



No. 1

MARKET BRIEF: RAISINS

The perspective of export potential

This publication was prepared by the USAID's Agricultural Credit Enhancement Program in collaboration with the Statistics & Marketing Information Department of the General Directorate of Policy and Planning of the Ministry of Agriculture, Livestock and Irrigation



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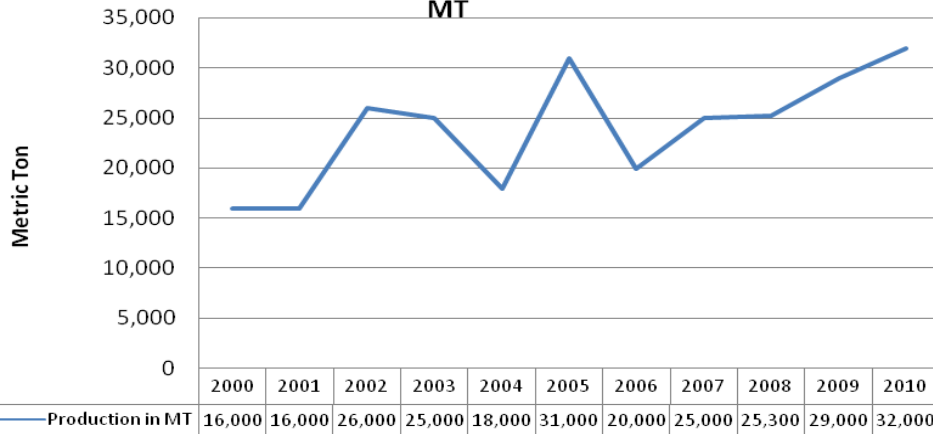
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This market brief provides an overview of the raisin market focusing on the analysis of data on production, consumption, trade flows and prices at a national and international level to answer following key questions: 1) can Afghan raisins compete in the regional and international markets and if so 2) which countries should constitute target markets and 3) what is the markets window?

Answering these questions is important because: 1) Afghanistan is a net exporter of raisins, the main exported item among dried fruits, which in itself accounts for 45% of total exports of Afghanistan in 2009, 2) Afghanistan has accumulated a traditional know-how related to production and trade of raisins, hence it is likely that the country will be able to meet international standards through the introduction of minor adjustments at the production and post harvest levels, and 3) Grapes is the most widely fruit grown in the country, with 60% of total output further processed into raisins thus indentifying profitable markets brings about a unique opportunity to increase revenues and contribute to economic growth.

Fig 1: Raisins Production in Afghanistan during 2000-2010, in MT

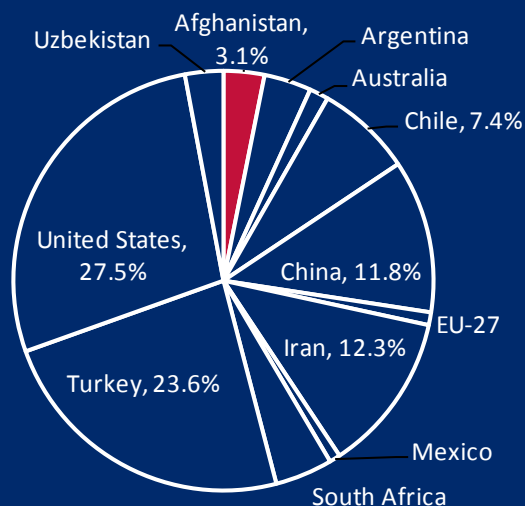


Source: PSD Online, USDA

Domestic Production

The production of raisins in Afghanistan shows an upwards trend on the long run with cyclical downturns in 2004 and 2006. Despite the cyclical downturns the production of raisins has experienced 100% increase during this decade. More details on yearly production figures and the growth trend are shown in figure 1.

Fig. 2: Raisins Producing Countries and their share to World Production, in %, 2010



International Production

Nevertheless Afghanistan accounts only for 3.1 percent of World production in 2010. Recognized producer countries remain United States with 280,000 MT production capacity and Turkey with 240,000 MT production capacity followed by Iran, China and Chile.

Trade Flows

Exports

Exports of raisins reached 30 million USD in value during 2009 as shown in figure 3. They account for almost 90% of the quantity being produced in the country in 2009 (Unstat and PSD online). On the other hand according to the

Central Statistics Organization exports of dried fruit account where dried grapes account for the highest share, account for 45% of total exports of Afghanistan. Dried raisins appear to be a recognized export product in the country, a product that has made its way to the international markets. Yet, are the benefits from this opportunity being explored and maximized?

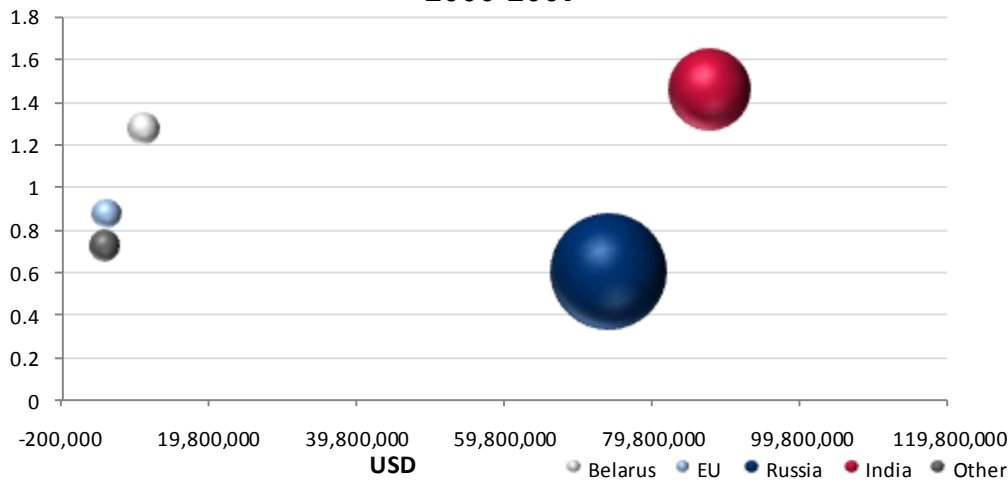
Fig 3: Exports of raisins during the period 2000-2009, in USD



Source: UNSATS online

Figure 4 shows the main export partners for Afghanistan during the last decade. The graph takes in account the value,

Fig. 4: Raisins' Export Partners of Afghanistan during 2000-2009*

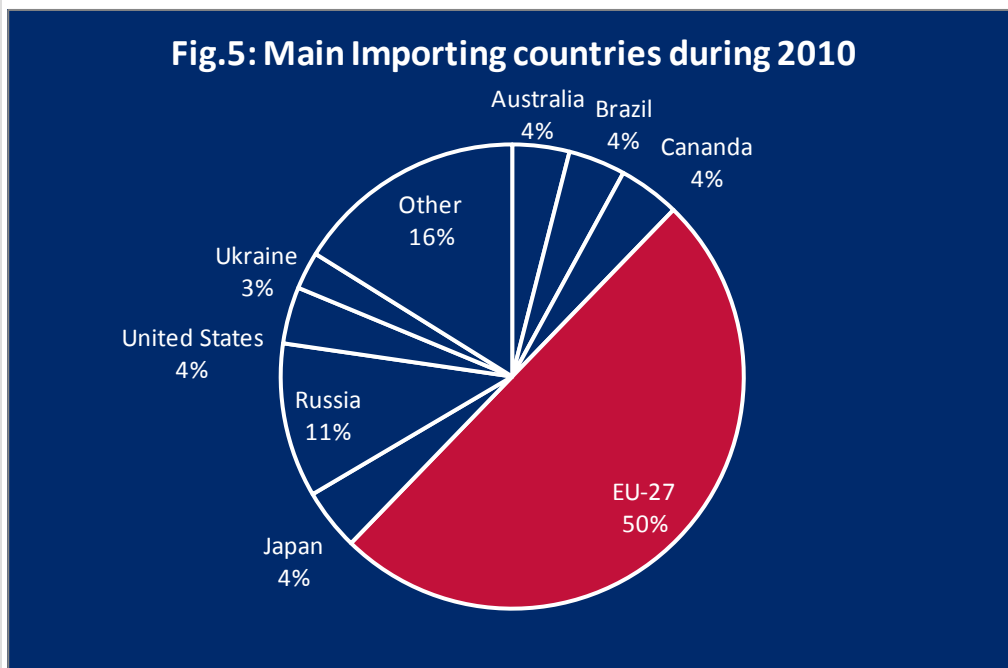


quantity and average price per kg unit of the exported raisins from Afghanistan. The Russian and Indian markets account as reliable consistent destinations during this period, yet infrequent attempts resulting in smaller quantities and values have successfully reached also markets in the European Union, Belarus and other areas. On the other hand Raisins' international import flows show that a shift in target market is an unavoidable strategic move on the long run.

Source: UNSTAT online database *(X = Value US\$, Y = Average export Price US\$/kg, Size = quantity in MT)

International Import Flows of Raisins

The estimation of the market share (3.1%) and the geographical location for the Afghanistan raisins, should be complementary to the allocation of prospective lucrative markets. European Union tends to be one, from the prospective of consumer demand versus in-country supply. As figure 5 shows the European Union is the largest importer of raisins and also a significant net importer (own production 10,000 ton versus 315,000 ton imports). Russia is another considerable import demanding market with import quantities 68,000 ton in 2010. A crosschecking of data shows that Afghanistan is already acting as a significant supplier for this market and has accounted for around 15- 20% of the imports demand for raisins in Russia during the period 2000-2010.



Source: PSD Online database, USDA

The EU Market for Raisins.

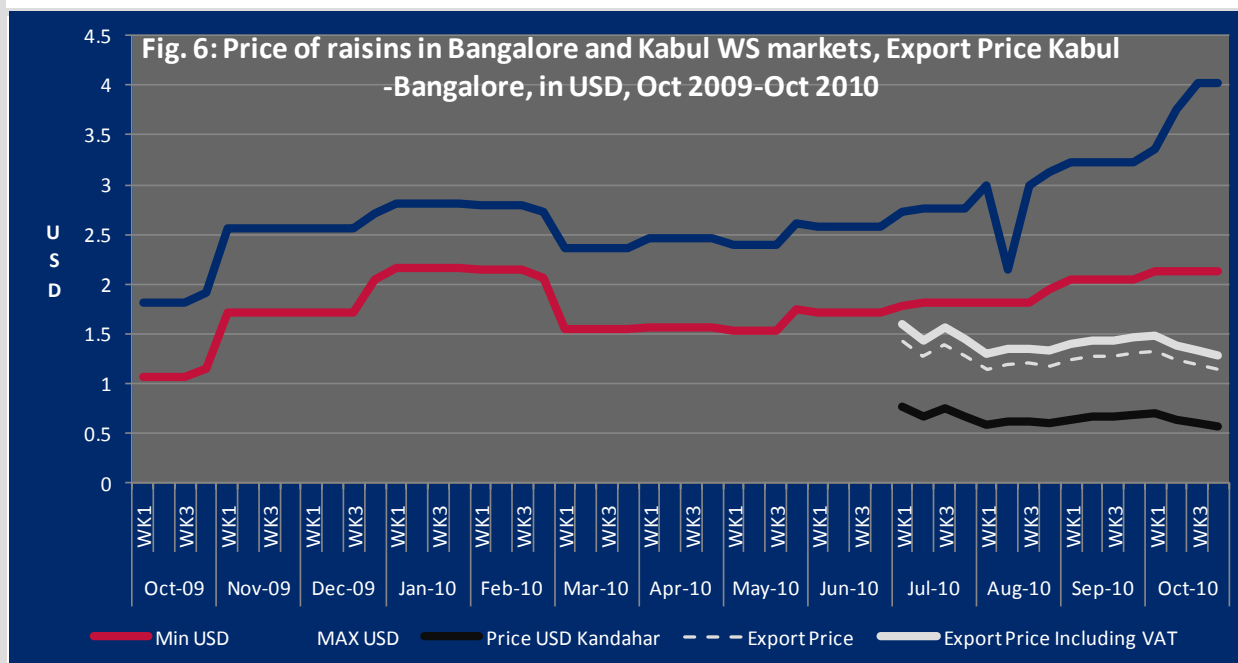
The market demand for dried raisins within EU has constantly increased, being valued at 517 million EUR in 2008. The largest EU importers are the UK (31% of EU raisin imports), Germany (19%) and the Netherlands (13%). The main suppliers are Turkey accounting for 41% of the imported raisins, the United States accounting for 20%, followed by Iran and Chile accounting for 5.7 and 5.2% of the imports respectively. Afghanistan accounts only for 0.1 percent of imports of raisins to EU-27 in 2008 (The Eligible Nuts and Dried Fruits Market in the EU, 2009, CBI).

Prices

Where can Afghanistan raisins be price competitive despite the high transport costs, tariff and non tariff barriers? Under this section we look at export scenarios in different regions based on available historic and actual price data .

Domestic Market vs. Existing Export Markets

The following graph (fig. 6) shows wholesale prices of raisins in Bangalore/Karnatka during October 2009- October 2010 as well as wholesale prices in Kandahar during July-October 2010. The prices of raisins in Bangalore WS tend to be stable having experienced two abrupt increases at the end of October and end of December 2009 probably due to seasonal increases in consumer demand, which almost balanced out by price drops at the end of February 2010.



Source: www.agmarknet.nic.in, TAMAS, UsSAID's ADP/E, MALOMAT-Roshan & USAID's IDEA NEW, Custom Directorate

During the new season (from August onwards) prices have experienced continuous increases, this especially true for maximal values in the Bangalore WS market, matching with the overall raisins price increase trend (World Market Trends 2010, FAS, USDA). The average minimum price traded for raisins during this period in this market is 1.77 USD/kg while the average maximum price is 2.7 USD/kg.

Prices in Kandahar on the other hand experienced a downward trend with the beginning of the new season, caused by an increase in supply. The price have decreased by 32% from July to October, while the average price of raisins traded in the Kandahar WS market was 0.65 USD/kg.

There seems to be a large gap between raisins prices traded in these two markets during recent months. The minimum price in Bangalore is on average 203% higher, while the maximum values are on average 389% higher than the wholesale price traded in Kandahar.

These facts lead to the questions:

- Can such a large gap be utilized to bring the Afghan raisins at competitive prices to be traded in the Bangalore Wholesale Market?
- At what price would the product reach that market?

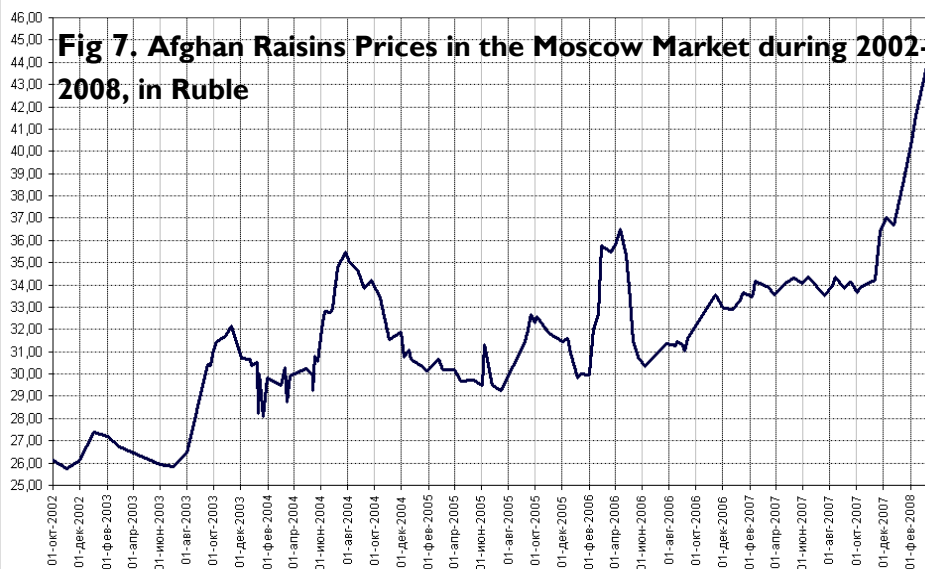
The calculation of the Export Price of raisins is a function of the wholesale price -Kandahar including transport costs, custom clearance and the import tariff for grapes in India, which help us understand the price advantage. The high transport costs per kg and the high import tariff , 50% of the value of the invoice result in a substantial increase by 93% of the price to 1.25 USD/kg.

The average export price of raisins is an indication of the average lowest price with which raisins will reach the Bangalore market. They cannot be sold less than 1.25 USD/kg on average during the observed period without the entrepreneur making a loss.

Another fact to be taken in consideration here is the timing of sales. The export price of Afghan Raisins is competitive especially as prices in the domestic market in Kandahar tend to decrease, this by the end of the observed period. The highest possible profit margin between 86.1 to 252 percent (86 percent of the 1.14 USD export price, at that moment as compared to the minimum wholesale Bangalore price and 252 percent as compared to the maximal Bangalore wholesale price) is registered at the end period, end of October 2010. The lowest profit margin is registered the first week of July with profit margin between 25 and 92 percent of the export price at that moment (comparison of the dotted line and the red and blue line in fig. 6). The difference tends to narrow just a bit further if the 12.5% VAT is included in the Export Price calculation, as shown in fig.6 (solid gray line).

Russian Market

The Russian market is of the most demanding after EU and Canada. 68,000 ton were imported during 2010 as shown in figure 2, while prices of raisins have constantly increased. The wholesale prices of raisins coming from Afghanistan have also increased by 75% as shown in graph 7 from 26 ruble/kg (0.83 USD/kg) in 2002 to 45 ruble/kg (1.65 USD/kg) in 2008.



Source: <http://www.king-jsc.ru/price.html>

From 2008 onwards wholesale prices of raisins have increased further, oscillating between 1.5-3 USD/kg depending on quality, region and personal profit. Table 3 shows wholesale prices of raisins traded in Moscow from different origins, during 2010. Afghan raisins are traded at a competitive and lower price than raisins originating in other countries. The price difference between raisins as traded in Kandahar and in Moscow varies between 225 to 314%.

The export price shows to be competitive when compared with the wholesale prices of raisins originating from other countries. The highest quoted wholesale price in Moscow is on average 179% higher than the 1.13 USD/kg export price, while the lowest quoted wholesale price is 86% higher than the export price, giving thus an estimate of the possible profit margin and the negotiation room (with respect to the export price) for the exporter in this specific market.

Table 2: Wholesale prices Kandahar, WS prices Moscow from different origins, Export Price Kandahar-Moskow, Profit Margin, in USD for 2010

Location	Origin	Unit of measurement USD/kg
Wholesale Price in Local Market Kandahar (Kashmishi)	Afghanistan	0.649
Wholesale price in Moskow Afghan Raisins	Afghanistan	2.11
Wholesale price Raisins, Moscow, Iran originated	Iran	2.69
Wholesale price of raisins in Moskow Chile	Chile	3.15
Russian Import tariff -5%		0.03
Transport Costs USD/kg		0.45
Export Price Moskow From Kandahar		1.129
Export Price Inkl VAT -18%		1.33222
		Percentage
Difference between Prices Kandahar -Moskow	Afghanistan	225%
Difference between Prices Kandahar -Moskow	Afghanistan -Iran	314%
Negotiation Room- Possible Profit Margin		between 86-179%

Source: <http://www.king-jsc.ru/price.html>

New Markets -EU

Exports from Turkey, China as well as from US are expected to decline mainly due to weather conditions. Therefore global import unit values have experienced increases reaching around 1.6 USD/kg due to decreases in overall raisins supply in 2010 (Raisins: World Market and Trade 2010, FAS, USDA).

These developments as well as the comparison with competitors' prices, price quotation CIF from Turkey in October 2009 averaged around 2 USD/kg, CIF from Iran 1.5 USD/kg, while producer prices in US registered 1160 USD/ton or 1.16 USD/kg, reconfirm an unexplored window of opportunity in the European Market, for the Afghan raisins.

Table 3: Wholesale Prices Kandahar, CIP prices from other origins, Export Price Kandahar-Rotterdam and the Profit Margin, in USD 2009

Unit of Measurement	USD/kg
Average Producer Price-Kandahar	0.65
Transport Cost	0.3
Import Tariff to EU-(2.4%)	0.02
Estimated CIF Price (Producer price + Transport + Import tariff)	0.95 - 1.20
Possible Profit Margin	Percentage
Compared to CIF IRAN	25-56% of unit price
Compared to CIF-Turkey	67-108% of unit price

Source: CBI, Netherlands, 2009

Conclusions

National perspective: Raisins are a mature export product of Afghanistan. Their production, exports values and presence in different markets, have significantly increased during this decade.

Global perspective: Afghanistan is recognized as a producing country, however the major players, such as Turkey and United States account for much larger production and exports quantities directed towards main importing destinations such as EU-27.

Exports Perspective: Afghan raisins are price-competitive and should be able to access the major importing markets with a better price than the product originating in major producing countries such as Turkey, Iran or United States, as several export prices calculations' showed. The existing export markets for raisins account for good profit margins, if timing is chosen carefully. Rule of thumb for new export markets identification: they should offer more opportunities to the exporter and the sector than the existing ones. For instance, in the case of EU, the most demanding market in the world for raisins, the profit margin can be as high as in existing markets while the exported quantities can be much higher if the market is approached effectively.

Entrepreneurs perspective: Important factors to be taken in consideration before deciding to enter the markets are 1) timing of the entry as a derivate of price observations that reveal cyclical patterns of price movements, indicating thus the best time to make a profit, 2) global or regional trends of supply and demand that might influence positively or negatively the price and therefore the profit at the time of entry (recent example: prices of raisins are expected to experience an increase during the season 2010-2010, due to unfavorable weather conditions of major producing countries such as Turkey, US and China that have resulted in lower supply) 3) other marketing issues in order to better meet the end consumer demand or consumer behaviors in respective markets.

Subsector perspective: Key nodes for the success of new export market entry, are entrepreneurs among the value chain, that will recognize and maximize the benefits from these windows of opportunity, taking in account all that is necessary such as increase in production, better marketing of their product, informed decision making and/or development of new business models, in order to meet the demand of these new markets.

A new export oriented marketing strategy could be the supporting backbone of the subsector.

New market opportunities while making a profit are high.

