

28April 2017

Freshfel position paper on Modernising and Simplifying the Common Agricultural Policy (CAP)

Freshfel Europe, the European Fresh Produce Association, is the Association representing the fresh fruit and vegetable supply chain in the European Union. Freshfel is in the transparency register under the reference: 1637225479-02. Freshfel Europe incorporates more than 200 direct members and associated members, including companies and national associations of producers, shippers, exporters, importers, distributors, retailers, and their service providers. Through the membership of national associations, Freshfel Europe also has a wide, representative outreach of the EU production and trade.

Freshfel's mission is to create a favourable environment for the fresh fruit and vegetables sector, to facilitate competitiveness of fresh produce, to improve the efficiency of the supply chain, to assist operators complying with the highest food and plant safety rules, to enhance the position of fresh fruit and vegetables in international trade as well as in research and innovation, to secure a favourable environment to promote the benefits of fresh produce with the ultimate goal of stimulating the consumption of fresh fruit and vegetables.

The CAP can provide tools and incentives to achieve some of the above objectives for the fruit and vegetables sector.

1. Relevance of the fruit and vegetables sector in the CAP

The fruit and vegetables sector is a key business sector for the EU social and economic agricultural activities. Indeed, according to the latest EU fact sheet on agricultural statistics, fruit and vegetable production accounts for over 21% of the value of the total EU's agricultural output, though the fruit and vegetable producers only use ca. 3% of the EU's cultivated area. Despite being an important and efficient sector, fruit and vegetables only receives 3 to 5% of the CAP expenditure.¹

The total production value of fruit and vegetables is estimated to be over 73 billion EUR. The industry estimates that the whole fruit and vegetables supply chain has a turnover of more than 200 billion EUR. With approximately 1.4 million farm holdings producing fruit and vegetables, it is estimated that up to 3,5 million employees are active in one of the segments across the supply chain, being either in production and post-harvest production activities, or within the wholesale, trade, distribution logistics, and retail channels.

As such, the fruit and vegetable sector is an important player when it comes down to labour and societal impact on a sustainable future, creating jobs and growth of the economy.

Finally, it is to be reminded that the fruit and vegetables sector has various specificities that require particular attention in the CAP. Fruit and vegetables incorporate a wide diversity of products, most of them subject to long term investment both for permanent and non-permanent crop. Due to the high level of perishability, most of the products need to cope rapidly with market fluctuation, given the impact of climatic conditions both on supply and demand. This could lead to high volatility of prices.

¹ https://ec.europa.eu/agriculture/sites/agriculture/files/statistics/factsheets/pdf/eu_en.pdf

2. Simplification and modernization of the CAP to cope with evolving needs

The CAP has a number of instruments that are relevant for the fruit and vegetable sector, which should be maintained when aiming at modernizing and simplifying the EU agriculture policy. Overall, the CAP should aim at guaranteeing income, and stimulate growers to deliver European fruit and vegetables with the highest standard at affordable prices for the European consumers on the internal market, and be competitive on international markets.

A simplified and modernized CAP should maintain its market-orientation, whilst providing efficient and flexible mechanisms to prevent crises (organization of the production, infrastructure to protect orchards...) or tools to manage crises (safety net, risk management tools or exceptional measures). A swift access to those tools are of paramount importance for highly perishable products, such as fruit and vegetables, with a supply and demand that are both heavily depending on climatic conditions. The tool box should be ad hoc to minimize the impact of production losses (insurance products, mutual funds) or find alternative markets (exceptional measures, promotion...) Havocs in production loss are likely to become more frequent with the on-going consequences of climate change. A modernized and simplified CAP should therefore increasingly contribute to help growers mitigate the increasing impact of climate change on crops. Appropriate measures need to be in place in the CAP to protect growers and operators from the effects of that volatility to best protect their business. The tools to remedy crises should be as much as possible market oriented to value the production, but should also refrain from leading to distortive measures inside the supply chain.

The revised CAP should also continue to enhance quality policy with adequate tools to stimulate Integrated Pest Management (IPM) and Good Agricultural Practices (GAP) among the production at large. Quality schemes should also be maintained, but their management should be simplified. Marketing standards will remain an important reference to market quality products, but those standards should take due consideration of other European food policies and international standards to prevent confusion or unnecessary discrepancies.

Overall, the simplified and modernized CAP should consequently be complementing and in full coherence with European policies, such as food and plant safety, environmental and sustainability policies, and trade and market access policies.

3. Simplification and modernization of the CAP while consolidating existing CMO tools through increased confidence

The existing CAP instruments governing the fruit and vegetables sector in the Common Market Organization (CMO) are primarily structured around producer organizations (PO) and operational programmes. Those should not be discontinued and their attractiveness should be further enhanced. In recent years, several challenges were experienced affecting the legal security of the POs and their investments within operational programmes. This breach of legitimate expectation is a major reason for the most recent lack of attractiveness of POs with operational programme for many growers. Besides, the unanswered questions or grey areas in regard to the compatibility of the CAP objectives with the EU and national competition policy led to a cautious approach of POs and APOs in their activities within the CMO.

To make transnational POs more attractive and therefore enhance the pan-European dimension of the CMO, some adjustments should be considered to facilitate the setting up of transnational POs, e.g. through the coordination and supervision of an EU agency, such as CHAFEA.

Besides, to have a better outreach for interbranch organizations, some improvements should also be made to increase efficiency of this specific instrument. Interbranch could play an important role in market transparency,

best practice and self-regulation. Interbranch could be in particular a valuable tool to detect, prevent or remedy to market crisis. Facilitating the environment to reach interbranch agreement, their implementation and enforcement through extension of rules would be an asset at national level while recognition of similar agreements within a pan-European interbranch environment would also need to be considered in a modernized CAP.

4. Simplification and modernization of the CAP with increased need to support Research and Innovation

For the agricultural sector to be sustainable, but at the same time also be competitive, the CAP should sufficiently stimulate funding for private and private-public research in the agricultural and food sector. Investments in innovation ensures that the sector can live up to today's challenges, not only regarding climate change, but also to maintain its competitiveness.

Therefore, the future CAP should continue to feed into the successor of the Horizon 2020 scheme, FP9. Future CAP needs to support the link between the agricultural, and research and innovation policies via the EIP-Agri. While the focus of the research topics should be on improving the quality of the products to maintain the competitiveness, it is important that the whole supply chain is taken into account, such as aspects relating to packing, storage, distribution, cold chain efficiency, and nutrition and health aspects, in order to make the whole sector more sustainable.

5. Simplification and modernization of the CAP to best position fruit and vegetables on internal and international markets

While the simplified and modernized CAP should continue to contribute to high quality fruit and vegetable production at affordable prices for the internal market and at the same time maintain its competitiveness for promoting exports to the international markets, further assistance would be needed to conquer consumers.

The promotion policy is therefore an essential tool, both for the internal and international trade of fruit and vegetables. Within a simplified and modernized CAP, the promotion and information policy should be kept and even further reinforced. Among the priorities for simplification, more flexibility is needed in the format of the annual work programme. Under the new regime, the promotion and information priorities have been fragmented in multiples objectives with different budget headings. The current system leads to a multiplication of the programme to be prepared and reviewed, implying a detrimental work load for business operators and public administration.

A better balance between the single and third countries markets should be considered, while priority should be given to multi programmes for an EU added value. The visibility of the origin, as well as a guarantee of a maximum flexibility for the priorities of the actions, should be a key objective in a reformed CAP for securing the best efficiency of the programmes and the best return on investment, with the guarantee that the best programme will be selected.

In regard to international trade, the CAP should be complementary to the EU trade policy and assist producers and exporters to cope with SPS constraints than hinder export opportunities. The fruit and vegetable sector was the sector primarily affected by the Russian embargo. This has long lasting implications. The efforts of the European Commission to diversify and open new markets after the Russian ban are welcomed. Bilateral negotiations undertaken by the European Commission to conclude new FTAs, are useful provided SPS matters are addressed to secure reciprocity in the concessions. To support SPS negotiation, a database of existing and pending protocols should be built to secure a level playing field for all European exporters and bundle efforts to open new markets.

CAP market instruments on the import side, such as trade mechanisms (TRQ, entry price...), should also be simplified by making them more transparent and efficient. They should be managed in close cooperation with the Customs Department. Whenever appropriate, the materialization of the management should be introduced (e.g. electronic certification), in line with the European Commission’s Digital Agenda.

Finally, existing initiatives such as the Dashboard and Agri-Outlook studies should be further developed and expanded to key fruit and vegetable products. Volume fluctuations and price volatility are inherent features of fruit and vegetables markets, which depend heavily on precarious features such as weather, climate shocks, natural disasters, or external bans. Having a good overview of market development and outlook could assist business operators to take informed decisions and improve market conditions.

6. Simplification and modernization of the CAP, an opportunity to drive consumers towards a healthy and sustainable diet

Despite the omnipresent evidence of the healthy benefits of eating fruit and vegetables, an alarming trend over the last decade shows that the fruit and vegetable consumption in most Member States was stagnating or even declining since the turn of the century. Despite a perceived recovery in the last few years, the low level of fruit and vegetable consumption is detrimental not only for the growers’ activities and their return, but also more broadly for the EU economy. Indeed, the rapid rise of obesity and proliferation of non-communicable diseases imply severe consequences for the productivity for the EU work force, and for the social security budget of the Member States. Consequently, to mitigate this dramatic situation, CAP instruments like the Fruit and Vegetables School Scheme should not only be maintained, but also further reinforced in a modernized CAP. It will educate future consumers with healthy diet options. This would not only benefit the fruit and vegetable growers, but would also underline the “public goods” aspects of the fruit and vegetables category. Beyond the health benefits, overwhelming evidence can be provided on the wide sustainable aspects of fruit and vegetable production in regard to e.g. water and carbon footprint. Enhancing sustainable production in the CAP could contribute to the EU’s commitments within the Sustainable Development Goals (SDG) and climate action (COP21).

To drive consumers towards a responsible, healthy, and sustainable diet, the CAP should continue to have an ambitious promotion policy, which should prioritize products with a positive impact. In the past years, the fruit and vegetables sector had to compete with agri-food products with high fat and sugar content, which historically widely benefited from CAP funding. A modernized and simplified CAP – possibly with tighter budget – should consider rebalancing support to secure that those products providing multiple assets from a health and sustainability perspective, will be granted an appropriate support, with the adequate instruments that they deserve, to fully perform their role for the benefit of the growers, traders and consumers.

7. Conclusion

The future CAP should aim to be market oriented, to provide non-discriminatory, clear, simple, and transparent rules, and to be fully coherent and complementary with other EU policy areas. Despite uncertainties regarding the future Multiannual Financial Framework, the budget should be sufficient to reflect all the above objectives in order for the future CAP to deliver ambitious and rebalanced return for the fruit and vegetables sector to the level of its contribution to the agricultural output.

+++++