Trends in Horticultural Product Trade Opportunities for Developing Countries

Pascal Liu
Trade Economist

FAO
Outline

1. Overview of world trade in F&V – Main trends
2. Challenges to F&V exports
   1. Supply side
   2. Demand side
3. Opportunities for Med developing countries
   1. Consumption trends
   2. Value addition
1. World Trade in F&V

World Exports Volume of Fresh Fruit and Fresh Vegetables from 1970 to 2004
Developed country imports

Developed Countries Net Imports of Fruit and Vegetables from 1970 to 2004

thousand tonnes

Fruit

Vegetables

Export prices for F&V

Export Unit Value of Fresh Fruits and Fresh Vegetables from 1970 to 2004

Fruit

Vegetables

US$ / tonne

2. Challenges to F&V exports

2.1 Major supply side challenges:

- **Climate change!**
- Diseases and pests
- Surplus
- Transport costs
Climate change

- Extreme weather phenomena
  (hurricanes, frost waves, droughts...)
- Arid regions at risk?
- Production no longer viable?
- Competition from new regions
- “Food miles” debate (labelling)
Other supply challenges

- Pests and diseases
- Surplus situation ("adding up")
- High transport costs
  - fuel prices
  - fleet capacity
2.2 Demand-side challenges

**Policy challenges:**
- Tariffs
- SPS regulations
- EU enlargement?

**Trade challenges:**
- Concentration of trade, retail
- Private standards
Policy challenges: Tariffs

- Tariffs on fresh F&V often low (tropical)
- Some important exceptions:
  - Tariffs high during local harvest season
    - e.g. citrus in Japan, EU; Melons in USA
- Tariff escalation
SPS measures

Key obstacle to trade in fresh FV

Government regulations/standards differ
Lack of harmonization

Developing countries: scientific resources?

WTO provides tools: SPS and TBT committees

FAO/WHO Codex Alimentarius
SPS rules

- Notification = WTO requirement
- 1995-2005 notifications:
  - 6000 total
  - rising trend (913 in 2006)
  - Citrus = 116
General fruit notifications 1995-2005
WTO disputes 1995-2005

330 formal (DSB)

29 on SPS issues

7 on FV

3 Panels

1 bilateral solution found

3 still pending
Trade policy reforms

- Little specific to F&V in Doha Round
- EU F&V CMO reform
- EU 2006 banana CMO reform
- EU enlargement
Private sector challenges

- Concentration of retailers => control value chain
- Vertical integration
- Supplier oriented private standards:
  - shift liability for food safety
  - traceability
  - all costs on suppliers
3. Market trends & opportunities

- Prices fall
- Markets for “commodities” = saturated
- Changes in consumer demand

Strategies:
- New emerging markets
- Add value: product differentiation, certification
Value added F&V

Consumer criteria:

- Quality (presentation, package)
- Health (Safety & Nutrition)
- Convenience
- Environmental
- Ethical and social
- Cultural
- Information (on farm, production mode)
Adding value

- Improved varieties
  - Small fruits
  - Easy peelers
  - Medjool dates
  - baby vegetables
  - Mixed flavour fruits ("grapple")

! Risk: adding up!
Adding value

- **In processing:**
  - fresh cut FV
  - NFC citrus juice
  - ready prepared salads

- **In packaging:**
  - snack portion
  - school pack
  - freshness savers
Adding value

Functional foods:

- Strong market expansion
- ORAC oxygen radicals absorption capacity
- Sultanas, pomegranates, acai
Adding value

Certification:

- Food safety/traceability (?)
- Food quality
- Labels of origin, Geog. indications
- Environmental (organic, ISO-14000, RA)
- Social (fair-trade, SA-8000)
Adding value: organics

World retail sales of organic products

US$ billion

Organics: an example

Peru - organic banana exports

FOB value (US$)

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<thead>
<tr>
<th>Year</th>
<th>Value (US$)</th>
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Can Med countries harness these trends?

Invest in:

- improved breeding & production techniques
- quality control & traceability systems
- storage & marketing infrastructure
- market intelligence
- partnerships with importers & retail groups
- certification

=> organize producers & build PPPs
Thank you

For more information:
Pascal Liu
Trade Economist
Trade and Markets Division
E-mail: Pascal.liu@fao.org