

AIC *On Line* **ACE AIC Market Briefs: European Table Grape Market**

I. OVERVIEW

In the first seven months of 1995, European imports of table grapes from outside the European Union (EU) were worth almost US\$300 million. Anecdotal evidence from importers from this season indicates that 1996 will be an even bigger year than 1995 in terms of volume, although prices have been depressed from oversupply. In addition, the opening of Russia and Eastern Europe has provided new outlets for European grape importers.

With a market this large, it is no wonder that many countries are interested in expanding grape production. South Africa and Chile are the major suppliers, especially from Christmas through mid-April, but India, Egypt, and Israel are trying to carve out niches for themselves during the later part of the season (late April until mid-July) along with smaller suppliers such as Mexico and Jordan. Diversification and quality are essential in this competitive market.

Importers stress the importance of a diversified crop. South Africa, Italy, Cyprus and Spain, traditionally producers of seeded grapes, are increasing production of seedless varieties and new producers such as India and Egypt have built their industries largely on seedless grapes. However, though Northern European consumers are eating more seedless grapes, there is a considerable market for large-berried, dark-colored seeded grapes in France, Germany, the Netherlands, Austria, Russia and Eastern Europe which will continue to exist. Diversifying one's grape crops is advantageous in that it both extends the season, lessens dependence on one or two varieties (spreads the risk), and can pay off in price premiums for niche grapes. India was hurt this year, for example, because Chile flooded the market with Thompson Seedless, thus depressing prices for that variety. One importer suggested a product mix of one-third ³blue² grapes such as Ribier, and two-thirds white grapes including some large-berried seeded varieties such as Perlette and Superior.

With so many competitors on the market, quality is of utmost importance. Both new suppliers like India and established suppliers such as Chile have suffered lower returns this season partly because of substandard product. Berry size, sweetness, color, firmness, shelf-life and presentation are all important determinants of success in the competitive European table grape market. If quality is overlooked in the rush to exploit market niches, often the result is lower prices than would otherwise have been the case. Innovation and the ability to respond to market demand are also important. Both Chile and South Africa, for example, are expanding production of Red Globe because of this grape's growing popularity and attractively high prices.

II. EUROPEAN MARKET

Volumes, Values

In 1994, the last full year for which statistics are available, the 12 EU member states imported

approximately 900,514 metric tons of grapes, worth US\$987.25 million, roughly US\$60 million of which was wine grapes and the rest table grapes. Non-EU suppliers accounted for US\$287.64 million of this amount, and US\$298.36 worth of non-EU grapes were imported in the first seven months of 1995. By far, the largest importer of grapes from outside the EU was the United Kingdom (UK), which imported US\$107.43 million of non-EU product in 1994. The Netherlands imported US\$79.98 worth of non-EU grapes, followed by Germany with US\$42.41 million and Belgium with US\$32.69 million. The Netherlands and Belgium are largely re-exporters, as their domestic markets are rather small. Although the market for non-European grapes in Scandinavia and Southern Europe are reportedly growing, total direct imports from non-EU countries for the other eight EU member states totaled only US\$25.13 million in 1994.

European imports of non-EU grapes have increased by over 76,000 metric tons and US\$125 million since 1988, led mostly by Chile and South Africa. After Italy, these are the two largest suppliers of grapes to Europe, Chile supplying mostly Thompson Seedless and Ribier (a seeded, blue/black grape) to the UK and the Netherlands, and South Africa supplying a whole range of seeded and seedless grapes to Germany and Belgium. Other countries such as Brazil, Turkey and Israel have increased their supply over this period, while India and Egypt have both become established as late-season niche suppliers in the last four years.

Seasonality

The European import season for grapes generally begins in late November or early December with Namibian, Chilean and South African product. Chile and South Africa effectively have the market to themselves until late March/early April, when Indian product comes on stream. In May, California and Brazilian product begin to arrive, followed by Egyptian and Israeli in June and Cyprus in July. By late-July, the Spanish and Italian seasons begin and non-EU imports slack off quite a bit. Turkey is the only non-EU country to supply in volume during the European season (August-November), although the U.S. has been known to send some late season product in November.

Importer/Consumer Preferences

Fruit and vegetables sales in Europe are rapidly moving away from the traditional wholesaler and small retailer towards the supermarket. Northern European supermarket chains are growing and extending their reach into both Southern and Eastern Europe. As supermarkets take over more of the produce business, quality standards have become stricter. Though price is definitely a factor, many supermarkets prefer to compete based on quality. To this end, it is important that suppliers work closely with importers who know the market requirements, which are often quite stringent. One complaint often heard this year with regard to Indian grapes, for example, was that the exporters seemed to be not at all aware of market requirements and were just sending as much volume as they could.

As far as individual grape varieties go, preferences vary by country. Thompson Seedless is the most popular variety in the UK, Europe's biggest importer, and is becoming more and more popular on the continent as well. Green Thompsons are preferred in the UK, while more mature yellow is preferred on the continent. Flame Seedless, a red-tinted grape, is popular mostly in the UK, to a lesser extent in France and in Scandinavia, but not so much in Germany, Austria or the Netherlands. Ribier, a black seeded grape, is popular in Northern Europe but not especially so in the UK. Other black seeded grapes such as Bonheur and Italia also do better in Northern Europe, where consumers are accustomed to seeded, dark-colored grapes. Perlette, an early season seeded grape and Superior, a seedless large

white grape, trail Thompson Seedless in popularity but nonetheless have a steady market in the UK and on the continent.

In general, seedless grapes have been the engine of growth propelling new suppliers like India and Egypt and suppliers who can produce and deliver good quality seedless grapes on a consistent basis are still in demand. However, Thompson has become a lower-priced grape precisely because so many countries are now producing it, and large-berry, darker grapes like those produced by South Africa can command a price premium in continental Europe.

Packaging

Grapes normally arrive in Europe in five-kilogram reinforced, corrugated board, flat-topped, open-lid boxes, also called cartons. Certain supermarkets, including Sainsbury and Tesco in the UK, require a 60x40x12cm. carton, which has a weight of approximately 8.2 kg. Other supermarkets prefer the cartons to be 40x30x12cm. Generally the cartons are polythene lined and contain several 400-600g. individual plastic bags with carry handles. The individual bags are usually either rectangular with perforations or bucket-shaped with vertical lacerations. The latter are more easily force-draft pre-cooled. The type of bag used depends on the supermarket. On top of the bags is a sheet of paper, and on top of the paper is a sulfur-dioxide pad to prevent mold buildup during transport (this pad may not be necessary for air-shipped product).

Grades and Standards

EU Standards for Table Grapes are available from the ACE or Fintrac offices. However, many importers (especially those supplying supermarkets) also have their own very specific standards, and should be consulted before shipping.

III. OTHER SUPPLIERS

Africa

South Africa

South Africa is a grape superpower. In 1994, South Africa's exports soared 40 percent above the previous year to a record 93,755 tons because of the lifting of trade sanctions and a devalued rand. It is the second-largest non-EU supplier to Europe after Chile, and sent 58,289 tons to Europe worth US\$112.47 million in January-July 1995, mostly to Germany and Belgium. Production is forecast at 152,000 tons in 1996 and planting area is set to increase. The government's discontinuation of the General Export Incentive Scheme (GEIS) in 1995, which provided a 5.5 percent rebate on FOB value, forced shippers to redouble efforts to remain competitive.

Growers in the leading producing areas of Paarl, the Orange River and the Transvaal are devoting more of their acreage to black, red and white grapes (including Sunred Seedless, Muscat Seedless, Red Globe, Bonheur, and La Rochelle) developed specifically for export. Barlinka, Alphonse Lavallée, Dan Ben Hannah, Bien Donne, and Waltham Cross are other varieties pioneered by South Africa. Production of seedless grapes is being given priority and Sunred Seedless production is expected to top 1 million cartons by 2000.

South African producers market most of their fruit, including grapes, in Europe through a single entity, Capespan, both directly and through designated ³panelists². Some European importers (those not designated as Capespan panelists) call this operation a state-owned ³cartel² and hope the EU will force South Africa to change so they can negotiate directly with producers.

In South Africa, Capespan/Unifruco's depots supply packaging, cold storage, trucking, and quality control inspection facilities, as well as investing heavily in research facilities and constantly developing or adapting new varieties of grapes. In Europe, Capespan increasingly is handling distribution of product to supermarkets and is investing heavily in new facilities at Sheerness in the UK and Antwerp in Belgium. In the UK, many former Capespan panelists are being cut out of the distribution chain to lower costs and give Capespan more control over product quality. Early this season, Capespan said that its new 9kg, 60x40x12cm. table grape carton achieved record high prices.

South Africa forecasted exports of 4 million cartons of seedless grapes at the beginning of this season (December 1995-May 1996), half of which were to be Thompson Seedless. Nine million cartons of black grapes such as Bonheur and La Rochelle, which reach their peak in March and April, were to be marketed, as well as 250,000 cartons of Red Globe (an increase of 70 percent over last year), 300,000 cartons of Sunred Seedless (a 50 percent increase on last year), and 400,000 cartons of Festival. The white grape season is 22 weeks long, from January to mid-May. Germans are fond of white seeded grapes, and South Africa has begun to market a new variety called Majestic this season. Overall, five million cartons of white seeded grapes are forecast for this season, and Capespan sees good opportunities for white seeded grapes in Nordic markets and in Spain. In the UK, seedless grapes are much more popular, and the UK accounts for 60 percent of South Africa's total seedless grape sales to Europe.

North and South America

Chile

Chile is the leading supplier of table grapes to Europe, concentrating on seedless varieties. In 1995, Chile exported 19.2 million cartons to the EU, with the Netherlands being the main receiver (10.8 million), followed by the UK (5 million), Germany (476,696), Spain (429,947) and Italy (413,491). January-July exports were worth US\$133.06 million. Chile's forecast production of table grapes for 1996 is 845,000 tons. Exports are forecast at 432,000 tons.

The first shipments usually arrive the week before Christmas via air freight, switching to sea freight shortly thereafter. 36 varieties are produced for export, with Thompson Seedless, Flame Seedless, and Ribier accounting for the majority of production. Due to poor returns for Ribier, some producers are switching from Ribier to Red Globe. The U.S. purchases about 60 percent of Chile's exports, followed by the Netherlands at 13 percent. The last few seasons have been difficult financially for Chile because of the strengthening peso and higher production costs. Because of this, the rate of expansion into new vineyards has largely stalled.

Chile's exporters are assisted by government programs. PROCHILE is an export promotion agency which provides market information, trade leads, conducts trade missions, and manages participation in international trade fairs. PROCHILE is trying to diversify Chile's markets by targeting the growing economies in Southeast Asia and Latin America. Export promotions of fresh fruits are carried out by the Chilean Exporters¹ Association (CEA), funded by assessment fees of 1.5 cents/box on exported

product. However, in August 1995 the Federation of Chilean Producers suspended relations with CEA. Quality control legislation was defeated in 1994 but there is a chance that a new bill, which would set up a privately-run quality control system, may pass sometime this year.

According to European importers, Chile sent about 30 percent more grapes than usual this season, some of very poor quality. This was due to a bumper U.S. crop, which meant that Chile had to divert more product to Europe than normal. The huge amount of Chilean product depressed prices in Europe considerably, and one Dutch importer complained that Chile had ³wrecked the market². Another was philosophical, saying that the continent always receives third-class Chilean grapes (after the U.S. and UK supermarkets), and that the season was a modest success in that most of the grapes were sold, albeit at lower prices. According to this importer, Russia and Eastern Europe took up much of these grapes. A drought in Chile earlier this year may affect the 1996-1997 season; Perlette volume fell off substantially this season due to drought.

Mexico

In the late 1980's and early 1990's, Mexico was the accepted source country fitting into the supply pattern after Australia, which in turn fitted in after Chile. Australia has now faded out of the picture and many UK importers work with India instead. However, this year Mexican grape is eagerly expected and, it is hoped, will restore consumer confidence in the grape market after poor Chilean and Indian seasons. Mid-May early season Mexican grapes can be expensive because of air freight but many importers bring in sufficient volumes to move into sea freight for the last month of the season from the end of June until late July. The Mexican season starts with Perlette, moves to Flame Seedless and Superior, and finishes the season with Thompson Seedless.

According to UK importers, production of white varieties is down 30-50 percent from last year and red is down 20-30 percent. Mexico's growing regions are Hermosillo in northwestern Mexico, which this year had a mild winter meaning the vines didn't have the necessary dormancy period required for growth. The other region of Cabarca is further north and didn't suffer the same problem. The quality of Mexican product is reportedly quite good, partly due to the assistance of experts from California.

United States

The U.S. is one of the world's largest grape exporters, and the US\$10 million or so exported to Europe is only a small portion of the US\$350 million worth of grapes exported in 1995. Canada, Asia, and Latin America are the largest markets for U.S. grape exports. California is the leading grape producing region in the U.S., accounting for almost 90 percent of all production. Thompson Seedless is the biggest variety produced, followed by other reds such as Ruby, Flame, Christmas Rose, Emperor and Red Globe. Next come other green-colored grapes such as Superior and Perlette, and then dark-colored grapes including Ribier. The U.S. season begins in mid-May and continues until December, with exports peaking in September and October. The UK is the main European importer of U.S. product, receiving shipments in May and June as the Chilean season closes out and in November at the end of the European season.

Brazil

Brazil sends grapes to Europe during two seasons, May-July (peaking in June), and November-January (peaking in December). In 1994, Brazil sent 6,009 tons of grapes to Europe worth US\$9.30 million.

The Netherlands and the UK are the two largest importers of Brazilian grapes. At the moment, most of the grapes sent are Italia variety and arrive by air freight. Although grape acreage in Brazil has been stable during recent years, increased production from irrigated vineyards in the Northeast has resulted in better yields and rising exports. The favorable climate and irrigated crop management in the area in and around the Sao Francisco Valley can produce 2.5 crops per year from vines in their fourth year of production.

Currently, growers in this region are trialling new varieties for the U.S. and European markets, and a US\$1.5 million project has been set up to assist in the production and improvement of seedless grapes. The Brazilian Grape Marketing Board (BGMB), established in 1992 by 14 grape growers in the Sao Francisco Valley, accounts for almost half of Brazil's table grape exports. The BGMB coordinates transportation, establishes export grades and branding, and coordinates research and development of new grape varieties.

Middle East

Egypt

Egypt's exports have been growing steadily, from almost nothing five years ago to 2,123 tons worth US\$3.93 million in 1995. USAID has hired Chilean growers to assist the Egyptians and helped to fund improvements in irrigation and postharvest procedures. Egyptian growers are concentrating on Superior, Thompson, and Flame and Ruby Seedless.

Frumar in the UK works with Pico, a company which has 160 hectares of seedless grape production with 50 hectares due to come into production this year. Trials are being conducted with new seeded and seedless varieties. 70 percent of Pico's grapes are white seedless, with 20 percent Flame Seedless and 10 percent Ruby or Red Globe and other varieties. The 8-week season starts at the end of May and peaks in mid-June. With the installation of new packhouses and cooling facilities, Pico's exports have grown to a few hundred cartons in the late 1980's to several hundred thousand cartons per season.

UK importer Geest is working with an Egyptian supplier and Chilean experts to produce Thompson, Flame, and Ruby Seedless for the UK market in May through July or early August. Competition is stiff, with Egyptian grapes facing the end of the Chilean and Indian seasons and then in June, Mexico, Israel, Cyprus and Jordan. Quality is therefore key to finding buyers at a good price. As volumes increase, sea freight shipments will help to reduce costs.

Israel

Israel sent 6,969 tons of grapes to Europe in January-July 1995, worth US\$7.95 million. Israel's exports to Europe have been in the 6,000-7,000 ton range since 1990. The Netherlands is the largest importer. Israel begins its grape season with Perlette, generally available in May and June, followed by Superior Seedless in mid-June and Thompson Seedless in July and August.

Israeli grapes are marketed in Europe by Agrexco, which also promotes Israeli produce through advertising. Agrexco has recently changed its Carmel (the major brand name for Israeli produce) grape cartons to incorporate colorful graphics, and provides retailers with attractive point-of-sale material. Israel is beginning to send a major portion of its grape exports by sea. Sea shipments to the UK are being sent in 60x40cm. cartons, as requested by UK supermarkets.

Israel, through the Volcani Research Center, is highly involved in the development of new varieties of seedless grapes. The goal is to have large, sweet grapes available at the early part of the season in order to receive the most profitable returns. Specialty varieties such as Mystery, which is said to have the aroma of coriander and herbs, are being marketed in Europe along with Spring Blush, a sweet red seedless grape with a unique aroma. Other varieties such as Novo Muscat and Jet Black combine flavor, firmness, and shelf-life of up to one month. The main grape growing regions are the Jordan Rift Valley, the northern Negev, the Arava and the coastal plain on the western slopes of the Judean mountains.

Europe

Cyprus

Cyprus, which used to send 8,000-9,000 tons of product to Europe, has lost market share to Israel and Chile during its July and August season. In 1994, Cyprus sent 4,140 tons of grapes to Europe worth US\$5.63 million. Cyprus mainly sells small-berried Sultana grapes, which are popular at the low end of the market. Because these grapes are sea-freighted, they are cheaper than the air-freighted Israeli grapes which are their main competition. The Superior variety, with a larger berry size, is in development and Cypriot exporters also ship Perlette, Cardinal, and Thompson. However, Perlette isn't favored because it doesn't travel well and Cardinal is ³on the way out², according to Cypriot exporters.

Cyprus grapes have to be at least 16 brix before they can be exported. Cyprus maintains a common office for Cyprus grapes in London where the distribution of Cyprus grapes in the UK is monitored and coordinated, to keep price competition between Cypriot producers at a minimum. Cyprus is entitled to export 9,000 tons of grapes to the EU duty free between July 1 and August 9 to the EU. New 5 kg. cartons and poly bags were introduced last year to meet supermarket requirements.

Spain

Spain exported 85,259 tons of grapes, worth US\$93.87 million in 1994 to other European countries. France, Germany, the UK and Portugal are the largest markets for Spanish grapes. Production is mostly seeded varieties, although there are projects underway to increase seedless production. The Spanish season generally begins in late July with Cardinal grapes, followed by Italia and Dominga in September and Napoleon in October. Frumar in the UK sources Flame seedless grapes from Spain from early July until late August, and other importers receive Thompson and Red Globe. Ohanes, a white seeded variety, has been displaced by seedless competition.

Greece

Greece exported 73,946 tons of grapes to other European countries, worth US\$81.92 million, in 1994. Greece ships a variety of grapes to Europe, including Thompson Seedless, Victoria, Rosaki, Sultana, Cardinal, Ribier and Alphonse Lavallée. Thompson Seedless is becoming more popular and one Dutch importer imports 2,500 tons of this variety alone because it competes well against the seeded French and Italian varieties on the market in August-October.

Italy

Italy is an enormous exporter of grapes, and the biggest single supplier to Europe. In 1994, Italy exported 452,046 tons of grapes worth US\$372.10 million, to other European countries. Italy's season lasts from July until October or November. Germany and France are the largest markets for Italian grapes.

Producers are growing more seedless grapes, currently about 10-15 percent of total production and Superior is the preferred seedless variety. Seeded Italia variety, though, still accounts for 70 percent of total production. Half of Italy's grape exports go to Germany. Greece is the main competitor, and, as seedless grapes are relatively hard to find during the European season, Greek Thompson Seedless often commands higher prices than Italian Italia.

IV. Outlook for India

India produces over 600,000 tons of grapes per year, of which only about 20,000 are exported. Thompson Seedless is the dominant export variety, though Flame and Perlette are also produced.

Indian imports generally fill a gap in the U.K. market between the Chilean and Israeli seasons from the beginning of April until mid-May but, depending on the weather, the Indian season can start as early as January. In these instances, India sends fruit to the Middle Eastern markets, and also to continental Europe (rather than competing directly with Chilean product into the UK during the same timeframe).

Industry Advancements

Several UK importers have been working with Indian suppliers for almost 5 years now, providing technical and marketing assistance. With extensive assistance from these importers, private investment, and financial support from the government of India and USAID, pre-cooling units and packhouses have been established at a dizzying rate, with new plantings continuing apace.

The government is firmly behind horticultural development in general and the grape industry in particular. Banks and the National Horticulture Board provide low interest loans, the Maharashtra state government offers subsidies for horticultural crops (Maharashtra being the region where most export grapes are produced), and APEDA, the agricultural export promotion agency, subsidizes air freight rates for exporters.

The combined result is that India's grape exports to Europe grew from practically zero five years ago to over 7,000 tons worth US\$10 million in 1995.

1996 Performance

Many traders in India and Europe were therefore very optimistic with 1996 projections. Volumes were set to expand further, the trade was becoming more sophisticated, and Europe's appetite for imported grapes had reached record levels in 1995.

Some importers estimate that Indian exports to Europe did double in volume terms this season. However, massive oversupply from Chile of Thompson Seedless (India's main variety) and variable quality Indian product resulted in much lower prices than in previous years and a substantial amount of money lost for Indian exporters. (See Chart following this section for 1995-1996 Chilean/Indian price comparisons).

Obstacles

The Chilean role, while certainly pivotal this past season, should not however be overestimated with regards to India's market downturn. Quality is not a new problem for India. Two years ago, Agrexco agreed to market Indian grapes in Europe, but had to divert them to the Middle East because the quality was substandard. Many European importers are afraid that the reputation of Indian fruit is being tarnished by a lack of emphasis on delivering quality product. Some UK importers feel that India is trying for too large a crop at 25 tons per hectare versus 10 for South Africa.

Quality can also be affected by natural forces of course; weather and water shortages have been continual problems in India for example, and like everywhere else cannot be eliminated. This season, importers worried about excessive heat and last season, unseasonable rain and cold caused fears of small berry size and low sugar levels.

Infrastructure remains a major problem too, as it can take hours for fruit to get from the growing area to Bombay's port, and. Shipping delays are also common. However, infrastructural weaknesses are currently being addressed by the World Bank through the establishment of a 6,000 acre wholesale market in Pune (scheduled for completion in 1999) which will include improved rail and road links, a container port outside of Bombay, and a cargo airport with warehousing, pre-cooling, cold storage, pre-packing and distribution facilities.

Poor packing and grading techniques continue to plague the industry also. One prominent UK importer noted that problems have arisen from "any growers packing any [quality] of fruit," with no appreciable or consistent grasp of UK market requirements.

Importers for several years have been hoping for a shake-out in the Indian grape industry which would make it more difficult for companies not concerned with quality control to effectively compete. However, tracing quality transgressions is difficult because of the plethora of middlemen, and many producers' tendency to sell to the highest bidder rather than through established channels. In countries where consolidation is the trend, it is much easier to monitor which growers are packing and grading to quality export specifications.

The impact of poor quality perception is a direct and immediate one on returns; one UK importer said in mid-May that Tesco and Sainsbury supermarkets were buying air-freighted grapes from Mexico which cost 10£ more per carton than Indian grapes because of the superior quality. Early season Egyptian and Israeli grapes also were receiving higher prices than Indian grapes.

The Future

The demand in Western Europe for table grapes continues to grow, and new markets in Russia and Eastern Europe look promising, with lesser quality standards (and prices).

Adrian Troost of Holland's Lehman and Troost is philosophical about this year's failings, noting his company's ability to unload Chilean and Indian product at US\$4.00 per kilo, which considering short shelf-life and small berry size could have been a lot worse. And many importers still concede India's enormous potential.

ACE AIC Market Briefs: European Table Grape Market

As top international industry performers from South Africa and Chile noted in last year's ACE-sponsored "Horticultural Development Conference" in Bombay however, it is a buyers' market, and therefore quality is increasingly a more important determinant than price. This is particularly true for European Union supermarkets, which are the fastest growing sector of the fruit retailing business. The image problem of "poor, inconsistent quality" Indian grapes is a big one to overcome. And only a large and concerted effort on the part of Indian grape exporters over a substantial period of time can change that reputation, and fulfill India's promise as a world-class grape exporter.

[Home](#) [Indian Hortibusiness](#) [India Market Info](#) [World Market Info](#) [Hort-Tech](#) [Business Connection](#)