



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 10/15/1999

GAIN Report #UK9053

United Kingdom

Processed Sweet Corn

Annual Sweet Corn Trade Report

1999

Approved by:
Thomas A. Hamby

Drafted by:
Michael L. Conlon

Report Highlights: U.S. exports to the UK in 1998 were down slightly from 1997 at 6,569 MT. U.S. product had trouble competing on price with France and Canadian canned sweet corn because of the strength of the U.S. dollar. Thus far, there does not appear to be negative trade or consumer reaction to U.S. sweet corn imports into the UK because of the controversy over genetically modified products.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
London [UK1], UK

EXECUTIVE SUMMARY	1
NARRATIVE	2
Consumption	2
Stocks	2
Trade	2
Marketing	3
Policy	3
STATISTICAL INFORMATION	5
PS&D Table	5
Trade Matrices	6

EXECUTIVE SUMMARY

The UK imports all of its canned corn needs. It has a well developed and relatively stable market, predominantly served by the major canned corn producers - France, the United States, Canada, Thailand and Italy.

France continues to be the main supplier to the UK, exporting 13,496 MT in 1998. However, French exports were down significantly from 1997 because of reduced domestic production. UK imports from the United States in 1998 were down slightly from 1997 at 6,569 MT. According to the trade, US product had trouble competing on price with France and Canadian canned sweet corn because of the strength of the U.S. dollar.

Over the next 3 to 5 years, U.S. canned sweet corn exports to the UK should increase marginally because of growing demand and the fact that the import duty and levy will continue to be decreased in accordance with the GATT agreement. Nonetheless, U.S. exports to the UK will be constrained by competition from other exporting countries such as France and Canada. In addition, there is some concern in the trade about the controversy surrounding genetically modified products. So far, however, there does not appear to be negative trade or consumer reaction to U.S. sweet corn imports into the UK.

NARRATIVE

Consumption

Consumption declined significantly in 1998 to 38,319 MT. Consumption of canned sweet corn fell because of high carryover stocks from 1997, the poor French crop in 1998, and increased exports to Ireland.

Consumption is expected to recover in 1999 to around 43,000 MT. The UK National Food Survey reports a steady increase in UK consumption of canned vegetables at around 4 percent per annum. Canned sweet corn is considered by the trade to be a more attractive product than frozen sweet corn because it is cheaper and also has the advantage of smaller pack sizes. There is also significant growth in the demand for canned sweet corn in the food service industry. However, consumption of canned sweet corn has been constrained because of an increase in consumption of fresh vegetables and the displacement of canned corn with other vegetables such as sweet peppers in canned mixes.

The major market trend that has occurred during the last five years has been a change in varietal demand. Naturally-sweet varieties have become more popular, as consumers have moved away from product with added salt and sugar. This is mainly due to increased dietary concerns.

Canned corn is normally sold at retail in two can sizes, 200 grams and 340 grams. Industry sources feel that the 200 gram size is likely to grow in popularity given the increased number of single-person households and the marketing strategy of reducing the individual pack price.

Distribution of canned sweet corn is divided between the food service industry (30% of market) and retail outlets (70% of the market). At the retail level, the market is led by own-label product, which is priced beneath its branded competition. The supermarkets seek to establish prices in advance and allow profit margins to fluctuate in response to changes in import/wholesale prices. While the retail sector is relatively stagnant, according to the trade, the food service industry is growing significantly.

Stocks

Stock levels are generally between one and two percent of total utilization. Stock levels fluctuate depending on prices. Stock levels increased significantly in 1997 because of an oversupply in the UK market. However, stocks went back to traditional levels in 1998 and 1999.

Trade

The United States has to pay a duty and levy on its canned sweet corn when exporting to the UK, while the strength of the dollar compared to the currency of other exporting countries has made US product even more expensive. Currently, imports of canned sweet corn from the United States are subject to a duty of 6.1 percent and a variable levy of ECU12/100 kgs.

France continues to dominate the market for canned sweet corn, exporting 13,496 MT to the UK in 1998. French exports to the UK dropped in 1998 because of a poor crop season. However, French exports should continue to dominate the market in 1999 because they benefit logistically from their close proximity to the UK and, as part of the EU, their product is not subject to an import duty and levy. Our trade sources also indicate

that currency fluctuations have also worked to France's advantage. French processors have been able to benefit from the present strength of the U.S. dollar against the euro.

To compensate, U.S. canners lowered their EU export offers by 3-4% from last year, even though production in the United States will probably be lower than in 1998 as contracted acreage is reduced. However, this concession still might not be a big enough concession for importers in price driven markets such as the UK, and U.S. sweet corn exports could be negatively effected.

U.S. exports of canned corn fell slightly in 1998 to 6,569 MT. According to the trade, U.S. product had trouble competing on price with French and Canadian canned sweet corn.

So far, there does not appear to be negative trade or consumer reaction to U.S. sweet corn imports into the UK because of the GM debate.

The UK exported around 1,797 MT of sweet corn to Ireland in 1998 because of attractive prices, transshipments from ports in the UK to Ireland and the move of Tesco into the Irish market. Tesco is the number one supermarket in the UK and, according to the trade, has been sourcing supplies from Britain. Exports should continue to be robust to Ireland in 1999.

Marketing

Given the nature of the UK market, market-development activities are concentrated on value added products - i.e., mixes of canned sweet corn with other vegetables, etc. New product lines are often developed in cooperation between canners and importers, with retailers test marketing the new products.

Marketing efforts for canned corn are limited and are usually initiated by the importers/supermarkets rather than by the supplying country. UK supermarkets presently promote canned corn three or four times during the year by using discounted price promotions. Traders' anecdotal evidence suggests temporary sales increases during discounting, with no long term growth in demand. Generic country promotions may increase country share but total demand is unlikely to be affected. Branded promotions increase product awareness and total canned corn sales, but as many consumers purchase only on price, the lowest cost product benefits most. Unlike many other vegetables, which have peak demand periods, for instance Christmas, Easter, etc., the demand for canned sweet corn is constant. The significant exception to this is during discounting.

Due to the large price differential between canned and frozen sweet corn, there is limited competition between these two products. As well as being far cheaper, canned sweet corn has the advantage of smaller pack sizes.

Policy

Canned sweet corn is governed by the 1990 Food Safety Act which governs all trading of food in the UK. This act deals with both food safety and consumer protection. In accordance with this Act it is an offense to sell food which does not comply with the food safety requirements. All parties involved in the food distribution chain are subject to the Act.

Packaging must adhere to EU labeling legislation. Canned corn produced as "own-label" brands will have labeling which adheres to this legislation as the labels are designed by the UK supermarkets. US brands must

ensure that appropriate labeling is used.

STATISTICAL INFORMATION

PS&D Table

	1997		1998		1999
	Old	New	Estimate Old	Forecast New	New
Beginning Stock	772	772	900	900	500
Production	0	0	0	0	0
Imports	45362	45362	46200	40059	44000
Total Supply	46134	46134	47100	40959	44500
Exports	534	534	1000	2140	1000
Domestic Consumption	44880	44880	45900	38319	43000
Ending Stocks	900	900	200	500	500
Total Utilization	46314	46314	47100	40959	44500

Although a small amount of sweet corn is grown in the UK it is sold on the cob and there is no domestic canned corn production.

Trade Matrices

Imports for	1996	1997	1998	1999*
U.S.	8157	7799	6569	5077
Others				
Canada	6844	7369	11604	4217
Israel	2432	2176	2199	536
Thailand	3423	3235	1711	663
Other Non-EU	114	95	172	123
Total Non-EU	20970	20674	22255	10616
France	19686	22346	13496	9167
Bel-Lux	99		1150	503
Italy	1311	1766	2940	1422
Other EU	1478	576	218	168
Total EU	22574	24688	17804	11260
Grand Total	43544	45362	40059	21876

Units: Metric Ton

* As of June

Source: H.M. Customs and Excise

Exports for	1996	1997	1998	1999*
U.S.				
Others				
Third Countries	47	117	87	47
EU	375	417	2053	588
Total	422	534	2140	635

Units: Metric Tons

* As of June

Source: H.M. Customs and Excise