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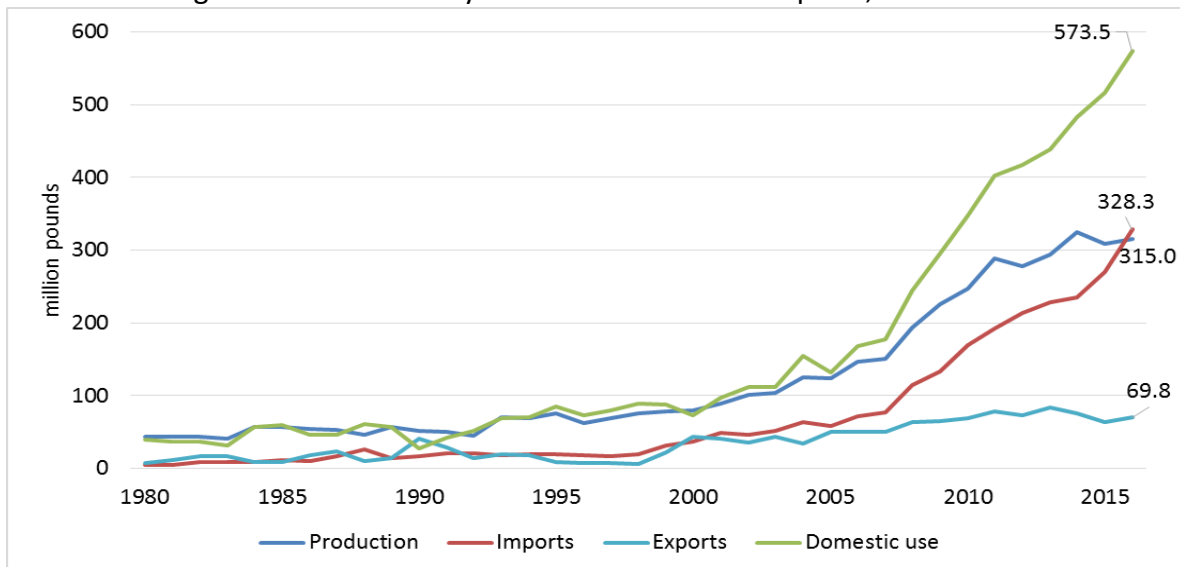
## Blueberries: Is Supply Developing More Rapidly than Demand?<sup>1</sup>

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Berries fit global preferences for healthful eating, convenience, and flavor. They are easy to consume and the many different uses for snacks, salads, and baking favor the growing demand. Strawberries are the leading berry globally but other berries are rapidly gaining shelf-space in supermarkets led by blueberries. North America, including the U.S., Canada, and Mexico, has the most developed fresh blueberry market in the world with year-round availability from blueberry domestic production, exports, and imports (Figure 1). Approximately 573.5 million pounds of blueberries are consumed in the U.S. market.

Figure 1. U.S. Blueberry Production and Consumption, 1980-2016



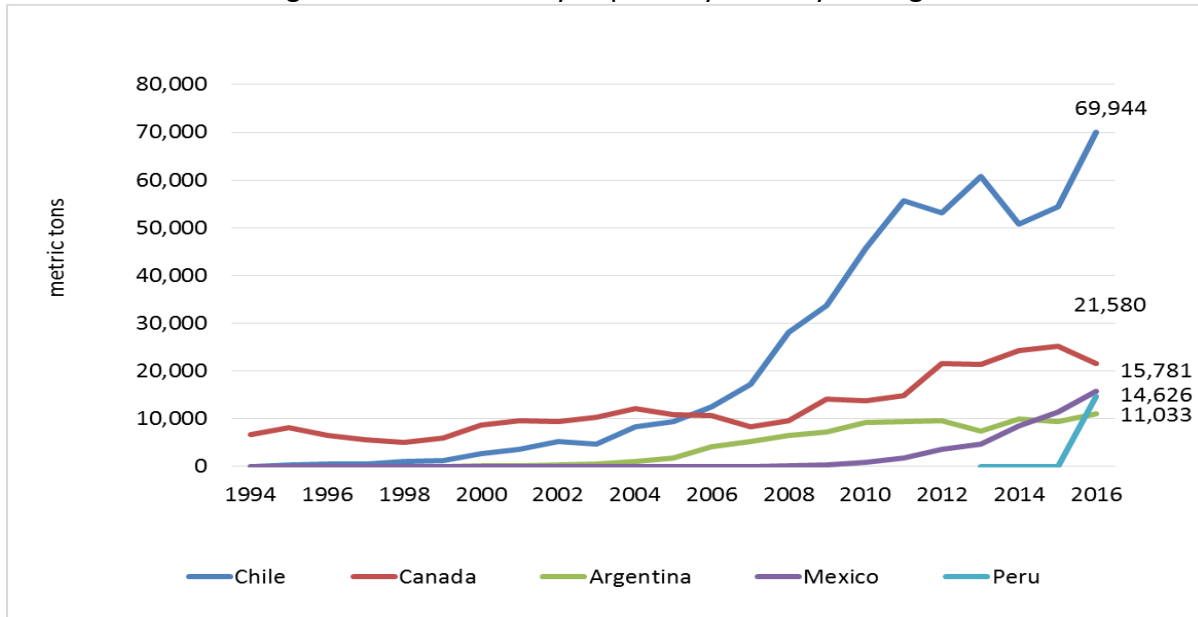
<sup>1</sup> Beginning in 1993, includes wild blueberry fresh-market production.

Source: USDA, ERS, 2017 Fruit and Tree Yearbook, Supply and Utilization tables. February 1, 2018.

<sup>1</sup> This article was taken largely from Cook, Roberta, "Global Fresh Berry Trends: Focus on the N. American Market." New York Produce Show, Global Trade Symposium, December 12, 2017. Presentation.

U.S. blueberry consumption was given a boost in the mid '00's as imports from Chile and Argentina rose to supply consumers in the winter months, enabling retailers to dedicate year-round shelf-space to the berry category. Chile is the leading importer of blueberries to the U.S. (Figure 2).

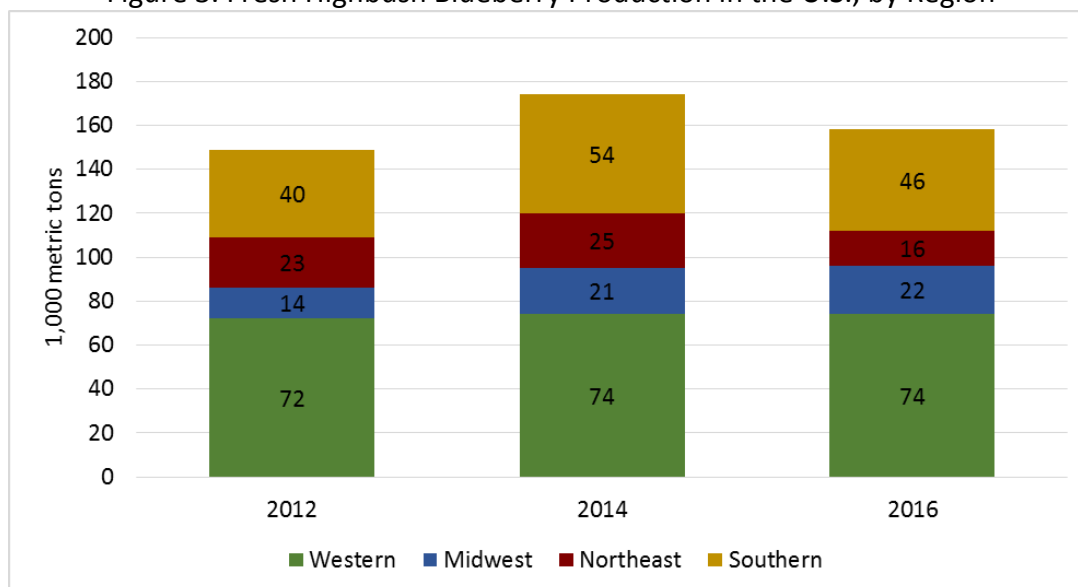
Figure 2. U.S. Blueberry Imports by Country of Origin



Source: USDA, ERS, U.S. Blueberry Industry and USDA, ERS, Fruit and Tree Nut Data, Data by Commodity. February 1, 2018.

The International Blueberry Organization (IBO) publishes a Global Blueberries Statistics and Intelligence Report that comes out annually, most recently in April 2017, with data for 2016. It incorporates data from the USDA. This indicates that about half of the U.S. production now occurs in Western U.S. (Figure 3). Lately, Southern U.S. and the Midwest have appeared to increase their production, while the Northeast production has varied widely.

Figure 3. Fresh Highbush Blueberry Production in the U.S., by Region



Source: Global Blueberry Statistics and Intelligence Report, International Blueberry Organization (IBO), April 2017.

With so much growth in production and consumption in the last 10 years, the industry should be ready for changes. According to Roberta Cook in a recent presentation at the New York Produce Show, Global Symposium in December 2017, the U.S. tends to focus more on the domestic market than they do on exports. Because demand is increasing in other parts of the world, one would think there might be opportunity for U.S. exporters. For example, European retail chains are seeking more supplies. But Europe is quickly developing its own sources of supply, closer to market.

The good news is global demand is increasing fast for all the berries. Cook has a recommendation for U.S. growers interested in marketing blueberries to Europe. When exporting from the U.S. to Europe, you have to be global-GAP certified and meet some different requirements and maximum residue levels. Hence, firms in the blueberry industry that want to export to Europe need to think about it with a long-term approach, setting up operations so they have dedicated relationships with buyers to justify the certification and other requirements.

However, Cook cautions the industry that rapid expansion in global fresh highbush blueberry industry means risk of oversupplies. Within only three years, Peru has emerged as a significant player, surpassing Argentina. Moreover, many believe that within a few years it will surpass Chile's production as well.

Production of blueberries is increasing throughout Europe to meet local summer demand. Spain is the leader in supplying the European market and along with Portugal is developing production for the spring market. In addition, low-chill and no-chill varieties bring warmer areas into production, including Morocco. S. Africa has started to increase production for the EU fall window. Cook predicts the Northern Hemisphere's fall window will see rapid growth in global supply & market share battles.

Quality issues may impact who supplies the markets.

- Argentina did not have to focus as much on quality because they had the fall market pretty much to themselves. This is no longer the case. Their blueberries require fumigation when entering the U.S. market, which can reduce quality. Argentina ships mainly by air in order to reach markets quickly, but is shifting some volume to boats in order to reduce costs in the increasingly competitive fall market.
- Peru can ship by boat using a cold treatment; if berries are held for a certain number of days at a certain temperature, they will meet APHIS requirements, and controlled atmosphere, post-harvest practices help ensure good arrival quality into the U.S. market.
- Mexico does not have to fumigate and has the advantage of proximity to market and overland shipment.

Mexico's new industry originally targeted the fall market; however, it has the ability to prune plants to produce in the winter time and into the early spring. This enables Mexico to potentially hit high prices when there is not a lot of Chilean fruit left in the market and before the major production has started in the U.S.

The question is, is supply developing more rapidly than demand? Cook has the following insights and recommendations:

- Blueberry production is expanding rapidly, increasing global competition throughout the year. In the next five years, firms need to focus on quality and on providing services to customers to be competitive.
- Firms that are successful will be thinking globally. Fortunately, there are companies in the berry industry that are visionary, and firms on the retail side can invest in the berry category quite confidently.
- Blueberries are much lesser known in Europe and may require more investment in marketing.
- U.S. blueberry demand has grown rapidly but growth rates are slowing as the market matures. This may contribute to supply-side consolidation in the North American market.

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