



Tomatoes

Albanian Export Opportunities to Europe and the Region

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This report was commissioned by AAC and DAI Albania and prepared by OTF Group, USA, a consulting firm that focuses on country competitiveness projects in emerging economies around the world. Please refer any questions to the author, Sally Christie (schristie@otfgroup.com).

Executive Summary and Key Observations

Tomatoes are the largest traded vegetable in the world and the industry is dominated by scale. Overall, fresh tomatoes is a challenging industry that is large scale and highly competitive with well established and firmly entrenched players. The rise of greenhouse production has taken away much of the climactic advantage for countries in the counter season opportunity to Western Europe. Specialty niches can be and are filled by established players. There is limited interest from importers in the established markets of the EU for yet another exporter of tomatoes.

Albania has a small but rapidly growing tomato export sector, though the country currently suffers from a significant trade imbalance: there appears to be potential to serve the local market, often a good pre-requisite for attempting to supply more challenging export markets.

The regional market is faster growing than the more established markets of Western Europe, and represents the best option for Albania to pursue for exports of tomatoes. However, prices are lower to these markets and opportunities for niches (organic, premium varieties) are limited. Some options of countries for Albania to consider include Hungary and Lithuania, both fast growing importers of tomatoes with relatively high price points for the region. Countries where Albania already has a foothold include the regional markets of Kosovo, Macedonia, Croatia and Serbia, where it can build off their initial success. Additional countries in the region of interest are Moldova, Slovakia and Bosnia & Herzegovina, as these markets have rapidly increasing consumption.

While regional markets tend to be less demanding than the established markets of the EU15, trade barriers are nonetheless increasing and will continue to rise as multiples establish themselves in the region, bringing with them their exacting standards and certification requirements. Albania should prepare themselves for the increasing quality requirements of the region by investing heavily in producer support and export certifications. Finally, Albania must be able to deliver the quantities required by importers; for tomatoes, these demands can be significant, but the consistency and reliability of delivery is often a greater challenge.

In the short term, Albania should focus on growing domestic production and building off of regional exports where they have a cost, contact and proximity advantage over other suppliers to these markets from further a field. Careful targeting of 4 – 5 regional markets, based off of information around size, import growth, domestic competition and consumption habits captured in this report, coupled with existing contacts and knowledge, is the recommended next step.

In sum,

- Overall, fresh tomatoes is a challenging industry: Large scale, highly competitive industry with well established and firmly entrenched players
- International opportunities are filled with large scale players with large domestic industries
- The counter season niche is saturated; quantity and quality plays to European retailers are hard for newcomers; Specialty niches can be and are filled by established players
- The regional market is faster growing than the more established markets of Western Europe, and represent the best option for Albania to pursue, but prices are lower and opportunities for niches (organic, premium varieties) are limited
- The Albania domestic market has a large demand and Albania suffers from a severe trade imbalance. Serving the local market is often a pre-requisite for more challenging markets.
- Albania should focus on growing domestic production and building off of regional exports where they have a cost and proximity advantage over other suppliers to these markets from further a field
- As industry grows, the industry should consider more demanding export opportunities

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I. Production & Consumption

Production Overview and Trends

Tomatoes are the single most important horticultural crop in terms of world production and trade. China is the biggest single producer of tomatoes, followed by the USA, then Turkey. Production in the major producers (Top 8) is relatively stable. Italy had the highest growth in production (20%), followed by a number of countries with 14% growth.

Top Producer Countries (in 000 tons)

Country	Production 2005	Growth 2001 -2005
China	31644	14%
USA	11043	-12%
Turkey	10050	6%
India	8586	13%
Egypt	7600	11%
Italy	7187	20%
Iran	4781	14%
Spain	4651	14%

Source: Faostat 2005

Tomatoes are by far the largest category in the EU, accounting for 29% of total EU vegetable production in 2005. Italy is the largest tomato producer with 7.8 million tons annually in 2006 (44% of EU production), followed by Spain (25%), Greece, Portugal and France. From 2001 to 2005, Italian tomato production increased by 20%.

The largest greenhouse producing areas in Europe are Spain (113,667 acres), Italy (61,775 acres), France (23,475 acres) and Greece (9,390 acres).

Within the CEE region, Ukraine and Romania have the highest production of tomatoes. Both Poland and Belarus increased their production rapidly from 2002 to 2005, while several other countries experienced dramatic declines over the same 4 year period (Hungary, Bulgaria).

Top Regional Producer Countries (in 000 tons)

Country	Production in 2005	Growth 2002 – 2005
Ukraine	1471	12%
Romania	626	-5%
Poland	600	171%
Belarus	245	105%
Armenia	234	38%
Hungary	188	-24%
Albania	152	-6%
Macedonia	116	7%
Moldova	114	14%
Bulgaria	98	-63

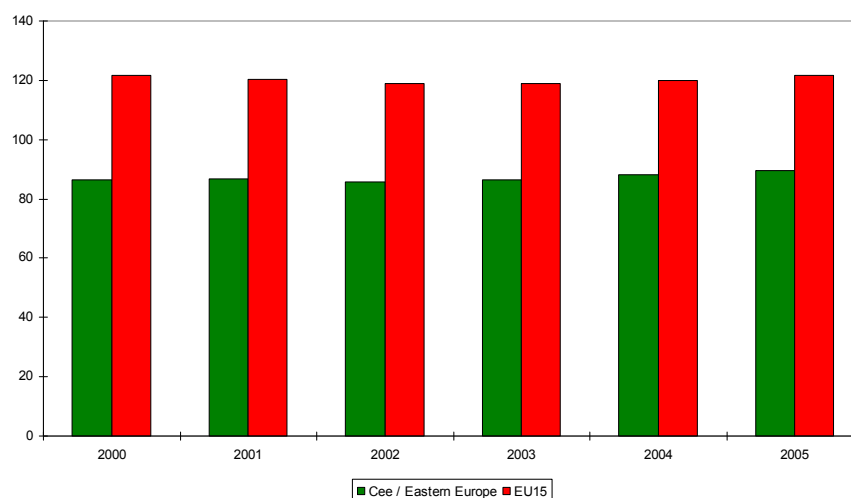
Source: Faostat 2005

Consumption Overview and Trends

Greece and Egypt have the largest per capita consumption of tomatoes in the world. Among the main consumers and established markets, consumption trends are not surprisingly relatively flat. The highest growth in consumption is found in the newly emerging economies of Southeast Asia (Vietnam, Nepal, and Mongolia) and in the Caribbean.

Within the EU15, the highest per capita consumption of tomatoes is Greece (353 kg / capita). Consumption in the main EU markets is relatively stagnant, as is the CEE / Eastern Europe in aggregate:

Consumption Per Capita: Europe and CEE



Source: Faostat. Consumption kg/capita across years.

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However, several of Albania's neighboring countries have fast growing consumption per capita, indicating attractive markets for potential export:

Regional Consumption Per Capita

Country	Consumption per capita	Growth 2002 – 2005
Bosnia & Herz	40.58	41%
Croatia	68.98	6%
Macedonia	95.32	-17%
Moldova	75.48	32%
Slovakia	39.03	41%
Slovenia	62.9	-28%

Source: Faostat 2005

Factors Driving Consumption and Demand

In general, the same trends that are influencing fruit and vegetable consumption everywhere are increasing the demand for tomatoes in Europe:

1. **Health and fitness trends:** A push towards more healthy living and healthy lifestyles. Obesity is becoming a serious health problem in many EU countries. Increasing the consumption of fruit and vegetables is one of the measures most often mentioned by consumers to reduce weight.

2. **Opening up of new markets in Eastern Europe:** Especially in the eastern countries, consumption patterns are changing fast towards Western European eating habits.
3. **Immigration:** Immigrants often keep (part of) their culinary traditions, using specific fruit and vegetables that may be unfamiliar to native Europeans or in greater quantities.

Specifically for tomatoes, there are a number of demand drivers in addition to the ones cited above:

1. **Increasing popularity** of fresh market tomato use in salads and sandwiches
2. **Improved varieties and larger selection of varieties:** The range of specialty and pre-packed tomatoes has increased dramatically in the last two to three years, from the traditional "standard round loose tomatoes" to a plethora of new varieties.
3. Tomatoes are being marketed as a **nutritional food** and being promoted as a good source of Vitamin C, Vitamin A, and antioxidants. Many EU governments have special programs for raising awareness about health eating habits.
4. **Tomatoes have also been promoted as a possible** preventative against specific cancers (California Tomato Commission).

Finally, several of the key consumption trends to 2010 (all foods) have relevance and implication for tomatoes:

Key Consumption Trends to 2010 - Europe

Key Consumption Trends to 2010	Implications for Albania & Tomatoes
Greater demand for convenience	Not relevant, though may increase demand for easier to eat cherry tomatoes.
More diversity of choice	Explosion in variety of tomatoes and sophisticated consumer preference for new and exotic varieties
Growth of demand for ethnic and exotic ingredients	Tomatoes are part of much ethnic cuisine, especially in the Mediterranean and Middle East regions.
Increased demand for organic products	Organic tomatoes are one of the largest organic products in the EU
More ready cooked, take out foods	Not relevant
High growth in private label	Not relevant
Polarization of markets (premium and budget)	Increase in premium products (exotic varieties)
Demand for open, honest and informative labeling	Not relevant

Source: CBI Fresh Fruit and Vegetables 2006

Production and Consumption Summary & Implications for Albania

Tomatoes are a perennially popular vegetable, and the increase in new varieties could indicate a niche for a specialty producer. Many of the close markets of the CEE are experiencing rapid increases in consumption of tomatoes, faster than the established markets of the EU15, indicating potentially attractive markets for Albania.

Seasonality and Prices

Tomatoes grow in field and in greenhouses, but as greenhouse production is costly in cold winter months, a counter season opportunity exists to supply Northern Europe during the winter months at competitive prices. However, this niche is already dominated and saturated by large players such as Spain and newcomers like Turkey and Morocco, and the decreasing cost of greenhouse production is also decreasing this climactic advantage.

Tomato prices fluctuate with seasons, as with other vegetables and fruits. Prices have seasonal fluctuation, but the season is not the only factor determining the prices. Prices are also influenced by the variety and size of the product, and the market price in the exporting country. Top quality hothouse tomatoes on the vine command the highest prices in winter months. December statistics from the Hamburg wholesale market indicate prices of up to \$17/ 6kg, or \$2.80 / kg wholesale.

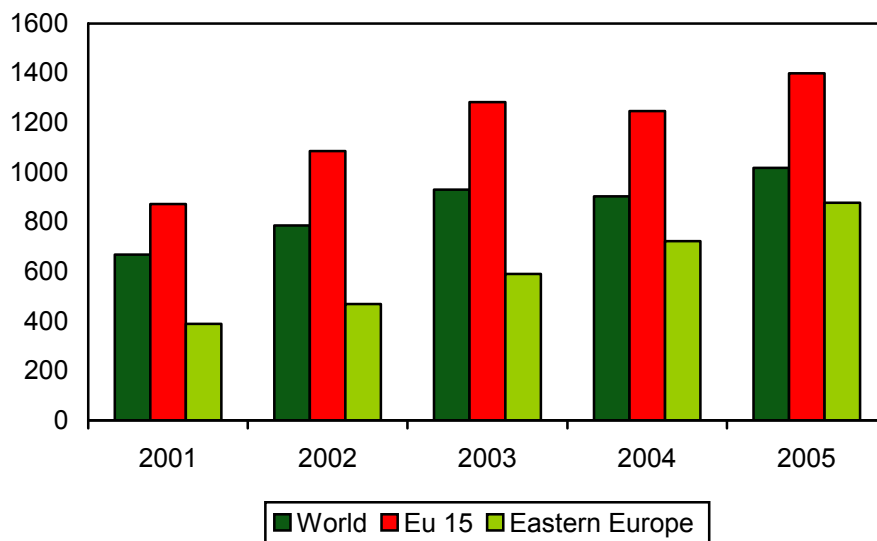
Data from official Customs statistics shows that the average import price for tomatoes has fluctuated widely over the last 5 years, with some significantly higher prices in 2004, followed by return to lower values in 2005. 2006 was a good season for some producers (Morocco) and bad for others (Spain), depending on supply, demand and climactic conditions. Globally, prices have followed an upward trend. The following table shows the selected growth rates of export prices in the region, followed by price trends for the EU15, the world and the CEE region.

Export Prices and Growth, Selected Regional Countries

Country	Export Unit Price (US/ton)	Growth 2001 – 2005
Albania	\$294.11	63%
Bosnia & H	\$681.03	-9%
Croatia	\$400	-24%
Macedonia	\$408.36	0%
Moldova	\$247.5	16%
Slovakia	\$1890.21	331%
Slovenia	\$1185.08	413%

Source: Faostat 2005

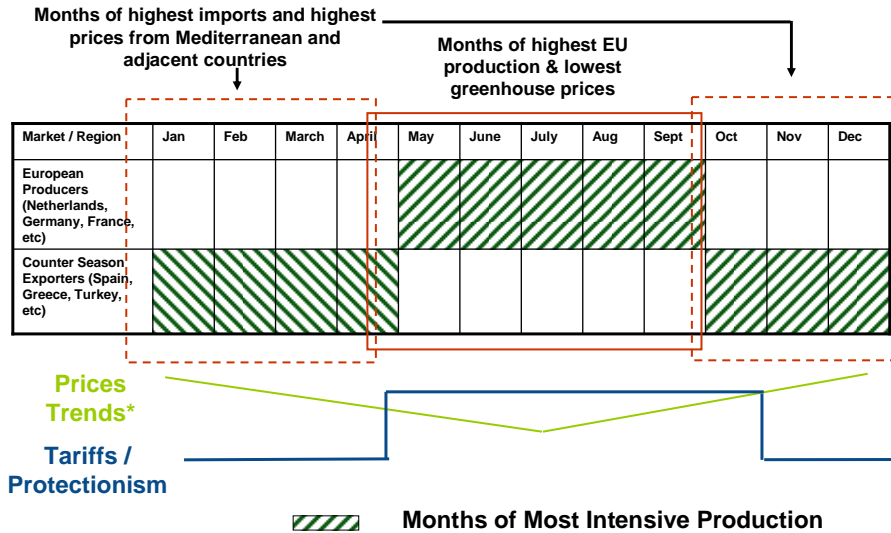
Global Aggregate Price Trends 2001 - 2005



Source: Faostat 2005; Export prices per MT

Prices for tomatoes fluctuate with the season. The following graph shows the counter season opportunity matched against tariff prices and price trends:

Production and Consumption: Production Schedule & Demand



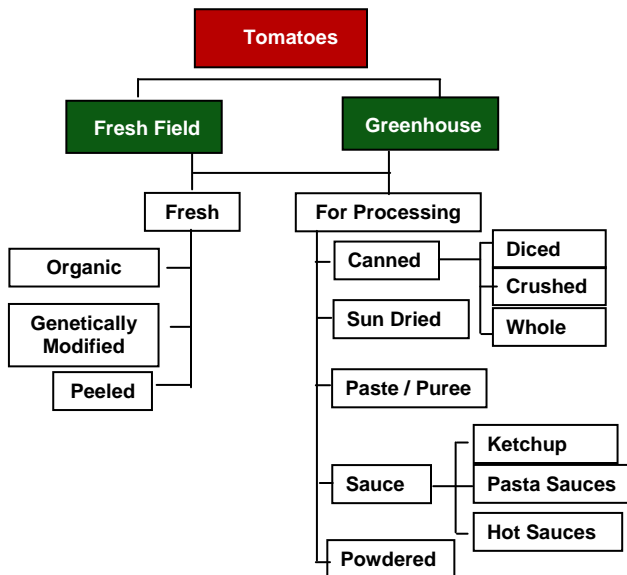
Source: OTF Group

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Value Addition

A large part of the tomatoes is used by the processing industry to make tomato concentrates; only a small part is placed in the market as fresh. Value addition with tomatoes happens in a number of ways:

Value Addition and Tomato Derivatives



Source: OTF Group

II. Trade Analysis: Imports and Exports

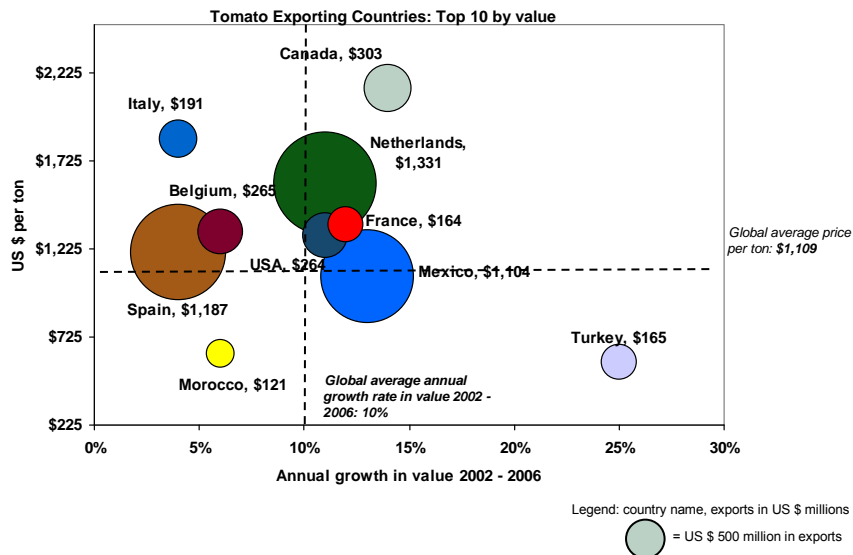
Export Overview

Tomatoes are the largest traded vegetable in the world, with the total global value of exports estimated at \$5.6 billion in 2006. Tomatoes are a large scale, quantity driven export category, marked by supplier concentration: 80% of world exports come from the top 6 exporting countries and 91% from the top 10 countries. The global average price per ton is \$1,109 MT, but this includes tomatoes for processing as well as all varieties of fresh.

The top tomato global exporters include Spain, Mexico, Canada, the United States, Italy, France, and Turkey. Netherlands is an important exporter and a re-export hub. Major exporters of fresh tomatoes are also major importers, usually at a price differential. Competition has intensified in recent years as world exports of fresh tomatoes from key suppliers have been increasing in recent years. The global average annual growth rate in value from 2002 – 2006 was 10%. Quantities, however, remained relatively stable, with a growth in volume (as opposed to value) flat at 0%, indicating a move towards a higher price per unit.

Turkey is the fastest growing exporters of tomatoes in the world, achieving growth rates of 25% over the last few years, though at a low price. Turkey's main export market is the Russian Federation, absorbing 60% of its exports, with additional important customers in Eastern Europe / CEE.

Leading Global Exporters



Source: ITC Trademap, November 2007
 Notes: 070200 Tomatoes, fresh or chilled

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The EU has a high degree of self-sufficiency of supply and is not as import dependent for tomatoes as for other vegetables or fruits (see table below). Internal trade dominates the export market into the EU: 90% of exports into the EU come from the EU. The Netherlands and Spain are the largest suppliers (exporters) to the EU market. Nonetheless, exports into the EU from non-EU countries are growing quite rapidly, and at a higher rate than the global average of 9%. There was a growth in exports to the EU of 61% from less developed countries (LDCs) between

2001 and 2005, from 1.93 million tons to 2.74 million tons (8.9% of total imports). The major LDC suppliers are Morocco, Turkey and Senegal.

Degree of Self Sufficiency

High Sufficiency Vegetable	Percentage supplied by EU to EU
Carrots	97%
Cucumbers	97%
Cabbages	97%
Tomatoes	90%
Sweet Pepper	86%

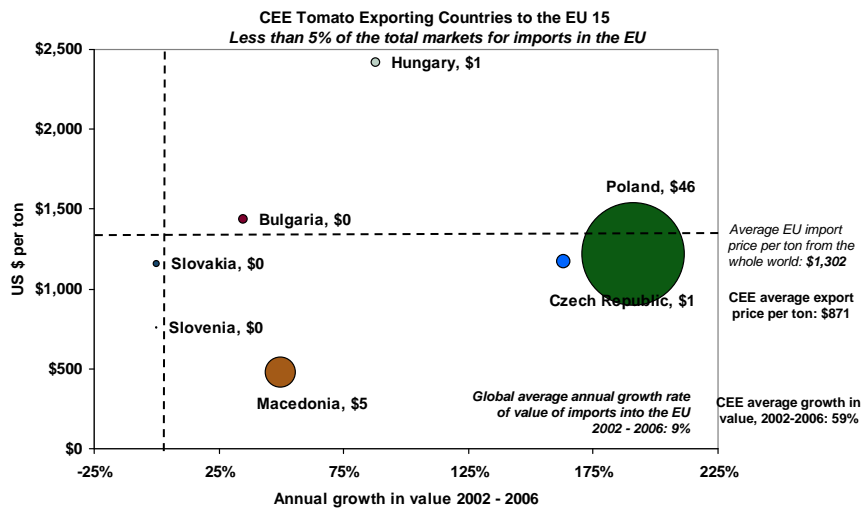
Source: Wijnands 2005

The total value exported in 2006 from the CEE region to the world was \$80.6 million, of which \$60 million went to the EU. Tomato exports from the region had an average growth in quantity (2002 – 2006) of 35% (compared to 6% for the rest of the EU) and a growth in value of 59% (9% for rest of EU). Despite these growth rates, the total amount exported to the EU remains very small compared to other exporting regions. The major exporters from the region to the EU15 are Poland and Macedonia.

All CEE exporting countries with data are currently growing faster than the global growth rate. Poland is the largest CEE exporter to the EU 15 and also has the highest growth rate at 191% over the last 4 years.

Average prices from the CEE exporters are \$871 per ton, below the global and EU averages, but Hungary achieves the highest prices per MT of almost \$2400. Macedonia had the lowest at less than \$600 MT:

Eastern European and Region Exporters to the EU 15



* Growth rates known for Slovakia and Slovenia
Source: ITC Trademap, November 2007
Notes: 070200 Tomatoes, fresh or chilled

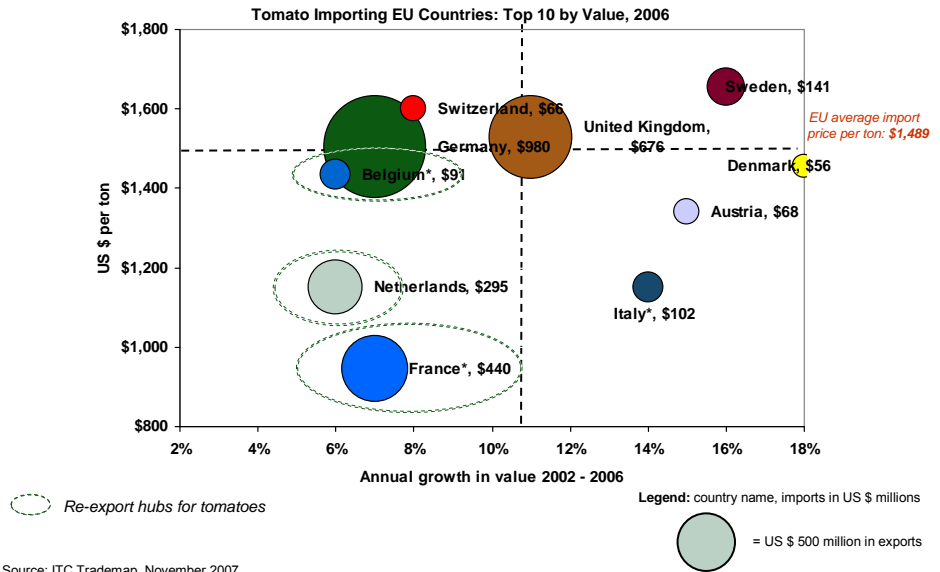
Legend: country name, exports in US \$ millions
● = US \$ 20 million in exports
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Import Overview

The total value of imports of tomatoes in the world is valued at \$5.4 billion, with an annual growth in quantity of 0% and an average growth in value of 10%. The largest fresh vegetable product imported by the EU is tomatoes. In 2005, tomato imports into the EU were \$2.96 billion with a volume of 2.3 million tons. From 2001 to 2005, import value rose by 31% and import volume by 14%, making the EU one of the fastest growing import markets for tomatoes, and marking a trend towards a higher unit value per product.

Most tomatoes are imported from other EU countries, with only 10% coming from the outside. Four countries (Germany, France, UK, Netherlands) buy about 83% of all EU tomato imports. The highest import prices are paid by Germany, the UK, Switzerland and Sweden. The average prices per ton is \$1489, higher than the global average. Sweden pays the average highest price of more than \$1600 per MT, significantly higher than the global average price of imports of \$1125.

Top European 15 Importers

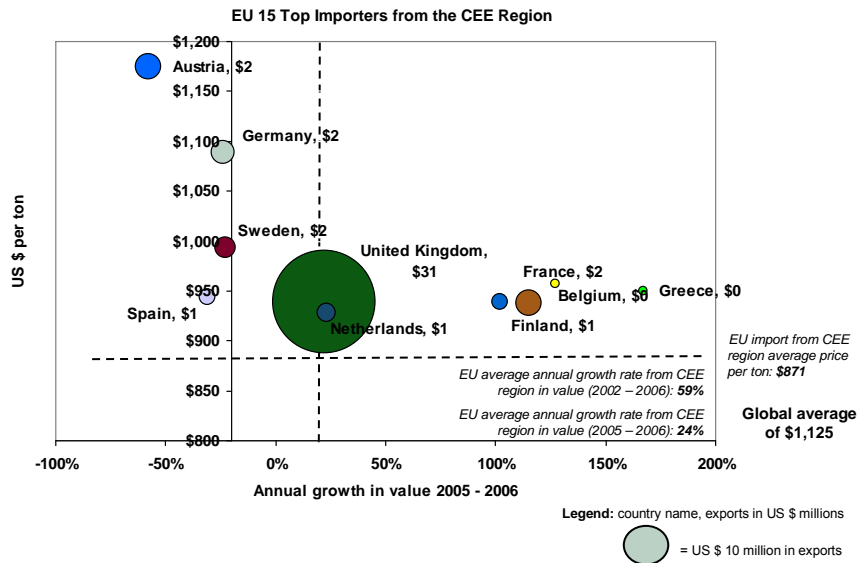


Source: ITC Trademap, November 2007
 Notes: 070200 Tomatoes, fresh or chilled

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The United Kingdom is the largest import market for products leaving the CEE region, growing at 25% and with a market size of \$676 million. Italy had a 1 year growth rate for imports from the CEE region of 760% at a price of \$931. Countries paying the highest prices to their CEE suppliers include Germany and Austria, but these markets are not growing as fast as others.

Top Importers in the EU15 of the CEE



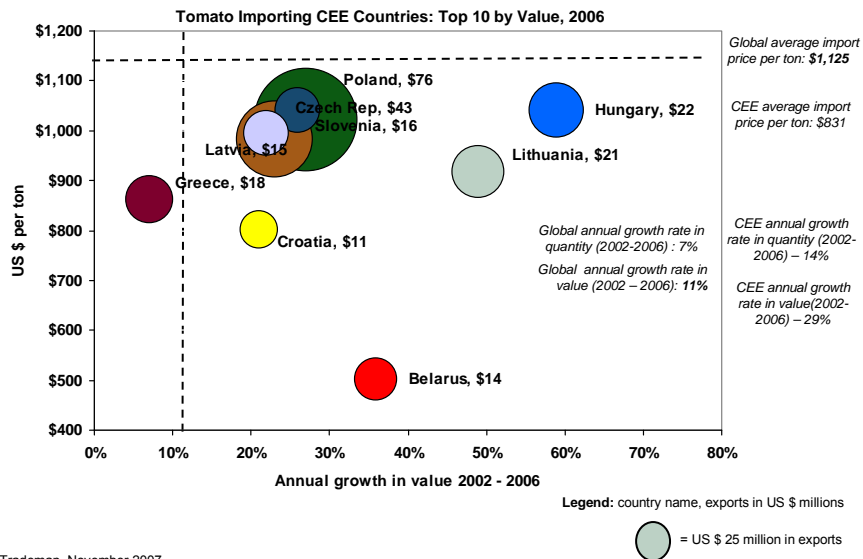
Source: ITC Trademap, November 2007
 Notes: Tomatoes, Fresh or Chilled: 070200

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Average growth rates in value in the region are 29% over the last four years. The Czech Republic is the largest importer of tomatoes of the new member states, closely followed by Poland. Albania suffers from a trade imbalance with regards to tomatoes, and imports far more than it exports, indicating an opportunity to fill untapped local market needs. In 2006, Albania imported \$4.2 million worth of tomatoes, at \$529/ton, representing an 8% growth over the last 4 years.

Hungary and Lithuania are the fastest growing importers in the region. Hungary imports 27% of its tomatoes from Spain, and Lithuania imports from 44% from Spain. Alongside Spain, Turkey is another main external supplier to the region.

Top 10 Regional Importers



Source: ITC Trademap, November 2007
 Notes: Tomatoes, Fresh or Chilled: 070200

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Trade Analysis Summary & Implications for Albania

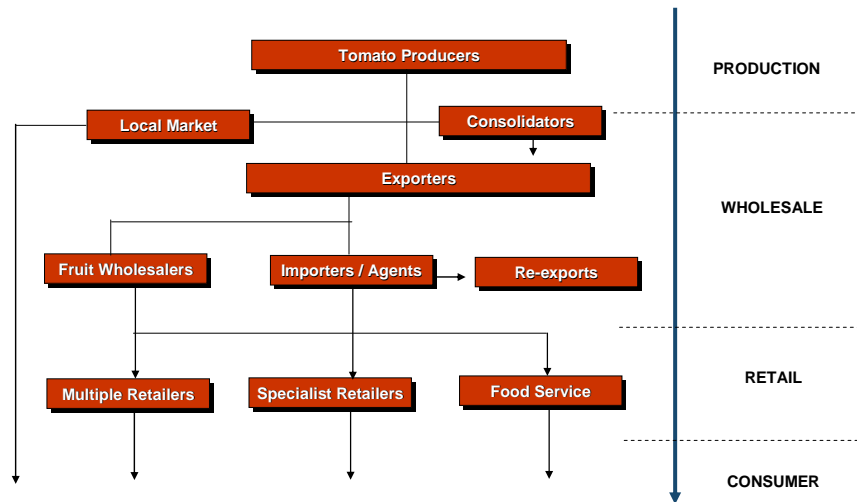
Imports into Europe are growing at a positive rate and though the CEE region only supplies a small percentage to that import market, their rate of participation is growing rapidly. Attractive markets in the EU15 are Austria, a close importer paying premium rates, and the UK, the fastest growing importer for the region. However, Albania will have a hard time competing against other major suppliers of the major EU15 markets, including Spain, Turkey and Morocco, as well as larger players from the CEE/Eastern Europe regions such as Poland. Within the region, growth rates are very positive for imports, though market sizes remain small. As Albania looks to increase the professionalism of its export industry, the regional markets are attractive, closer and in many cases less demanding than the Western European markets.

III. Trade Structure

Distribution Channel Overview

The following provides a general overview of the international distribution channels for fresh vegetables¹:

Trade Structure: Tomato Distribution Channels



Source: CBI, others; Notes: hybrid based on limited knowledge of local market and regional distribution; general for fruits not specific to tomatoes

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Wholesalers and Importers

There are strong tendencies towards concentration in the supply of fresh fruit and vegetables throughout the EU, although the extent and progress vary per country. This trend is driven by buyer concentration, described below.

Wholesalers and importers are increasingly being squeezed by the rise of ever more efficient retailers in the form of multiples / supermarkets and are at threat by the emergence of new distribution networks controlled with information technology which can bypass intermediaries. This increasing “professionalism” of the value chain has crowded out the smaller players. For example, in the Dutch vegetable and fruit sector at least 500 wholesaling firms with a turnover of more than \$70,000 are in business, 2% of wholesalers control 25% of the market, with an average turnover of \$36 million.

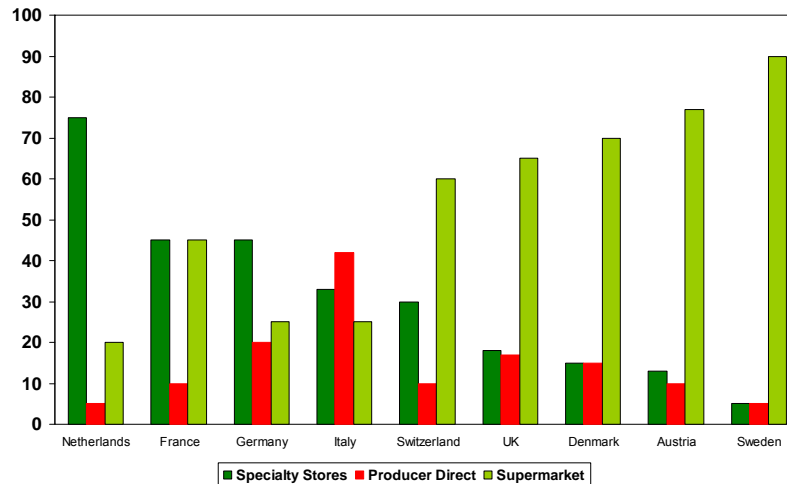
Nonetheless smaller scale players do exist, primarily in the exotic and specialty fresh produce trade. Because of the premium nature of their products and the lower demands than “commodity” vegetables, many specialty fruit and vegetable importers have less stringent requirements in terms of volume and frequency of delivery (see Section V). However, they are still demanding customers: one survey showed that fruit importers respond to perhaps 1 out of 20 samples offered, and then will actually work with only 1 in 50 enquiring suppliers.

¹ Please note that this is a general hybrid model and is not specific to tomatoes

Retail

Greengrocers still sell a substantial volume of fresh products, but their share has declined dramatically throughout the EU. The market share of the specialized retailers (greengrocers or market stalls at day and week consumer markets) in selling vegetables to the consumers has decreased from more than 40 per cent in the 1980's to about 30 % today. The share of supermarkets has increased from 50 to over 60 %, a development that is still in progress. The following graph shows the difference in regional makeup when it comes to the dominance of supermarkets:

Regional Differences in Distribution Channels



Source: Luanne Lohr, Factors Affecting International Demand and Trade in Organic Food Products, www.ers.usda.gov/publications/wrs011/wrs011.pdf

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Hypermarkets and supermarkets also act as catalysts to the increasing sales of pre-packed produce. Their fruit and vegetable assortments have become larger and deeper. Retailers and breeders (product development companies) are increasingly collaborating to develop new and innovative products. Supermarkets use their power to push new varieties, qualities and innovation. The proliferation within the last two decades of different varieties of tomato is partially attributed to this trend: "It is thus argued that new forms of fresh tomato variety owe their socio-economic existence in part to the supermarket shelves on which they briefly sit."²

Vegetables are increasingly channeled through large and sophisticated companies handling all aspects of import and distribution. In the near future, competitiveness will depend strongly on the ability to supply the global operating supermarkets with mainly local produced fruits and vegetables.

The rise of multiple stores / supermarkets has radically altered the market structure of fresh fruit and vegetable distribution. The concentration at the retail level has an ever-smaller number of very professional players dominating distribution. This, in turn, has also provoked changes in the supply chains to retailers, where larger entities have emerged, with a stronger customer orientation. Supermarket chains increasingly seek to ensure their supplies through direct contact with growers and grower associations, especially for bulk fruits and vegetables, which already have a considerable market. Major retailers prefer to work with a limited number of suppliers,

² CRIC Report

which favors large producers. Only large-scale producers or suppliers have sufficient financial resources to bear the costs and risks associated with high-level production over a longer period.

The rise of multiples is increasing throughout the CEE region, bringing with it their concentrated approach to suppliers.

For smaller scale exporters of tomatoes, directly serving the multiples is a difficult, if not impossible, proposition. In the short to medium term, while working on production volume and quality increases, new entrants to the market must rely on importers and traders who effectively act as middlemen to the retailers (both multiples and individual outlets). Consolidation along the entire value chain often has unfavorable implications for newcomers to the industry. This is a sophisticated industry, and while developing direct relationships with end retailers, especially the multiples, is desirable, it may not be feasible for a small newcomer like Albania.

Distribution Margins

Margins in the fresh fruit and vegetable business are very small, typically less than 10%. The driver of profitability is scale. Margins are tight, so either a scale or a premium play (increasingly difficult) is important to survive in this business. Even for premium hothouse vine tomatoes, quantity is important. This is, for the most part, a commodity industry where scale is the driver. A small country like Albania will have difficulty competing.

IV. Market Entry: Tariffs and Non-Tariff Barriers

Subsidies and Tariffs

Subsidies

EU Commissioners annually provide \$300 million in subsidies of various sorts to growers of processing tomatoes. The EU guarantees European producers a minimum price, subsidizes processors to tin tomatoes and makes pastes and purees and additionally subsidizes the export of these to developing countries. 20% of EU exports go to West Africa, where they account for 80% of regional demand. According to some sources, this flood of cheap European tomatoes has severely damaged local production in places like Senegal and Ghana.

Tariffs and Duties

The EU applies two different MFN (most favored nation) import policies for tomatoes: ad valorem tariffs and the entry price system. The ad valorem tariff is at a relatively low level and varies seasonally between 8.8% and 14.4 %. It is highest during the summer months to protest the season of greatest European production from imports.

The entry price system is applied by the EU for many fruits and vegetables that are considered particularly sensitive, and effectively establishes minimum import prices. If the CIF import price of a shipment is below the entry price, the entry price system provides the opportunity to gradually invoke specific tariffs, in addition to ad valorem tariffs.

If the imported good comes in at an import price not more than 8% below the entry price, the additional tariff will equal the difference between import price and entry price. If the import price is more than 8% below the entry price, the full WTO-bound specific tariff, which is much higher than the ad valorem tariff, will be charged. This "eight percent rule" is a prohibitive import barrier for most imports below 92% of the entry price, because of the high level of the maximum specific tariffs.

Seasonality and Tariffs

	J	F	M	A	M	J	J	A	S	O	N	D
Ad Valorem Tariff	8.8%	8.8%	8.8%	8.8%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	8.8%	8.8%

For more information on EU tariffs and trade barriers to entry, consult the EU Export Helpdesk for Developing Countries, at <http://export-help.cec.eu.int>.

Non-Tariff Barriers to Entry

Non tariff barriers include social, environmental and quality-related market requirements which are growing in importance in international trade and are often specified by European buyers through labels, codes of conduct and management systems. Food safety standards and marketing standards (or quality standards) have been developed in the EU for products which are supplied fresh to the consumer, thereby reducing transaction costs and uncertainty in the product supply.

The importance of food safety and quality certification in fresh fruit and vegetables is growing, relating to all points in the value chain from production to post-harvest. Retailers have set out their own standards, including GlobalGAP (formerly EurepGAP), BRC, HACCP, ISO, etc. In addition, individual supermarket chains often impose their own quality standards above and beyond the standard ones.

While many of these requirements are technically still “voluntary” the requirements for exporters to fulfill these and other emerging standards, for example relating to pesticide use and residue, and even carbon foot printing, will become increasingly mandatory as the years evolve. Ensuring compliance and going above and beyond quality requirements, are becoming the minimum “get in the game” attributes for new suppliers.

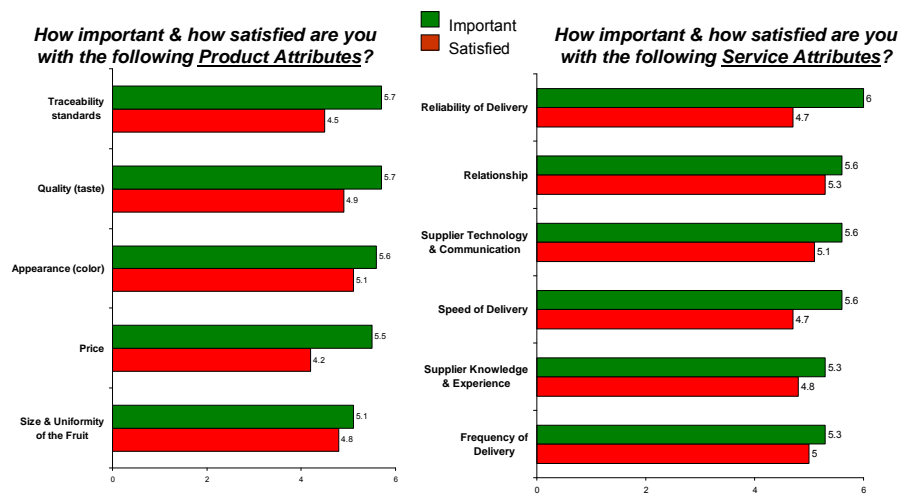
More information can be found at www.cbi.nl by consulting the following document “EU Market Access Requirements: An Introduction”.

V. Market Entry: Requirements for Success

In order for newcomers to the demanding export markets for fresh vegetables to succeed, and regardless of the strategic position taken, they must understand their customers and the requirements of product and service to be baseline competitive.

An understanding of importer and retailer needs is crucial for success. The following information is based off of results from fresh fruit importers, but the ranking of attributes, and in particular the emphasis on the quality and traceability of the product, carry across industries and are equally applicable to tomatoes:

Understanding Importer and Retailer Needs



Source: OTF Group Fresh Fruit EU Importer Survey, November 2005; answers ranked on a scale of 1 – 6, where 6 = Extremely Important N=17/21; Service Attributes: N= 17/21. Note: Survey is not specific to tomatoes, but is designed to give general overview of what is important to fresh fruit & vegetable importers in the EU market

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Among **product** attributes, Traceability is extremely important, even higher than the perceived quality of the product. Interestingly, Price appeared in the Top 5 – this is a low margin business with high turnover where, as one importer put it: “Every penny counts”. Significant supplier dissatisfaction exists with Traceability Standards and Price, indicated by satisfaction ratings being lower than importance ratings.

Among **service** attributes, Reliability of Delivery was the one “non-negotiable”: this is a zero inventory business. Also around Delivery, Speed and Frequency rounded out the most important attributes, though frequency does not necessarily mean daily. Relationship issues, including Supplier Technology and Communication were also highlighted as important. The most dissatisfaction exists with Reliability, as well as with Speed of Delivery.

To sum up, quality, encompassing the direct product characteristics (appearance, taste) as well as the production path and traceability, is the most important attribute to purchasers all along the value chain.

But quality is just a “get in the game” baseline requirement. In addition, each potential entrant into the market place has to determine their competitive advantage when approaching importers and retailers. There are three reasons a supermarket (and suppliers to a supermarket) will take on a new supplier: 1) Price advantage; 2) off season opportunity; 3) new and unique product. Unless a new supplier can offer one of these three criteria, they have little chance of entering the

market.³ For Albanian tomatoes, there is little evidence that they can compete on one of those three characteristics in the increasingly retail chain dominated markets of Western Europe. Looking to regional markets may be the only option.

Minimum Quantity and Frequency Requirements

Minimum orders demanded vary depending on the season, the type and variety of tomato, and the distribution channel. Generally, the multiples or supermarkets, often served directly by producer groups or large wholesalers in central re-export hubs, are the most demanding customers in terms of frequency and quantity. Medium sized wholesalers are the second in line. Least demanding in terms of frequency and order size are smaller scale importers dealing generally in exotic fruits and vegetables. Generally, tomato is a large scale trade and quantities are important. An example of a minimum order to an importer in the Netherlands would be 10 pallets, though the average delivery is 40 pallets.

For greenhouse tomatoes during the off-season, export quantity requirements will be the lowest, but still heavy for new exporters, especially from the reliability aspect (i.e. the ability to offer consistent deliveries). Reliability is more important than quantity or frequency, but there is flexibility when working with a new supplier. But according to one importer: "The key concern would still be quality, rather than quantity."

Packaging Requirements

Again, packaging requirements vary with the type of tomato as well as specified importer requirements. Generally, small tomatoes are generally jumble-packed, while large tomatoes are place-packed one layer per box, either on a tray or with dividers, or cell-packed. Tomatoes can be packed either in part- or full-telescope corrugated fiberboard boxes or in tray-type fiberboard boxes.

For weight, tomatoes are packed 5-7 kilograms per box. Uniform size and color within a box are essential. To ensure the right packaging, Albania needs to work directly with selected importers / wholesalers to determine the type of packaging required and ensure that the local packaging cluster can meet the specified demands

New Supplier Characteristics

The required product quantities, reliability and quality are all baseline requirements for exporters looking to tap into new markets. When fruit importers were asked specifically around their service requirements for taking on a new supplier, the following responses, while not surprising, are nonetheless informative: reliability and honesty are the most important attributes for importers looking to take on new suppliers, followed by product quality and supplier experience & know how, as well as good communication.

³ Adapted from information contained in the report "Export Market for High Value Vegetables from Tanzania", DAI Washington 2007

Competitive Threats

The following analysis highlights the major threats to entry for developing countries to the EU in general, matched with the implications for Albania and tomatoes, if applicable:

Major threats for exporters from developing countries looking to serve EU market	Implication for Albania and Tomatoes	Level of threat
Overproduction of fruit in EU countries, leading to low-priced domestically produced fruit and vegetables competing with more expensive, imported products	Tomatoes is a fiercely competitive industry in the EU already saturated and dominated by increasingly low cost providers	High
Stagnating or declining consumption of fruit and vegetables in old EU countries; consumers will not consume more food but will make changes in eating habits and choice of products ("battle for stomach share")	New EU countries are increasing their consumption of tomatoes faster, indicating better market potential in this area	Low
General price pressure on food, influencing the retail prices of fruit and vegetables; price reduction is expected to continue in the near future	Tomatoes are increasingly difficult to differentiate or achieve premiums with	Med
First-mover advantage for new products eroding fast, since other producers are likely to copy the product or production process rapidly, inducing a spiral of overproduction and falling prices	Albania is not a first mover in the region, but as consumption is expanding, there is potentially room for new entrants	Med
Certification, requiring for example GlobalGAP for the production process of fresh fruit and vegetables and GMP/HACCP/BRC for processed fruit and vegetables ¹ , requiring serious managerial and technical efforts and involving costs	Albania must make efforts to achieve internationally accepted norms; AAC project support will assist	High
Fluctuating prices of fruit and vegetables, induced by fluctuating supply	Relevant for tomatoes	High
Increased consolidation in buyers market, leading to increased buyers' power, forcing producers to cost-efficient and large-scale production and making it more difficult for small-scale and new producers to break into the market	Relevant for tomato production; overcome by producer consolidation	Med
High (and rising) fuel prices increasing the cost of transport	Targeting of regional markets overcomes this issue and plays to Albania's favor	Low

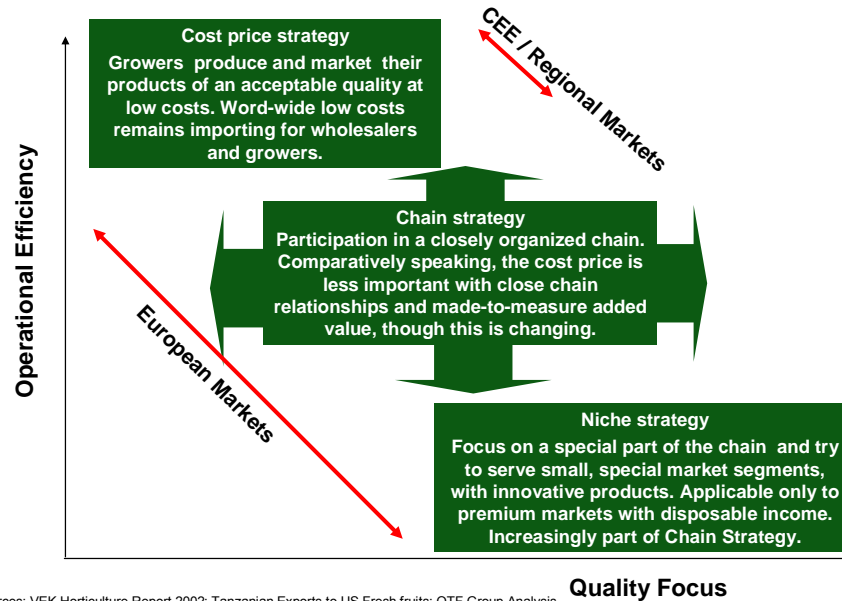
Source: Adapted from CBI Fresh Fruit & Vegetable Report 2006

VI. Opportunities for Albania & Recommendations

Strategic Positioning

There are three main broad strategies that can be used in targeting new horticulture markets. The following graph outlines the options:

Summary of Strategic Options for Albania



Sources: VEK Horticulture Report 2002; Tanzanian Exports to US Fresh fruits; OTF Group Analysis

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The supermarkets chains are becoming dominant and revolutionizing distribution in the fruit and vegetable industry. Even if not directly dealing or selling via supermarkets, increasingly the effects of the multiples is being felt across the board. The "Chain Strategy" is now taking over and encompassing elements of the other strategies, especially in the EU15 markets.

The three strategies and opportunities are summarized below:

Strategies	Example of Strategy	Relevance and Opportunity for Albania	Attraction for Albania
Quality and Niche Strategy	Off-season or counter season	Relevant but niche is already satiated	■
	Production of lesser known exotics: new varieties, different flavors, different sizes or colors	Albania would need to identify niche based on production possibilities. Limit for long term scale and growth.	■
	Distinctive innovative products	Sophisticated strategy based on innovation in production and branding, difficult for a newcomer	■
	Organic and Fair trade; Food miles and local sourcing	Organic tomatoes are a growing market. Food miles may be interesting for Albania due to proximity to parts of Europe	■
Cost price strategy	More cost-effective production of existing European products	Labor costs and production costs are low, Albania has the advantage (over Morocco, Turkey) of being closer and land accessible , but no scale to achieve gains. Not a sustainable strategy.	■
	Regional Proximity Play – serving close markets with equal quality at lower cost (actual and environmental)	Serving regional markets with high quality produce and gaining a cost (and carbon footprint) advantage of other suppliers further removed (e.g. Spain, Turkey).	■ ■
	More cost-effective value adding in country of origin (comparative advantage of lower labour costs)	Combination of a quality strategy and a cost strategy. Interesting entry point but fresh tomato value addition at source is limited to packaging. Not sufficient.	■
Chain strategy, or market focus strategy	Participating in an efficient and market-driven supply chain	Direct supermarket contracts is part of this strategy, but this is not feasible for a newcomer due to quantity and quality / reliability concerns. A longer term goal.	■

Source: OTF Group Analysis

Accessing the European markets via the multiples is a demanding strategy that requires Albania to offer top notch quality, as well as one of the additional key reasons (price, counter season offering, innovation) for them to take on a new supplier. The regional markets, while not paying the premium of the more demanding markets, are nonetheless a viable initial option. This recommendation is supported by the geographic analysis below.

Geographic Choice of Market

The following table summarizes the distinct opportunities and threats of a strategy focused on either the western European markets, on the regional Eastern European / CEE markets:

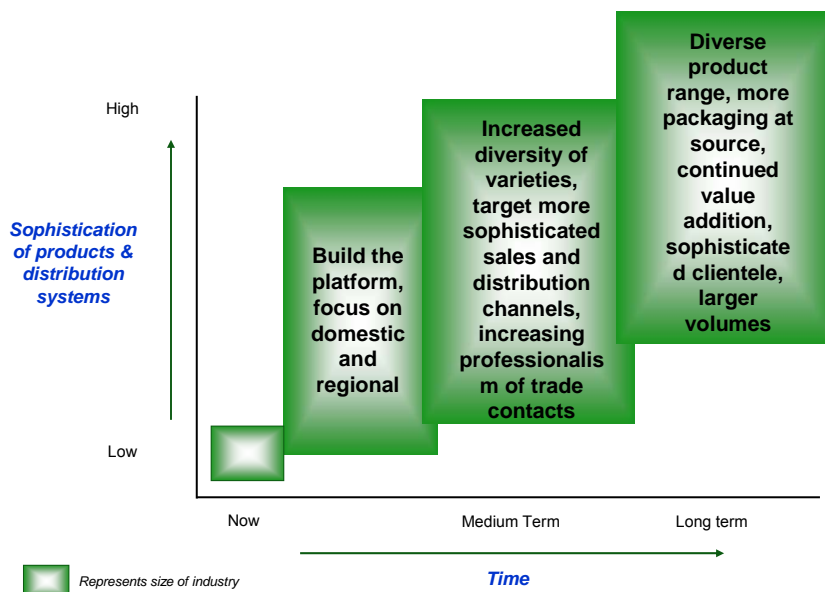
Western Europe Markets		Regional CEE Markets
Possibility for niche products, higher price points possible.	Product and Niche Potential	No advantage for premium products, strategies more based on cost and quantity, though some potential for premium and branding may exist in the medium to long term.
Proximity of Albania to large German market may give it some edge over Morocco or Turkey, particularly with the emergence of the slow food movement and carbon footprinting.	Access	Informal access via traders based in Albania or around the region.
Standards are stricter. Access is difficult, quality control and export compliance are difficult and demanding. Higher investments are required on the production side.	Quality Control	Quality standards are lower, access is more informal. Emergence of supermarkets and chains in the region will change this situation in the short to medium term.
Need for high quality in product and in packaging. Need for domestic packaging industry.	Packaging	Less need for quality. Traders don't do packaging. Less need for a developed local packaging industry.
Distribution is formalized. Contracts are formal and relationships take time to build but once established are long term.	Distribution	Distribution tends to be informal and relationship based. Forward contracts directly with importers from neighboring countries
Information (statistics, contact numbers, market information) is available from secondary sources, but perception that information is limited and access is difficult.	Information	Information is limited and difficult to obtain.

Given the quality requirements and intensity of competition in Western Europe, Albania should focus domestically and expand slowly to the region, offering quality products to emerging economies of the region and competing against imports from further a field.

Evolution of the Albania Tomato Industry

For demanding export markets, a "step by step" approach is recommended, especially with a vegetable as well established and competitive as the tomato. Competition is fierce, and even though domestic and regional markets may not be as profitable or command as much of a premium as Western European markets, serving the region represents a good entry strategy.

Evolution of the Albanian Tomato Export Industry



Source: OTF Group

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Summary of Recommendations for Albania

- Overall, fresh tomatoes is a challenging industry: Large scale, highly competitive industry with well established and firmly entrenched players
- International opportunities are filled with large scale players with large domestic industries
- The counter season niche is saturated; quantity and quality plays to European retailers are hard for newcomers; Specialty niches can be and are filled by established players
- The regional market is faster growing than the more established markets of Western Europe, and represent the best option for Albania to pursue, but prices are lower and opportunities for niches (organic, premium varieties) are limited
- The Albania domestic market has a large demand and Albania suffers from a severe trade imbalance. Serving the local market is often a pre-requisite for more challenging markets.
- Albania should focus on growing domestic production and building off of regional exports where they have a cost and proximity advantage over other suppliers to these markets from further a field
- As industry grows, the industry should consider more demanding export opportunities (long term)

VII. Next steps

From a market facing perspective, areas of further investigation include:

- Match identified opportunities and trends with production capabilities.
- Conduct more in depth analysis of selected regional markets (4 – 5) to determine consumer needs and begin developing contract relationships. Select markets based off of size, import growth, domestic competition and consumption habits

VIII. SOURCES

Data Sources and Websites

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- Trademap Statistics, www.trade-map.org
- FAOStat, www.fao.org
- Fresh Plaza, www.freshinfo.com
- Alibaba B2B Trade Leads, www.alibaba.com
- Hortivar, www.fao.org/hortivar/index.
- Intracen and MNS News Service, www.intracen.org
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- "Study of the Horticulture Subsector in Rwanda", VEK Horticulture Consultants 2002
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- The competitiveness of Spanish tomato export in the European Union, J. de Pablo Valenciano and J. C. Pérez , 2005
- "World Tomato and Tomato Products Situation and Outlook", FAS USDA 2007

Selected Interviews and Industry Conversations

- The Greenery, Netherlands
- Ontario Greenhouse Vegetable Growers
- Utopia UK (2)