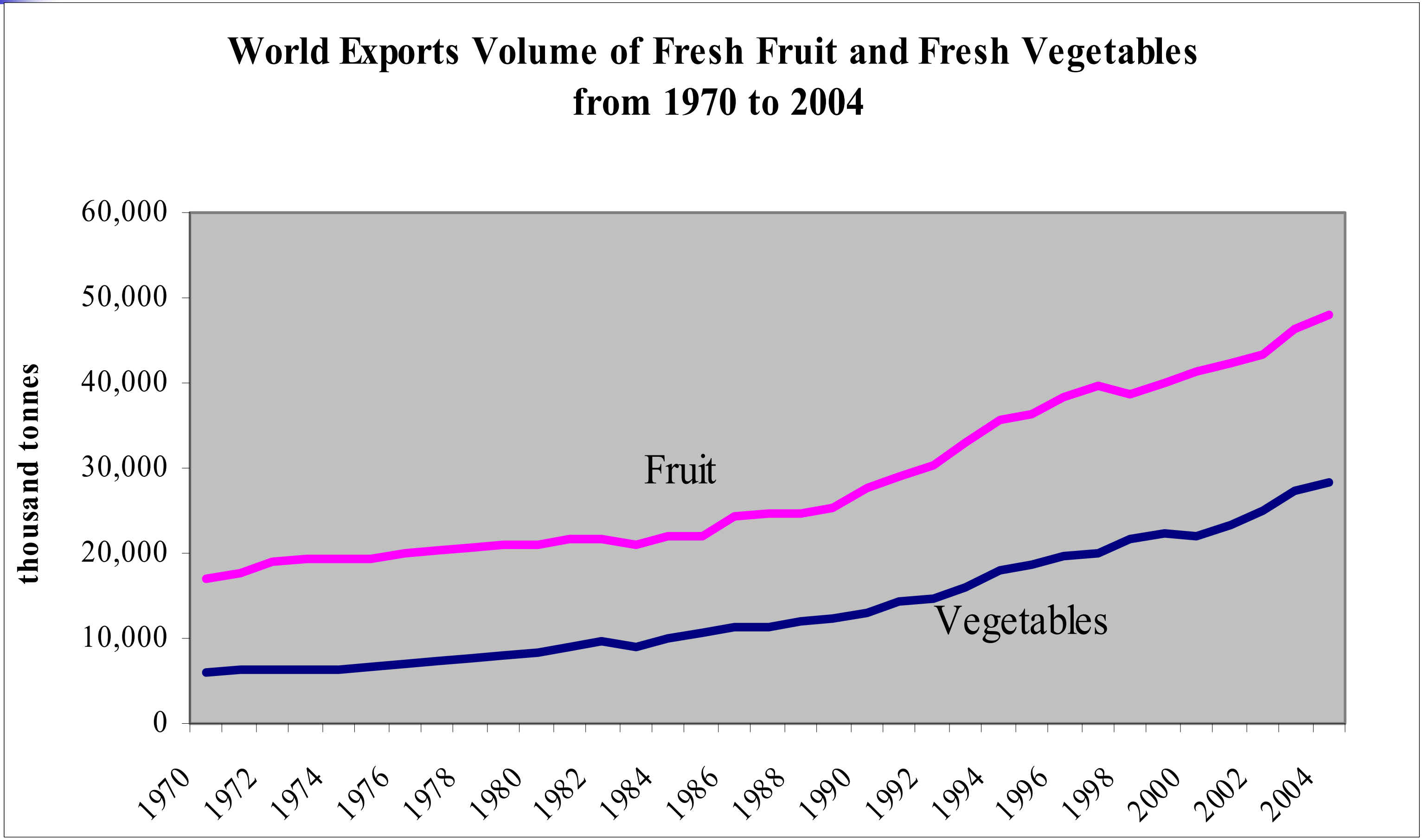
Trends in Horticultural Product Trade Opportunities for Developing Countrie

Pascal Liu
Trade Economist

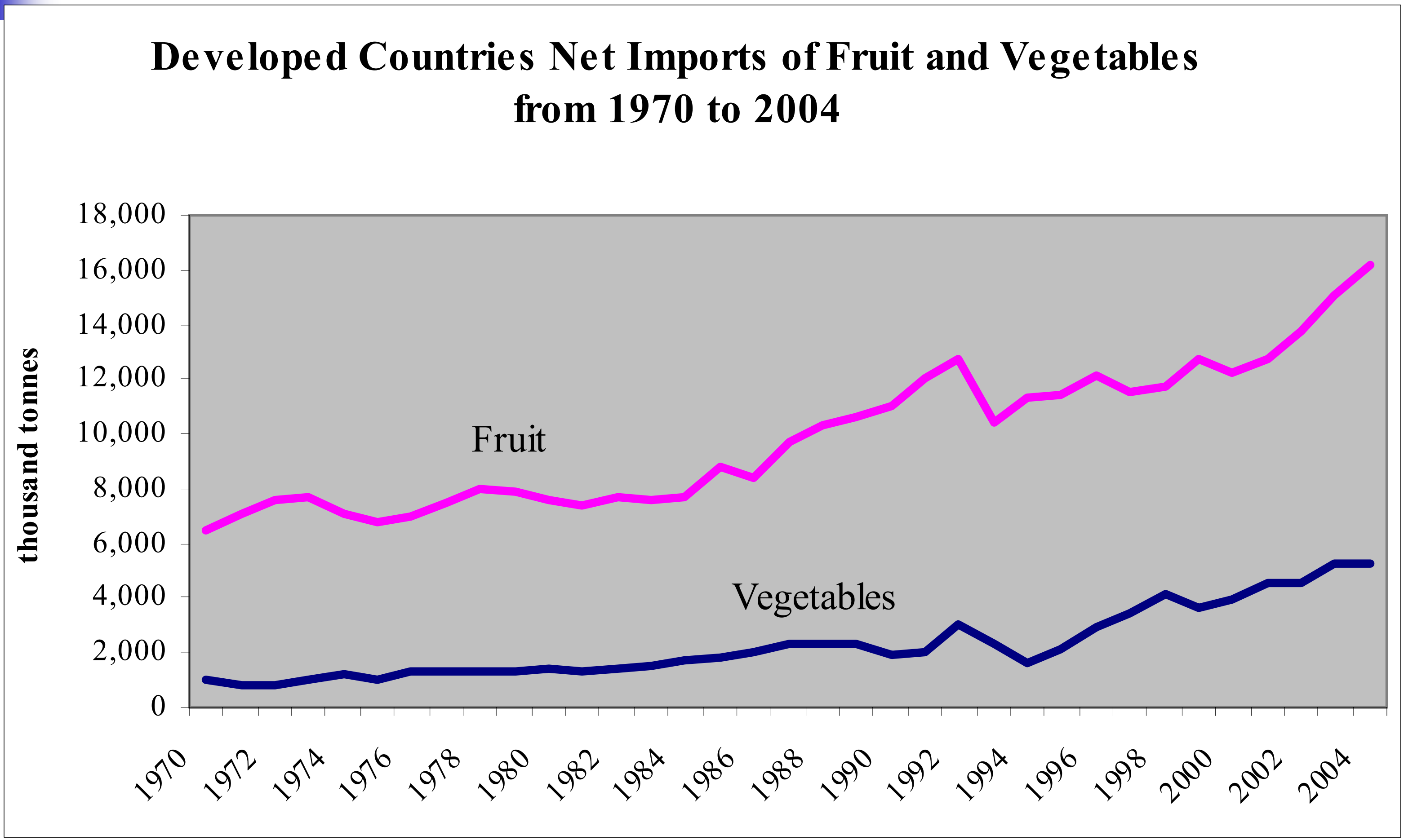
Outline

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

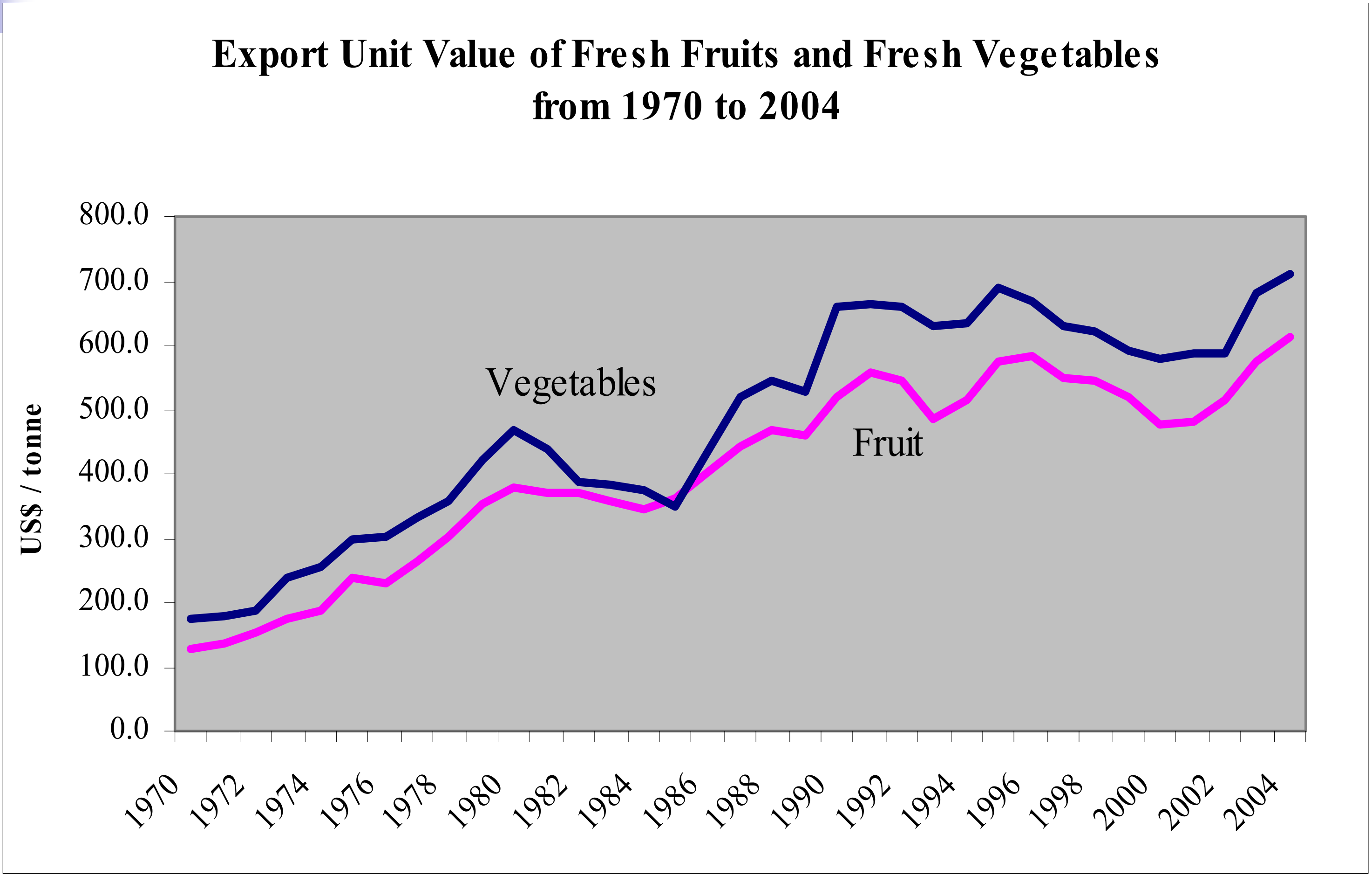
1. World Trade in F&V



Developed country imports



Export prices for F&V



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

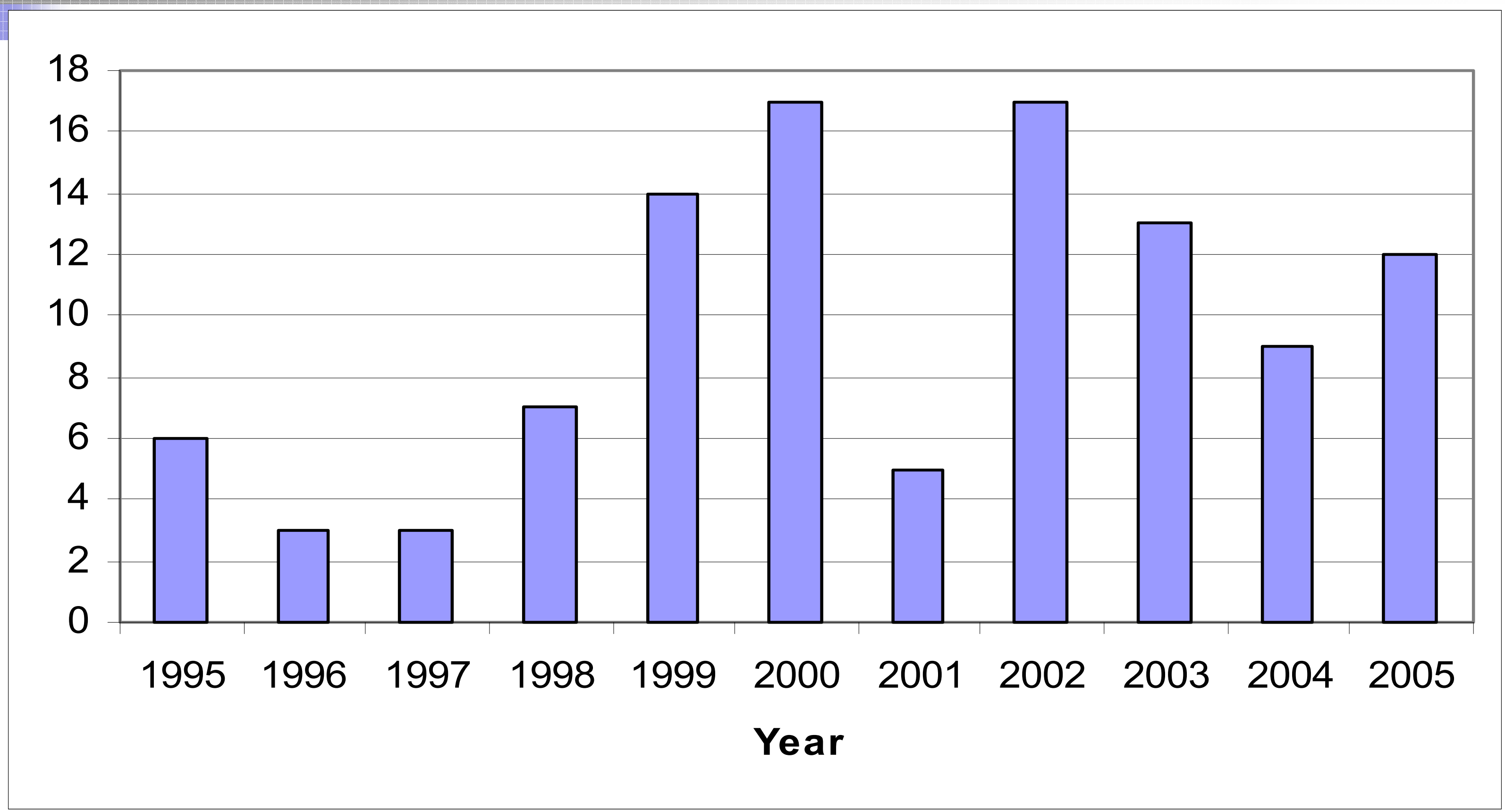
SPS measures

- 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

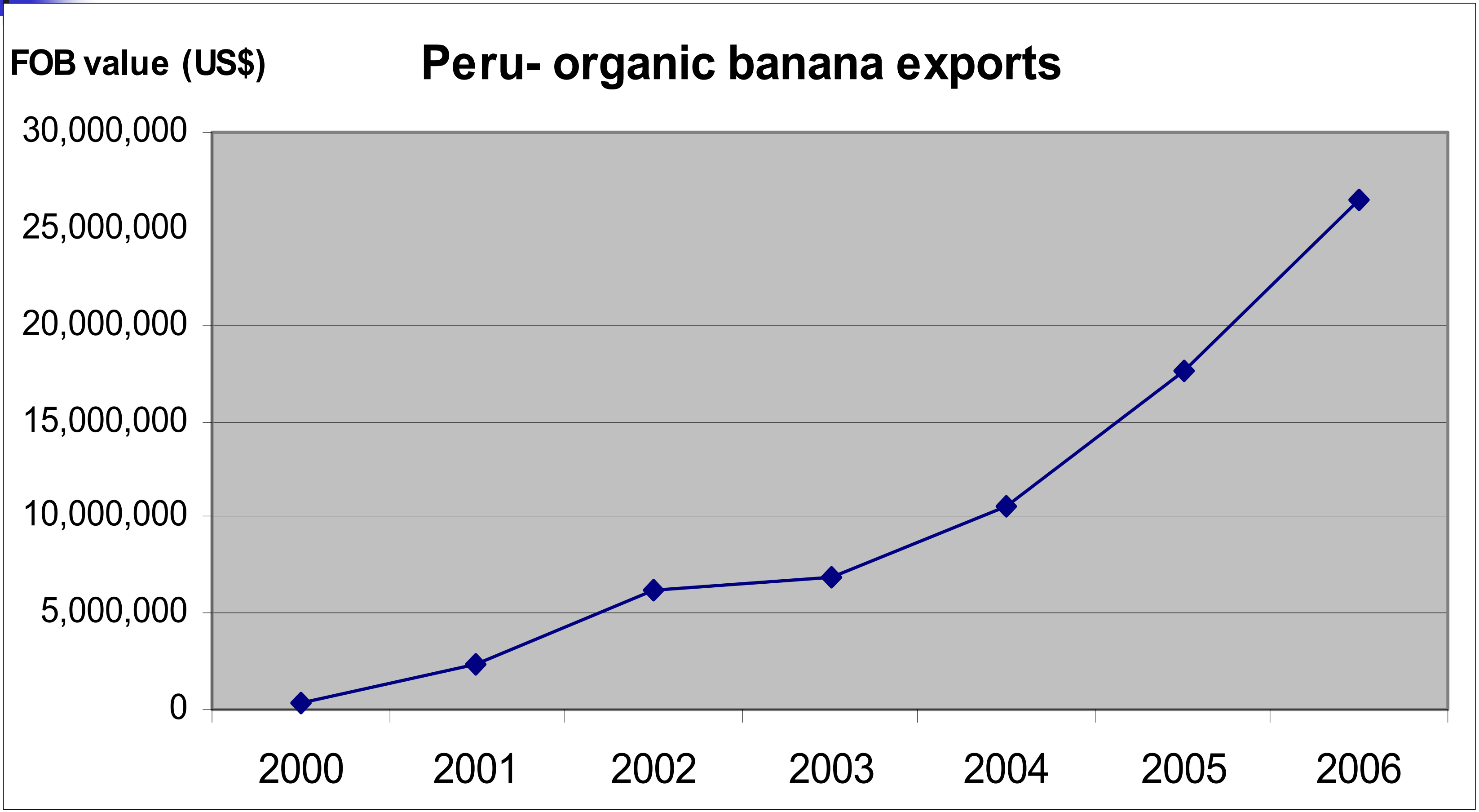
Adding value

Certification:

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

Adding value: organics

Organics: an example



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