

**Eurofruit**



Global Berry Congress

# **A Challenging Season**





## ➤ *Egypt's Edge*

- Over the past few years Egypt has become a strategic supplier of winter strawberries to the UK and the EU
- Egyptian Strawberry exports for the 2008-2009 season have been estimated at 25,000 tons, of which 11,000 have been destined to the UK and EU
- The following are Key elements that have given Egypt the edge
  - Climate- Superior quality fruit, November-March
  - Clean Water
  - Skilled Labor
  - Competent technical expertise
  - Extensive R&D work on varietal, technical practices, and commercial fronts
  - Extensive development of QA programs

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*Challenges Facing the Egyptian Strawberry Industry*

## 1. Increased cost of Airfreight

- Airfreight cost increased 15-18% (07/08 -08/09)
- Airfreight/GSV
- A great challenge to both the grower and the retailer- Cost Recovery VS Aggressive pricing.
- Sea Freight- Is it a real solution?
- Sea Freight trials have been launched, but have been very challenging.
- Controlled and Modified atmosphere trials this season, have not been as successful as past experiences. This is a collective effort that will yield great value to the entire chain, and everyone has to be genuinely on board.
- Egypt has invested a great deal along with some of its select receivers, in order to find a solution to the longer sea freight journey.



## 2. Infringement of Intellectual Property Rights

- Illegal growing, handling, exporting, and purchasing of patented varieties.
- Occasionally supported by a few buyers looking for the lowest price without any ethical or food safety concerns.
- Extensive price pressure on entire market, due to the availability of patented fruit which should be sold selectively or exclusively; now available in significant volume from unknown receivers.



- Further pressure on market due to the poor quality of the illegal fruit, supplied by incompetent growers, and sold by un-professional receivers.
- Overall negative sentiment towards the variety.
- Reducing the lifespan of very promising, and superior varieties which have taken years to produce commercially.
- A major challenge that requires a strong collective initiative to prevent sale of patented varieties illegally.
- Promotion of good marketing ethics.
- Bar coding System- An effort to organize and control legitimate supply.



## 3. Fragmentation of Local Strawberry Industry

- The largest 4 exporters in Egypt comprise only 27% of total exported volumes
- This element has given way to a framework of illegal growers and exporters
- A few receivers do not abide by the ethical, and food safety requirements when sourcing; enabling unfit product to make its way to the same markets that legit growers who invest heavily in their operation target.
- Codes issued and preached, should be abided by regardless of market condition.



- Promotion of poor practices, restriction of good growth potential.
- Having mentioned the dark side of midnight; it must also be mentioned that we as competent Egyptian exporters have a national duty to develop our own farming communities.
- Efforts are already underway, developing smaller farmers, and consolidating smaller entities with a similar mindset and a strong ethical code of conduct.
- Capitalizing on unmet demand, through a systematic, and transparent supply chain.



## 4. Price pressures and Weak Currencies

- Significant price drops within UK and EU.
- Currency Devaluation
- Cost of both production as well as logistics have gone up
  - Labor cost increased by up to 50%
- The above formula simply doesn't work

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- Retailers have gone to war over prices this past season at the expense of the grower, in an unjustified manner.
- Christmas prices 09- lowest yet
- Disruption of Jan prices due to erratic supply from Morocco.
- Pre-set programs were not committed to by certain retailers



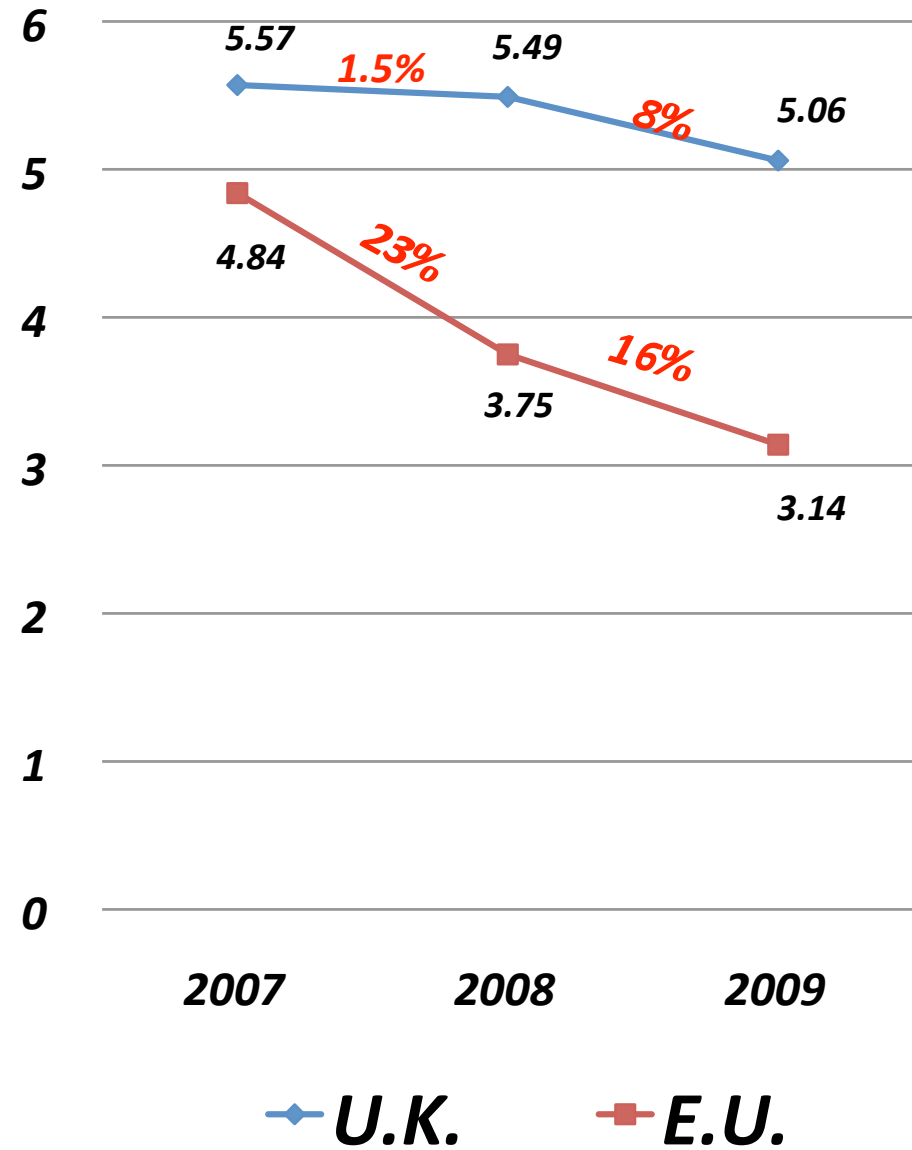
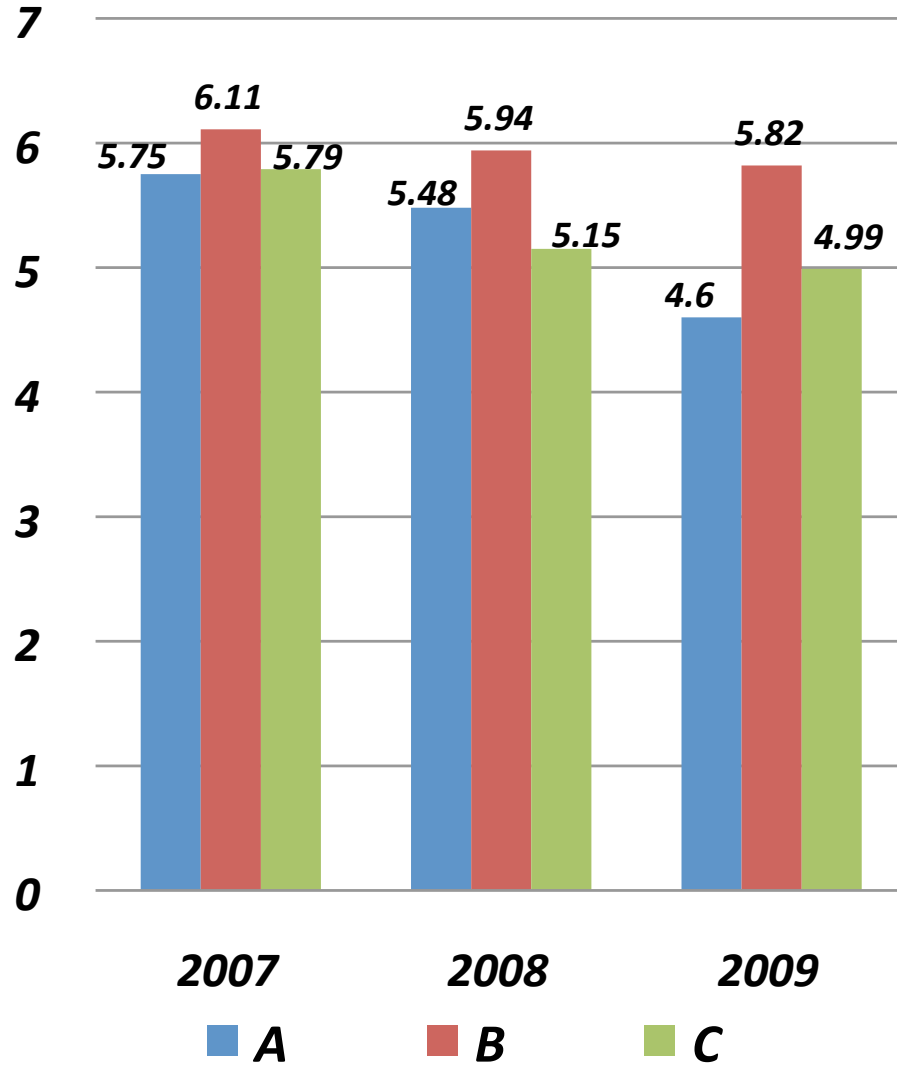
- The above formula will drive competent growers out of market
  - Less investment in overall development
  - Poor production practices
  - System reset
  
- Improve communication between Technical and Buyer within retailer.
- View pricing strategy with a partnership mentality.
- Longer term vision-strawberries are annual. Larger institutional growers will slowly reduce acreage if formula becomes unsustainable.



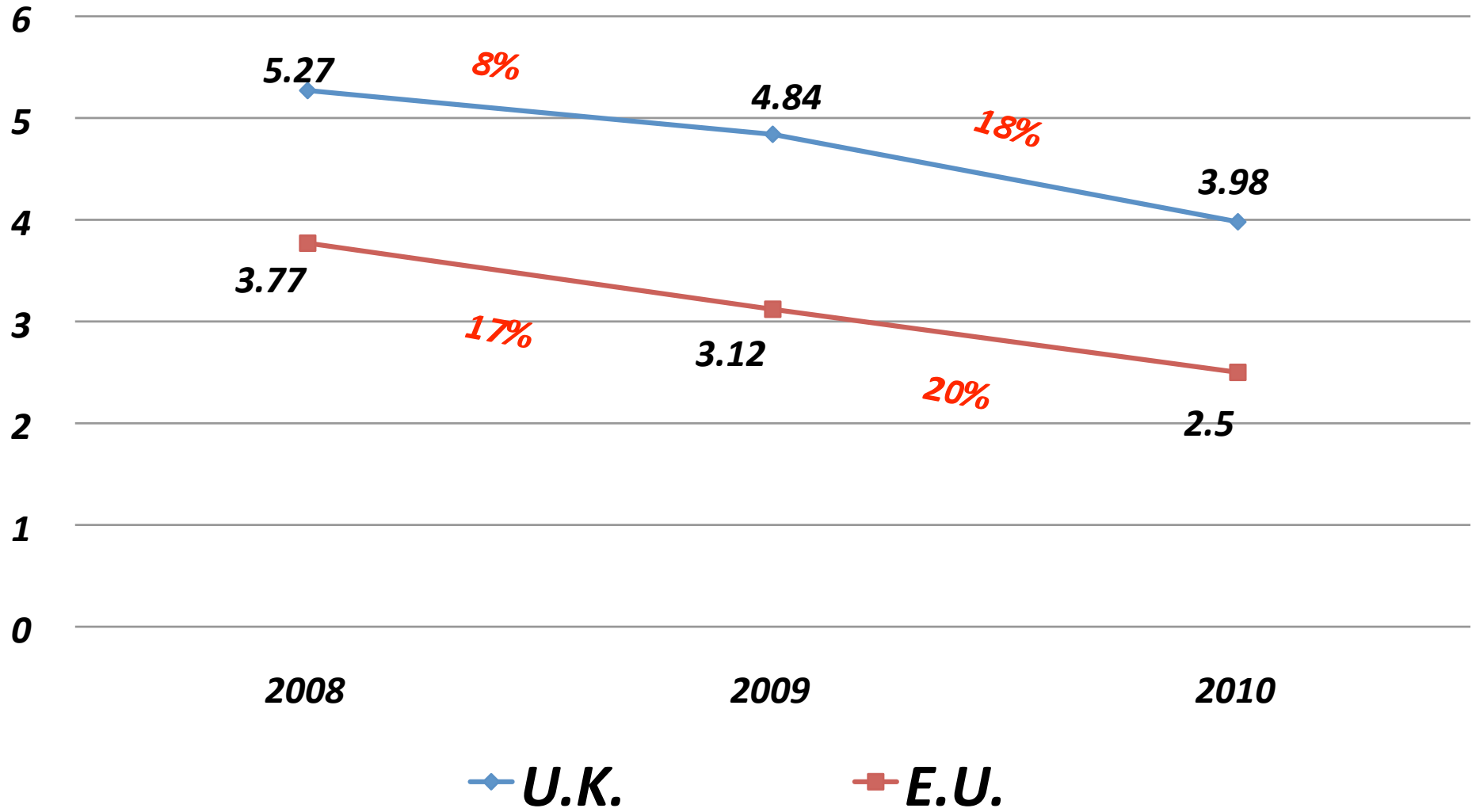
5. Difficult distribution network within the EU
  - Lack of a transparent supply chain
  - Lack of clear cut information on receiver-retailer relationships
  - Potential conflicts of interest
  
6. Strong promotional support to promote the sale of Egyptian strawberries
  - Initiatives such as the Seasonal Berries Campaign could be capitalized upon, in conjunction with local efforts from local government in order to promote the sale of Egyptian Strawberries in both the UK and EU.

# GSV Christmas

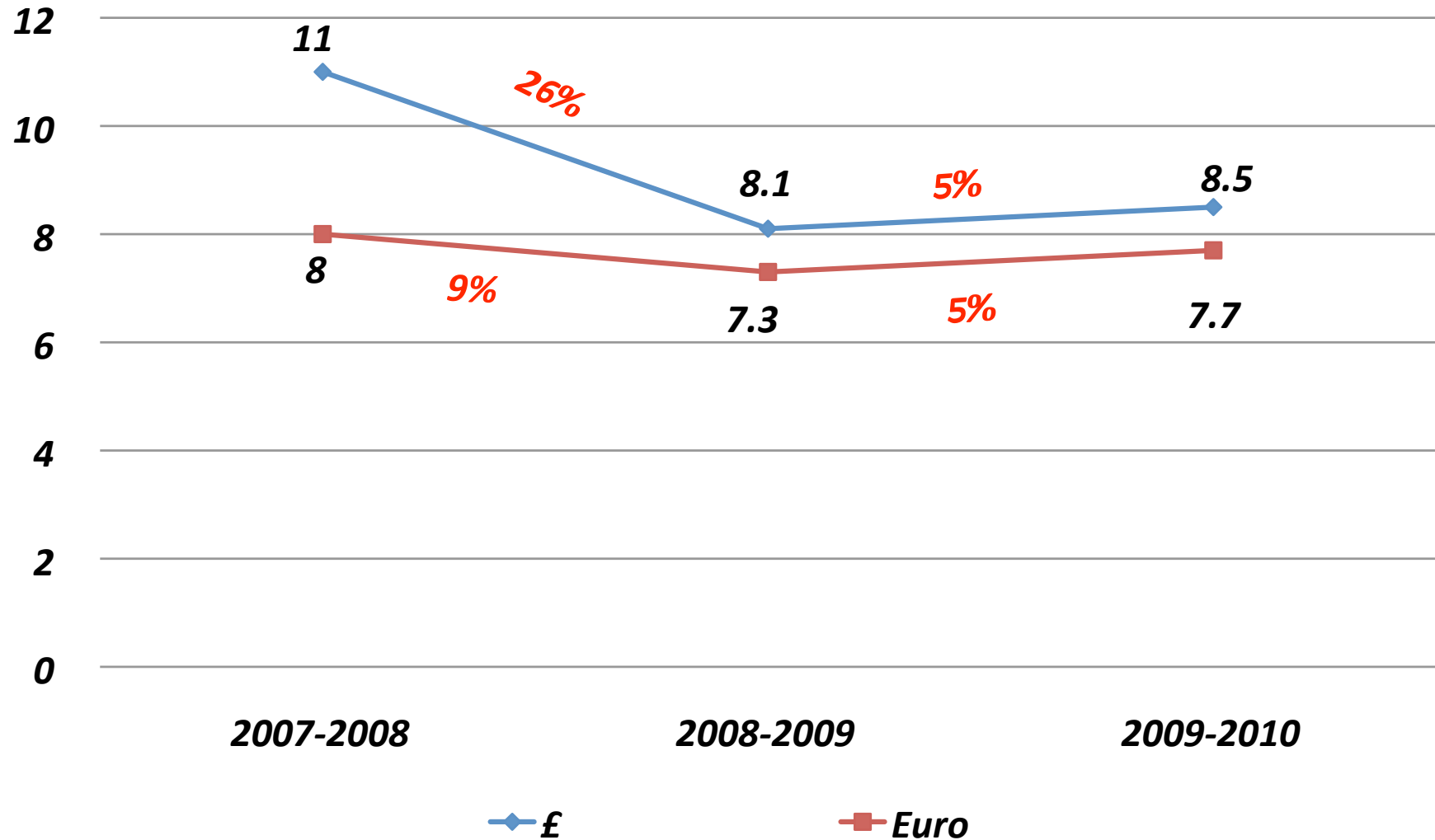
## U.K. Supermarket



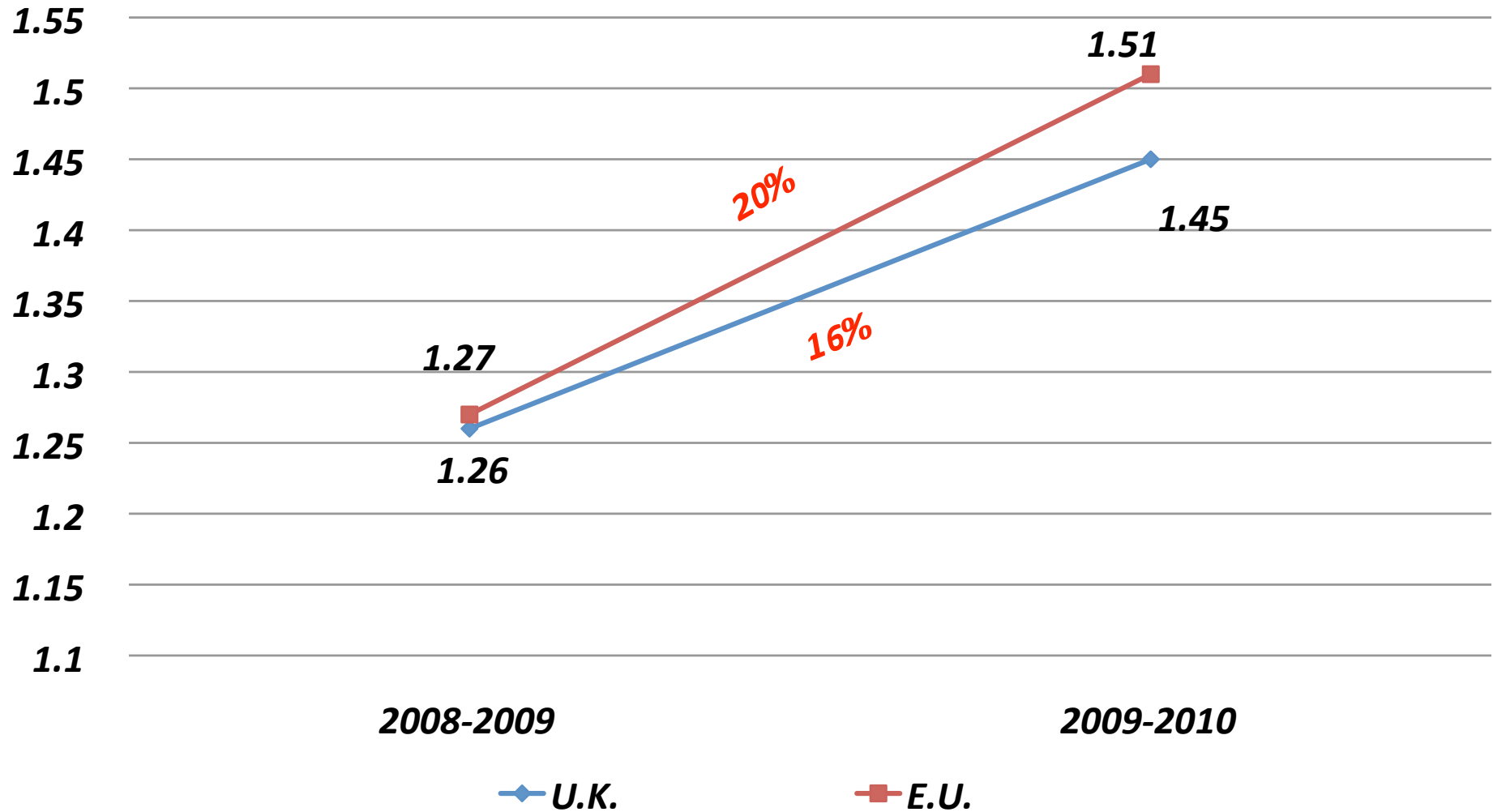
# GSV January



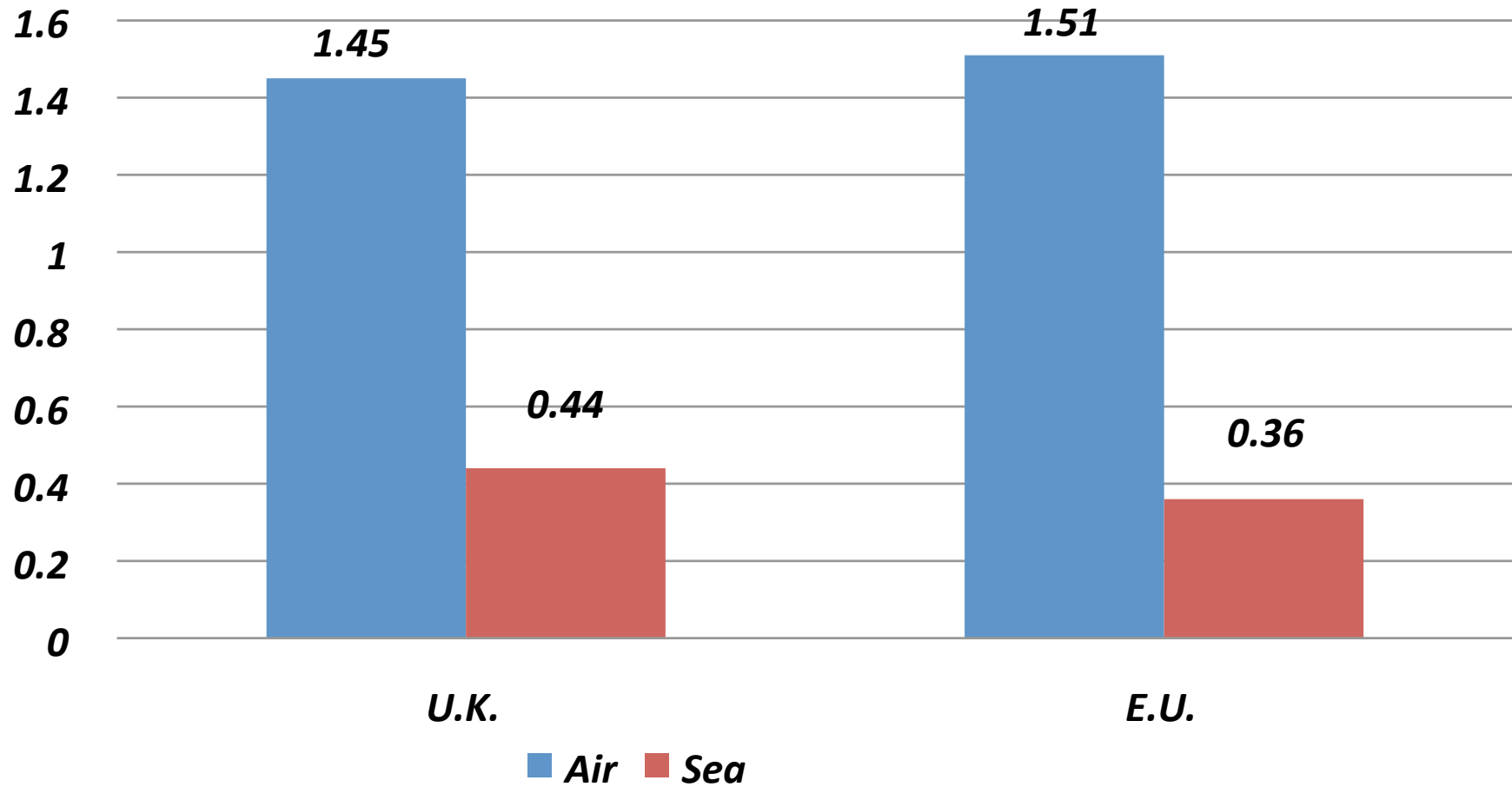
# Exchange Rates



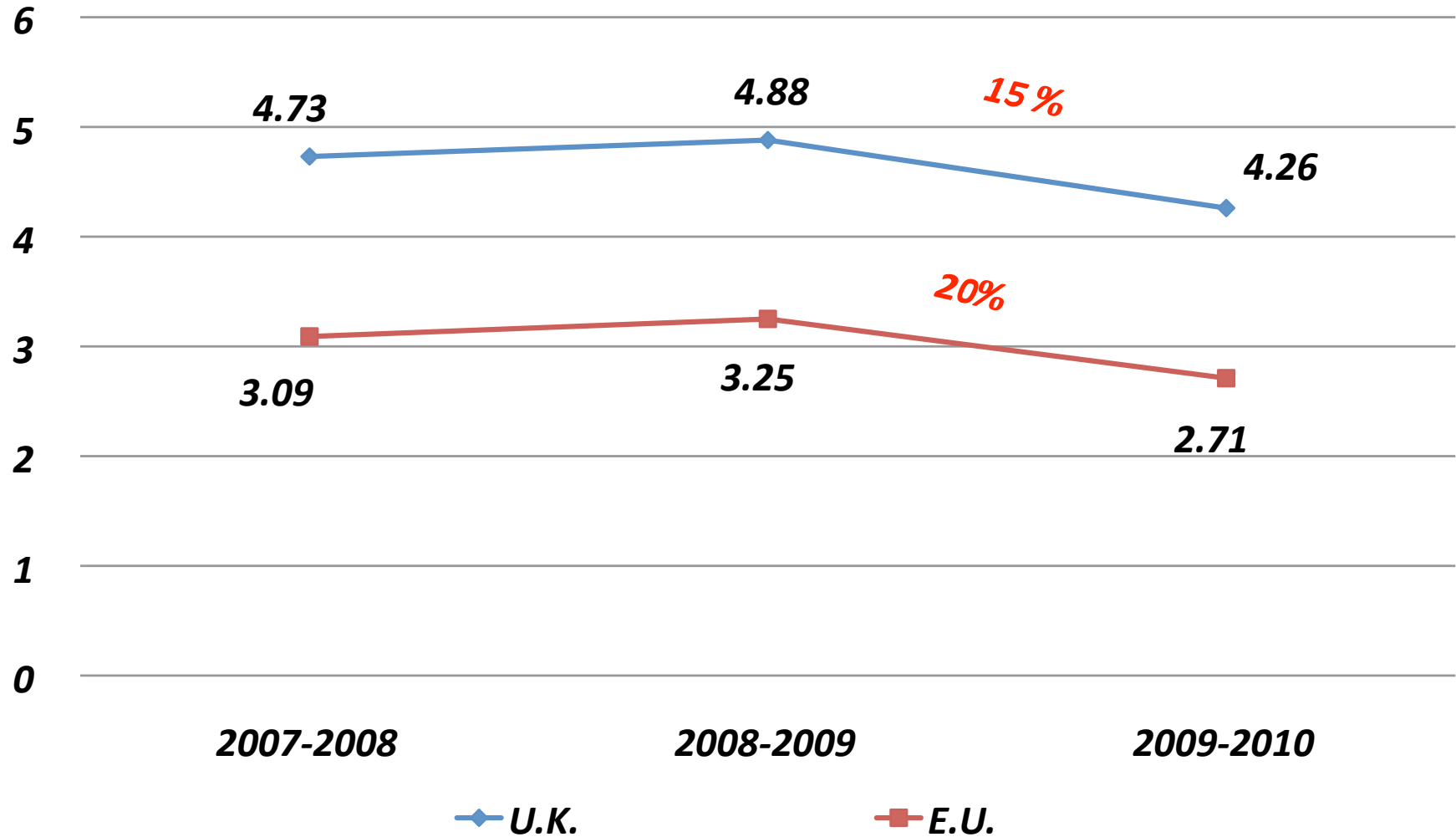
# Airfreight Costs



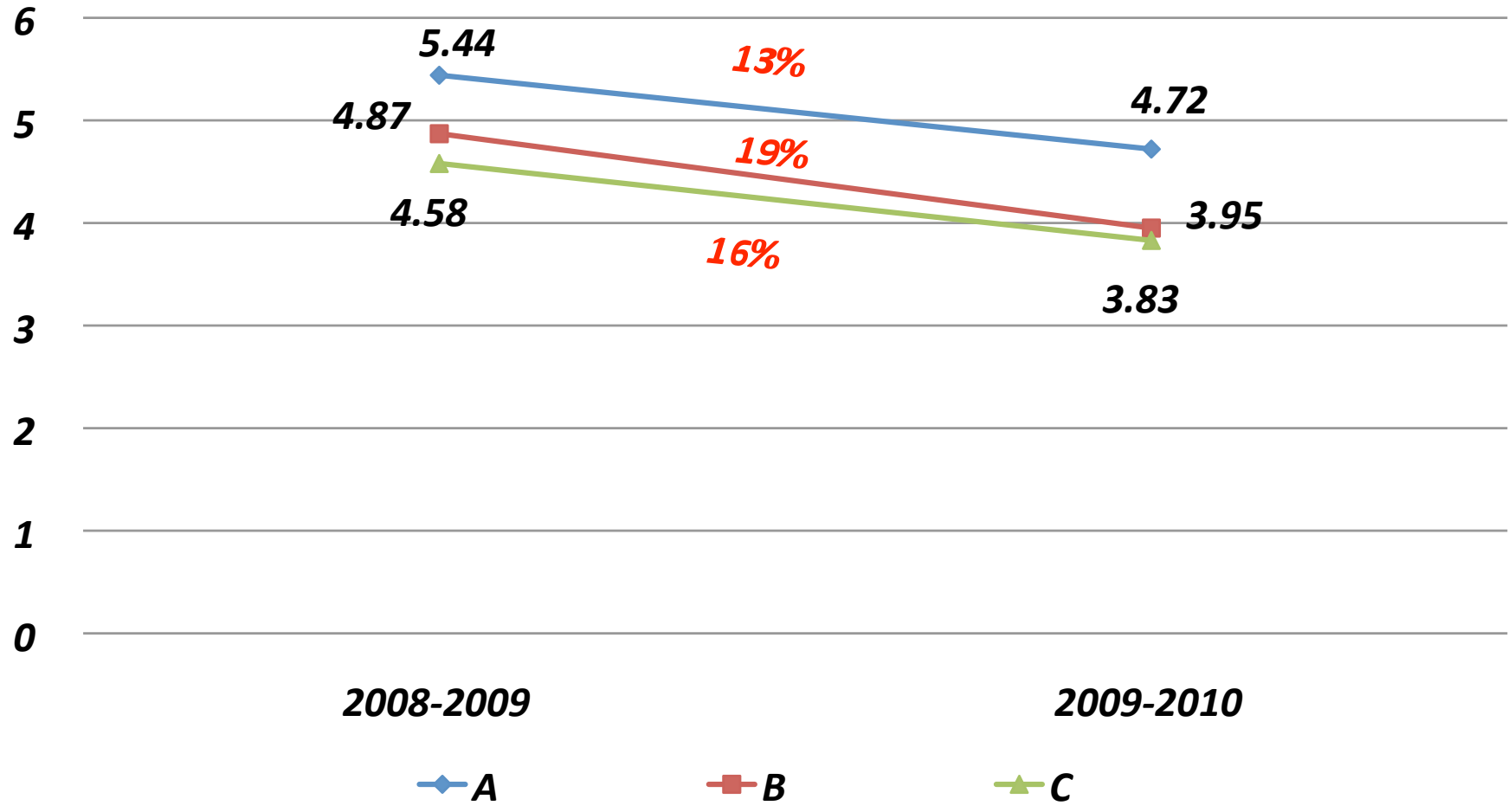
## Airfreight Vs Sea Freight 09/10 (USD)



# GSV/Kg



# GSV/Kg UK Retailers



## Airfreight/GSV

