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United Kingdom

Agricultural Situation

Stone Fruit

2005

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Report Highlights:
With limited production of stone fruit, the UK is particularly reliant on imports to meet the growing consumer demand for peaches, plums and cherries. Imports totaled 163,153 MT in CY2004 with peaches and plums accounting for the majority of imports. The U.S. is a key supplier of cherries to the UK market, with exports of other stone fruits to the UK still at relatively low levels.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
London [UK1]
[UK]

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Executive Summary

With limited domestic production of stone fruit, the UK is reliant on imports to meet growing consumer demand for stone fruit. Less than 10 percent of cherries and approximately 25 percent of plums sold in the UK in CY2004 were produced domestically.

Per capita fruit consumption in the UK has increased by almost 60 percent over the last three decades. Stone fruit consumption has risen at a staggering rate of approximately 7 percent per year over this time, compared to an average of less than 2 percent per year for consumption of all fruit. Fresh product consumption has also been facilitated by the increased availability and diversity offered by exotics and has helped to support total category growth. Concerns about healthy eating are a growing force behind increased fruit consumption, with several Government-supported initiatives launched over recent years.

The stone fruit market accounted for almost 10 percent of total fresh fruit sales in the UK in CY2004 and the sector is on an upwards trend. Seasonality is still a factor in the stone fruit market. Although southern hemisphere supplies are increasing, sales patterns tend to reflect the availability of northern hemisphere crops. Sales are dominated by the leading supermarket chains. However, with consumers of stone fruit tending to be wealthier and older than the norm, supermarket chains that share a similar demographic profile inevitably overtrade in stone fruit.

With declining production and growing consumption, the UK is very reliant on imports to meet demand for stone fruit. In CY2004, imports totaled 163,153 MT and indications are that volumes have increased in CY2005. Peaches and nectarines account for the majority of imports to the UK in terms of volume.

The U.S. is among the top ten suppliers of stone fruit to the UK, with cherries being the key stone fruit shipped to the UK. Collectively, U.S. shipments of stone fruit to the UK generated export earnings of over US$14 million in CY2004. Export earnings for CY2005 are expected to be on a par with last season’s performance, even though volumes are likely to be down on last year.

Production

UK production of stone fruit is limited to plums and cherries. Characteristic of UK fruit production, there has been a long-term decline in the planted area over the last two decades. The planted area of cherries and plums is approximately 40 percent of the area recorded twenty years ago. With the decline in planted area, domestic production has also been on a downward trend. Collectively, less than 1,200 hectares were given over to stone fruit production in MY2004 and produced less than 15,000 MT of fruit, according to statistics from the UK's Department for Environment, Food and Rural Affairs (Defra).

Today, domestic production only accounts for a small proportion of total cherries and plums sold in the UK. Less than 10 percent of cherries sold in the UK in CY2004 were produced domestically, with the corresponding figure for plums estimated at 25 percent. Charts 1 and 2 indicate the trends in UK area and production over the last two decades.

Chart 1: Planted Area of Plums and Cherries in the UK (source: Defra)

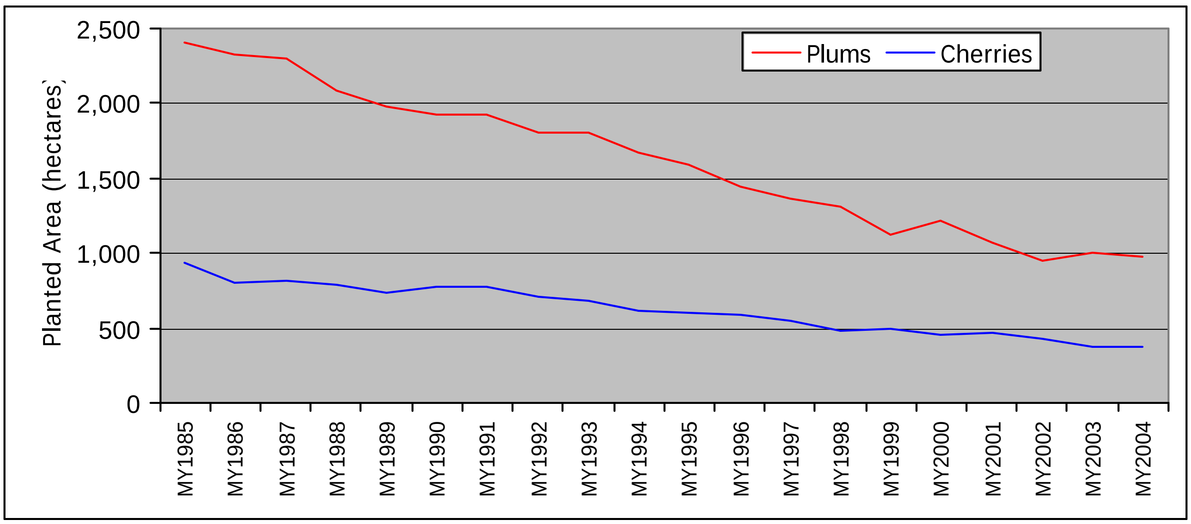
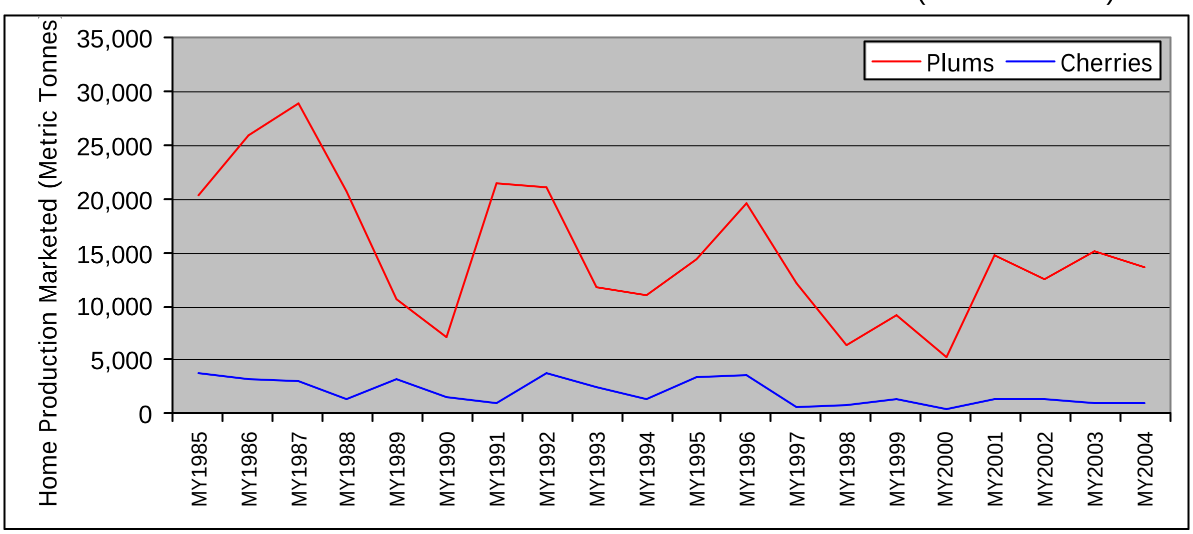


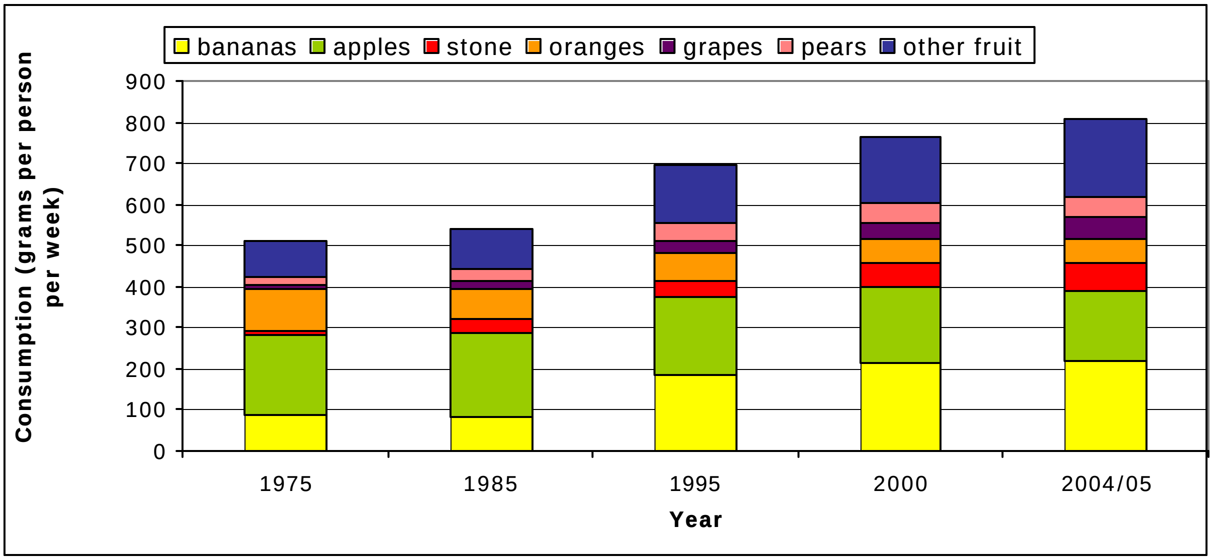
Chart 2: Home Production Marketed of Plums and Cherries in the UK (source: Defra)



Consumption

The latest UK National Statistics Expenditure and Food Survey revealed that fresh fruit purchases continued the long term upwards growth in 2004/05, as illustrated in Chart 3 below. Growth in fruit consumption has clearly been driven by the 'other fruit' category, which demonstrates the dramatic shift in availability and diversity of fresh produce that is available through UK retail outlets. However, stone fruit consumption has also contributed to this upward trend, with phenomenal growth over the last three decades. Survey data estimated weekly per capita consumption of stone fruit at just 10 grams thirty years ago. The latest survey indicated that current per capita consumption is 68 grams per week. Consumption of grapes is the only other fresh fruit category to record similar expansion over this time period.

Chart 3: Household Consumption of Fresh Fruit 1975-2005 (source: National Statistics 2004/05 Expenditure & Food Survey)

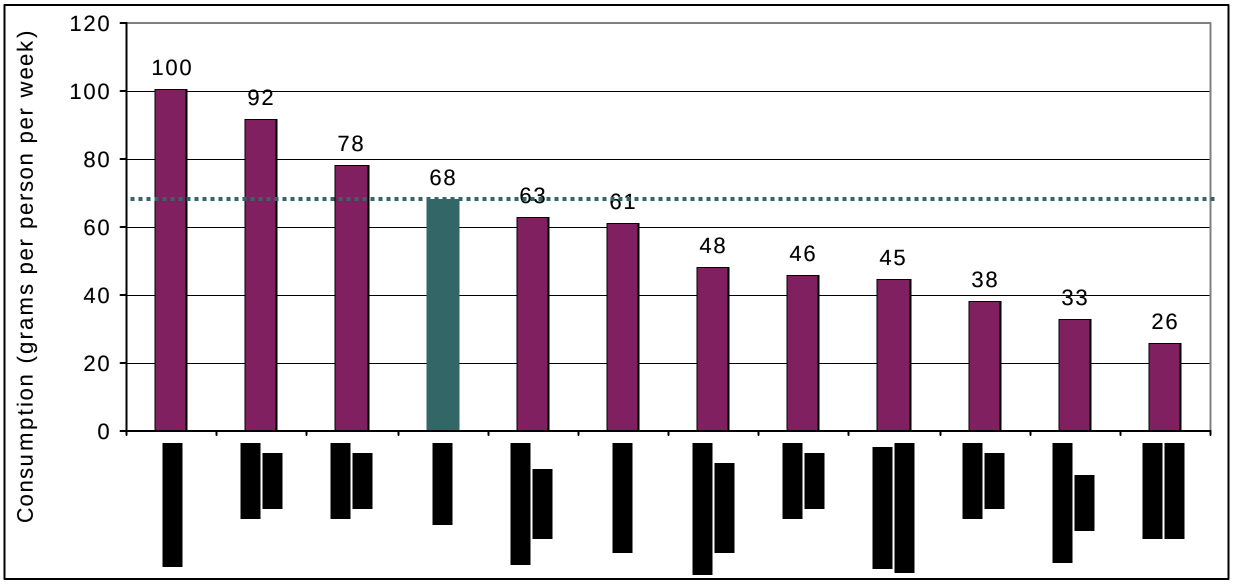


Addressing obesity and encouraging healthy eating have become key issues for both the UK Government and the food industry. Government-supported initiatives include encouraging fruit and vegetable consumption through the "5-a-Day" program and provision of fruit to children via the National Fruit for Schools program. At the same time, retailers and food manufacturers have been proactive to ensure that they are supporting these initiatives. However, advertising and promotion of fresh produce in the UK is still dwarfed by the expenditure on confectionery and snack foods. And with evidence to suggest that consumers are increasingly overloaded with healthy eating messages, these driving factors may not prove as influential as originally anticipated.

There are significant regional and demographic differences in fruit consumption, despite the UK being a relatively small country. For example, per capita consumption of fruit in Northern Ireland is 26 per cent lower than the UK average. By contrast, consumers in the South-West of England are the UK's leading fruit purchasers, buying almost 20 percent more fruit than the typical British consumer. But when it comes to consumption of stone fruit, London leads the rest of the UK regions. Consumers in London eat more than three times the volume of stone fruit than Northern Irish consumers. In general, the southern regions are above average consumers of stone fruit, with consumption in the remainder of the UK below average.

A similar disparity in consumption levels is seen when looking at stone fruit consumption and household size. On average, households without children consume more than 60 grams of stone fruit per capita each week. However, there is marked drop in stone fruit consumption in households that have one or more children, as indicated in chart 4 below.

Chart 4: Consumption of Stone Fruit by Household Type (source: National Statistics 2004/05 Expenditure & Food Survey)



In terms of the retail market size, Mintel estimated the value of UK stone fruit sales in CY2004 at US$572 million. Stone fruit accounted for just under 10 percent of total fresh fruit sales in CY2004. As expected from the long term rise in per capita consumption, the value of the stone fruit market has grown accordingly. Sector growth is estimated at 11.2 percent for the period CY2002-CY2004.

Year-round supply is typical of many fresh produce items available to UK consumers. However, stone fruit is one of the few categories where in-store availability remains relatively seasonal. Although southern hemisphere supplies (e.g. South African plums, Chilean cherries and peaches) limit breaks in the supply chain, British consumers reportedly remain wary of the eating quality of stone fruit in the colder months. The seasonality of the produce also impacts on the market positioning of stone fruit. For example, premium packaging and pricing are familiar marketing characteristics for many stone fruit products.

Like most food categories in the UK, supermarket chains dominate fresh produce sales, collectively accounting for 84 percent of fresh produce sales. Although the UK is considered a mature market by many commentators, food retailing is characterized by its dynamism. The fresh produce sector benefits from such dynamism, where the leading supermarkets have been particularly proactive. New varieties, innovative pack types and the development of niche market opportunities are all typical activities that have been pursued by the UK's leading retailers. However, in-store sales promotions are increasingly centered on price discounts and multibuy offers.

Stone fruit consumers tend to be older and wealthier than the norm. These demographics do provide a natural fit with some of the key retailers in the UK market. Waitrose, Sainsbury and Marks & Spencer all have an upmarket bias in their customer profile, so these retailers are considered to be strong in stone fruit sales.

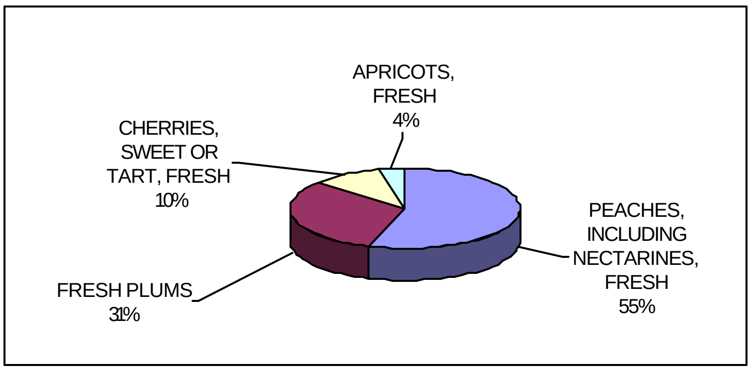
Trade

The UK imports the majority of its stone fruit supplies. In CY2004, imports totaled 163,153 MT, which was relatively unchanged on imports in the previous year. Trade data for the first nine months of 2005 indicates that stone fruit imports are 20 percent up on the same period in CY2004. This increase is mainly attributable to a 40 percent increase in the volume of plums entering the UK in this period.

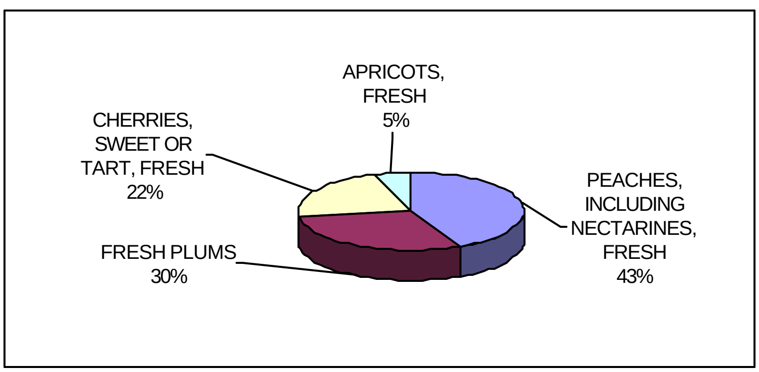
As indicated in the charts below, peaches/nectarines account for the majority of imports in terms of volume. However, the relatively high price of cherries means that they accounted for an estimated 22 percent of imports in value terms, despite only accounting for 10 percent of the volume imported.

Chart 5: Stone Fruit Imports by Type CY2004 (source: World Trade Atlas)

a) Volume (Total Imports = 163,153 MT)



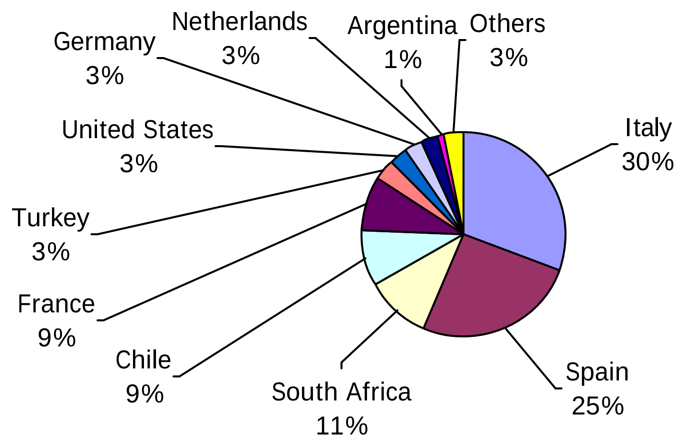
b) Value (Total Value = US$260.4 million)



The majority of UK imports of stone fruit are from other EU member states. Approximately 70 percent of imports in CY2004 were from fellow EU countries, although there are annual fluctuations depending on the timings of crop progress in supplier countries. For example, a delay to Turkish and Spanish cherry crops can create opportunity for early season Californian cherries in any given year.

However, the supplier profile of stone fruit imports largely reflects the origin of peaches and plums. Italy, Spain and France account for approximately 85 percent of peach supplies arriving in the UK. Spain is the leading shipper of plums to the UK, while South Africa and Chile are the key suppliers of out-of-season stone fruit. Chart 6 lists the top 10 suppliers of stone fruit to the UK and import matrices for plums, peaches, cherries and apricots are listed in the next section.

Chart 6: Stone Fruit Imports by Country CY2004, Volume (source: World Trade Atlas)



Although U.S. share of stone fruit supplies to the UK is relatively small, the U.S. is among the top ten countries that supply the UK market. Cherries dominate U.S. shipments, with volumes supplemented by peaches and plums. Cherry volumes to the UK totaled 3,334 MT in CY2004 according to trade data, but volumes have declined by approximately 20 percent in the current season. However, in value terms, an increase in the average price of imports of U.S. cherries helped to maintain export revenues for U.S. cherry shippers of approximately US$12 million. Shipments of peaches, plums and apricots have helped generate additional export revenues, averaging approximately US$2.8 million per year over the last 5 years.

Trade Data – Import Matrices

Fresh Plums

Country	United Kingdom		
Commodity	Fresh Plums		
Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.	1416	U.S.	318
Others		Others	
Spain	19502	South Africa	12871
South Africa	12777	Spain	11754
Chile	6254	Chile	11064
France	3817	Italy	5637
Italy	2419	France	3678
Portugal	1984	Netherlands	2156
Netherlands	1706	Germany	990
Germany	1445	Argentina	902
Argentina	778	Portugal	573
Belgium	723	Australia	354
Total for Others	51405		49979
Others not Listed	1066		775
Grand Total	53887		51072

Fresh Peaches & Nectarines

Country	United Kingdom		
Commodity	Fresh Peaches & Nectarines		
Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.	1327	U.S.	1483
Others		Others	
Italy	36546	Italy	43788
Spain	31523	Spain	26081
France	6940	France	6120
Germany	2668	South Africa	3218
South Africa	2365	Germany	3173
Chile	1578	Chile	2867
Portugal	926	Netherlands	1047
Netherlands	827	Greece	750
Argentina	641	Portugal	330
Israel	355	Argentina	280
Total for Others	84369		87654
Others not Listed	794		712
Grand Total	86490		89849

Fresh Cherries,(Sweet&Sour)

Country	United Kingdom		
Commodity	Fresh Cherries,(Sweet &Sour)		
Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.	2544	U.S.	3334
Others		Others	
Turkey	4763	Turkey	5348
Spain	4209	Spain	2437
France	1179	France	1467
Netherlands	875	Netherlands	691
Chile	663	Chile	690
Italy	637	Canada	611
Canada	618	Argentina	593
Greece	508	Italy	485
Argentina	474	Greece	257
Belgium	160	Belgium	158
Total for Others	14086		12737
Others not Listed	176		258
Grand Total	16806		16329

Fresh Apricots

Country	United Kingdom		
Commodity	Fresh Apricots		
Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.	48	U.S.	59
Others		Others	
France	1851	France	2658
South Africa	1407	South Africa	1195
Spain	1376	Spain	919
Germany	281	Italy	288
Turkey	171	Netherlands	187
Netherlands	89	Israel	148
New Zealand	88	New Zealand	120
Belgium	54	Germany	107
Italy	48	Belgium	72
Greece	37	Greece	66
Total for Others	5402		5760
Others not Listed	53		83
Grand Total	5503		5902

Policy

Tariffs

In line with other EU countries, the UK import duty is established under the EU Harmonized Tariff Schedule. To calculate import duties for most fruit and vegetables, including stone fruit, the Entry Price System is used. The Tariff indicates a scale of entry prices per 100 Kg net. At the highest point on the scale, the Tariff indicates an ad valorem rate of duty only. As you proceed down the scale specific charges are introduced. Thus the lowest entry price generates the highest specific charge in addition to the ad valorem duty.

Non-Tariff Barriers

The UK, as a member of the European Union, conforms to the EU Quality Standards on all fresh produce for which standards have been applied. The standards provide a degree of consumer protection for a sector where most products are highly perishable and serious defects in the product can develop extremely rapidly. Also, they help build consumer and trade confidence in the quality of the produce they buy. The purpose of the standard is to define the quality requirements for stone fruit after preparation and packaging. Each EU standard prescribes minimum marketing requirements for quality, size, tolerances, presentation and marking. There are three quality classes: Extra Class, Class I, and Class II. The full list of the fresh produce crops and the relevant EC legislation is available online at: http://www.defra.gov.uk/hort/hmi/common/standard.htm

In addition, all consignments of products subject to EC Marketing Standards imported into the UK from countries outside of the European Community are required to have a valid certificate of conformity or Certificate of Industrial Use prior to release into free circulation in the European Union (EU Regulation 1148/2001).

The regulations also oblige importers to provide all information necessary for the inspection authority to carry out their checks. The UK has established a system to enable importers to notify the inspection authority via the Internet. This system is called the Procedure for Electronic Application for Certificates from HMI (PEACH) and is now available for trader registration. Registrations can be made online (**http://peach.defra.gov.uk**).

Phytosanitary Certificates

Stone fruits are among the categories of plant produce and products that are permitted to enter the UK from non-EC countries, but must be accompanied by a phytosanitary ("plant health") certificate. This is essentially a statement that the plants or plant produce or products to which it relates have been officially inspected in the country of origin (or country of dispatch), comply with statutory requirements for entry into the EC, are free from certain serious pests and diseases, and are substantially free from other harmful organisms. The regime is established by EC Plant Health Directive 2000/29/EC and specifies the requirements for phytosanitary certificates. Certain fruit, which require a certificate of conformity, also require a phytosanitary certificate.

There have been recent changes to the EC's plant health regime, including:

- the introduction of charges to cover costs of import inspections;
- a requirement to inspect all consignments of plants and all consignments of some types of plant produce imported from third countries, with scope for agreement to reduce the level of checking for low-risk consignments;
- a requirement that plant health checks be carried out prior to Customs clearance;
- a requirement for importers to provide advance notice to Plant Health Authorities of the imminent arrival of controlled materials

Beginning January 1, 2006, U.S. stone fruits qualify for reduced levels of inspection upon entry to EU member states. The Directive requires that in order for a trade (a specific commodity from a specific exporting country) to be considered for a reduced level of inspection there has to be an average of 200 consignments per year imported into EU in each of last 3 years and at least 600 inspections carried out over the same period. It also requires a minimum of 200 inspections per year across the EU on trades subject to reduced checks.

In addition, Defra's Plant Health Guide for Importers provides a range of information concerning the entry of fruit, vegetable and plant materials into the UK. This publication is in the process of being updated to reflect the changes to the EC plant health regime and is available online: http://www.defra.gov.uk/planth/publicat/importer/impguide.pdf

Marketing

Given the seasonal nature of the stone fruit market, some key suppliers to the UK run promotional campaigns to alert consumers of product availability. Examples of campaigns that supported the MY2005 crops included:

- Foods from Spain support of Spanish Picota cherries with 3.4 million promotional packs offering free entry for children to a range of UK attractions, supplemented with PR and advertising
- Sunshine Fruits from France's US$100,000 initiative to inspire creative use of stone fruits, including tastings at leading UK retail outlets.

U.S. cherry growers are represented in the UK market by the California Cherry Advisory Board and Northwest Cherry Growers. Both groups undertake targeted trade and consumer marketing activities to support fruit sales in the UK.

Further Information

Further market information and relevant industry contacts in the UK stone fruit sector are available from FAS/London:

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