



Pomegranates

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

Consumption of fresh pomegranate, as well as derivatives such as juice and flavoring, is exploding and the fruit is seeing exceptional growth in demand in the US and Europe. The popularity of the fruit and the willingness of consumers to pay a high price represent good opportunities for additional producers to enter the market. However, the window of time on this opportunity will be relatively short, as new supply comes on board to fill the demand and drives down prices.

In addition to the lack of supply even in the main producer seasons, there exists a counter season opportunity for the early summer in Western Europe, when the discrepancy between supply and demand is at its highest. Albania may not be placed to compete in this counter season, and strong commercial interests from new producers like South Africa with reverse seasons are best placed to capture this edge of the market. Because of the long shelf life, there is no location advantage associated with this fruit.

Many types of pomegranates exist and not all are suitable for fresh consumption; some are preferred for juice and processing. For fresh suppliers, size and color are the most important attributes. The products that consumers are currently willing to pay higher prices for are large, red pomegranates. For Albania to compete in this market, it needs to ensure its products are in line with consumer preferences in terms of size, color and price point.

The most attractive markets for this niche product are the premium markets of the EU 15. The EU15 / Western European markets are growing in demand and pay a premium for fresh pomegranates that meet consumer specifications. The UK is currently the largest market, but all countries outside of Spain, which meets its own demand, have potential for Albania.

However, while potential exists, this is nonetheless a highly competitive industry with some established producers. In general, the barriers to market entry for suppliers of fresh fruit are very strong, especially for new producers. The number one requirement, from a product standpoint, is quality, both in terms of the actual product (appearance and taste) as well as the ability to meet exacting EU import compliance and certification standards. Finally, Albania must be able to deliver the quantities required by importers; in the case of pomegranates, these are not onerous, but consistency and reliability of delivery is often a greater challenge.

As a first point of entry, Albania should not approach retail directly, but seek out professional importers of specialty fruits in targeted markets that have a history of working with developing countries. Before approaching these players, Albania should ensure that production has attained the necessary quality, that fruit conforms to the current consumer preferences, and certifications are in place. Once production is assured, Albania should use quality, and responsiveness to consumer needs as their comparative and competitive advantages to approach suppliers.

In sum:

- Pomegranates are a fruit that is exploding in popularity in the consumer markets of Western Europe.
- The popularity of the fruit and the willingness of consumers to pay a high price are both good opportunities
- The window of time on this opportunity will be relatively short as new supply comes on board to fill the demand
- There exists a counter season opportunity for the early summer in western Europe, but Albania may not be placed to compete
- The products that consumers are willing to pay higher prices for are large, red pomegranates. For Albania to compete, it must produce to consumer preferences
- In the medium to long term, many potential opportunities exist for processing industry to capture second quality or non exportable fruit

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I. Production & Consumption

Product Overview

Pomegranates grow best in dry areas with very hot summers and very cold winters. There are many varieties of pomegranate, but from a retail (consumer) perspective, there are two main types, classified by color: purple or red, and yellow. The latter is most often used to make juices. Sizes can vary greatly, and quality is determined by an unblemished skin, color, size, weight, taste (sweetness).

Production Overview and Trends

Pomegranate production, consumption and trade data is not readily available. The specific trade code for pomegranates is 0810 90 95 30, but this is not widely used for tracking purposes.

Pomegranate orchards are not ventures that can be brought to fruit – and start showing returns – quickly. It takes three to four years for a plant to develop from seedling to a mature, fruit-bearing tree and may take eight years to reach full production. The pomegranate is native to the region from Afghanistan, Pakistan, and Iran, and today is widely cultivated throughout Armenia, Azerbaijan, Iran, India, the drier parts of Southeast Asia, Malaya, the East Indies, and tropical Africa.

Presently good quality pomegranate comes from Turkey, Iran, Afghanistan, Syria, Morocco and Spain. Iran is the largest producer of fresh pomegranates and is sometimes seen as the quality leader: “The Iranian pomegranate is far better than pomegranates from other countries with regard to color, juice content and sugar content. A better taste is difficult to prove, but results of tastings are very good”.¹ For juice, Iran and India together account for 95% of concentrate production

In the US, pomegranate is now cultivated in California and Arizona. 250 growers in California produce 80% of domestic pomegranate crop on approximately 16,000 acres. Acreage is expected to increase dramatically in coming years with the continued popularity of the fruit. The fresh harvest totals about \$60 million.

Within the EU15, Spain is the only major producer of pomegranates in the EU15 for commercial export. Within the CEE and Eastern European region, pomegranates are grown in several countries, but large scale “commercial” production appears to be lacking.

In general, production is rising rapidly but is not able to keep up with demand, especially in the hot market of the USA. For example, Dunkin' Donuts wanted to launch a pomegranate smoothie this year, but the idea was shelved due to short supply. Large producers are gearing up production to meet anticipated increased global demand, and new producers, such as South Africa, which has extensive “backyard” production is planting commercial orchards.

Pomegranates have a relatively long shelf life, and can even keep many months even without refrigeration. The long shelf life makes it an exportable product by sea routes and diminishes location advantage for producer countries.

¹ Geurts from Bakker&Leenheer quoted in Fresh Plaza article “Iranian pomegranates available in Europe”

Pomegranate Main Producer Countries

Main Producer Countries
Iran: 800,000 tons, up 15% in 2 years
India: 540,000 tons
Turkey
Spain: 25,000 tons**
Tunisia
Morocco
Egypt
USA: 54,000 tons
<i>Source: Faostat 2005</i>
<i>** Spanish numbers are outdated (1998)</i>

Consumption Overview and Trends

In general, consumption is rising. The US leads the world in increasing consumption per capita. In 2002, Americans ate – or drank -- 10 times as many pomegranates annually as they did in 2000. Supermarkets can't keep pomegranate juices in stock. Farmers can't grow the fruits fast enough. "Pomegranates are everywhere — in shampoo, on lobster dinners, in beer, in spicy sauces..."² Some market researchers predict that pomegranates will continue in popularity, but will taper off in popularity with the discovery of the next "superfood".

In Europe, the trend is mimicking the US, and the pomegranate is becoming more widespread. While the UK is the leading market for imports, other

countries are following suit.

Although consumption is rising (see below for explanation of why) new production is coming on board, indicating a small window of opportunity that needs to be taken advantage of fast.

Factors Driving Consumption and Demand

In general, the same trends that are influencing fruit and vegetable consumption everywhere are increasing the popularity of pomegranates:

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 a Western European style.
3. **Immigration:** Immigrants often keep (part of) their culinary traditions, using specific fruit and vegetables that may be unfamiliar to native Europeans. Pomegranates are more common in the Mediterranean and Middle East than in many parts of Western Europe.

In addition to the above general trends, there are several pomegranate specific demand drivers:

1. Health benefits and the **labeling and marketing of pomegranates as the next "superfruit"**. Among reported health benefits of the pomegranate: antioxidant properties to fight disease; lower bad cholesterol; high potassium content (almost as high as in orange juice, but not a source of vitamin C); good source of fiber. Possibly beneficial in fighting prostate cancer and breast cancer. Even some studies exist that point to pomegranate juice helping to remove the AIDS virus.
2. The explosion in popularity of pomegranates in the USA largely due to one **company's marketing efforts:** Pom Wonderful
3. Europe is experiencing a **"trickle down effect"** from the increase in popularity in the US. Demand in the UK is growing rapidly and other EU countries are following suit.

² Quotes from Tom Vierhile, director of Productscan Online

The following chart highlights key consumption trends (all foods) for Europe across the next few years, and matches each trend with the implication for pomegranates and Albania:

European Key Consumption Trends to 2010

Key Consumption Trends to 2010	Implications for Albania & Pomegranates
Greater demand for convenience	Plays against the demand for pomegranates, which are often perceived as difficult to eat.
More diversity of choice	Pomegranates is a new, exotic fruit with which many Europeans are unfamiliar
Growth of demand for ethnic / exotic ingredients	Pomegranates are popular in many middle eastern cuisines
Increased demand for organic products	Not necessarily relevant for pomegranates, though organic is a growth niche
More ready cooked, take out foods	Not relevant for pomegranates
High growth in private label	Not relevant for pomegranates
Polarization of markets (premium and budget)	Pomegranates may split as the fruit becomes more popular and common
Demand for open, honest and informative labeling	Not relevant for pomegranates, though there is a labeling play to promote the health benefits

Source: CBI Fresh Fruit and Vegetables 2006

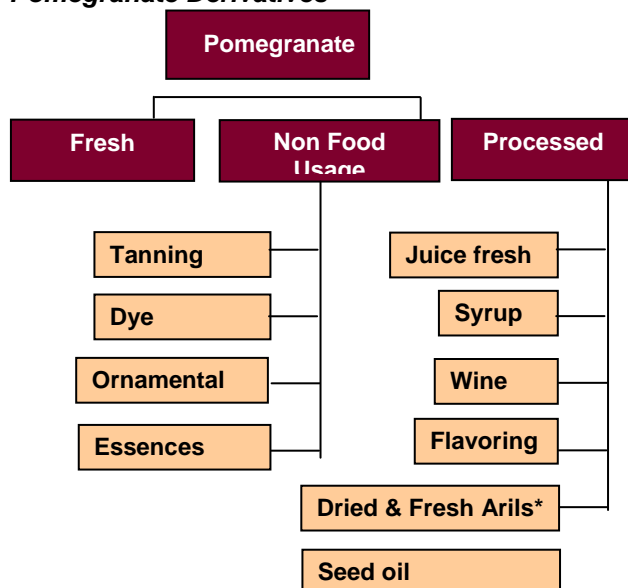
Production and Consumption Summary & Implications for Albania

Europe will likely continue to experience strong growth, especially as claims about the health benefits drive awareness. With the right timing (season) and the right product (quality specifications discussed in Section V), Albania may have the opportunity to enter this premium fruit market.

Value Addition

Pomegranates, both fresh and derivatives, are increasing in popularity. There are many items, both food and non-food, that can be produced with pomegranates or parts of pomegranates. Companies rolled out 450 pomegranate products in 2006, bringing the total to 961 products launched since 2003.

Pomegranate Derivatives



Some of the derivatives include juice. The demand for pomegranate juice and flavoring is exploding and there is a large and growing market for concentrate. Pomegranates have a natural sun protective factor of eight, and are increasingly being used in face and hand creams. Arils, which are pomegranate seeds still in their sacs, have been appearing in retail stores in the US recently. They may be used fresh for sprinkling on salads or other dishes. Dried, they are developing a reputation as a health food supplement.

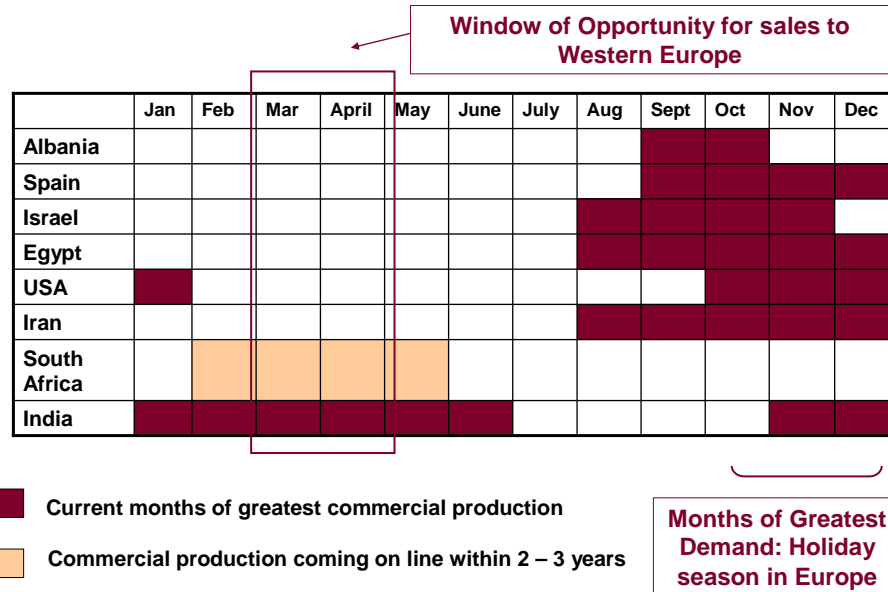
Source: OTF Group

For Albania, as the industry develops, there may be offshoot potential to develop processing industries that will maximize the contribution of non-export quality fresh fruit.

Seasonality and Prices

Most countries producing pomegranate do so around the fall and early winter. This corresponds with the traditional season of high demand (the holidays) but as pomegranate consumption and demand is increasing, there exists a counter season opportunity to Western Europe for the spring and early summer:

Production and Demand Schedule



Source: internet B2B marketplaces, "Pomegranate Marketing: Traditional skills for the future", CIHEAM, Alicante (SOIVRE), 1999; Correspondence and interviews with industry experts; Hortivar FAO website; OTF Group Analysis © 2007 - OTF Group, Inc.

Retail and production pricing information is scattered and hard to come by, but the following examples provide various benchmarks:

- Production: Afghani farmers are receiving 54 cents / pound for export varieties (2006)
- Retail: Premium red pomegranates, large size, can retail around \$2 / piece in the UK market (2007)
- Derivatives: Juice prices are also strong: \$350 to \$450 a ton and \$5 / liter for the concentrate (2005)

The following pricing information shows the difference in prices paid in selected European markets in July last year:

POMEGRANATE / grenade / granada									
<i>Market</i>	<i>Origin</i>	<i>L-price</i>	<i>H-price</i>	<i>Variety</i>	<i>Size</i>	<i>Pack</i>	<i>Transport</i>	<i>Local currency</i>	
								<i>L-price</i>	<i>H-price</i>
Belgium	Iran	2.85	2.85		9-10-12'				
	United States	2.16	3.00		8-9-10-12'	5 kg			
Denmark	India	3.75	3.75		12'			28.00	28.00
Holland	Iran	1.94	1.94		10'				
Italy	Iran	2.64	2.64						
	Iran	2.64	2.64		15'			24.64	24.64
Sweden	India	3.70	3.70					34.50	34.50
	Iran	3.45	3.54					5.34	5.48
Switzerland	United Arab Emira	3.10	3.10		12'			4.80	4.80
United Kingdom	Iran	2.80	2.80					1.92	1.92

Source: MNS Intracen News Service, July 2006

The Nordic countries (Sweden and Denmark) are two attractive markets that pay the highest price. India, from the sample group, commands the highest prices, due to the low season for other producers (July).

II. Trade Analysis: Imports and Exports

Export Overview

Pomegranate production, consumption and trade data is not readily available. The specific code for pomegranates is 0810 90 95 30, but this is not widely used for tracking purposes.

Globally, Iran is the leading exporter, followed by India. The US is increasing exports to Europe.

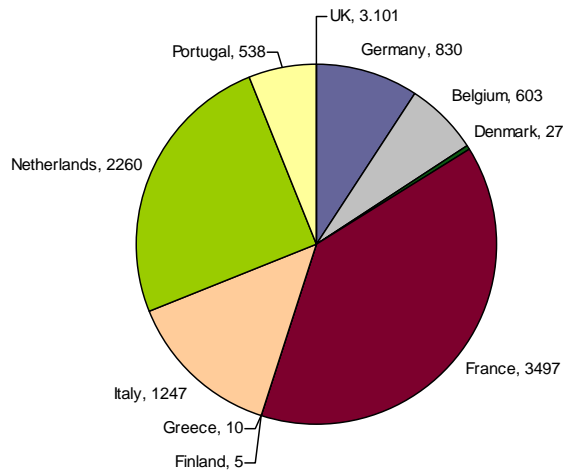
Within Europe, Spain is a leading exporter. More than 90% of Spanish exports are destined for the EU15, and approximately 5% to Eastern Europe. Within Eastern Europe, Croatia and Slovakia are the main destinations for Spanish exports in the EU. Croatia imported 173,000 kgs of Spanish pomegranates in 1998.³

Elsewhere, South Africa currently has "backyard" exports, but is gearing up for commercialization of production to increase exports, allowing them to fill the interesting counter-season opportunity in Europe during the spring and early summer months.

Because of shelf life and ease of transport, global producers are local competitors. For pomegranates, Albania has no location advantage because of its proximity to Western Europe.

³ Please note that these statistics are outdated, and are based on estimations. They serve as an indication only. Source: "Pomegranate Marketing: Traditional skills for the future", CIHEAM, Alicante (SOIVRE), 1999. The graph on the following page also comes from this source.

**European export destination of Spanish pomegranates, 1998,
value of exports in thousands of MT**



Import Overview

The main global import destinations are the non-pomegranate producing countries of Europe. The UK is the current leader in imports, but according to one industry source, there is very little difference between EU countries in terms of their consumption and / or growing preference for pomegranates

Australia is another leading import destination, importing 12,000 cartons in 2006 from the US and aiming to increase imports by 30%. South Korea is the main importer of Iranian pomegranates, while Japan favors imports from the US. Latvia is another destination for Iranian imports, possibly indicating unfilled Eastern European demand.

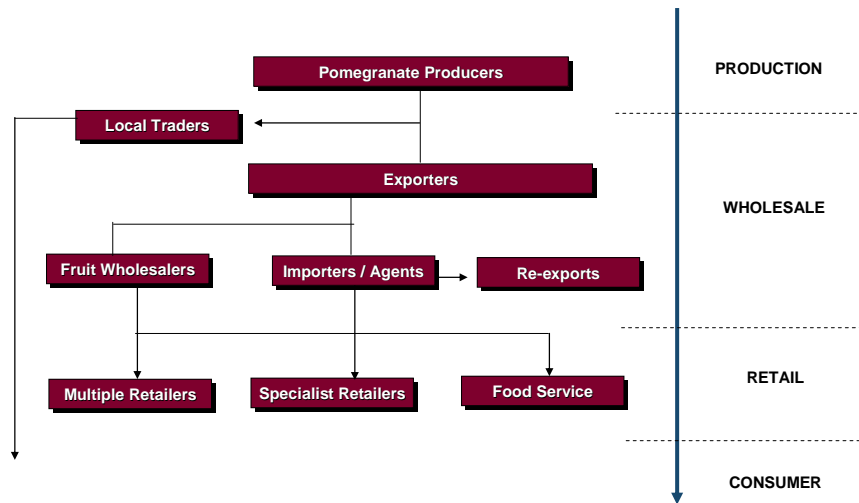
For Albania, the EU15, especially the UK, are the obvious markets for it to target, but investigation into the markets of Latvia, Croatia and Slovakia (which import from Spain) could be interesting, though these markets will not pay the premium of the EU15.

III. Trade Structure

Distribution Channel Overview

Generally, the distribution channels for fresh fruit conform to the following patterns⁴:

Pomegranate Distribution Channels



Source: CBI Report "EU Market for Fresh Fruits and Vegetables 2006"; others. Notes: general hybrid based on limited knowledge of local market and regional distribution; general for fruits not specific to pomegranates © 2007 - OTF Group, Inc.

Wholesalers and Importers

Wholesalers are increasingly large in scale, primarily due to buyer concentration which is leading to concentration at this stage of the value chain (see below). 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. However, 2% of firms control a market share of 25%, with an average turnover of about \$36 million.

Wholesalers and importers are increasingly being squeezed by the rise of ever more efficient retailers in the form of multiples / supermarkets and at threat by the emergence of new distribution networks controlled with information technology. In general, 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. This increasing "professionalism" has crowded out the smaller players, though dealers and traders in exotic fruit can still operate profitably at smaller scale than with commodity like fruit.

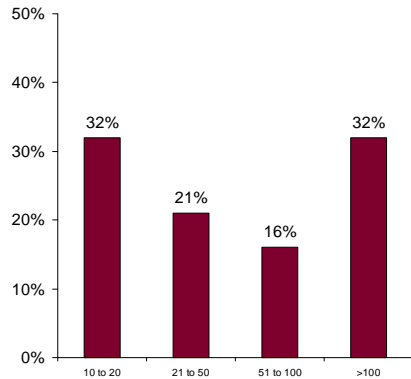
Nonetheless smaller scale players do exist, primarily in the exotic and specialty fruit trade. Because of the premium nature of their products and the lower demands than "commodity" fruits, exotic fruit importers have less stringent requirements in terms of volume and frequency of delivery (see Section V). However, they are 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.

⁴ Please note that the distribution channel is general for fruits, and not specific to pomegranates or to Albania

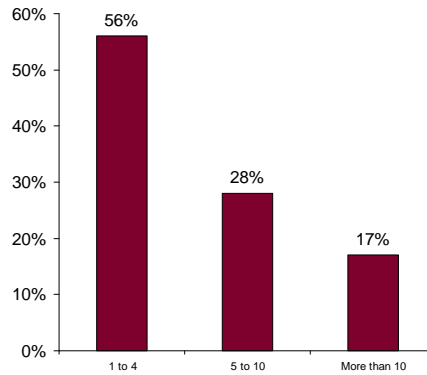
Specialized fruit importers in Europe are split between large scale outfits and smaller specialty ones. A good first point of contact could be with specialized exotic fruit importers that already carry pomegranates. The following graphs show some of the characteristics of these importers:

European Importer Profile – Fresh Fruits

Approximately how many different companies do you source from?



On average, how many NEW suppliers do you take on per year?



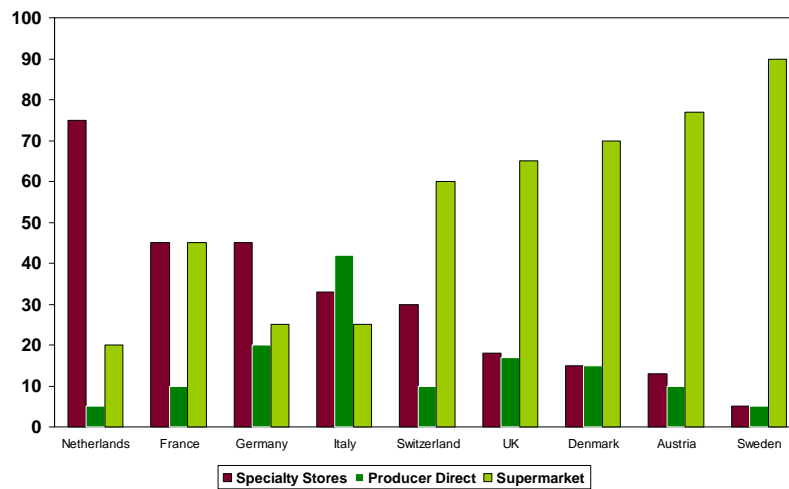
Sources: OTF Group Fresh Fruit EU Importer Survey, November 2005, N=19/24; OTF Group Analysis; Note: Survey is not specific to pomegranates

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Retail

Greengrocers still sell a substantial volume of the 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 eighties to about 30 % at this moment. The share of supermarkets has increased from 50 to over 60 %, a development that is still in progress. The following graph shows the regional differences in retail for fresh products:

Regional Differences in Distribution Channels



Source: Luanne Lohr, Factors Affecting International Demand and Trade in Organic Food Products, www.ers.usda.gov/publications/wrs011/wrs011j.pdf

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Fruits and 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. Hypermarkets and supermarkets are also 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.

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 tropical fruit and vegetables, which already have a considerable market. Major retailers prefer to work with a limited number of suppliers, which favors large producers. These buyers challenge suppliers to match the scale of their supply in order to serve them efficiently. 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 expansion of multiples is increasing throughout the CEE region, bringing with it their concentrated approach to suppliers.

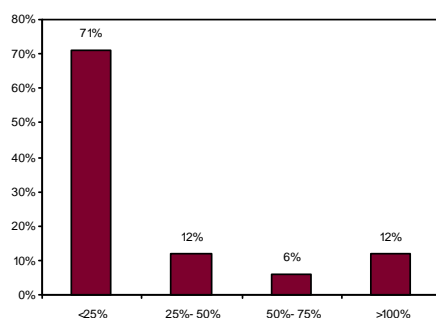
For smaller scale producers of premium specialty fruits, directly serving the multiples is a difficult, if not impossible, proposition. In the short to medium term, while working on production volume and quality increases, new entrants to the market must rely on importers and traders who effectively act as middlemen to the retailers (both multiples and individual outlets).

Distribution Margins

Margins in this business are very tight, typically less than 10%. The driver of profitability is scale. Even smaller scale specialty fruit importers, which represent a good first option of choice for

Albania to target to access the EU market, typically report low margins. To avoid cost pressures, Albania should focus on developing a quality product to command the highest prices and avoid competing on price.

Expected margins: Fresh Fruit Importers



Source: OTF Group Fresh Fruit Survey, Nov 2007

IV. Market Entry: Tariffs and Non-Tariff Barriers

Subsidies and Tariffs

The market for fresh fruits and vegetables in the EU is freer than other agricultural markets. For most fruit and vegetables, nevertheless, import duties are payable, but for most developing countries these duties are waived. There are no EU subsidies for the production of pomegranates –To help developing countries, the EU developed a Generalized System of Preferences (GSP) to promote the sustainable development of and trade with developing countries, of which Albania forms a part.

The following table summarizes the tariffs payable by Albania for EU exports of pomegranates:

Measure Type	Tariff
Third country duty	8.8 %
Tariff preference	0 %

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 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 laid down 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.

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 more mandatory as the years evolve. Ensuring compliance, meeting and going above and beyond, are becoming the minimum “get in the game” attributes for new suppliers.

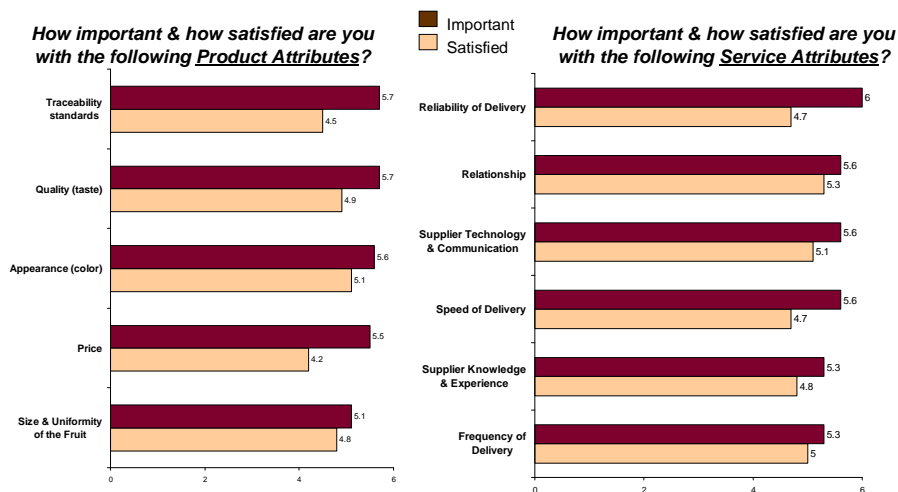
More information can be found at www.cbi.nl by consulting the following document “EU Market Access Requirements: Introduction”.

V. Market Entry: Requirements for Success

In order for newcomers to the demanding export markets for fresh fruit and specialty fruits 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 in this competitive and fast changing industry.

An understanding of importer and retailer needs is crucial for success. The following charts outline, in general (not specific for pomegranates) the service and product attributes required by fresh fruit importers in Europe:

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 Pomegranates, but is designed to give general overview of what is important to fresh fruit importers in the EU market © 2007 – OTF Group, Inc.

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

Specifically for pomegranates, Quality is primarily determined size and color. For size, the trend going forward is to go for larger fruit, not smaller, but there may be a niche to introduce a new variety that is smaller and if there is potential to market it as a specialty. Consumers generally prefer red fruits, both externally and internally, though some say the yellow fruits from Spain are tastier. The names of new varieties introduced in the States play on this preference for the redness of pomegranates: Pink Satin, Red Silk, Kashmir Blend and Garnet Sash.

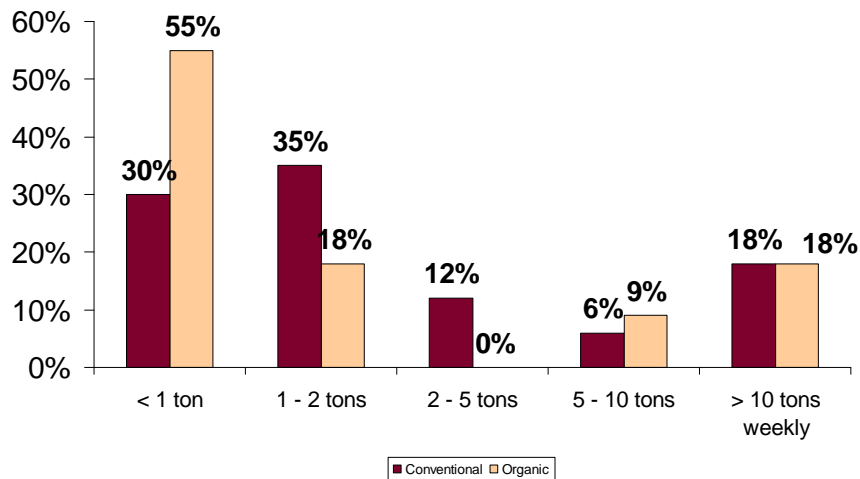
Quality, encompassing the direct product characteristics (appearance, taste) as well as the production path and traceability, is the most important attribute to purchasers all along the value chain. But quality is just a “get in the game” baseline requirement. In addition, each potential entrant into the market place has to determine their competitive advantage when approaching the 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. Fresh pomegranates, offering the desired consumer characteristics, would qualify as a new and relatively unique product.⁵

Minimum Quantity and Frequency Requirements

In general, exotic and specialty fruits have lower frequency of shipments and smaller quantities demanded than regular fruits. As the following sets of graphs indicate, more than half of the sample of fresh fruit importers survey are happy with weekly deliveries. With regards to quantity, 1 – 2 tons per week is an acceptable amount for conventional fruit in general.

Requirements for Success

What is the minimum QUANTITY of delivery per week you would be prepared to accept from a supplier?



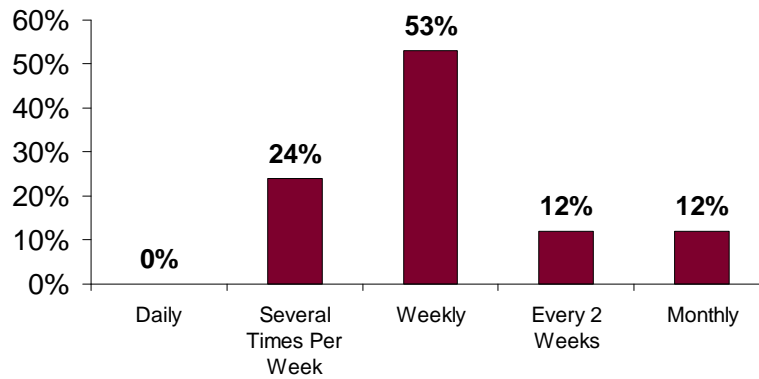
Source: OTF Group Fresh Fruit EU Importer Survey, November 2005; Minimum quantity N = 17 / 24

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⁵ Adapted from information contained in the report “Export Market for High Value Vegetables from Tanzania”, DAI Washington 2007

Requirements for Success

What is the minimum FREQUENCY of delivery of fresh fruit that you would accept?



Source: OTF Group Fresh Fruit EU Importer Survey, November 2005; Minimum quantity N = 17 / 24 ; Minimum frequency N= 17 / 24.

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Specifically for pomegranates, order quantities are heavily dependent on the importer. During the high demand season in the UK, one exporter from the States ships dozens on containers to Europe every week, but it is likely that such large quantities will not be demanded on a regular basis from smaller scale quality suppliers. More detailed work needs to be done to understand shipments, which depends heavily on the importer in question.

Packaging Requirements

Standard packaging for pomegranates include:⁶

- 2-layer tray pack
- 1-layer Euro-Tray
- Bulk Bin
- RPC
- Club Pack

At a retail level, pomegranates are generally sold loose and priced by the piece, as befits a premium fruit.

New Supplier Characteristics

The required product quantities, reliability and quality are all baseline requirements for exporters looking to tap into new markets and the demanding European 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.

⁶ Please note this information is from the US market

Competitive Threats

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

Major threats for exporters from developing countries looking to serve EU market	Implication for Albania and Pomegranates	Level of threat
Overproduction of fruit in EU countries, leading to low-priced domestically produced fruit and vegetables competing with more expensive, imported products	Not relevant; apart from Spain there are no major European producers	Low
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")	Not relevant for pomegranates which are experiencing strong growth	Low
General price pressure on food, influencing the retail prices of fruit and vegetables; price reduction is expected to continue in the near future	Need to enter and stay at premium end of market	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	Potential flood of products coming on line within 2 -3 years, especially to fill the counter season opportunity	High
Certification, requiring for example EurepGAP 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	Significant production investments required, as with all fruits and vegetables	High
Fluctuating prices of fruit and vegetables, induced by fluctuating supply	Timing of production season	Low – 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	Pomegranates are a good smallholder crop but distribution channel pressures are real	Med
High (and rising) fuel prices increasing the cost of transport	Albania is relatively close so not as much affected by this as other players may be; possible carbon footprint play to countries in close proximity	Low

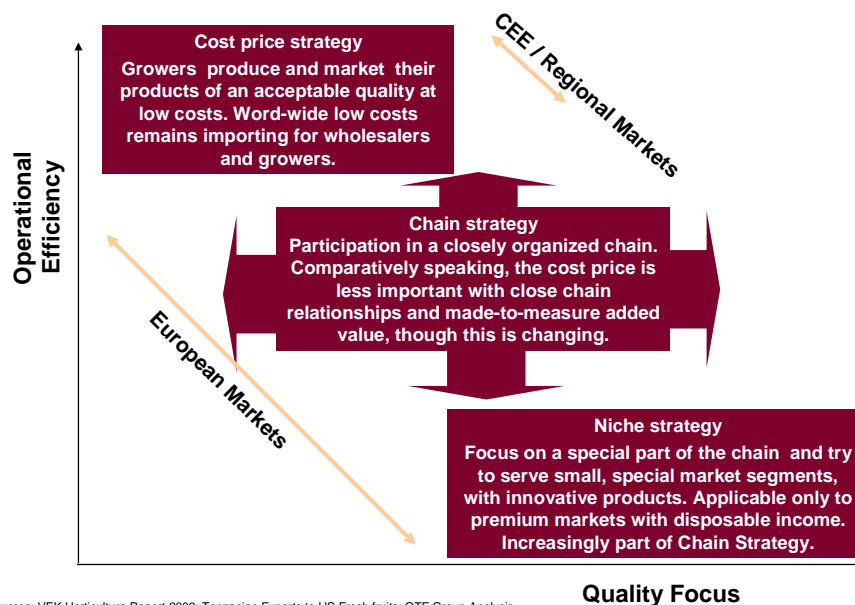
Source: CBI Fruit Report 2006

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 effect 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.

Given the premium nature of pomegranates, Albania should pursue opportunities based on quality and consumer preferences, and avoid competing on scale, cost, or distribution channel efficiency.

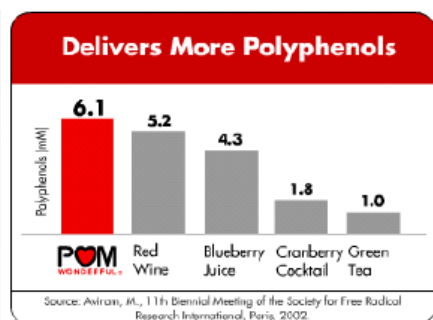
Marketing and Branding Opportunities

More than other high volume fruits, pomegranates have some distinct branding opportunities to capitalize on the premium niche potential. The health benefits offer the main marketing opportunity. The New Zealand horticultural development group HortResearch has coined the phrase ‘superfruits’ to refer to any novelty product, rich in anti-oxidants and health benefits, that is being heavily promoted at consumer level. The American company POM Wonderful has increased sales dramatically by promoting the health benefits of their fresh fruit and juice.

Pomegranates have high levels of anti-oxidants: “The latest in this line-up of trendy fruits include blueberries, cranberries and pomegranates, with all three enjoying booming global sales as consumers jump on to the anti-oxidant bandwagon.”⁷

⁷ EuroFruit Magazine “Obesity is the big issue for the Fresh Produce Trade” at www.eurofruitmagazine.com/files/archive-7.html

Comparison of Pomegranate Juice with red wine, other juices and tea



Source: POM Wonderful website www.pomwonderful.com

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 CEE markets:

Western Europe Markets		Regional CEE Markets
Higher average prices, possibility for niche products, pomegranates increasing in popularity and consumption	Product and Niche Potential	No premium for exotic or specialty products, strategies will be more based on cost and quantity though some potential for premium and branding may exist in the medium to long term
Proximity of Albania gives it relatively no advantage over other producers; pomegranates are a global fruit and proximity is not an advantage	Access	Informal access via traders based in neighboring countries or in Albania
Standards are stricter: Access is difficult, quality control and export compliance are difficult and demanding. Higher investments are required.	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	Packaging	Less need for quality in product or packaging
Distribution is formalized; Contracts are formal and relationships take time to build but once established are long term	Distribution	Distribution is informal; Sometimes forward contracts directly with importers from neighboring countries; Relationships are informal and more likely to fall apart
Information (statistics, contact numbers, market information) is available from secondary sources but perception that information is limited / access is difficult	Information	Information is limited and difficult to develop

Given the niche potential of pomegranates, Albania should focus on the premium markets of Western Europe, using the regional markets for secondary quality.

Summary of Recommendations for Albania

- Pomegranates are a fruit that is exploding in popularity in the consumer markets of Western Europe.
- The popularity of the fruit and the willingness of consumers to pay a high price are both good opportunities
- The window of time on this opportunity will be relatively short as new supply comes on board to fill the demand
- There exists a counter season opportunity for the early summer in western Europe, but Albania may not be placed to compete
- The products that consumers are willing to pay higher prices for are large, red pomegranates
- In the medium to long term, many potential opportunities exist for processing industry to capture second quality or non exportable fruit
- For Albania to compete in this market, it needs to ensure its products are in line with consumer preferences in terms of size, color and price point.

VII. Next steps

The identified opportunities and trends outlined in this report need to be matched with production capabilities. From a market facing perspective, areas of further investigation include:

- Ensure production possibilities match consumer demands in Western Europe (size, color and production season)
- Explore processing options further down the road

VIII. Sources

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