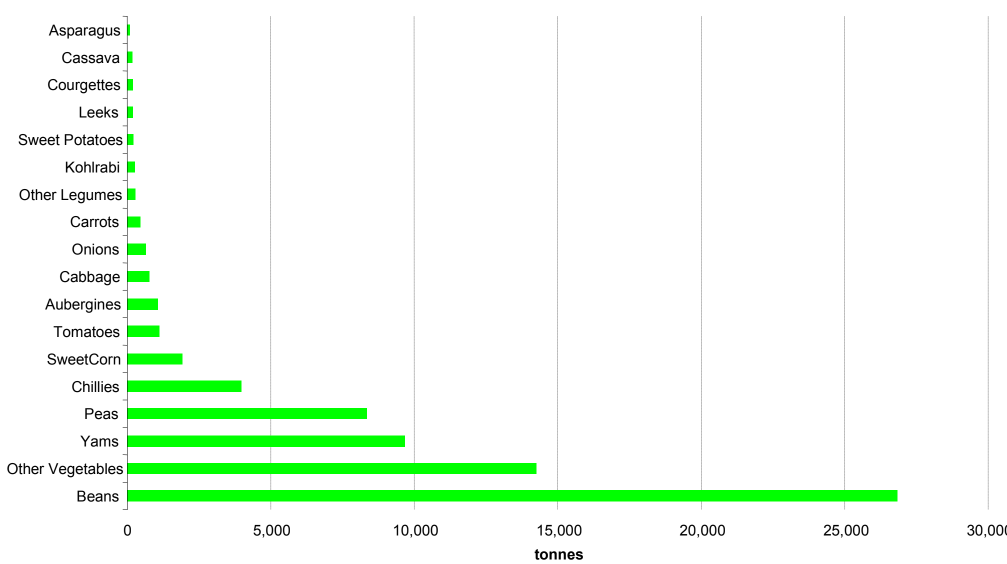
Figure 5.1: UK imports of vegetables, by product, 2006 (tonnes)



Source: Accord Associates LLP based on EUROSTAT data

Compared to total imports of vegetables into the UK, Africa was a very small supplier. In 2006, 71,000 tonnes of fresh vegetables arrived directly from Africa; a further substantial quantity arrived in the UK from Africa that had transited through other European countries. Data on these transited imports are very difficult to quantify as they appear as exports from the EU country that they transited through and not from the country of origin. Direct imports from Africa are dominated by beans, predominantly French or green beans (more than 25,000t/annum), and the other categories of significance are "Other Vegetables"; a category that includes the so-called Asian vegetables such as mooli, dudhi, tinda, okra etc (almost 15,000t/annum), yams (almost 10,000t/annum), peas (mangetout and sugarsnaps) and chillies (Figure 5.2). The imports of baby vegetables, sweetcorn and aubergine are small, at less than 2,000t/year.

Figure 5.2: UK imports of fresh vegetables from SSA, by product - 2006 (tonnes)



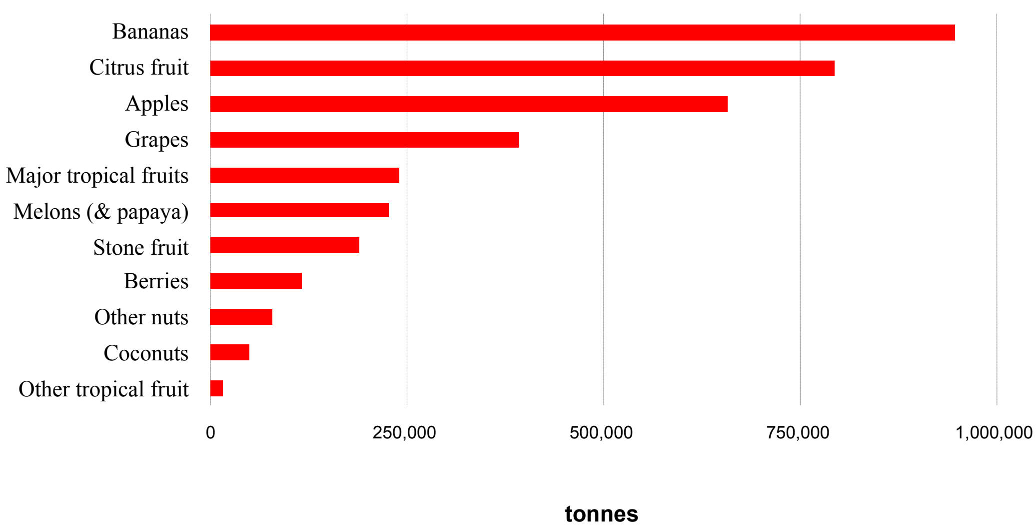
Source: Accord Associates LLP based on EUROSTAT data

In 2006, UK imports of vegetables direct from SSA had a C&F value of some €173 million (£117 million), of which 64 per cent (€110million (£74 million)) was attributed to beans and peas. Thus the average unit C&F value of bean and pea imports was €3.0/kg while the average value of all the other product lines was much less, at €1.8/kg. This was due to the majority of the beans and peas being imported from Kenya, which has an air freight rate of about €1.4/kg, which means it has to export higher-value items. Many of the other vegetables imported into the UK will be from destinations with cheaper air freight or the goods will be sea freighted. It is appreciated that further imports of FFV from Africa are also derived via France and the Benelux countries.

Total fruit imports into the UK

The UK imports some 3.7 million tonnes of fruit per year. This includes imports from within the EU as well as imports from outside the EU. Imports are dominated by bananas, citrus fruits and apples (Figure 5.3). The major tropical fruits, which include pineapples, mangoes, avocados, guavas, dates and figs, are mostly large-scale plantation crops and therefore have not been researched in depth for this assignment. Mango supply is becoming more concentrated on larger supply-bases as economies of scale are achieved and the technical difficulties of sea freighting are overcome.

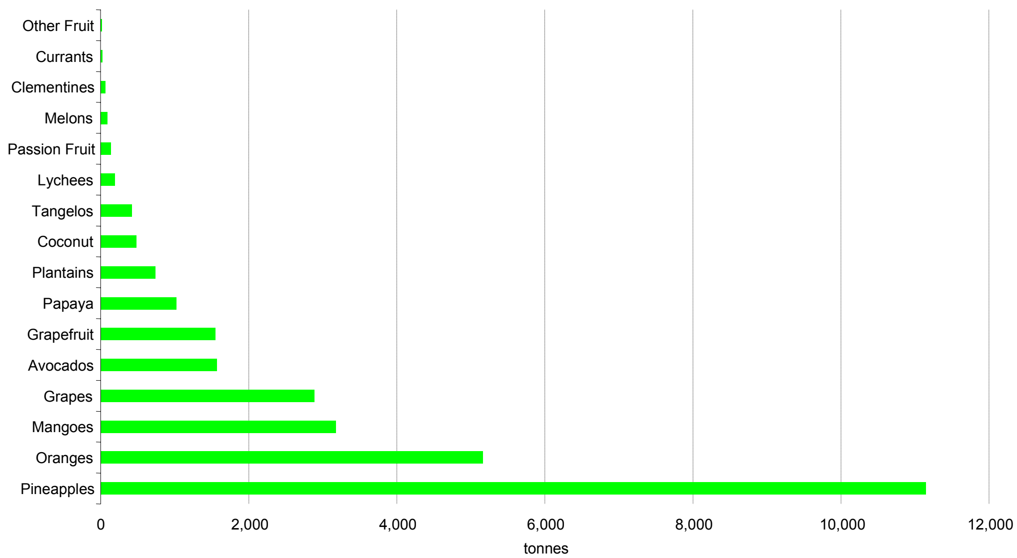
Figure 5.3: UK imports of fresh fruit, by product - 2006 (tonnes)



Source: Accord Associates LLP based on EUROSTAT data

If the picture is restricted to direct imports from tropical Africa, not including Egypt and the Maghreb, and omitting the Republic of South Africa, the quantity of imports drops dramatically (Figure 5.4). In 2006, fruit imports to the UK direct from tropical Africa amounted to 187,000 tonnes, of which 158,000 tonnes were bananas. The remaining 29,000 tonnes had a C&F value of €33 million, i.e. the average value was slightly over €1.1/kg. The main products, other than bananas, imported from Africa were pineapples (from Ivory Coast and Ghana), oranges, mangoes, grapes (from Namibia) and avocados (from Kenya). The pineapples, oranges and grapes will be almost entirely grown on plantations or by large farmers. If these are removed, then it is estimated that the value of fruits imported from SSA that could be grown by small-farmers is about €20 million (£14 million).

Figure 5.4: UK imports of fresh fruit from SSA, by product - 2006 (tonnes)



Source: Accord Associates LLP based on EUROSTAT data

While significant quantities of fruit are imported into the UK from Africa via France or the Netherlands it is not possible to determine the provenance accurately: pineapples, for example, transhipped in the Netherlands may originate from Costa Rica or Côte d'Ivoire. Nevertheless, it is clear that tropical Africa makes only a small contribution to the UK demand for imported fruit.

The Republic of South Africa is omitted from this review as it has long been a major contributor to UK imports, initially under the marketing board arrangements of Cape and Outspan (consolidating into Capespan) and, more recently, under a more liberalised system of exporting. In 2006 the UK imported 346,000 tonnes of fresh fruit from South Africa, valued at €356mn. Of this total, 90 per cent were apples and pears, citrus fruits and grapes and mostly this will have derived from plantations and/or large-scale farms. Inclusion of these data would completely mask the contribution from other parts of Africa and, with its Mediterranean climate and a more developed export-orientated agricultural production, South Africa is not typical of SSA.

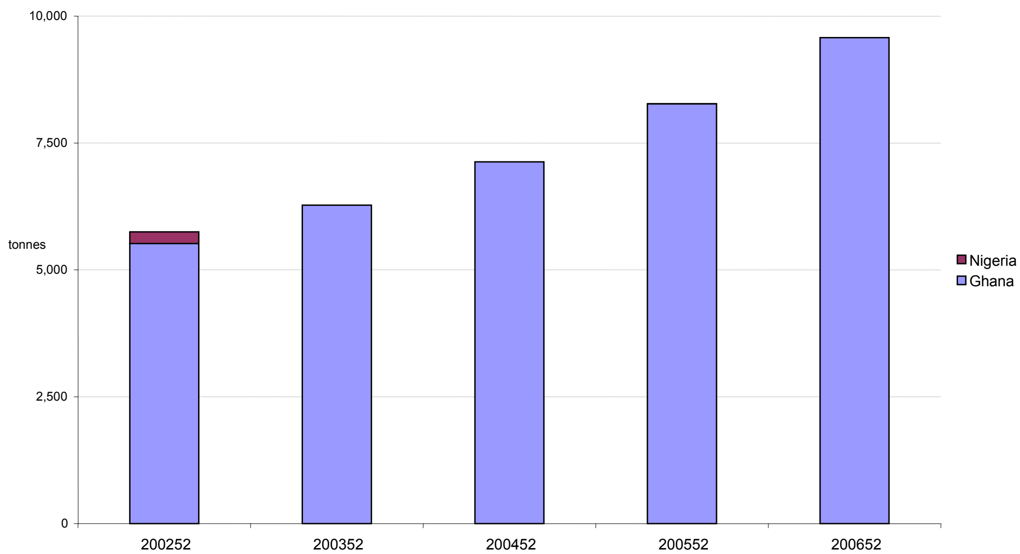
The rest of this chapter analyses the fruit and vegetable lines that could be grown by SSA small-farmers and might not be certified. The product lines selected were, in the case of fruit, lychees, mangoes, papaya, passion fruit and unspecified fruit; and for vegetables, beans, peas, mini-aubergines, chillies, cassava, yams, sweet potatoes and unspecified vegetables. The total C&F value of these imports to the UK were €20 million (£14 million) for fruit and €173 million (£117 million) for vegetables. This gives a total of €193 million (£131 million).

Vegetable imports, by selected product, into UK from SSA

Yams

Imports of yams into the UK have been growing steadily for some time and reached 12,400 tonnes in 2006. The major supplier is Ghana and further produce arrives from the Caribbean countries. In the last five years, the only other African country to register exports into the UK is Nigeria, and then it was only for one year, 2002 (Figure 5.5). The Ghanaian exports mostly derive from non-certified sources. The C&F value of the West African yam trade was about €6.5 million in 2006. Given that freight from West Africa is only about €0.1/kg, the FOB of Ghanaian yams into the UK was about €5.5 million.

Figure 5.5: UK imports of yams from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

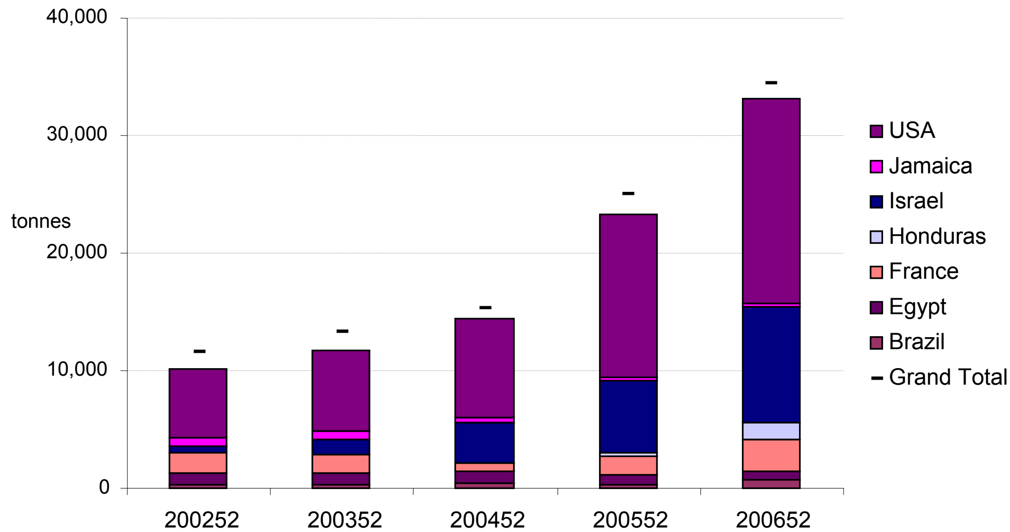
Sweet Potatoes

UK imports of sweet potatoes have grown rapidly, from 11,000 tonnes in 2002 to 34,000 tonnes in 2006 (Figure 5.6). The sweet potato trade is moving away from being positioned as an ethnic or exotic product and is now steadily moving into the mainstream vegetable market being used by some indigenous Britons as part of their cooking recipes and is increasingly being sold in supermarkets. This move is confirmed because 50 per cent of the trade is now supplied by the USA, with Israel sending a further 29 per cent. Despite the market growth, SSA is a declining supplier (Figure 5.7). This is a particularly interesting example of African suppliers losing out on an interesting opportunity as it crosses over from being an "ethnic" to "mainstream" product. There could be two reasons why there has been a decrease in the proportion of sweet potato imports from SSA – it could reflect the lack of competitiveness by Southern and West African producers (lack of economies of scale, technology and/or management, varietal[36]) or it could be due to the inability to achieve EurepGAP-certification. It is likely that if the production from Africa were competitive then it would be reasonably

[36] Variety may be a factor as the sensory characteristics of sweet potatoes grown in Africa are different to those grown in the USA.

simple for the exporters to achieve the necessary standards to access the markets, as many other of South Africa's export lines are already certified.

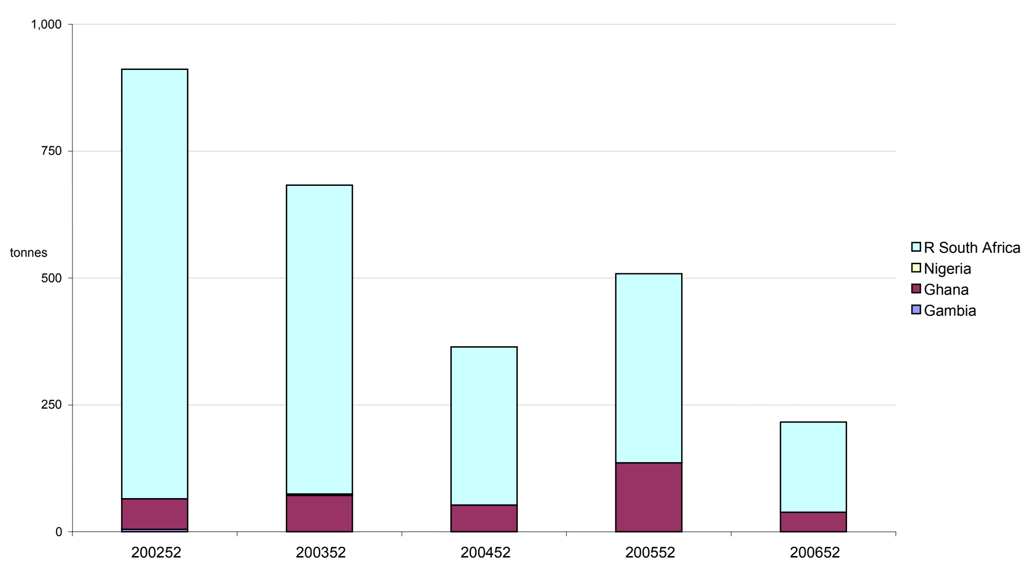
Figure 5.6: UK imports of sweet potatoes from all sources, 2002/06, tonnes



Source: Accord Associates LLP based on EUROSTAT data

The import of sweet potatoes from Africa is small and is decreasing (Figure 5.7). South Africa is the major supplier, with less than about 200 tonnes being supplied in 2006. The only other country of consequence is Ghana, with less than 50 tonnes.

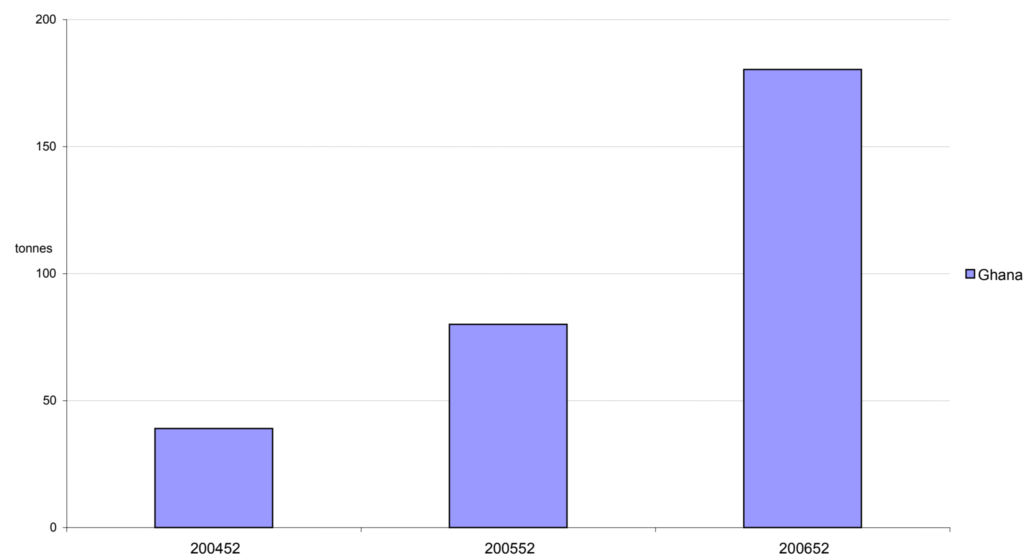
Figure 5.7 : UK imports of sweet potatoes from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

Cassava
Imports of cassava for human consumption (as opposed to the large-scale bulk imports of animal feed) are small but have grown steadily this decade to reach 2,500 tonnes in 2006. Costa Rica is the major supplier, with 85 per cent share of the market. Imports of cassava from Africa have started to appear in the past three years with a developing, but still quite tiny trade from Ghana (Figure 5.8). In 2006, the 180 tonnes imported from Ghana had a C&F value of €140,000, which meant the average value of the cassava was €0.8/kg.

Figure 5.8: UK imports of cassava from Africa, 2002 to 2006, tonnes

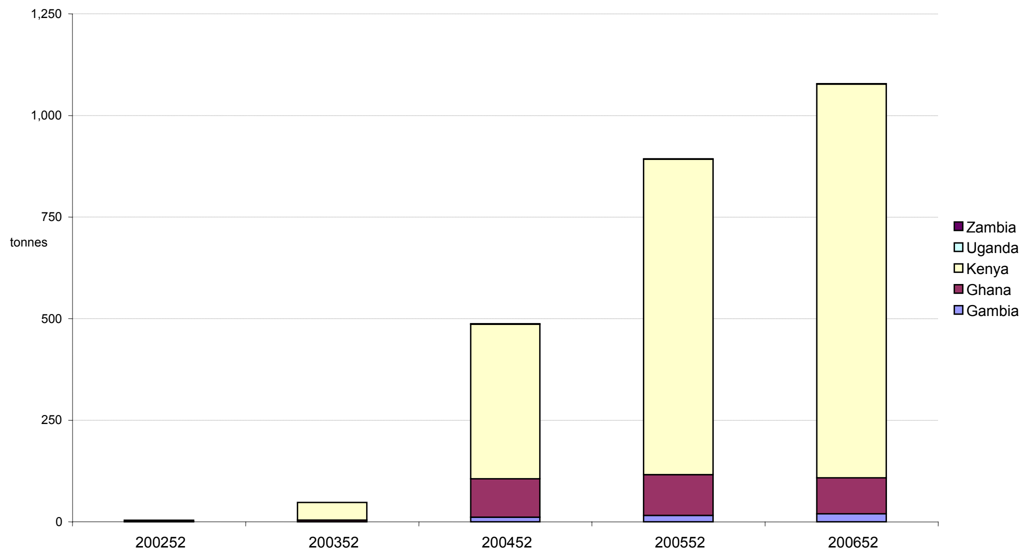


Source: Accord Associates LLP based on EUROSTAT data

The trade in cassava is not strictly within the fresh produce category as the cassava is highly perishable and therefore shipped either frozen or, or as in the case from Costa Rica, dipped in wax containing thiabendazole which increases shelf-life at ambient temperature to about six weeks. Either way, these options allow cassava to be transported by sea to the UK; it is not valuable enough to cover the cost of air freight.

Aubergines
Mini-aubergine, or 'ravaya', is a new import item into the UK. The standard aubergines are relatively low-value and are imported into the UK from the Netherlands, Belgium and Spain. The mini-aubergines, however, can support the cost of air freight from Africa. Kenya dominates the supply (Figure 5.9). The total value of the ravaya trade had a C&F value of €2.7 million in 2006 with an average value of about €2.6/kg.

Figure 5.9: UK imports of aubergines from Africa, 2002 to 2006, tonnes



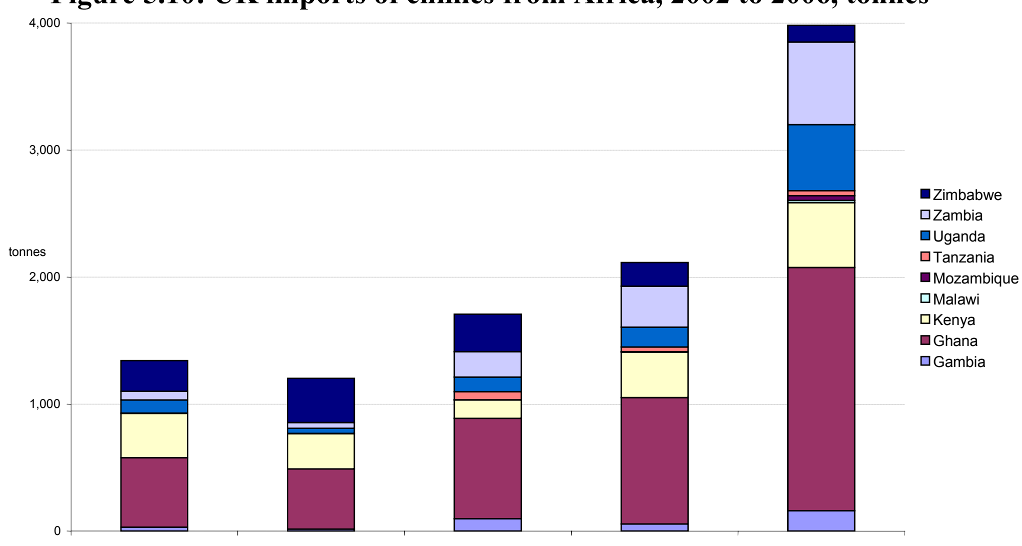
Source: Accord Associates LLP based on EUROSTAT data

Most of the growth in the ravaya trade seems to have come from the crossover from the ethnic trade into the supermarkets. As such, most of these imports are likely to be certified to supermarket standards. Mini-aubergines are unlikely to become a large-scale product in view of the low-cost alternative of the standard aubergines in the market.

Chillies

UK imports of fresh chillies from outside of the EU reached about 6,000 tonnes in 2006. Africa has become the dominant supplier at the expense of exports from the Dominican Republic. Output from Israel and Jordan is also increasing. In Africa, the leading supplier of fresh chillies to the UK is Ghana, with almost 2,000 tonnes (Figure 5.10). The total value of chilli imports from Africa now exceeds €10 million, with an average sales value of €2.5/kg.

Figure 5.10: UK imports of chillies from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

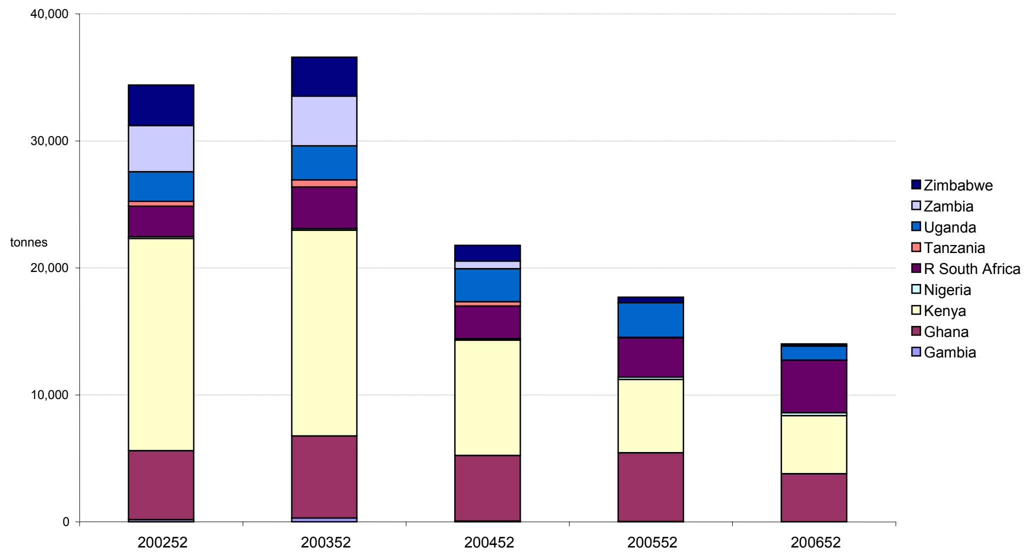
Hot peppers are also produced in the EU and total imports to the UK are around 20,500 tonnes from all sources. While some of the African supplies reach the supermarkets, a significant proportion, perhaps 50 per cent or more, is sold through the wholesale markets.

> ***Chilli exports*** *from Uganda have been regarded as a major success story. Imports into the UK have increased steadily, reaching 520t in 2006 with a C&F value of € 1 million (which equates to an FOB value of about € 350,000/year. This is particularly interesting as many of the other efforts to promote vegetable exports from Uganda have been unsuccessful. This programme was started in 1999 by the USAID funded IDEA project in response to a request for help from Mubuku growers. The project set up a trial programme which identified Scotch Bonnet as a suitable crop for the Ugandan climate. The project then helped finance management and some inputs costs and upgrade the pack-house. In addition to the support from the IDEA project, the other three keys to the success were that the crop was very well-suited to the climate, a good relationship was established with a Dutch importer and the Ugandan Government still supports the scheme financially.*

Unspecified Vegetables

This catch-all category for vegetables not specified elsewhere in the UK Customs coding includes the "Asian vegetables" of okra, mooli, dudhi, tinda, etc. There has been a dramatic decline in imports over recent years (Figure 5.11). These data are particularly surprising as interviews with importers and exporters indicate that the trade in Asian vegetables is at least steady, if not expanding. The African suppliers of this category that have suffered most from this decline have been Kenya (whose exports have declined from almost 15,000t to less than about 5,000t), Zimbabwe, and Zambia (whose exports have been virtually eliminated). Other suppliers of produce that would be classed as "other vegetables" would include Bangladesh (about 3,000 tonne/annum) and India (less than 1,000 tonne/annum), but imports from these countries have remained reasonably constant over the last few years; they have therefore not expanded at Africa's expense. It is possible that this decline may be due to reclassification of product from Kenya, Zambia, and Zimbabwe, but it is difficult to substantiate this. The supply of "other vegetables" has for the last few years been dominated by Kenya, Ghana and South Africa. Imports from Africa of vegetables in this category had a C&F value of €26.5 million in 2006. The average C&F value was about €1.9/kg.

Figure 5.11: UK imports of "other vegetables" from Africa, 2002 to 2006, tonnes

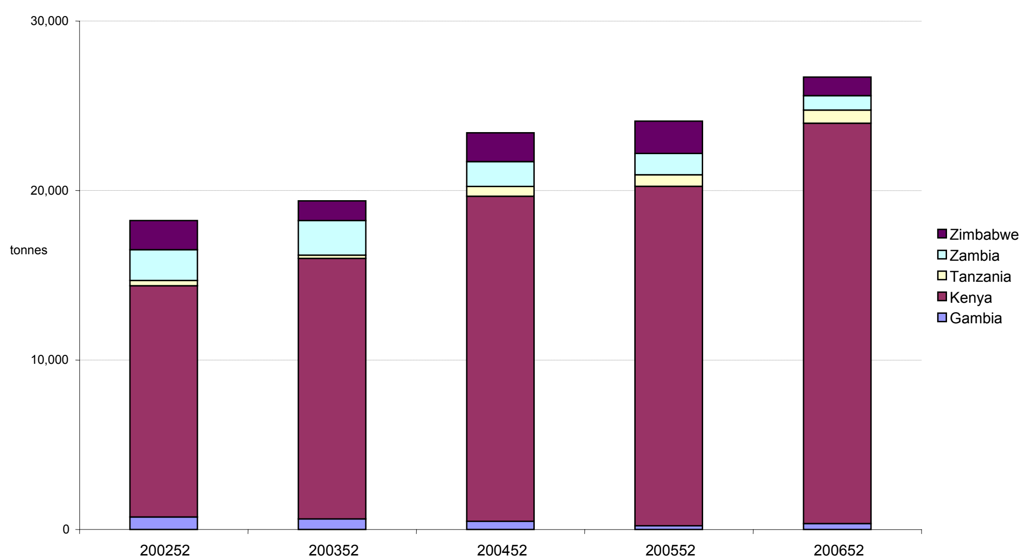


Source: Accord Associates LLP based on EUROSTAT data

Green beans

Green bean exports are an African success story. Exports to Europe have grown from zero in the early 1970s to 179,000 tonnes in 2006. Of this total, around 50,000 tonnes are exported from SSA, with C&F value of over €142 million. The UK is one of the major import destinations: the annual requirement is growing and reached at least 27,000 tonnes in 2006, i.e. it takes over half of SSA's output of green beans (Figure 5.12). Kenya dominates the supply to the UK.

Figure 5.12: UK imports of green beans from Africa, 2002 to 2006, tonnes



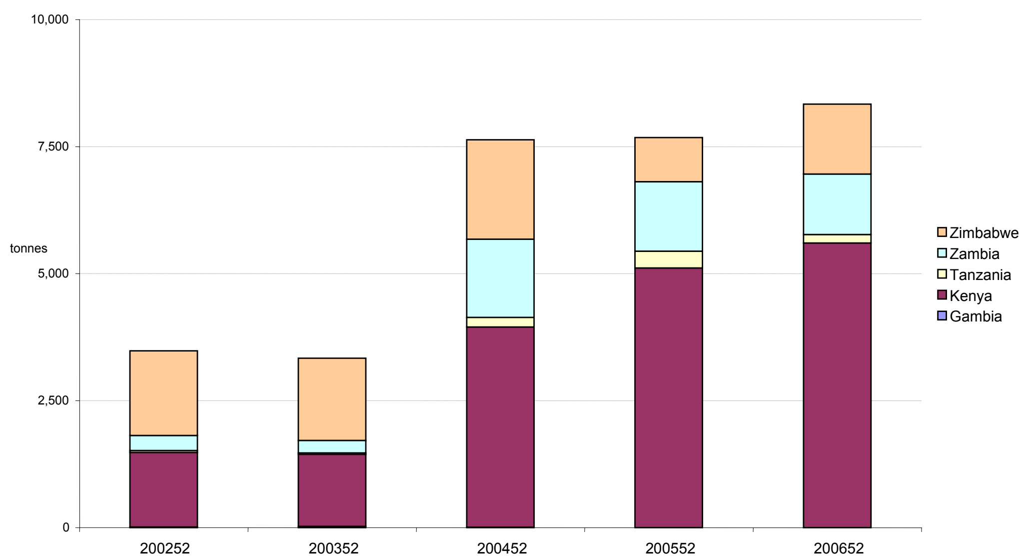
Source: Accord Associates LLP based on EUROSTAT data

Kenyan production is almost entirely organised by large-scale enterprises, though there is a significant element of production from smallholders under the control of the bigger companies. Production, packing and export are mostly aimed at the supermarkets and are therefore largely compliant with the private standards. There is some production, particularly in West Africa, which is accessing the supermarket trade and is not necessarily compliant with their standards. The major threat to the sub-Saharan exports comes from the Maghreb and north western Africa. Here, the development of new production areas and the short trucking time direct from Morocco or by sea from Senegal could threaten the high-cost, air freighted exports of East Africa. What gives the existing suppliers the competitive edge is the fact that they have been servicing the supermarkets satisfactorily for a number of years and switching suppliers to new countries always has an element of risk.

Fresh peas

The African production and export of peas, both mangetout and sugarsnaps, has grown to 20,000 tonnes in 2006. Of this, 15,000 tonnes are exported from SSA with a C&F value of €54 million. Supply to the UK is dominated by East African producers who have the temperate climate requirement needed for good yields and quality in their highland production areas, with cheaper labour than in the EU and sufficient air freight capacity (Figure 5.13). Production from Zimbabwe has declined and Zambia's output has increased.

Figure 5.13: UK imports of fresh peas from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

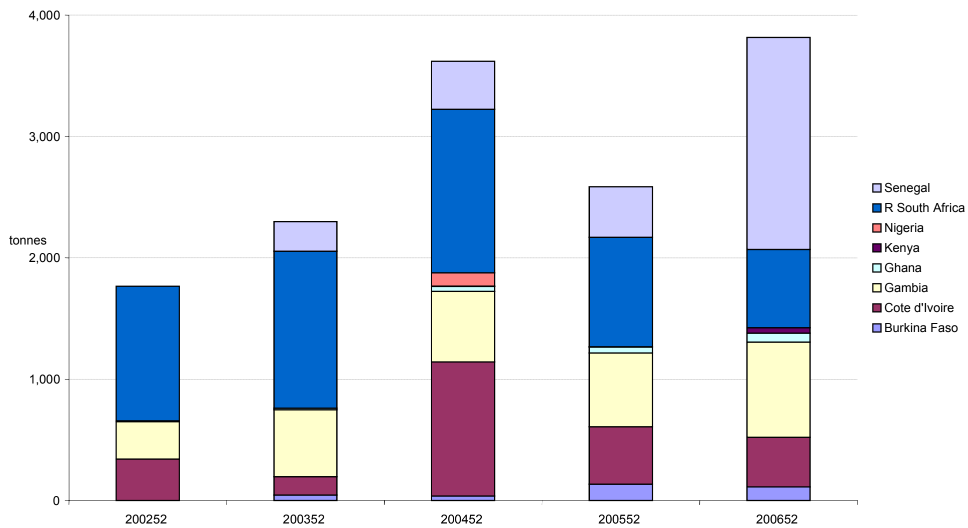
Pea production in Africa is mostly controlled by the bean-exporting companies. For the most part this is aimed at the supermarket trade and almost all production will now be certified.

Fruit imports into UK from Africa

Mangoes

The UK demand for mangoes has grown rapidly in recent years and imports in 2006 exceeded 60,000 tonnes, up from about 30,000 tonnes in 2002. Direct imports from Africa also doubled over the same time, but exports varied very significantly from year to year (Figure 3.14). African suppliers are maintaining market share but failing to take advantage of a major opportunity in this expanding market. The important African suppliers are Senegal, South Africa, Gambia and Côte d'Ivoire. In total, the imports directly from Africa are valued at €4.5 million. The average C&F value of African mangoes is €1.2/kg.

Figure 5.14: UK imports of mangoes from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

The mango export markets originally developed using air freight, but the majority of fruit are now sea freighted, and the premium market for tree-ripened fruit that must be air freighted is comparatively small. Kenya, therefore is squeezed out of the mainstream market; the lower freight cost and short voyage time favours the Senegalese and other West African exporters. Opportunities for other African exporters must therefore revolve around producing specific high-quality fruit that will justify the expense of air freight[37].

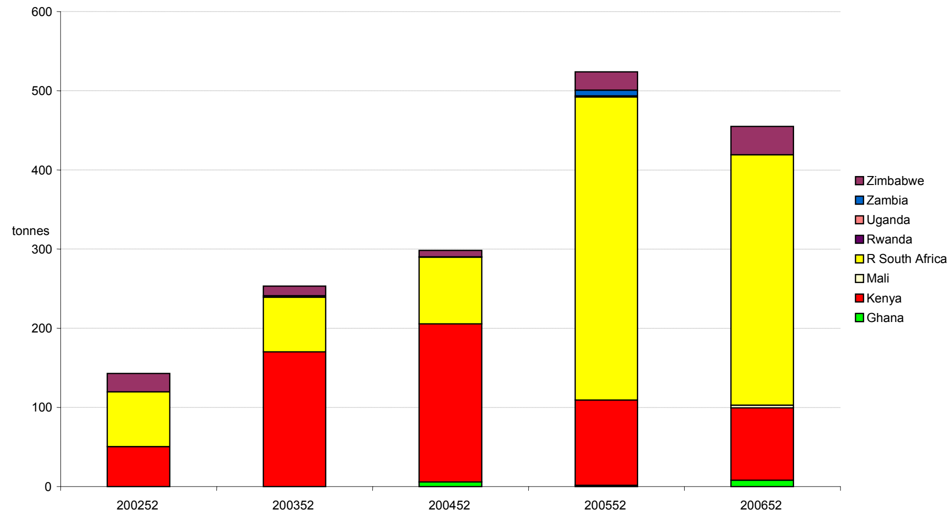
Passion fruit

Imports of passion fruit into the UK from Africa decreased by ten per cent between 2005 and 2006 (Figure 3.15). Imports peaked at just over 500 tonnes in 2005 to 450 tonnes in 2006. The C&F value of imports dropped from about €1.6 million in 2005 to €1.5 million in 2006. There is further significant re-exportation to the UK from Belgium, the Netherlands and Germany. Total imports to the UK are likely to be some 1,000 tonnes. African production is

[37] Some supermarket chains are trying to obtain better tasting mangoes to sell alongside the rather bland varieties that are provided by most of the South and Central American suppliers. This might develop into an opportunity for increased Kenyan and Tanzanian exports of their varieties that originated from India.

mostly concentrated in South Africa and Kenya, although there are a few smaller exporters also in the market. The opportunity for passion fruit is largely limited by the scale of demand.

Figure 5.15: UK imports of passion fruit from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

Lychee
The lychee market in the UK is quite seasonal and the harvest in Madagascar and South Africa coincides with peak demand over the Christmas period. Lychees store relatively well and can be sea freighted. The total UK import has probably not declined as much as the data might suggest (Figure 5.16) as the lychee trade is heavily controlled by a few mainland European-based distributors who re-export to order. The UK currently imports about 4,300 tonnes from all sources, valued at €8 million. The African share of this is of the order of €4 million.

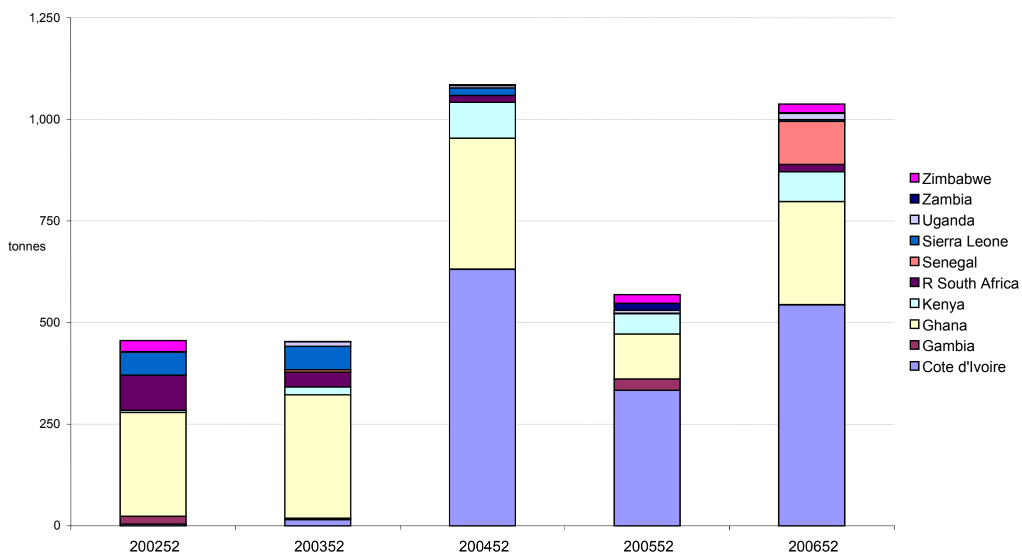
Figure 5.16 UK imports of lychee from Africa, 2002 to 2006, tonnes

Source: Accord Associates LLP based on EUROSTAT data

It is difficult to assess the scale of certified versus non-certified imports but much of the trade rests with the supermarkets.

Papaya
After peaking at 11,000 tonnes in 2003, imports to the UK have fallen annually, to about 9,000 tonnes in 2006. Imports direct from Africa indicate an irregular supply (Figure 5.17). The market in the UK is dominated by supplies from Brazil and the ability of their exporters to seafreight papaya to Europe has lowered prices and made air freighted supplies uncompetitive. The product, however, has not developed in the market as many had hoped, where the expectation had been that papaya could follow mangoes in the expanding demand. Mangoes benefited from promotional efforts that have not yet been applied to papaya.

Figure 5.17: UK imports of papaya from Africa, 2002 to 2006, tonnes

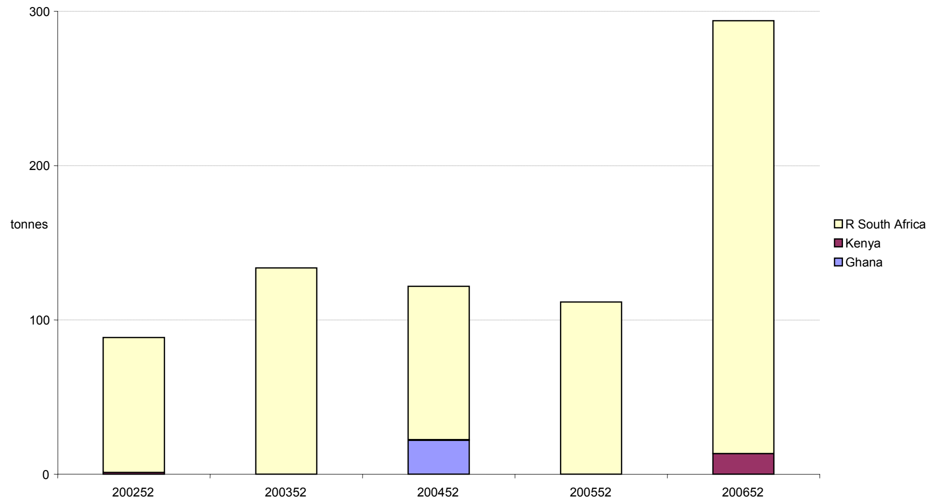


Source: Accord Associates LLP based on EUROSTAT data

In 2006, the UK imported papaya to the value of €12.5mn, of which some €1.25mn of fruit derived from Africa. Mostly the fruit is marketed through the supermarkets but it is unlikely that more than half of the exports from Africa are certified.

Other fruit
Fruits that do not have a category of their own in the UK Customs statistics are recorded as 'Other Fruits' or 'Fruits not Elsewhere Specified'. It is not clear what is in this category but Figure 5.18 below indicates a dramatic expansion of exports from South Africa, especially between 2005 and 2006. The value of imports have also grown and reached almost €600,000 in 2006, giving an average value of €2.0/kg.

Figure 5.18: UK imports of "other fruit" from Africa, 2002 to 2006, tonnes



Source: Accord Associates LLP based on EUROSTAT data

Summary of non-certified imports from developing countries

The main fruit and vegetable exports out of SSA are bananas, pineapples and citrus fruits – products that are mostly produced by estates that have the certification needed to market through supermarkets. The other products that are more likely to be grown by small-farmers and could be marketed without certification have been discussed above. The total import into the UK of these products is 175,000 tonnes, but only 71,000 tonnes are supplied by SSA (Figure 19). In addition to the data for imports direct from SSA countries, there will be some produce that is imported via other EU countries; this is estimated to be another 16,600 tonnes, half of which are mangoes. Estimates have been made on the quantity of the imports from SSA that will be produced by certified farmers. Some products, e.g. green beans and mangetout, will be produced almost entirely by certified growers, as these are products destined for supermarkets. The opposite will be true for yams. In total, it is estimated that almost 30,000 tonnes of produce will be imported into the UK from SSA; most of this is classified as "other vegetables", yams and mangoes. The C&F value of these imports is €41 million (£27 million). If it is assumed that the yams were sea freighted at £0.1/kg and the rest of the produce was air freighted at £ 0.85/kg – then the FOB value of non-certified fresh fruit and vegetables from SSA is approximately £23 million/year.

Figure 5.19: UK imports of fruit and vegetables from SSA to the UK

2006	Total UK Imports (tonnes)	Volume supplied to the UK direct from SSA (tonnes)	Approx volume supplied indirectly to the UK from SSA (tonnes)	Total SSA supply to the UK (tonnes)	SS African supply as a % of total UK import	Estimated non-certified imports to the UK (tonnes)	Estimated supplies of non-certified product from Africa (tonnes)	Current Value of uncertified African supply to the UK (Euro)
Fruits								
Lychees	4,300	760	1,000	1,760	41%	1,400	150	351,000
Mangoes	60,000	3,800	8,000	11,800	20%	30,000	5,000	4,965,000
Papaya	9,300	1,000	150	1,150	12%	1,000	500	605,000
Passionfruit	2,000	500	200	700	35%	200	50	154,500
'Unspecified Fruit'	18,750	300	100	400	2%	6,000	100	191,000
SUB-TOTAL	**94,350**	**6,360**	**9,450**	**15,810**		**38,600**	**5,800**	**€ 6,266,500**
Vegetables								
Beans & Peas	51,000	35,200	4,000	39,200	77%	7,500	1,000	3,140,000
Mini-Aubergines	1,250	1,100	150	1,250	100%	250	100	190,000
Chillies	20,600	4,000	500	4,500	22%	3,000	3,000	6,000,000
Cassava	2,600	180	0	180	7%	2,500	180	140,040
Sweet Potatoes	34,500	200	0	200	0.50%	7,000	70	45,500
Yams	12,800	9,700	0	9,700	76%	11,000	9,700	6,576,600
'Unspecified Vegetables'	52,800	14,300	2,500	16,800	0	45,000	10,000	18,600,000
SUB-TOTAL	**175,550**	**64,680**	**7,150**	**71,830**		**76,250**	**24,050**	**€ 34,692,140**
TOTAL SELECTED FRUIT & VEGETABLES	**269,900**	**71,040**	**16,600**	**87,640**		**114,850**	**29,850**	**€ 40,958,640**

Source – Accord Associates LLP

Almost half of the non-certified imports from SSA are "Other Vegetables"; which will be mainly ethnic vegetables. It is estimated that another 40 per cent of the non-certified imports are yams, chillies, and mangoes. Therefore there is a very narrow base of non-certified fresh fruit and vegetables imported from SSA countries. It must also be recognised that imports of "Other Vegetables" have decreased very dramatically over the last five years, but this has partly been balanced by the increase in imports of the other main product lines.

It is very difficult to accurately calculate the percentage of each product line from each country that will probably be grown by small-farmers. However, the best estimates have been made based on knowledge of horticulture in the country and the experience of people in the export trade. There will be a small margin of error associated with the estimates – but the consultant is confident that the FOB value of non-certified fresh fruit and vegetables from SSA is accurate to within 20 per cent. Therefore, the C&F value of imports from SSA would be in the range of £21 million to £33 million/year; whilst the FOB value would be £19 million to £27 million/year.

Further proof that the estimates made in this chapter are reasonably accurate comes from the estimates made for the value of SSA sales through the wholesale markets. These estimates were made independently of the analysis of the export data and they concluded a similar C&F value of SSA exports. The visits to the wholesale markets estimated that the C&F value of SSA sales through the wholesale markets was in the order of £35 million to £42 million per year (Section 2.3). Making assumptions using the official import statistics, it was calculated that the C&F value of non-certified imports from small-farmers in SSA is about £27 million per year. It must be expected that the value of SSA sales through the wholesale market channels would be slightly higher as it would include produce from large farmers that was surplus to the requirement of supermarkets. In undertaking both sets of analysis, some assumptions have been made and there are bound to be some errors. As noted earlier, it is expected that the errors with the analysis of the import data will be no more than plus or minus 20 per cent, but the errors attached to the calculations based on the wholesale data, would be a bit wider, perhaps plus or minus 25 per cent.

It must also be remembered that the calculation of the value of non-certified fresh produce imported from SSA small-farmers was calculated using the product import data from the most widely small-farmer grown crops – this will therefore be a slight underestimate as some of the minor products have not been considered. Therefore, in the mapping described later in the report, it is assumed that the C&F value of non-certified fresh fruit and vegetables grown by SSA small-farmers and sold in the UK is £30 million/year.

6 Perceptions of the opportunities for non-certified imports from SSA

Background

The previous chapter reviewed the data on the UK's grocery trade and fresh fruit and vegetable consumption. This chapter discusses the perceptions and opinions of the major participants in the fresh fruit and vegetable marketing chains in order to get an indication of the scale of future opportunities for non-certified production from SSA.

Importers

Importers have been subdivided into those that import predominantly for the main supermarkets and those who supply customers that do not demand standards such as EurepGAP.

a) Importers concentrating on supplying multiple retailers. With the increasing concentration of fruit and vegetables being sold through supermarkets, the larger importers have focused on only procuring from exporters and producers who can meet the standards demanded by the supermarkets. In order to ensure that the supermarkets' requirements are met, the farmer will tend to overproduce. Thus, often the exporter has produce that is surplus to the supermarkets' requirements and therefore will be sold in the wholesale markets. The importer will also supervise these sales in order to offer the exporter a complete service for as much of his product as possible. It is frequently assumed that exporters/farmers will dump their surplus production on the wholesale markets, but this is not quite true. There are basically two scenarios where produce that has met the standards demanded by multiple-retailers is sold on the wholesale markets. The first is when there is excess produce in the country of production and the importer believes that the wholesale market price will be in excess of the direct costs of marketing, i.e. air freight, marketing, distribution and packaging costs. The second is when the product arrives in the UK but is not accepted by the supermarket because it either fails quality checks or the supermarket is overstocked and does not need it[38]. In this case, the produce is placed on the wholesale market if the selling price exceeds the marketing and UK-distribution costs; they are then deemed to have "made a margin"[39].

Importers of EurepGAP-certified produce try to position themselves as being able to sell as much of the exporters' production as possible by targeting other markets. Examples include supplying fruit for producing fresh fruit salads or bulk vegetables for ready-meal manufacture. As these end-products are mainly sold into supermarkets, there is a requirement for EurepGAP-certification. Therefore, importers will try to sell fruit that is outside the physical

[38] Even though the supermarkets develop a sales plan for the grower and exporter to work with, these plans are continually reviewed even through the growing season and sometimes there are factors that can cause the multiple retailers to alter their requirements at the last minute.

[39] A good example of this was seen at the Bull Ring in Birmingham. A street market vendor was selling 2.2kg boxes of Kenyan green beans at £1/box. On inspection, it was obvious that they were below supermarket standards – the beans had already started to discolour. The vendor reported that he had bought 250 boxes that morning from Birmingham wholesale market for £200. Given that the cost of air freight from Kenya would be at least £2/box, these beans must have either been rejected by a supermarket – or they had been in the wholesaler's store for too long. Either way, there was no positive margin for the exporter!

specifications for the supermarkets, i.e. too big, too small or misshapen into the food processing market. In this way, the importer is providing a valuable service for the grower because it increases the marketable percentage of the crop. Another market targeted by importers of EurepGap-certified produce is for the catering outlets that are demanding similar standards to the supermarkets. This was reported as being an increasingly important market outlet for produce.

b) Importers of non-EurepGAP produce. The importers who concentrated on marketing produce that was non-EurepGAP sold most of it through the wholesale markets. There are a few importers who supplied directly to the retail trade, but in total the fruit and vegetables going down this route are very small. The largest importer of non-EurepGAP certified produce is Pauls Fruit & Veg, who import almost 4,000 t/year; mainly from India, Dominican Republic and Ghana. They have a unit at Western International Market, but most of their sales are either to traders based in the wholesale markets or direct to retailers situated around their warehouses in Leicester and in West London. Even though their customers do not demand any standards other than the legal requirements, Paul's claim that they are making an effort to introduce their own standards. The genesis for establishing their standards was the problems with Sudan 1 in dried chilli powder from India in May and June 2003[40], which had a major impact on that country's spice exports. Despite the fact this problem was not associated with **fresh** fruit and vegetables [41] and even though it did not directly impact on their trade, Paul's decided that they should implement their own standards as part of their "due diligence" for their customers. Therefore, they now only want to buy from exporters who can trace their production back to the farmer; they expect their exporters to source from "larger-than-average and established farmers" and they expect each farmer to be able to produce a diary of the inputs used on their crop and to be able to demonstrate safe application and storage of pesticides and good hygiene practices. The types of pesticides and the timing of their application are vetted by an independent consultant who makes a recommendation as to whether they will be within the maximum pesticide limits set by the EU and/or the UK authorities. Finally, they organise regular pesticide residue testing on all imports. Whilst these standards are not as comprehensive as EurepGAP, it gives the importer and its customers the reassurance that the produce is safe. It should also be noted that whilst Paul's Fruit & Veg standards are not as comprehensive as EurepGAP, they also tend to discriminate against the smallest-farmers, simply because the larger farms are easier and cheaper to administer.

The other importers, who were based at the main wholesale markets, simply relied on their exporters to supply produce that was within the maximum legal requirements demanded by UK import authorities. The reason that they did not demand higher standards was that their customers did not make any request for standards and purchased produce purely on the basis of price and its physical appearance. Some of the traders at Birmingham market noted that there had been an E. coli issue on iceberg lettuce relatively recently but this had not impacted on their trade in the market.

[40] Sudan I is a red dye that is used for colouring solvents, oils, waxes, petrol, and shoe and floor polishes. It is not allowed to be added to food in the UK and the rest of the EU. However, inadvertent contamination of some food products was uncovered in 2003, the cause of which was traced back to chilli powder from India. This scare caused considerable unease as it is known that Sudan 1 could contribute to an increased risk of cancer – sales of spices from India subsequently suffered and it raised a significant debate about the safety of imported food from developing countries.

[41] India did have an issue with pesticide residues on grapes imported into Holland in May 2003, when about 400 tonnes were rejected.

Two importers who were based in the Small Heath suburb of Birmingham were interviewed[42]; these importers were also shop owners. Small Heath is a strongly Asian area with a high concentration of Bangladeshi and Pakistani immigrants. Initially, one supermarket had established contact with an exporter based in Dhaka via the local mosque in Small Heath and arranged for trial samples of Asian produce to be sent to Heathrow. The initial trials were successful and this has now expanded. The other shop then made contact with other exporters in Bangladesh and created a little bit of competition. The importers sell the produce through their own supermarket/convenience store and some of it is also distributed to other shops in the immediate vicinity. The normal routine is for the exporter to send produce twice a week on passenger flights to Heathrow; one shop imports on average 1.5 t/week, the other about 1.0 t/week. This produce is bought by Bangladeshi immigrants living locally and a small proportion by local Indian restaurants to feed their staff[43]. The importers claim that neither they, nor their customers had any issues or requirements for standards – as with most other retailers of ethnic vegetables, they stated that their customers bought on physical appearance and cost. These importers also noted that many of the Bangladeshi imports were by small-supermarket and shopkeepers, especially in Brick Lane in London, who by-passed the wholesale markets. Both these two importers/supermarkets also purchased a range of other fruit and vegetables from Birmingham wholesale market[44]. It is also interesting that there is another supermarket/convenience store on the same street that targets the Pakistani population, but it gets all its fresh fruit and vegetables from Birmingham wholesale market. Therefore, the supermarkets targeting the Bangladeshi population use the vegetables they import themselves as a way of differentiating themselves and attracting their customer base.

When discussing standards with importers of non-EurepGAP produce, virtually all of them noted that it was becoming more difficult to get their produce released quickly by officials from DEFRA. Often consignments were held for 24 to 48 hours whilst the accuracy of the phytosanitary certificate and other documentation was checked. This incurs extra costs (the standing time of vehicles waiting to collect the produce) and reduces quality.

Virtually all the importers of non-EurepGAP standard produce interviewed imported a similar range of products. The main lines were Asian vegetables, chillies, yams and other root crops. Apart from mangoes, very little fruit was imported. During the research the main source of mangoes was India, but the importers noted that sometimes other developing countries supplied mangoes for a short season, e.g. Mali and Ghana.

The importers were all asked whether there was any significant opportunity to expand their imports and sales from SSA and other developing countries. Most believed that the market was reasonably balanced as they rarely had shortfalls and if the amount imported increased significantly prices would fall. Pauls Veg did state that if they could get more freight space, they might be able to increase their sales, but their comment was the exception. Smaller importers noted that they would be interested in new suppliers provided it were sold on a commission basis - in other words, so they would not incur any financial risks.

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[42] They were identified because the list of UK importers included two supermarkets on the same street in Small Heath, so, during the market research in Birmingham, the consultant located the owners and requested an interview.

[43] It is estimated that at least 90 per cent of the entire workforce in the UK's Indian restaurants are from Bangladesh.

[44] Both had actually seen the consultant interviewing importers and traders in the morning!

Traders

Almost without exception the traders in the wholesale market were not interested in private sector standards such as EurepGAP. Many did not know about the private standards established by the main supermarket chains. However, most understood that there were maximum standards set by and implemented by DEFRA because they noted that officials had become more active in checking the physical quality of the produce in the market to determine whether it is labelled as the correct grade. When further questioned about the attitude of their buyers as to what standards the produce had met, they noted that they never received any questions or comments about the standards. They claimed that their buyers assumed that the produce was satisfactory as it had been allowed in the market and that their buyers were just interested in price and physical quality. The vast majority of traders noted that most of what they sell is "non-exotic" produce, i.e. vegetables such as onions, potatoes, tomatoes and brassicas, and fruits such as bananas, apples, citrus fruits and mangoes. Some smaller companies specialise in more exotic lines such as Asian vegetables, chillies and yams, but this trade is very small compared to the non-exotics.

Retailers

a) Supermarkets. Because the focus of this assignment was for produce that did not have private sector certification, very little attention was paid to the requirements of supermarkets.

b) Convenience stores. The focus for interviews with convenience stores was in areas where there was a high concentration of ethnic populations – almost without exception these would have been classified as independent convenience stores. Apart from the sellers of Bangladeshi produce, all the convenience stores obtained produce from wholesale markets – either directly by buying themselves or by phoning/faxing an order through and getting it delivered by a specialist local delivery company. Most of the owners of the convenience stores stated that they preferred to buy themselves as they thought that they could get better deals, especially better quality produce.

None of the independent convenience store owners inquired whether the produce they bought had any private standards. The normal response from most of the owners about standards involved was that that the wholesale market authorities would not allow them to be sold if they were unsafe. It was also stated that the vegetables they sold would be washed and cooked before eating, so this would destroy any pesticides or remove pesticides.

c) Stall-holders. A large number of stall-holders in street markets were interviewed and their buying practices and attitude to standards was very similar to the owners of convenience stores, i.e. they purchased at the nearest wholesale market, normally at least three times per week and there was no pressure from their buyers to improve standards and they, too, believed that the product must be safe if it was sold through the wholesale markets.

Food service/catering sector

There are a number of variations in the supply chains for the food service/catering sector. At one time food service companies used to buy their inputs from the wholesale markets like the retail sector, but increasingly they use catering suppliers to source and deliver their requirements. This is especially true for the large users, i.e. institutions such as hospitals, schools, and company canteens, as well as the large chains of restaurants and fast food outlets. In fact, over half the fresh fruit and vegetables used in the food service sector is delivered by catering suppliers. The other reason that food service companies use catering suppliers is that they often deliver prepared produce, e.g. peeled potatoes or chopped tomatoes, thereby reducing the need for kitchens to employ unskilled labour to prepare the food. These large supply companies are increasingly concerned about the standards of food that they provide. Legally, they are responsible for being able to trace their product back one step in the supply chain but, to overcome issues associated with "due diligence", they are becoming more proactive in securing safe food.

a) National Fresh Produce Suppliers. The largest national fresh produce suppliers work on the same standards as supermarket buyers for their fresh fruit and vegetables. In other words they source produce that has proven traceability standards such as EurepGAP. These catering suppliers are therefore out of the scope of this study.

The larger national fresh produce suppliers that are based in the wholesale markets, e.g. Mark Woolger, Sheringhams, Haluco, Inter Fruit Caterers all audit their suppliers to try to ensure that they are obtaining fresh fruit and vegetables from reliable sources. They purchase from wholesalers/importers who source mainly from companies that sell certified produce or which has been grown by EurepGAP-certified farmers, but which does not have all the documentation that proves it has reached this standard. As the manager at Inter Fruit Caterers stated, all their customers demand some basic traceability, which is why they have to audit the companies that they buy from. Some of the largest national fresh produce suppliers did admit that they would sometimes have to procure produce from non-audited suppliers if they were short, but they claim that this happens rarely. All the catering supply companies listed above are based in wholesale markets, but most of the produce they supply to their customers was not purchased in the market – they only used the markets if there was a shortfall.

The large-scale caterers were asked if their customers wanted produce that could be sourced from SSA and other developing countries. The response was that they have very little demand for such produce; the vast majority of what they supplied was basic low-value items because most of the catering outlets were very cost-conscious and if they had to supply much produce from SSA, especially if it was air freighted, it would be much too expensive. In fact, many of their customers were often looking to substitute lines if they became too expensive, e.g. if they were out of season. Therefore, the cost of transport, particularly air freight, makes the vast majority of SSA products non-competitive for the customers of the large-scale catering supply companies.

b) Local Fresh Produce Suppliers. Within the wholesale market structure, there are myriad small companies that buy from the market and supply small restaurants and some street vendors. These provide a valuable logistical service and, because they have minimal overheads, they can be a very cost-effective source of fresh fruit and vegetables for the small restaurants and some street vendors. It is difficult to determine how much of the fresh fruit and vegetables they actually distribute, as it is not possible to differentiate them from the restaurant owners and street vendors who purchase their own inputs.

c) Trends in requirements for the catering industry. During the interviews, some trends in buying patterns were reported that are having an impact on the demand for fresh fruit and vegetables from SSA and other developing countries. These are:

- The buyers were becoming increasingly cost conscious. Small restaurant owners claimed that they had to continually procure cheaply as they were in a very competitive market. Street vendors recognised that they could differentiate themselves from supermarkets by being cheaper.

- The considerable publicity surrounding healthy eating and the pressure from the environmental lobby has given impetus to institutions to buy more vegetables, which is obviously positive. However, there is also impetus to use locally produced vegetables, because the perception is that they will be fresher and less carbon has been used to transport them.
- Some local governments have insisted that any catering outlets they own must, wherever possible buy local produce – which means grown within 20 to 30 miles of where it will be sold[45].
- There is also an increasing trend for people to eat more ethnic food, especially when they eat in restaurants. For example, Indian restaurants are still thriving. This in theory gives a larger market for produce supplied from the countries where the recipes originate. This is true to a point, but for many of the ethnic restaurants, only a small portion of the vegetables used are actually imported – many of the recipes still include significant quantities of onions, tomatoes, potatoes etc.

Processing

Some of the importers interviewed also supplied fresh fruit and vegetables for processing or for preparation of mixed or multi-packs or for use in ready meals. The issue of using non-EurepGAP-certified produce was discussed, but it was pointed out that most of the processed, packed products or ready-meals being prepared were for supermarkets and therefore the raw material should be EurepGAP-certified. In the case of manufacturing fruit salads in the UK, the fruit that was supplied was often produce that was grown for supermarkets, and was therefore certified, but was outside of the physical specifications to be sold as a fresh produce. Also, the vegetables that were being combined into mixed packs would all have been grown to be sold as single items in supermarkets, and would all therefore have to be certified.

[45] Food service operators in tourist attractions such as the Pump Rooms and Assembly Rooms in Bath which are owned by the local council have to supply predominantly locally grown fresh fruit and vegetables – and where they have to use imported goods, e.g. tea or coffee, it should be the "Fairtrade" brand.

7 Conclusions and recommendations

Conclusions

One of the basic premises of the assignment was that there is a significant market for non-EurepGAP-certified produce that could be accessed by small-farmers from SSA. It is known that some small-farmers in some developing countries make use of this opportunity, but the research aimed to quantify it and determine the scale of future opportunities. The research concluded that the market for non-private sector certified fresh fruit and vegetables is certainly large, probably in the region of £1.71 billion (retail values). This is broken down into about £1.34 billion in the retail sector and £0.37 billion in the food service industry. Even when C&F values are considered, it still amounts to in excess of £750 million. Currently, SSA small-farmers supply a very small portion of this - about £30 million/year (Section 5.6). SSA competes in this market because of its cheap labour for the very labour-intensive crops, such as green beans and mangetout, and/or because its climate is well suited for tropical crop production, e.g. Asian vegetables and chillies.

In order to estimate the importance of non-certified production from SSA small-farmers, the import data for the main crops that they produce for export has been analysed. The chosen products were lychees, mangoes, papaya, passion fruit and unspecified fruit; and beans, peas, mini-aubergines, chillies, cassava, yams, sweet potatoes and unspecified vegetables. The total C&F value of these exports to the UK was £131 million in 2006; it was estimated that about £30 million was non-certified and came from small-farmers. The imports of the same products from other sources were £80 million – and the value of non-certified produce from other sources, including local and EU production was therefore about £730 million (Figure 7.1). It is estimated that about 76 per cent by weight of all non-certified produce is sold through the retail sector and 24 per cent through food service outlets. However, given the cost-sensitive nature of the food service sector and that transport adds considerably to the cost of imports from Africa, it is likely that a much smaller proportion of the non-certified product is sold through retail channels.

The research for the assignment also concentrated on trying to understand the drivers for the non-EurepGAP-certified market in order to assess whether SSA producers have the opportunity of expanding further into this sector. As with all industries, there are a number of drivers that impact on the trade; some are positive and some are negative (Table 7.1).

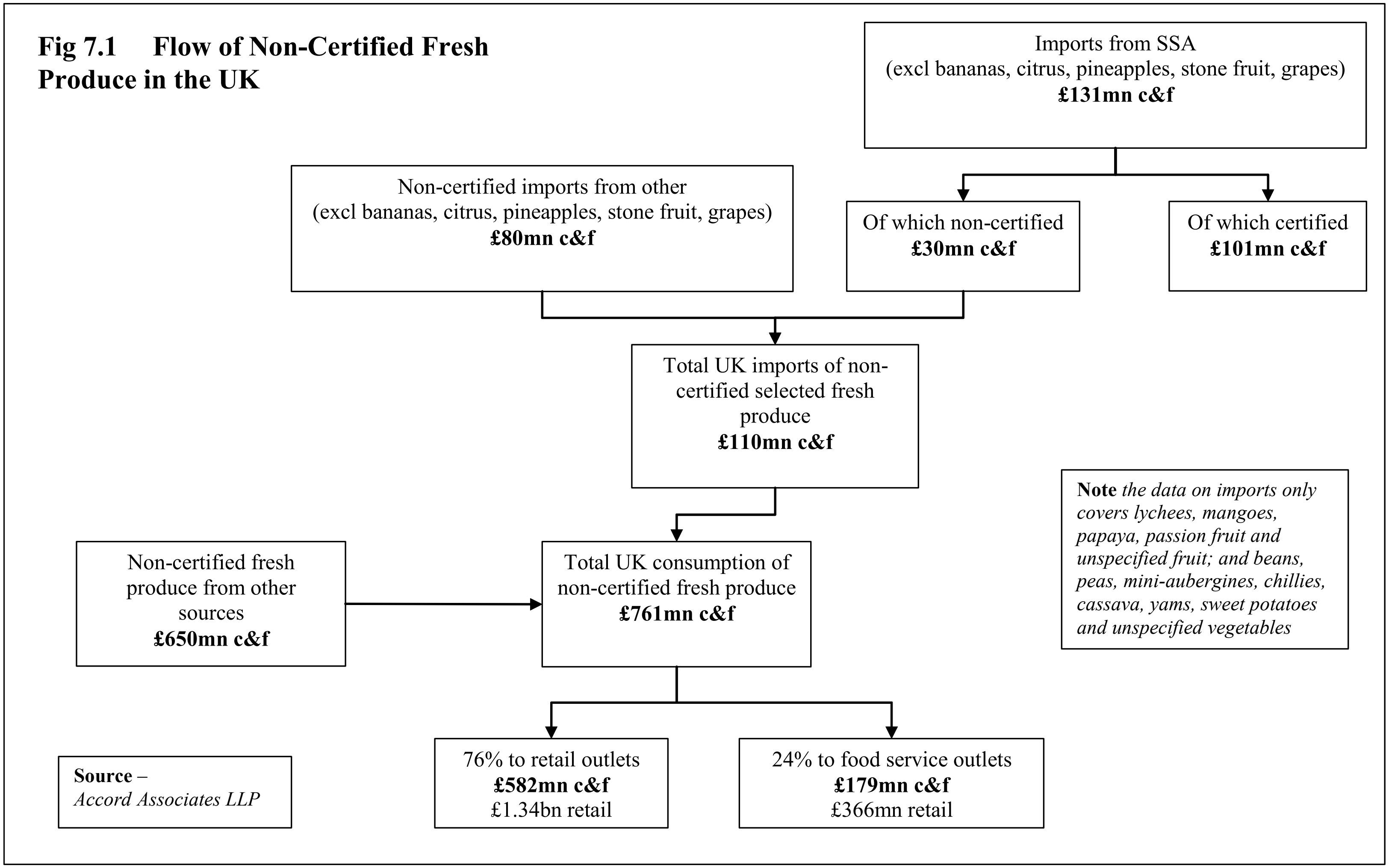

Fig 7.1 Flow of Non-Certified Fresh Produce in the UK

- First and foremost, the multiple retailers are expanding their share of fresh fruit and vegetable sales and there are indications that this will continue as the main supermarkets build new stores and increase their presence in the convenience store sector. This will reduce the total retail market opportunity.

- The main retail outlets for non-EurepGAP fresh fruit and vegetables are through independent convenience stores. The number of these is decreasing and the value of their sales is only increasing slowly – in fact more slowly than the total sales of fruit and vegetables.

- Overall sales through convenience stores are increasing due, in the main, to the expansion of multiple-retailers into this sector.

- The total fresh fruit and vegetable market is regarded as mature and total sales and over the past few years, the increase in consumption has been small. The opportunities for new entrants are therefore limited.

- There is considerable pressure from the consumers for local and seasonal fruit and vegetables - both of which reduce the market opportunities for using SSA produce.

- There are some positive indicators – there is considerable expansion in the consumption of ethnic foods, which is especially noted in the food service sector. However, many of the fresh fruit and vegetables used in ethnic restaurant meals are traditional, low-value vegetables such as onions, tomatoes and potatoes.

- There is also considerable public awareness of the carbon footprint used in air freighting fresh produce from SSA. Even though it is debateable whether this is a fair or even correct observation, the perception might adversely impact on the sales of air freighted product.

- There is increasing demand by the food service industry for suppliers to have the same standards as demanded by the supermarkets. Also, because of concerns over due diligence, many catering supply companies are auditing suppliers to ensure that they are implementing standards higher than the legal maximum for imported produce.

- Consolidation in the food service industry will result in fewer, and bigger catering supply companies. Larger catering supply companies are more likely to demand higher standards of certification.

Table 7.1: Drivers affecting the demand for non-certified fresh fruit and vegetables from SSA

Positive influences	Negative influences
Steady growth in the value of grocery and fruit and vegetable sales	Overall, the fruit and vegetable market in the UK is regarded as mature
	Increasing strength of multiple-retailers will result in more FFV having to be certified. The multiples account for 84% FFV sales – an increase of 2.2% between 2000 and 2002
Increase in number of convenience stores	Increase in number of multiple-convenience stores – that demand certified produce
	Decrease in number of independent convenience stores (who do not need certified produce) – which has led to a decrease in FFV sales through this segment. The number of outlets was down by 5% and sales were down by 4% between 2005 and 2007
	The fresh produce market is regarded as mature – therefore not good for new entrants
Increase in popularity of ethnic restaurants – but much of the fresh produce used are temperate vegetables that can be grown locally	
Promotion of fresh fruit and vegetables for healthy lifestyles – but FFV consumption remains steady at about 2,300 gram/ person/ week	Promotion of local production in both retail and food service outlets
	Environmental issues regarding air freight of FFV
Steady increase in demand for ethnic food – from 22 to 30 gram/person/week over last 5 years	Preferences for some restaurants to promote local and seasonal production
Growth in Food Service sector	Increasing demands by Food Service 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
	The consolidation in the food service industry will result in fewer, but larger catering supply companies who will demand higher standards of certification
	Overall, the sales in the wholesale markets are, at best, steady and there is a strong switch from supplying retail outlets to the food service sector – much of which is very cost conscious.

The opportunities for selling non-certified fruit and vegetables through a range of outlets have been considered (Table 7.2). Quite simply, the biggest outlet for fruit and vegetables, i.e. supermarkets whose sales are steadily increasing, cannot sell non-certified produce. Convenience stores are showing reasonable growth in sales, but opportunities for SSA fruit and vegetables are limited to independent stores. Traditional retailers, including street vendors, do represent opportunities for non-certified produce, but sales in this sector are declining. There is a similar story in the food service industry – the cost sector is predominantly supplied by large and audited catering supply companies who are increasingly adopting private sector standards – and, because they are driven by cost, there is very little incentive for using fruit and vegetables imported from SSA which will normally have to carry high transport costs. Some of the profit-driven food service sector may purchase some imported SSA products, e.g. some restaurants, but this opportunity is regarded as being relatively limited, because some of it is supplied by larger catering suppliers who set private standards and also because there is an increasing demand by restaurants for locally grown and seasonal produce.

Overall the main conclusions regarding the scale of the opportunity for non-certified fresh fruit and vegetables in the UK market is that it is large – a C&F value of about £750 million per year. However, very little of this is supplied by small-farmers in SSA – probably in the region of £30 million or four per cent of the total value of sales. The evidence, based on interviews, is that there is little room for growth – in either the total market or the supply from SSA. In fact the evidence is that the total market for non-certified produce will actually decline and the evidence from import data is that supplies from SSA are declining[46]. On the whole, the drivers that impact the sales of fresh fruit and vegetables are against the increase in sale of non-certified produce.

[46] This is mainly because of the very sharp decline in supplies of "Other Vegetables" (Figure 5.11) which declined from 35,000t to 15,000t in four years.

Table 7.2: Summary of the supply methods used by different end-users of fresh fruit and vegetables

	Description /Examples	Procurement	Non-certified fresh produce (Euro)	Trend in FFV sales	Opportunity for non-certified African supplies	Comments
Supermarkets	Tesco/Sainsbury's/Asda/ Morrisons	Programmed supplies through importing intermediaries	Zero	Up	None	Demand EUREP-GAP suppliers
Convenience stores	Independents, co-ops, forecourts, multiples, symbol groups	Centralised purchasing from distributors and programmed supplies		Up	Limited	Purchasing-imposed standards, except for independents
Traditional retailers	Greengrocers, corner shops	Wholesale markets and local distributors		Down	Declining	Problems competing with multiple convenience stores and supermarkets
Food service – Cost segment	Custodial/Health Care/Educational/ Staff canteens	Catering suppliers – mainly "Full Service Providers" & "National Fresh Produce Suppliers"		Low growth	None	Imported produce too high value Need certification and traceability
Food Service – Profit segment	Restaurants/Cafés/ Pubs	Range of catering suppliers and wholesale markets		Up	Limited	Mostly supplied by large catering suppliers Selection of limited appeal

Recommendations

There are a number of recommendations:

- It is vitally important that considerable care is taken before the export of non-EurepGAP produce is stimulated in Africa. The indications are that the market is not undersupplied and that it will not grow. Therefore, if the supply of currently imported products is increased, then it is likely to have a major negative impact on prices as the market is reasonably well balanced.

- It is important that markets for SSA small-scale farmers are identified where they have more natural comparative advantages or where the market is expanding more rapidly and there could be an opening for new or expanded supplies. For example, SSA farmers have greater comparative advantage if they supply their neighbouring countries rather than incur the very significant marketing costs (both in transport and commissions) associated with the UK. Other markets that might represent larger opportunities for non-certified produce could be in the Middle East.

- It was noted that a considerable number of consignments imported into the UK from developing countries were detained at the point of entry to confirm the validity of the phytosanitary certificate. This is, in part, due to authorities not having complete confidence in the inspection procedures in the exporting country. Consideration must be given to improving plant inspection services in the exporting country in order to speed the acceptance of produce in the UK. This will reduce importer's costs which as they are passed on to the exporters should improve the farmers' margins.

- Even though the quantity and tonnage of product imported into the UK from SSA might be small compared with the total market opportunity, these exports are important to the farmers and workforce that are growing the crop and exporting the product. It is thus important that this trade is recognised and efforts are made to make it more secure. It is therefore recommended that efforts be made to support the exporters to establish better systems for tracing product back to the farm and to train the farmers in record keeping, safe storage and application of agrochemicals and the basics of food hygiene. Even though this might be regarded as a cost, farmers often save money because they are able to improve their record keeping. If this is achieved, it will help with the "audit trail" and then if the importer does start to demand certification, it will be much easier to implement.

- Consideration also needs to be given to the establishment of procedures for the adoption of simple standards for certain segments in the local markets. For example, many SSA countries have a significant local supermarket trade, high-class hotels, a significant tourist industry and the start of an industrial catering industry[47]. All these organisations require significant amounts of fruit and vegetables that they need to be reassured are safe. There is an opportunity for the establishment of a local standard and then the farmers need to be trained to meet these appropriate standards. These standards need not be as stringent as for EurepGAP, but would be the first step in the process of assisting farmers to move towards private sector certification. It is

[47] For instance, some airline companies procure their in-flight catering for international flights in SSA, e.g. British Airways in Kenya and for 17 flights in 2005, British Airways in Zambia.

important that these standards are established, driven and controlled by the private sector, but donor funds could be used to help establish them and train farmers[48].

[48] An example of attempting to establish appropriate local standards is the proposal to adopt the Zambia Assured Produce Scheme (see Appendix 7.1)

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For more information contact:
contact@agrifoodstandards.net

Published by:
International Institute for Environment and Development,
3 Endsleigh Street,
London WC1H 0DD, UK
tel: +44(0)2073882117,
fax: +44(0)2073882826