Executive brief: Update

April 2010

Fruit and vegetable: Trade issues for the ACP

Contents

About this update

CTA's *Executive brief: Fruit and vegetable: Trade issues for the ACP*, was published in January 2008 and in CTA's *Agritrade: ACP–EU Trade Issues (2009 Compendium)*. It was followed in March 2009 by *Executive brief: The EU fruit-and-vegetable regime*. This update consists of:

1. Background and key issues: briefly summarising the original executive briefs, and where necessary, updating developments related to key issues;

2. Latest developments: reviewing developments that have taken place since the publication of the original executive brief;

3. Implications for the ACP: examining the implications of recent developments for the ACP countries concerned.

The original executive briefs (2008 and 2009) are available on request from: agritrade-mail@cta.int.

1 Background and key issues

Fruit and vegetables account for about one-sixth of the value of EU agricultural production. The EU is the second largest producer in the world, the second largest exporter and the largest importer of fruit and vegetables. In line with the earlier EU Common Agricultural Policy (CAP), price support was a major feature of the EU fruit and vegetable regime, implemented largely through the establishment of a minimum grower price for specific products falling under the fruit and vegetable regime. This gave rise to an associated entry price system (operating on the basis of minimum import prices) to regulate trade in fruit and vegetables. However, CAP reforms in 1996, 2001 and 2007 saw the abandonment of price support in favour of increased levels of direct aid to farmers. The incorporation of the fruit and vegetable sector into the single payment scheme was in line with the wider development of the CAP. Within this process of reform, increasing emphasis has been placed on support to producer organisations.

Despite these reforms, the EU, according to the US Department of Agriculture (USDA), continues to operate an external trade regime for fruit and vegetables regulated through a complex system of import quotas, seasonal restrictions and preferential trade arrangements, guided by the entry price system. For processed products, additional duties are charged based on the sugar content of the product, except for the ACP/LDC group (countries both in the ACP and least developed countries), where full duty-free, quota-free access for sugar is now enjoyed.

About 37 ACP countries are involved in exporting fruit and vegetables to the EU, accounting for less than 10% of EU imports. The reform process in the fruit and vegetable sector has, by lowering EU producer prices, reduced the attractiveness of the EU market for undifferentiated fruit and vegetable exports from the ACP. In the case of the ACP, the challenge faced is compounded by increased competition from third-country suppliers, as the EU concludes a growing range of bilateral preferential trade arrangements with competitive suppliers in the fruit and vegetable sector, and the stricter enforcement of food safety standards and the growing role of private voluntary standards in determining access to certain components of the EU market.

Against this background, ACP horticultural suppliers are having to show considerable dynamic innovation through raising their quality standards, making greater use of maritime transport wherever feasible, investing in new technology, rationalising costs, exploring economies of scale and using 'intelligent' packaging. The need for a dynamic response to market changes will intensify in the coming years under the influence of:

- the erosion of ACP margins of tariff preferences for fruit and vegetable products through both multilateral and bilateral processes of EU tariff liberalisation;
- EU price reductions induced by the consequences of reform and improved market access for third-country suppliers;
- the emergence of China as a major supplier of vegetables.

Some ACP country producers have responded to preference erosion and declining prices by moving up-market in terms of products, while adding value through various forms of packaging and processing. Others, however, have simply exited the trade.

Since 1 January 2008, all ACP countries whose governments have initialled or signed an interim or full Economic Partnership Agreement (EPA), or which are classified as LDCs and so benefit from the 'Everything But Arms' (EBA) initiative, have enjoyed full duty-free, quota-free access to the EU market for all fruit and vegetable exports. The most significant impact of this measure has been the removal of all seasonal and special duty restrictions which formerly applied under Declaration XXII provisions of the Cotonou Agreement. This is of greatest importance to exporters in non-least developed countries, which now find themselves with the same market access as LDCs, a development which in some important cases (e.g. Kenya and the Dominican Republic) makes it easier to attract investment in fruit and vegetable sector development, in the face of increased competition for investment from LDCs. For non-LDCs, analysis from the UK's Overseas Development Institute (ODI) in their Project Briefing No. 10 of March 2008 on 'Duty-free, quota-free access: What is it worth?' identified the following fresh produce as most likely to gain under the duty-free, quota-free access: fresh table grapes, citrus fruit, some fresh vegetables, apples, pears, plums, tropical fruits and nuts, and fruit jams and juices. Fruit and vegetable products thus account for 38.4% of the likely gains for non-least developed ACP countries, arising from the granting of duty-free, quota-free access to the EU market, with a saving in duty paid on imports to the EU in 2006 of €5,043,000 on a total export value of €53,137,000 for the products concerned. Non-LDCs that are not signatories of an (interim) EPA have reverted back to standard GSP treatment, although no major ACP fruit and vegetable exporter falls into this category.

Fruit and vegetable products most likely to generate gains

HS classification	Description	Non-LDC exports 2006 (€)	Duty paid 2006 (€ '000)
08061010	Fresh table grapes	28,075,000	3,959 (14.1%)
ex 0805	Citrus fruit	17,869,000	599 (3.35%)
ex 07	Some fresh vegetables (such as tomatoes, onions, leeks, cauliflowers, broccoli, kohlrabi, chicory, carrots, turnips, spinach, salad vegetables excl. lettuce, sweetcorn, manioc, arrowroot/ salep)	6,124,000	384 (6.27%)
ex 0808/09	Apples, pears, plums	815,000	77 (9.45%)
ex 2007/9	Fruit jams and juice	194,000	19 (9.79%)
08119011	Tropical fruit and nuts	60,000	5 (8.33%)
Sub-total F&V		53,137,000	
Value of all products potentially affected		138,354,000	

Sources: Extracted from fuller table in ODI's Project Briefing No. 10, March 2008, p.2: *Duty-free, quota-free access: What is it worth?*

Food safety regulations are a particular challenge in the fruit and vegetable sector, and represent an increasingly important factor in the export trade. These regulations are placing growing demands on private sector producers and public authorities responsible for food safety control and compliance verification. Food safety regulations pose particular challenges for non-traditional exporters seeking to enter the EU market. The scale of this challenge has continued to grow following the completion of the EU pesticide review in 2009.

A growing area of concern which emerged in 2009 was the commercial implications of the proliferation of private voluntary standards.

A final area of concern which emerged at the end of 2007 was the implications of certain provisions in the (I)EPAs for the use by ACP governments of trade policy tools in support of horticultural sector development to serve national markets. This continued to be an area of controversy throughout 2009 and into 2010.

2 Latest developments

2.1 Developments in the EU fruit and vegetable sector

The USDA projects significant impacts from the ongoing process of CAP reform in the fruit and vegetable sector. It notes that the reform process allows partial decoupling of aid payments rather than full decoupling, in order to ease the transition to the new regime (entailing eventual full incorporation into the single payment scheme). It also notes that increased and substantial financial support is now being deployed through producer organisations in support of specific operational programmes intended to 'help improve commodity production, marketing and environmental and phytosanitary conditions' of EU fruit and vegetable producers. This increased support to producer organisations cannot be entirely delinked from a range of producer initiatives now under way designed to improve the market position of EU fruit and vegetable producers in the light of very difficult market conditions.

In terms of recent market developments, press reports at the start of the third quarter of 2009 indicated that the EU fruit and vegetable sector was under enormous financial pressure This was seen as a consequence of the global economic downturn and the entry onto the market of large volumes of certain key products. European apple producers were expecting 'one of their worst starts to a season in recent memory', while 'Dutch berry producers reportedly stopped harvesting because of low market prices'. In Germany, wholesale fruit prices were reported 'to be around 14% lower than at the same time last year', while in Belgium fruit auction houses were reporting turnover down 25-30% compared to 2008. In France, fruit prices were reported to have fallen by nearly 20% compared to 2008, while in some parts of the Spanish citrus sector a crisis was seen to be emerging, with some fresh produce associations forecasting that '45% of growers could abandon their orchards in the coming years' as a result of poor recent harvests. Across the EU, consumer prices of vegetables between December 2008 and December 2009 saw the largest decline in percentage terms of any food sector in the EU (-4.6% compared to -1% for all food products), with fruit prices seeing an average 1.4% decline, also above the average decline in consumer prices of all foods.

In certain sectors the crisis situation is being attributed to shortcomings in the operation of the entry price system, with non-payment of duties leading to a depression of prices in certain sectors. Imports of tomatoes from Morocco have been a particular focus of concern for Spanish tomato growers. According to some press reports, farmers' concerns over non-payment of customs duties are shared by the European Anti-Fraud Office. This has generated demands for governments to act more effectively to enforce the entry price system and take action against preferred suppliers that fail to respect minimum import price requirements. The Spanish association for producers of fresh produce has even gone so far as to call for a reform of the entry price system in order to curb non-payment of customs duties.

It should however be noted that these concerns were raised in the context of preferential trade negotiations with Morocco, which it is felt could do further harm to vulnerable horticulture sectors, given the perceived shortcomings in the operation of the entry price system.

As a result of the overall market situation in December 2009, EU fruit and vegetable producer associations sent an open letter to the European Commission and European Parliament calling for action to address the 'unprecedented economic crisis' confronting the sector. The letter called for similar support to be extended to EU fruit and vegetable producers to that extended to dairy producers. In justification of such a policy initiative it cited:

- the current low level of public aid to the fruit and vegetable sector;
- the impact that bilateral trade agreements are having on the market;
- the abolition of export support, despite the high value at that time of the euro;

- the concentration of market power in the hands of large retailers;
- the cost-increasing effects of sanitary and phytosanitary (SPS) standards, which, it was claimed, are commonly violated by third-country suppliers.

In the course of 2009 the EC had already launched initiatives to try to develop ways of improving the functioning of the fruit and vegetable supply chain. One initiative to this end was a feasibility study on 'the setting up of a European platform for data and information exchange for the European fruit and vegetable market'. The aim of the proposed platform for data and information exchange is to help the EU fruit and vegetable industry to:

- 'reach a higher degree of effectiveness in managing the available resources and preventing market crises, through the sharing of information among the associations of European producers to the widest possible extent';
- 'establish a more balanced competitive position for producers, given their weakness within the fruit and vegetable supply chain with respect to wholesalers, processors and distributors'.

It is argued that improved information management can help avert 'structural market crises' by establishing 'long-term trends of the domestic supply, the import, and the demand in the domestic and foreign markets'. It is also maintained that efficient data analysis can allow actions to be taken to reduce the economic cost of periodic over-supply situations. However there are seen to be potential problems with such an initiative, particularly in terms of minimising the dangers of collusion on pricing or the partitioning of markets. There is also the issue of the impact of the proposed European data and information platform on the commercial position of third-country suppliers.

Another emerging threat to ACP suppliers in the fruit and vegetable sector is the growing producer pressure for 'buy local' initiatives that encourage consumers to buy products produced near to where they live. If retailers begin to respond to consumer demand stimulated by these EU grower-led campaigns, then this could undermine the commercial position of third-country suppliers. This is particularly likely to be the case if such campaigns link into the ongoing debate on food miles.

2.2 Developments on global fruit and vegetable markets

In mid 2009, press reports indicated that the 'current world economic recession has forced prices of horticultural products to fall by 30% on the international market', creating serious difficulties in a number of ACP countries that have developed horticultural exports. In Tanzania, press reports suggested that some 20,000 horticultural workers could face redundancy in the face of a drop in demand for flowers and green vegetables from Tanzania. Against the backdrop of these price declines, the costs of SPS compliance and compliance verification have taken on a new significance.

The reality is that in a time of global recession and declining prices, investments made in SPS and food standard compliance can really begin to bite. Analysis from the Europe-ACP Liaison Committee (COLEACP) suggests both that a number of ACP countries are falling out of supplying the EU fruit and vegetable market, and that within ACP countries poorer farmers are falling out of the supply chain. This suggests that in the coming period ACP fruit and vegetable production for export to the EU is likely to be concentrated in fewer ACP countries and to involve fewer, larger ACP producers in those countries that remain in the export trade. This is despite the deployment of public assistance to try to ensure that resource-poor farmers can remain involved in export supply chains.

This concentration of production in larger units is also being linked to even greater European ownership within the sector, with certain local Kenyan horticulture companies (e.g. Homegrown) being sold to major European fruit and vegetable companies.

In the fruit sector (where only a limited number of ACP suppliers are involved), the price situation in the EU market has a direct impact on the prices offered for bulk imports of fruit products from ACP countries. This is evidenced by the discussions during an electronically organised conference between citrus industry leaders in the northern and southern hemispheres conducted in June 2009. Here it was recognised that reduced demand following the economic downturn was resulting in a build-up of stocks and price reductions. According to Justin Chadwick, CEO of the South African Citrus Growers Association, 'buyers are reducing risk by reducing stock holdings and buying only when they can move the product. Buyers are also putting pressure on suppliers in terms of price. … Prices for many commodities have dropped by 20-25% from last year's levels'. South African fruit exporters are also facing demands for smaller shipments and extended credit periods, with payment problems creating cash-flow difficulties.

2.3 The EU fruit and vegetable regime, the WTO and third-country agreements

In terms of the EU's overall trade regime for fruit and vegetables, extensive use is made of the entry price system (EPS), 'a complex tariff system which provides a high level of protection to EU producers'. 'In this system fruits and vegetables imported at or over an established entry price are charged an *ad valorem* duty only. Produce valued below the entry price are charged a tariff equivalent, in addition to the *ad valorem* duty. The tariff equivalent is graduated for products valued between 92 and 100% of the entry price. The *ad valorem* duty and the full tariff equivalent are levied on imports valued at less than 92% of the entry price'.

However the future of the EPS is now a subject of discussion in the WTO. Given that most ACP countries enjoy full duty-free, quota-free access to the EU market, any reduction of tariffs arising from a WTO-related reform of the EU's EPS would primarily benefit non-ACP suppliers. Conversely, any increase in basic tariffs arising from a WTO-related reform of the EU's EPS would benefit ACP suppliers, particularly given the current problems in applying the entry price system. However, it should be noted that any WTO-induced reform of the entry price system is more likely to result in a reduction in overall levels of EU tariff protection in the fruit and vegetable sector.

More significantly, however, the EU's growing network of bilateral preferential trade agreements with third countries is likely to progressively erode the margins of ACP tariff preference for fruit and vegetables. The impact of these agreements will vary greatly, depending on the product coverage of individual agreements and the extent of competition with existing ACP suppliers in the areas where tariff concessions are granted under the new agreements. A further area of concern from an ACP perspective is the emergence of Thailand and China as significant exporters of vegetables. In the case of Thailand the packaging and processing of these vegetables is geared to the supermarket convenience consumer of prepared fresh products. The combination of these two trends in the longer term could well see the ACP position as a supplier of fruit and vegetables to the EU market progressively eroded. However overall, given the diverse nature of the fruit and vegetable sector, caution should be exercised with regard to any general conclusions at the ACP level: this issue really needs to be addressed at the country level.

This does however suggest a need for ACP fruit and vegetable exporters to increasingly keep their production and investment decisions under review, in the light of the changing supply and demand situation on the EU market, in the context of the EU's evolving trade policy.

2.4 Food safety issues in the horticulture sector

The major food safety development of relevance to the fruit and vegetable sector in ACP countries was the completion of the EC pesticide review in March 2009. As a result of this review, some 750 of the approximately 1,000 substances available for use before 1993 did not pass the harmonised EU safety assessment. However only 70 substances failed the review process and were removed from the market. The remaining 680 products were 'either not submitted, or were incomplete or were withdrawn by the industry'. In the longer term this is likely to greatly reduce the plant protection products available for use in the ACP on fruit and vegetables destined for the EU market, and likely also to increase the costs of the products still permitted for use on fruit and vegetables destined for the EU. These longer-term impacts of the pesticide review could fall more heavily on small-scale producers than on large-scale producers.

In the short term, an assessment by COLEACP suggests that the impact is likely to be more limited, as 'substances will remain authorised until they come up for review when their annex I listing expires'. In addition, even after the use of the product has been reviewed, derogations can still be sought and obtained to allow time to develop alternatives. At this stage even where a pesticide is no longer authorised for use in the EU, 'continued use on ACP export crops will still be possible, provided that the product is registered locally, and [that] EU [minimum residue levels] and Import Tolerances are complied with'. However, certain elements of the regulation remain unclear, and clarifications in these areas could affect ACP exporters, for example regarding the actual thresholds established for tolerance of substances that have been scheduled for withdrawal, and that are found in imported products. These 'clarifications' could increase the short- and medium-term effects of the pesticide review.

2.5 Private voluntary standards and improving the functioning of the supply chain

Private voluntary standards (PVS) need to be seen in the light of both the EU importers' legal responsibility to ensure that only safe food is sold on the EU market, and the increasing market fragmentation in EU food markets, with strong quality-based product differentiation securing price premiums. In the latter context, private voluntary standards form part of a wider process of 'product differentiation' designed to 'protect and gain market share when competing in national and regional markets'. As a consequence these private standards are often 'higher and more demanding than the minimum standards enforced by governments' and those drawn up in the framework of the international standard-setting bodies.

While stricter private voluntary standards 'can create an incentive for producers to invest in modernising their production processes and output' and can help exporters 'maintain and improve their market access', it can pose problems particularly for smaller producers, whether considered nationally or in terms of the production system. While some ACP horticultural producers are rising to this challenge, others struggle to meet these standards cost effectively. Over time this leads to these producers falling out of the supply chain. Indeed it has been suggested that 'development strategies postulated on smallholder production of high-value agricultural products for export' may be unrealistic in the absence of targeted and sustained support.

In 2009, the COLEACP Pesticides Initiative Programme (PIP) carried out a detailed survey of the impact of changing buyer requirements on the supply chain for fruit and vegetables. This survey looked exclusively at companies already receiving technical assistance with standards compliance under the PIP initiative. It found that while there had been 'an appreciable growth' in aggregate exports between 2000 and 2006 through distinct supply chains serving different national EU markets, some firms found private voluntary standards 'difficult or very difficult to meet'. These difficulties varied according to the supply chain being served.

The anglophone supply chain linking suppliers in Kenya, Zambia, Uganda and Ghana with supermarkets in the UK Germany, Netherlands and Switzerland generated more problems of compliance than the francophone supply chains, which linked producers in Madagascar, Mali, Burkina Faso, Benin, Senegal and Côte d'Ivoire to wholesalers, catering companies and others in

France, Italy and Switzerland. In the anglophone supply chain, 'over the longer term some companies reported reduced profits' due to the lack of a price premium and increased costs of maintaining certification. Of particular concern in the survey was that some 20% of companies involved with smallholder out-growers reported that some smallholder growers 'had chosen not to renew their certificate despite the fact that they had the infrastructure, procedures and knowledge in place'. Significantly, these companies where out-growers were not renewing their certification were concentrated in countries where compliance with standards has been established for some years and where the full impact of recurrent costs was known (e.g. Kenya).

Despite these trends, overall the survey concluded that earlier fears of a generalised exodus of smallholder out-growers from fruit and vegetable export value chains, in response to stricter food standards, had not yet been realised. Across African suppliers surveyed, the survey found that the volume of vegetable products sourced from out-growers from 2000 to 2007 had changed little. However there were marked differences between countries, with evidence emerging in Kenya that 'very small-scale out-growers are being excluded from high-value retail supply chains due to the demands of PVS'. The report concluded on a cautionary note, arguing that while 'the future trends for sourcing from small-scale growers are unclear …, there is a risk that the pattern seen in Kenya will be repeated elsewhere as demands of PVS become more widespread and tightly enforced'.

Against this background the PIP report argued for:

- 'continued technical assistance both from national and international agencies';
- 'improved routes of engagement with those who set and implement the PVS, as well as mechanisms to adjust them, in order that they can be better adapted to local circumstances';
- 'improved dialogue … with EU buyers in order to ensure that their policies create and enhance opportunities to trade';
- 'the fairer apportioning of costs along the supply chain';
- a more proactive approach from developing countries in achieving compliance and defining how this is to be achieved.

2.6 The 'food miles' debate

There has been for some time growing concern in east and southern Africa that 'food miles' campaigners could undermine the market for exported horticulture and floriculture products. 'Food miles' campaigners advocate that consumers buy the products that have travelled the fewest miles to their point of sale as a way of reducing environmental impact. These concerns gave rise to efforts to engage effectively with this debate and saw an intensification of the debate on food miles over the 2008-09 period. In January 2009 the UK Soil Association announced its decision to terminate its support for a campaign to label imported horticulture and floriculture products with an aeroplane sticker designed to highlight the carbon footprint of imported products. According to press reports, the campaign had been encouraging people to buy goods which had travelled a minimal distance to market.

The Kenyan Flower Council welcomed this move, highlighting the findings of its own research which showed that carbon emissions per capita in Kenya are only 2% of what they are in the UK, and that travelling 6.5 miles to a local supermarket to do your shopping left the equivalent carbon footprint of 'flying a pack of Kenyan green beans to the UK'. With the decision of the Soil Association to take a more nuanced approach involving monitoring the contribution of air-freighted foods to people's livelihoods and communicating the development benefits of organic agriculture in developing countries, concerns in eastern and southern Africa over the food miles debate have been eased. This was particularly welcome, since efforts to reduce the carbon footprint of East Africa's fresh produce export by making greater use of sea freight wherever possible, are being undermined by piracy in the Gulf of Aden. This has caused the costs of sea freight for fresh produce to double. The situation unfortunately could become worse if insurance underwriters were to declare the region a war zone, since this would make insurance cover impossible to secure and force exporters to use the longer Cape sea route. This would make a range of fresh produce exports non-viable.

The food miles debate was however renewed in the run-up to the 2009 UN Copenhagen Climate Change Conference. This saw the emergence of the concept of 'fair miles' as a counterweight to a more narrowly focused debate on food miles. The approach was publicly articulated in a report published jointly by Oxfam and the International Institute for Environmental Development (IIED). The report focused on the 'complexities of the food supply chain and its social, political and economic repercussions' and argued for an approach to assessing the environmental impact of production and trade that encompasses these complexities. The report argued that 'western consumer concern over climate change can do more harm than good if it cuts demand for food produced in developing nations'. It pointed out that 'some imported fruit and vegetables are grown in less greenhouse-gas-intensive ways than the same products in the UK', with these savings outweighing the 'potential negative impacts of additional transport', particularly given that at least 60% of air-freighted fresh produce travels on passenger aircraft. The report further pointed out that transport accounts for only 10% of the greenhouse gas emissions associated with food production, marketing and distribution in the UK and USA. The report did not argue against eating locally grown products when in season, but argued that 'farmers in developing nations contribute so little to climate change, they shouldn't be penalised because we emit more in the West'.

The report has been welcomed by the UK Fresh Produce Consortium, in a context where there is growing recognition among UK supermarkets of the need for a more nuanced approach to climate concerns of consumers. Meanwhile the UK Freight Transport Association joined in the debate, pointing out that 'the distance that a product has travelled is not a reliable indicator of its environmental impact'. It argued that to 'discern the true carbon footprint of a product, one has to measure the mode of transportation and also the production process', since local production based, for example, on heated greenhouses, 'often has a far bigger impact [on the environment] than miles travelled'. This, it was argued, should be reflected in any labelling requirements in order to avoid misleading consumers, and harming African producers for little or no environmental benefit.

2.7 EPAs and local horticulture sector development

In the course of 2008-09 more details emerged on the impact of certain interim EPA (IEPA) provisions on the use of trade policy tools for local horticulture sector development in ACP countries. Under the IEPA between the EU and the Southern Africa Development Community (SADC), a provision has been included that requires the elimination of the use of import licences from the date of entry into force of the agreement. This is a matter of major concern in Namibia, where the use of import licences as a trade policy tool is a central component of the highly successful Namibian Horticulture Sector Development Initiative. This programme, which aims to increase local horticultural production for the local market, has raised the percentage of locally produced fruit and vegetables consumed in Namibia from 5% to approximately 25%, and aims ultimately to see around 50% of locally consumed fruit and vegetables produced locally.

The use of import licences as part of the Namibian Market Share Promotion scheme proved extremely important at the early stages of the programme. At the design stage of the programme it was found that while local farmers could produce more, they were uncertain as to whether they would find a buyer, given the orientation of major retailers towards central purchasing through their parent companies in South Africa. The use of import-licensing arrangements to incentivise local procurement thus proved essential at the early stages of the initiative.

Subsequently multiple retailers have become enthusiastic purchasers and marketers of locally produced horticultural products, using it as a strong market positioning tool.

Current provisions in the SADC-EU interim EPA (IEPA) however would prevent the future use of import licences as a trade policy tool to address the issue of the unequal distribution of power along horticultural supply chains. It is not surprising, therefore, that this particular provision of the SADC-EU IEPA has become a matter of contention in the (I)EPA negotiations.

3 Implications for the ACP

3.1 Issues arising from developments on the EU market

The calls for increased financial support for EU fruit and vegetable producers face the hard reality that financial reserves under the CAP have been largely used to support EU dairy producers in the face of acute market difficulties. Against this background, there is likely to be little scope for expanding assistance to EU fruit and vegetable producers before 2014. If political pressure from EU producers for some kind of policy response builds up, this may well take the form of low-cost initiatives to improve the functioning of the fruit and vegetable supply chain within the EU and the more rigorous enforcement of both tariff and non-tariff import regulations. This could create some market space to ease the financial pressures on EU horticultural producers, pressures which are otherwise likely to intensify as economic recovery fuels input-cost inflation. The more rigorous enforcement of tariff measures would only adversely affect the competitive position of ACP suppliers if they lowered the overall tariffs effectively applied, since this would erode the margin of tariff preference enjoyed by ACP exporters. However as a result of the full duty-free, quota-free access enjoyed by ACP exporters under the (I)EPAs and the EBA initiative, ACP exporters would be insulated from the direct effects of any increase in tariffs resulting from the more effective application of the minimum entry price system.

The issue of 'locally grown' campaigns is however of far greater concern, as it taps into environmental concerns over food miles. If 'locally grown' campaigns take hold and retailers respond with food miles labelling, this could have a profound effect on demand for ACP-produced fruit and vegetables. Here the evolution of the EC agricultural product quality policy could have an impact in the longer term, if geographically differentiated labelling schemes were favoured over schemes setting out generic standards open to all producers meeting the standards, regardless of geographical origin. In this context, ACP suppliers will need to keep a close eye on the evolution of the EU agricultural quality policy as the debate moves towards the formulation of specific regulatory proposals.

It should also be noted that in response to increased pressure from EU producers, ACP exporters could find themselves subject to increasingly strict food-safety and SPS inspections, which could have an impact on trade unless national food safety control systems are maintained to the requisite standard. Increased technical assistance support for food safety compliance in the fruit and vegetable sector would thus appear to be warranted.

Regarding the EU initiative to establish a European platform for data and information on the EU fruit and vegetable market, from an ACP perspective the question arises of what impact such an initiative would have on the relative competitive position of ACP and EU fruit and vegetable suppliers, if ACP suppliers are not also given access to the data and information platform. This is particularly important as regards the impact of such a platform on commercial negotiations between well informed EU importers and less well informed ACP exporters. An initiative could usefully be launched to see how ACP fruit and vegetable suppliers could be included in any new European platform for data and information exchange for the European fruit and vegetable market.

3.2 Meeting new food safety challenges

From an ACP perspective, while the short-term impacts of the completion of the pesticide review are likely to be limited, close attention will need to be paid to the elaboration of aspects of the regulation which are as yet unclear (e.g. the import tolerance limits), and clear strategies will need to be developed to minimise cost-increasing effects in the longer term. In this context the UK government's initiative to launch a £13 million programme of support to research and development (R&D) for crop-protection products should be noted. The explicit aim of this programme is to 'help meet new and existing EU regulations on pesticide approval and use' by helping growers '[to] respond to the dual challenges of increasing the productivity of crops while reducing the environmental impact of crop protection'. Most of the funds under this initiative are to be allocated to 'applied R&D'. This type of government initiative could usefully be extended to ACP producers of horticultural products: regional horticulture associations in the ACP potentially have an important role to play in promoting such 'applied research and development' partnerships.

In addition, with the incidence of samples exceeding the minimum residue levels (MRLs) three times higher for imported products than for products with an EU origin, intensified testing and compliance enforcement on imports of food and agricultural products can be expected in the coming period. The question arises however of whether this would be justified for many ACP fruit and vegetables. Studies conducted under the PIP initiative have found that imports of fruit and vegetables from Africa show lower risks of pesticide contamination than imports from other sources. Against this background, it would appear important to ensure that arrangements for compliance enforcement take into account the actual risks associated with imports from individual ACP countries.

3.3 Getting to grips with supply chain issues and private voluntary standards (PVS)

A number of the recommendations contained in the PIP survey on the impact of changing buyer requirements on the supply chain for fruit and vegetables would appear to be relevant to current EU policy discussions over the functioning of food supply chains. It is envisaged that in the course of 2010 these discussions and deliberations will give rise to recommendations that will then feed into proposals for the 2013 round of CAP reform. Given the relevance of these deliberations to a range of issues currently arising in the fruit and vegetable sector (as well as other major areas of ACP exports), this would appear to be area of EU policy where a clear development dimension could usefully be added. This is particularly the case in the fruit and vegetable sector: according to the PIP survey, 'fresh fruit and vegetables sourced from Africa … [are] not high risk when compared to FFV from other sources'. On this basis the survey questioned 'the proportionality of some EU retailer policies which, assuming higher risk, … apply more stringent controls on developing country suppliers'. Clearly some form of guidelines dealing with the proportionality of PVS control systems in the light of actual risks faced would appear to be warranted.

3.4 Ensuring continued engagement with the food miles debate

There would appear to be a need for ongoing engagement by ACP fruit and vegetable producers associations with the debate on food miles, given that these concerns can overlap with more narrowly defined commercial concerns. This is particularly important in the context of the ongoing discussion in the EU on agricultural product quality and associated labelling. With regulatory proposals scheduled to be tabled in the course of 2010, there would appear to be a need for a high level ACP-EU exchange on these issues to make sure that no EU proposals are put forward that serve to disadvantage ACP suppliers of fruit and vegetable products to the EU market.

3.5 Ensuring EPAs are supportive of horticultural sector development

The debate on the right to retain the use of traditional trade policy tool needs to be seen in the context of the limited capacity of ACP governments to use alternative financial instruments to address issues related to the functioning of horticulture supply chains. Currently in the EU, problems in the functioning of fruit and vegetable supply chains arising from the unequal distribution of commercial power along the supply chain are being addressed through large-scale programmes of support to strengthen the operation of producer organisations, with this being a major component of the fruit and vegetable support regime. In addition, EU fruit and vegetable producer organisations are calling for increased levels of EU financial support to address the crisis in the fruit and vegetable sector. Put simply, most ACP governments lack the financial means and administrative capacity to implement such ambitious financial support programmes, and as a consequence they rely on a much more limited range of traditional trade policy tools.

A case would appear to exist for allowing ACP governments to retain the right to use import-licensing arrangements as an integral part of horticulture sector development programmes, provided that such schemes are transparently and effectively managed. The EU itself makes extensive use of tariff-rate quota (TRQ) arrangements under preferential trade agreements to regulate access to EU fruit and vegetable markets. All of these TRQ arrangements are implemented through the use of import licences.

Information sources

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agritrade

Launched by CTA (Technical Centre for Agricultural and Rural Cooperation EC-ACP) in 2001, the Agritrade website (http://agritrade.cta.int) is devoted to agricultural trade issues in the context of ACP (Africa, Caribbean and Pacific) – EU (European Union) relations. Its main objective is to better equip ACP stakeholders to deal with multilateral (World Trade Organization - WTO) and bilateral (Economic Partnership Agreement – EPA) negotiations. Thus it provides regular and updated information and analysis on technical aspects of the trade negotiations, developments in the CAP and their implications on ACP-EU trade, as well as on major commodities (bananas, cereals, sugar, fisheries, etc).

CTA was created in 1983 in the framework of the Lomé Convention between ACP (Africa, Caribbean, Pacific) and EU (European Union) countries. Since 2000, the Centre has been operating under the ACP-EU Cotonou Agreement. CTA's tasks are to develop and provide services that improve access to ever-changing information for agricultural and rural development, and to strengthen the capacity of ACP countries to produce, acquire, exchange and use information in this area.

For more information:

CTA:

Web: http://www.cta.int

Agritrade:

Web: http://agritrade.cta.int

Email: agritrade@cta.int

Postal Address:

CTA
Postbus 380
6700 AJ Wageningen
The Netherlands
Telephone: +31 (0) 317 467100
Fax: +31 (0) 317 460067
E-mail: cta@cta.int

Visiting address:

Agro Business Park 2
Wageningen
The Netherlands

Brussels Branch Office:

CTA
Rue Montoyer, 39
1000 Bruxelles
Belgium
Telephone: +32 (0) 2 5137436
Fax: +32 (0) 2 5113868

CTA