

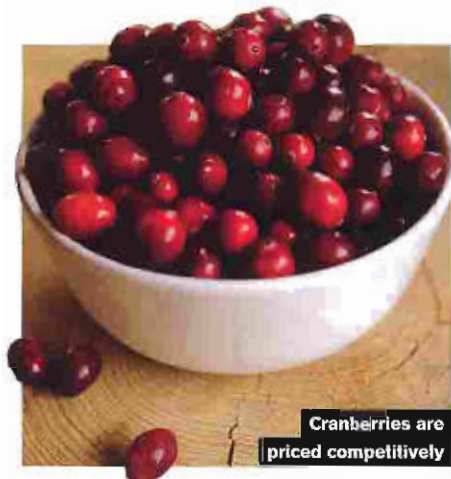
**Fruit, nuts and seeds add interest to bakery goods, but price volatility has challenged suppliers and bakers. Andrew Don reports**

**S**uppliers are playing clever in a bid to minimise price increases by sourcing fruit, nuts and seeds from alternative, cheaper, countries of origin. Meanwhile, some bakers are substituting and reformulating in a way that does not impair quality and taste. And most are intent on minimising the knock-on effect of commodity price increases on their own margins and want to minimise what is passed on to shoppers.

Cranberries are currently priced competitively relative to other fruits, such as sultanas and raisins. Kevin Matchett, commercial director of JO Sims, which represents Ocean Spray, says people want a point of difference and cranberry, which can be used in any product that uses fruit, serves that purpose more cheaply. "If a baker came to me and said he sells currant buns and he cannot sell cranberry buns, I'd ask, 'Why not?' People are looking for provenance, appearance improvement and nutritional benefits. Unless you have some kind of critical mass that says you can withstand margin pressures, you have to differentiate yourself."

Total substitution may be unnecessary. "You can introduce cranberry and a more expensive or speciality fruit alongside other fruits," says Matchett.

Whitworths is one of those counteracting price volatility by alternative sourcing – essential when raisin prices have rocketed 20-30% in the past year. Turkey accounts for most of the world's supply of sultanas, but now other countries, such as China, offer about 10% savings and Iran also offers potential back-up. And sunflower seeds can be sourced competitively from the Ukraine



**Cranberries are priced competitively**



**JO Sims says consumers are looking for provenance, appearance and nutritional benefits**

## Contents challenge

Dan Sparshatt, business unit director for Whitworths, says: "You are not necessarily changing the formulation of product you are making. You are just searching further afield to new countries wanting to break into the market."

Some suppliers and bakers who bought supplies back in July 2010 and contracted for their forward needs for 12 months, would have got a price for sultanas that would probably be 30p/kg cheaper than if they bought now. "You can contract 5-10 tonnes, so a decent-sized craft bakery would be doing that kind of volume across the year," Sparshatt says.

### Smart thinking

New product development in the past was not so cost-conscious, but now people are formulating for quality, while making sure the price of their inclusions is at the forefront, too. Sparshatt says that when dried blueberries cost £14/kg – seven times as much as the best-value fruits – being smart with what you use is worth it. "If you think putting blueberries in would make them buy more, or pay a premium, it is worth putting them in. But if you think they would pay the same as if you put fresh peel and cranberries in, it probably isn't."

"If you put lots of expensive stuff in, you need to make sure you can recoup the cost," adds Sparshatt. "There is a clearer focus on not over-engineering products. You can still make fantastic quality through good-value ingredients and you can make a bad product by putting in expensive ingredients. It's down to the baker."

He says nuts, too, vary dramatically, from £4/kg for almonds to £13/kg for pecans. One way to capitalise is to piggyback promotional activities, such as the Southern African Macadamia Growers' Association's (SAMAC) planned investments in trade- and consumer-focused activities in 2011, aimed at increasing awareness and usage among consumers and bakers. Despite this, SAMAC is having to urge bakeries – where there is growing UK demand for macadamias – to register their interest with suppliers now, due to lower-than-expected harvest projections following abnormal hail storms in late 2010.

Mark Setterfield, managing director of RM Curtis, has noticed that some bakers and manufacturers are using smaller volumes of fruits, nuts and seeds in the products, which he describes as a drive to value engineering. He says: "A lot of people and customers are saying, 'Can we retain our quality by using ingredients of different origin?'"

Setterfield does caution, however, that sultanas from China are not as sweet as those from Turkey, but he says some caterers, for example, are less worried about the flavour as long as it is not badly processed. "You don't want to start buying stuff that has stones, stalks or foreign material. We have to embrace the idea there are different countries that have their own crops," he says.

Setterfield likes to think that prices might start correcting downwards, maybe from the back end of this year, or early next, depending on the health of crops. "But for now I would say there is every chance prices will remain firm and maybe get stronger. It's a scary time," he adds.