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Fruit and Vegetable Producer Organisations in the EU: Overview and Prospects



Fruit and vegetable producer organisations in the EU:

overview and prospects

The fruit and vegetable sector is of strategic importance for agriculture and the 500 million European consumers. It currently represents close to 17% of the total value of agricultural produce in the EU and involves approximately 1 million farms specialising in fruit, vegetable and citrus fruit cultivation. The sector contributes to environmental conservation and economic growth, and generates numerous jobs, both directly and indirectly, in many different areas of the European Union (EU).

As regards food safety, farmers and cooperatives in the EU supply healthy, safe and high quality fruit and vegetables. The consumption of fruit and vegetables is recognised by nutritionists as a way of improving public health. Globally, the growth in fruit and vegetable consumption is one of the priorities for the Food and Agriculture Organisation (FAO).

Despite being the world's second largest producer of fruit and vegetables, the EU actually has a deficit and is also the second largest importer. The trade deficit for the majority of fresh produce went from 7.4 million tonnes (6.1 billion euro) in 2002 to 9.8 million tonnes (8 billion euro) in 2007¹. Exports from the EU are progressing at a slower rate than imports. One of the reasons for this is the almost complete liberalisation of fruit and vegetable imports to the EU adopted in bilateral free trade agreements between the EU and third countries exporting fruit and vegetables to the EU.

The European Union dedicates part of the Common Agricultural Policy (CAP) to the fruit and vegetable sector. It supports producers and fruit and vegetable cooperatives by offering them support via various different measures: the Single Payment Scheme; Producer Organisations; transitional payments for red berries; the promotion of agricultural produce; the School Fruit Scheme and rural development measures. For the period 2007-2013, the amount of the Community's agricultural budget which will have been spent on this sector will represent 3.5% of European Agricultural Guarantee Fund (EAGF) spending.

In 2010, the European Commission will launch a consultation on the financial perspectives 2013-2020 and the CAP after 2013. The aid scheme for producer organisations, which is based on aid for FVPOs' operational programmes, is already compatible with the World Trade Organisation (WTO) rules.

After 2013, producers and cooperatives in the fruit and vegetable sector, represented by Copa and Cogeca, would like to see the budgetary resources allocated to the sector being used in an optimal fashion. This should be done in order to maintain activity in rural areas, support Fruit and Vegetable Producer Organisations (FVPO) in the food chain, guarantee consumers a steady supply of healthy, quality fruit and vegetables and reduce the EU's trade deficit.

¹ Freshfel Monitor 2008

Question forum

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1. *Why must the regrouping of supply be supported through FVPOs?*

In the countries to the north, major retailers already represent 70% to 90% of foodstuff sales. The move towards a concentration of food sales by major retailers is extending to the rest of the EU and will continue to progress in the EU and third countries beyond 2013.

This concentration is one of the reasons for the imbalance of power in the food chain, which itself caused the latest crises in the sector. Multiple crises lead to problems for producers as regards profitability and staying in business. In fact, the value of production has dropped on average in the EU27 by 10.8% for market garden produce and 13.6% for fruit between 2003 and 2009 as compared to 2003.

Supply must be concentrated in order to rebalance the market. Producers and cooperatives must of course continue their efforts to concentrate supply in the face of increasingly organised demand. However, the European institutions must provide support and must encourage the rebalancing of bargaining power for producers in the agri-food chain, economies of scale and the inclusion of value added by the producer.

2. *What are the different types of fruit and vegetable producer organisations in Europe?*

There is a difference between producer groups, producer organisations and associations of producer organisations³.

In 2000, the EU had 446 producer organisations for fruit and vegetables (FVPOs) and 1502 in 2006. The development of producer organisations differs enormously from one Member State to another. There are two different types of development in the EU of 15:

- Development in northern countries (Netherlands, Germany, Belgium, Sweden and the United Kingdom) which is characterised by a limited number of producer organisations, but with a high economic value;
- Development in southern countries, which is characterised by a large number of organisations on a small economic scale.

The total value of production marketed by producer organisations grew from 4 billion euro to 13.7 billion euro between 2000 and 2006, out of a total value which was approaching 48 billion euro in 2006.

The number of producer organisations which became members of an **Association of Producer Organisations (APO)** doubled between 2000 and 2006. The larger associations of producer organisations are found in Belgium and Italy.

Producer Groups (PGs) are found in the new Member States and in the Mediterranean countries of the EU15 (Greece, Spain, France, Italy and Portugal) where they represented 58% and 40% in 2006 respectively. This type of organisation is used during a transitional period in order to allow PGs to meet the requirements for being recognised by a FVPO.

Only four Member States have no fruit and vegetable producer organisations of any type: Estonia, Luxembourg, Latvia and Lithuania.

² ECON(10)1945

³ Historical analysis of the development of producer organisations in the fruit and vegetable sector in Europe, Morgan SERFIOTIS, ICHEC, 2008-2009



3. *Is the level of producer organisations sufficient?*

No. Despite the average level of producer organisations⁴ standing at 35% for the EU25, it is higher in certain sectors and regions than others. The economic and environmental activities carried out by FVPOs are beneficial for all fruit and vegetable producers in the EU. However, taking into account the fact that the EU has enlarged from 15 to 27 Member States, it should set itself realistic objectives. Seeing that one of the main reasons for becoming a FVPO is the prospect of receiving Community support, one would expect all FVPOs to have an operational programme. However, so far this has not been the case. In fact, setting up a FVPO is not always necessary for producers to be able to receive aid. This does, however, involve a great deal of administrative work for producers, which, since the creation of the follow-up and monitoring system for FVPOs' operational fund spending in 2008, has dissuaded them from doing so.

The level of producer organisation is more important for those regions and products which are the most competitive and more oriented towards the EU27's single market and exports. This clearly shows that FVPOs are a factor in commercial success.

In fact, the intervention of FVPOs on the market does not only benefit their associated producers, but all producers in the sector. For example, when FVPOs put crisis management measures in place, pressure on the internal market is eased, which benefits not only those producers who are members of an FVPO, but other producers as well. FVPO exports have the same effect.

4. *How important is Community support to FVPOs' operational funds for the budget?*

The Community support granted to FVPOs through operational funds has doubled from 283 million euro in 2000 to 544 million euro in 2006. Between now and 2013, the provisional budget will be 1043 million euro; approximately 2% of the EAGF budget, whereas the fruit and vegetable sector is responsible for 17% of the total value of agricultural produce.

Community support is limited to 4.6% of the FVPO's Value of Marketed Produce (VMP). In order to access Community support, the FVPO must raise an amount equal to the Community aid from its members. The operational fund, financed 50% by members of the FVPO and 50% by Community aid, finances the FVPO's operational programme. It must be emphasised that, not only the way the Community aid is spent, but also the way the part contributed by the FVPO's members is spent, is subject to very precise and limited conditions and objectives, which are exhaustively checked by the competent authorities from the Member States and the EC.

The number of producer organisations putting in place an operational programme is growing significantly in both old and new Member States. The average implementation rate grew respectively from 74% to 86% in the EU15 and 32% to 61% in the EU10 between 2000 and 2006.

⁴ The level of organisation equivalent to the value of marketed production by FVPOs, APOs and PGs and compared against the total production of fruit and vegetables



5. What is the added value of Community support of FVPOs for consumers?

FVPOs have a strategic position in the fruit and vegetable sector as regards providing products with high added value and various types of services to consumers and taxpayers.

Thanks to the FVPOs' operational programmes, the quality of fruit and vegetables and the safety of the supply has been improved.

- Large investments have been made to improve the handling conditions and the cold chain from the producer to the consumer. FVPO processing tools, which facilitate the inclusion of added value for commodities, have also been improved.
- The majority of producers, who are members of an organisation, participate in quality control systems such as marketing standards, GLOBALGAP, QS, the TÜV, etc. Marketing centres for FVPOs conform to quality standards such as HACCP, the BRC, the ISF, the ISO, the NEN, etc.
- Many producer organisations organise the control of pesticide residues in fruit and vegetables upstream of controls which are carried out by national competent authorities.
- FVPOs have been able to increase their focus on the market and better adapt supply to meet consumers' demands thanks to research and innovation: the creation of new varieties, new ways of presenting products, new products, constant supply throughout the year, promotion of FVPO brands, etc.
- Thanks to marketing standards, FVPOs provide high quality products with homogenous standardisation parameters and objectives. This system provides consumers with information,

transparency and security, and guarantees the loyalty of commercial transactions.

Thanks to FVPOs' operational programmes, environmental and food safety standards are respected beyond legal requirements.

- FVPOs are at the cutting edge of integrated production techniques, integrated phytosanitary protection, soil protection, traceability and secure and rational use of phytosanitary products. These production methods have been developed within operational programmes run by the FVPOs, which are obliged to dedicate part of their operational fund budget to implementing environmental measures, going beyond regulatory requirements.

FVPOs, the majority of which are cooperatives, provide social and regional services.

- In addition to the economic value of FVPOs, it is also important to highlight the specific characteristics of cooperatives: their intrinsic, unconditional and permanent commitment to rural areas; the democratic participation of farmers working in the spirit of solidarity and their strategic position within the agri-food chain. These specific characteristics form the basis of sustainable development in rural areas in Europe, because they enable the population to be targeted, they provide jobs and services, they protect the environment and they continue rural traditions.

6. What is the added value of Community support of FVPOs for producers and cooperatives?

Thanks to FVPOs' operational programmes, fruit and vegetable farms and marketing centres have been modernised and working conditions have improved.



- Producers and FVPOs have invested in equipment for optimised sorting, weighing and packaging. Placing goods in cartons/bags has been automated.
- At farm level, producers have invested in varietal renewal, integrated control, water and packaging recycling systems, irrigation and modernisation of production methods, which have facilitated drops in production costs.
- Producers have been able to access the aid and technical means required to manage their orchards, to control quality and for production programming. Communication between producers and their organisations has been modernised by investing in communication technology (Internet).
- Producer organisations have allowed projects to get underway such as biological control allowing the impact of environmental taxes to be reduced.
- FVPOs have improved their communication with consumers by improving the image of fruit and vegetables thanks to promotion campaigns.
- The growth and modernisation of marketing centres has allowed product rotation to grow and logistics to be improved. All of these investments have contributed to improving productivity and market adequacy.
- All activities have been made professional thanks to the involvement of specialised experts.
- FVPOs have launched export projects for third countries such as Russia, China and Japan without the EU granting export refunds.
- Concrete efforts have been made in terms of research and innovation.

7. *What should the objectives be for the aid scheme for fruit and vegetables in the CAP after 2013?*

For the post-2013 CAP, **organising producers** has, on multiple occasions⁵, been put forward as an effective way of improving the competitiveness of agricultural production, organising supply and rebalancing the relationship between producers and clients in the agri-food chain.

Taking into account the aforementioned factors, the objectives of the aid scheme for the fruit and vegetable sector will remain valid in the post-2013 CAP. These objectives ought to be:

- to concentrate supply in order to strengthen the position of fruit and vegetable producers in the agri-food chain;
- to plan production, to adapt supply to meet demand, as much for quality as for quantity and to prevent and manage crises;
- to improve the competitiveness of production and marketing on the domestic and world market, by both controlling production costs and focusing more on the market;
- to increase the value of commodities through processing and marketing;
- to increase the focus on fruit and vegetables in our diets;
- to encourage production methods which respect the environment and landscape.

5

- Commission communication 'Improving the functioning of the food chain in Europe' COM(2009)591 final
 - European Parliament report on 'The price of foodstuffs in Europe' (P6_(2009)0191)



All these objectives aim to ensure a fair standard of living for fruit and vegetable producers in the EU, in particular by increasing their individual income, which guarantees the sustainability of their farms. At the same time this affects:

- the conservation and protection of the environment and landscape;
- the stability, quality and security of the food supply at a reasonable price for 500 million European consumers.

8. *Why should Community financial support for FVPOs be maintained?*

Community aid to FVPOs should be maintained because the relationship between such public spending and the advantages on the ground is very beneficial due to:

- Cofinancing from FVPO members;
- Targeting Community aid at producers organised into FVPOs and APOs;
- The aid being based on the value of marketed produce, which is the most effective way of taking into account changes in the concentration of supply as compared to demand.

Copa-Cogeca believes that the post-2013 CAP must maintain the aid system for FVPOs within the framework of the Common Market Organisation (Single CMO Regulation) of the CAP's first pillar and within the framework of an unlimited budget line. This type of aid is justified by the need to improve the efficiency of the agri-food chain, by the economic activity carried out by producers and FVPOs and by their efforts they make to progress.

Copa-Cogeca is concerned by the proposal from the European Commission, according to which the budget allocated to FVPOs would be transferred to the second pillar of the CAP. If this were to happen then FVPOs would only have recourse to rural development measures in Member States where they could access financing. The financing for these measures would be less than the aid currently received by FVPOs. Removing the aid for FVPO operational programmes would have a negative effect on the concentration of supply and would deprive them of economic support. For this reason, Copa-Cogeca would be opposed to such a proposal.

9. *How should the support system to FVPOs be improved in the CAP after 2013?*

In order to rebalance the powers in the food chain:

- Where necessary, the minimum recognition criteria for FVPOs must be stepped up on a national level;
- Community support for FVPO operational funds is, on average, well below the 4.6% limit. Therefore, FVPOs, which are members of a certain APO, should be able to exceed the 4.6% limit if they want to within the framework of the APO;
- Mergers between FVPOs, APOs, actions between FVPOs within a single Member State and transnational actions within operational programmes must be encouraged by increasing the level of Community aid;
- FVPOs, which carry out the most promotional work for their products by directly participating in processing, must be encouraged;



- We must avoid the creation of opportunist constructions due to certain activities being outsourced;
- There must be greater legal security for FVPOs, APOs and inter-branch associations with regard to competition law;
- There must be greater legal security for the calculation of the Value of Marketed Produce for products of first-stage processing;
- The follow-up and monitoring system for operational programme spending must be simplified;
- The aid scheme for FVPOs included in the single CMO must complement the other measures included in the CAP, such as rural development, promotion etc). This must also be able to both prevent and manage market crises.

In order to reduce the fluctuations in producers' incomes:

- Crisis prevention and management measures linked to climatic and market risks must be improved in the FVPOs' operational programmes;
- The concept of harvest insurance must be extended. The scope of this should be large, meaning that it should cover everything from losses caused by the weather and disease to damage caused by other pests. In addition to harvest insurance, other types of insurance must also be available as a way of preventing and managing crises. In particular, 'contamination and recall insurance' and 'credit insurance';

- The withdrawal system must be reviewed in order for Community withdrawal compensation, quantitative limits and transport and packaging support to be increased;
- The application, monitoring and justification of non-harvest measures must be simplified;

In order to pursue efforts as regard service quality for consumers:

- A European system for marketing standards must remain in place and the 26 market standards, which were removed, must be reinstated;
- Work must continue on introducing an origin labelling for products derived from fresh and processed fruit and vegetables: obligatory inclusion of the Member State and voluntary inclusion of the EU;
- Promotion efforts for fruit and vegetables must be maintained, emphasising the outstanding quality of European produce. This must be explained in terms of traceability, monitoring, food safety, seasonality, local produce, quality etc.;
- An integrated production standard for Europe must be created;
- A programme for picking and/or abandoning certain orchards must be in place.



10. *Is the aid scheme in place for FVPOs sufficient to support the development of the European fruit and vegetable sector post-2013?*

No. The Community aid scheme in place for FVPOs is a basic instrument. However, additional measures, including some not linked to the CAP, must be created or improved.

In order to correct the balance of power in the agri-food chain:

Fruit and vegetables are perishable products and both their production and consumption are severely affected by weather conditions. For this reason, producers and FVPOs are helpless when faced with demands from major retailers relating to price setting and condition for sale. They cannot be left to fend for themselves against the laws of the market. In order to correct the balance of power in the agri-food chain, the European Commission and national authorities should ensure that the position certain companies have in the agri-food chain does not lead to them carrying out illegal or unfair practices:

- Standards and monitoring relating to payment periods, discounts, devolution, sales made at a loss, listing fees etc.;
- Monitoring relating to 'private specifications of quality requirements', which are used subjectively, and to the respect of EU marketing standards at points of sale.

The crisis prevention and management measures put in place by FVPOs are very limited. Taking into account the increased risks of price volatility and the effects of climate change, an additional and complementary tool for managing serious crises

outside the FVPO's operational programme should be included in the CAP post-2013, with the aim of guaranteeing a safety net for all producers.

In order to encourage concentration of supply:

Community legislation gives SMEs priority access to rural development funds and to state aid so that cooperatives which exceed the limit⁶ are in fact excluded from this type of support and, therefore, penalised. There needs to be an exception here for agricultural cooperatives as regards the limitations included in the Community definition of a SME⁷. It must be emphasised that, in both their nature and structure, agricultural cooperatives are the sum total of their members' agricultural holdings, which are mostly micro-enterprises.

In order to recreate a trade balance in the EU:

As regards imports:

- We need to avoid making any further concessions in the fruit and vegetable sector within bilateral free trade agreements between the EU and third countries;
- We must ensure that existing free trade agreements are respected;
- Better harmonisation of import monitoring and of border checks for imports between Member States is required, particularly in relation to respecting the standards for pesticide residues and tolerance levels for pests. The principle of Community preference must be re-established, especially with the import licence system and Community management of imports where necessary;

⁶ Article 28.3 of Regulation 1698/2005

⁷ Commission recommendation 2003/61/EC JOL 124/36 of 20.05.2003



- Tools for trade defence within multilaterals (antidumping measure and safeguard clause) must be strengthened. Third countries must be required to respect equivalent levels of food security (pesticide residues, contaminants etc.), environmental protection and social rules.
- The entry price system for fresh fruit and vegetables must remain in place at multilateral and bilateral level.

As regards exports:

- The European Commission must play a more active role when it comes to third country market access for Community fruit and vegetables. The Commission should not only take into account import duties in third countries, but should also consider barriers such as SPS and TBT in bilateral agreements;

- The Commission should promote a common approach such as that taken for the phytosanitary protocols with Russia;
- The EU should work together with Member States to create an insurance scheme for export refunds.

The EU's pesticide package further restricts the possible use of phytosanitary products by creating obstacles to successful phytosanitary monitoring due to a lack of available products. A European fund for minor uses must be created so that sufficient financing is available for pest control in order to safeguard production in the EU.



PRESENTATION OF COPA AND COGECA

THE VOICE OF EUROPEAN FARMERS AND THEIR COOPERATIVES

Copa (Committee of Professional Agricultural Organisations in the European Union) and Cogeca (General Confederation of Agricultural Cooperatives in the European Union) are the organisations which represent the vast majority of farmers and their cooperatives in the European Union. These organisations represent almost 28 million people working either full-time or part-time on EU farm holdings and more than 40,000 cooperatives.

They have 76 member organisations from the EU Member States. Their aim is to defend the general interests of agriculture.



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