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Consejería de Agricultura y Pesca

Unión Europea
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The value chain in the Spanish pepper industry. Crop year: 2009/2010

Europe
investing in rural areas

For further information:

Observatorio de Precios y Mercados
www.juntadeandalucia.es/agriculturaypesca/observatorio

Email: obsprecios.cap@juntadeandalucia.es

Objective

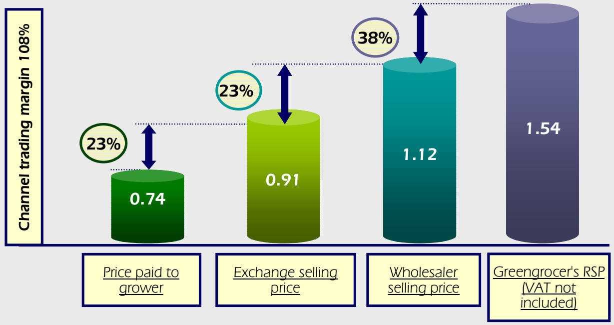
The Regional Ministry of Agriculture, Fisheries and Environment of Andalusia has developed, since 2006, some actions aimed at increasing transparency and information about price formation and the functioning of the Andalusian agricultural products' market.

This study on protected horticultural products analyses the results of the value chains of the six main products: tomatoes, peppers, cucumbers, courgettes, aubergines and green beans grown in greenhouses in the province of Almería for the Spanish market between 2009 and 2010.

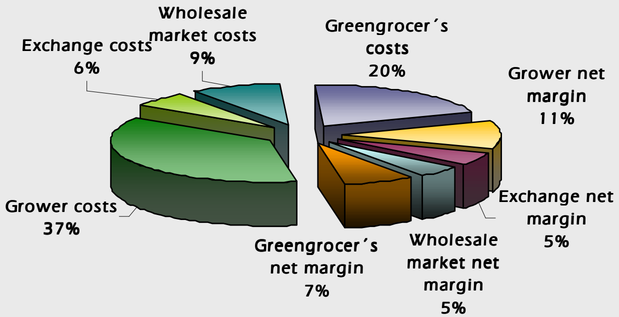
Prices, Costs and profit in the traditional distribution channel

The marketing of vegetables in Spain, unlike in other Central European countries, is characterised by the importance of the distribution through the traditional channel compared to the modern channel.

	Grower	Exchange	Wholesale Market	Greengrocer´s
Profit €/Kg	0.17	0.08	0.07	0.11
Cost €/Kg	0.57	0.09	0.14	0.31



Share of the different links of the chain in the RSP*



Net margin or profit: Result of discounting the mark-up costs incurred in marketing. PM=((sale price – buying price - costs)/buying price)*100

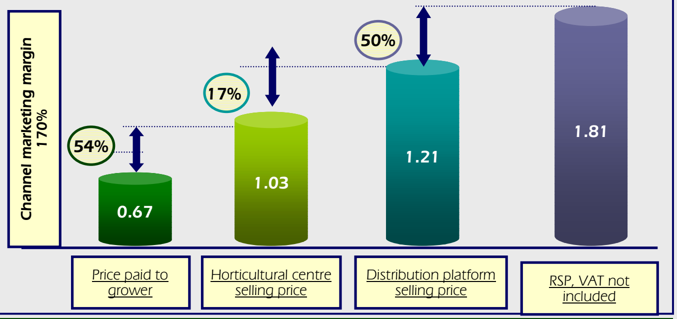
* Retail Selling Price, VAT not included

Prices, Costs and profits in the modern distribution channel

Supermarkets and hypermarkets are considered the organised retailers with the greatest representativeness in pepper sales volume at national level.

Prices, Costs and profits in the modern distribution channel

	Grower	Horticultural centre	Distribution platform	Supermarket Hypermarket
Profit €/Kg	0.10	Price paid to grower ncluded	Shop's profit included	0.25
Costs €/Kg	0.57	0.36	0.18	0.35



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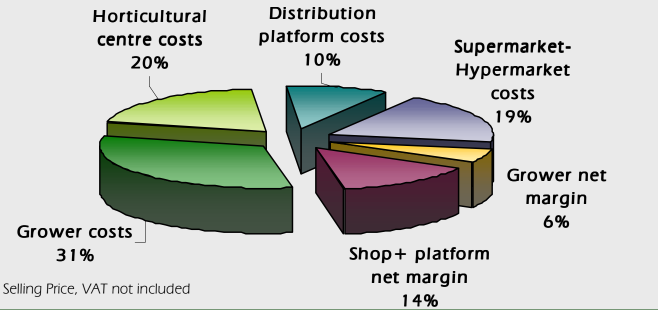

* Retail Selling Price, VAT not included

Conclusions

1. In the 2009/10 crop year, peppers production decreased by 4% although their cultivated area was maintained.
2. In both channels, the greater costs fall in the production link. Peppers production and marketing costs represent between 72% and 80% of the retail selling price, VAT not included, for the traditional and modern distribution channel, respectively.
3. The economic crisis requires a model of low prices; a fact that leads to the improvement of the economic efficiency of processes by reducing marketing costs in each link.
4. Marketing costs in origin are expensive in the modern distribution channel due to the handling and packaging processes carried out in the horticultural centre, which represent 20% of the retail selling price, VAT not included.
5. The profit in the greengrocer's is about 7%, what represents half of the profit gained by organised retailers, which stands at 14% of the retail selling price, VAT not included.
6. Prices paid to growers in both channels cover peppers production costs.
7. Neither distortions in the market nor an excessive profit in any link involved are detected in the two channels analysed.