

**Line to take for Pipfruit Market Observatory Pipfruit
8th March 2022**

Statement of solidarity

The apples and pears sector is exposed to unprecedented business conditions resulting from the combined effects of increased costs in the aftermath of the COVID pandemic and the geopolitical instability leading to the Belarus embargo since January 1st and the closing of the Ukrainian market following the Russian aggression in Ukraine and the subsequent international sanctions upon Russia, reshaping completely the global business environment. Within an interconnected and international fruit and vegetables sector, thoughts and solidarity go from the European fruit and vegetables sector with those suffering from the violence and stolen freedom from this situation.

These worrying developments are also deeply impacting the sustainability and competitiveness of the European apples and pears production, trade and consumption.

Statement on sustainable production and market development for apples and pears

For apples season is developing under a very complex background. The apples season timeline is marked by a cascade of events.

- The final 2021/2022 European crop figures for apples approaching 12 Mio T, the outlook for the season was with multiple concerns, given the second large crop ever in Poland with 4,3 Mio T and some specific organoleptic aspects of the crop with frost damages in several member states and many small sizes.
- The rising costs of production input, energy and logistics is seriously impacting the competitiveness of production. This is one of the dominating concerns, considering that more increases are still expected in the coming months in particular on energy and fertilizers.
- This season is also fully exposed to the economic crisis which affect the purchasing power of European consumers, forced to carefully balance household budget between increase energy invoices and budget for food. This is translating into a drastic slowdown of consumption across Europe.
- On-going high stocks of apples at this stage of the season with 3,6 Mio T still to be sold on 1st February, the third largest historically but within a worrying market outlook, given perturbed expectations for export and consumption.
- The stock de-storing in Poland early this year was mainly sustained by a strong demand for processing, which is expected to be soon saturated both for AJC and NFC. In Poland the rate of processing could reach this year between 60 to 70% of the crop. If processing uptake decrease, combined with slow demand for fresh and on export, it will lead without any doubt to a catastrophic end of the season.
- On export, logistics prices and availability negatively impacted the whole export season on long distant market while being also concerned by multiple market access hurdles.
- Prices for apples on the market are progressively declining across Europe and have been very low in Poland with many concerns for the sector.

For pears, the outlook was better for this season given the extremely low crop of Abate in Italy with a very satisfactory first part of the season, which could however finalize under more pressure. The pears season timeline is marked by a cascade of events.

- The EU pears crop was finally set at an unprecedented low crop at 1.6 Mio T, the lowest ever , 26% lower than last year, corresponding to a shortage of 570.000 T to last year. Record low crop was registered in Italy (-67%) but also in France (-58%) and Greece (-45%). While Abate is down by 79% to last year, conference crop is also lower by 10% due to medium low crop in Belgium and Netherlands.
- Pears market was stable and average prices over average but became under pressure since week 6.
- Despite manageable stocks, prices are now declining due to lower demand in Eastern Europe, returning class II from Belarus placing pressure on the market.

Consequently, under these intricate situation, the apples and pears sector is collectively and unanimously calling the authorities to give perspective and set up tailor-made solutions for the sector for stabilizing the end of the season. The apples and pears sector is calling for the following much needed measures:

- Short term conjunctural temporary market support for apples **withdrawal in Poland organized through producers organizations for their members and individual growers eager to join forces with the PO**. Withdrawals should be primarily- but not exclusively be dedicated for refugees and food aid to Ukraine through charity. Other outlet could be considered for energy (biogas) or boosting healthy eating habits of the youngest. Actions should be complementary and not competing with existing distribution channels. An orderly management of the withdrawal scheme will maximize the efficiency of the usage of public money and provide a further incentive towards organized production converting the punctual conjunctural measures into an incentive towards a more structural change of the production.
- Under the current circumstances of high and on-going rising costs, **more flexibility should be granted to Producers Organizations and their Operational Programmes to engage with additional actions** needed to a changing business environment and cope with rising costs.
- Further **flexibility might also need to be considered with the National strategy to lower some of the ambitions of the Green Deal, the Farm to Fork and the FIT 55 strategies**. The set aside flexibility will address points of concerns for the wheat/grains sector and proteins. Fruit and vegetables might require some adaptations as well on the National Strategic plan

Statement on sustainable trade and consumption

Intra-EU trade and exports of apples and pears are under pressure due to a complex seasonal background driven by the following timeline:

- Market situation for apples is the most worrying given trade perspective, stocks level , saturating processing outlet and poor demand. While the outlook for pears is more stable and overall satisfactory prices given shortage of production , this does not mean a positive return for growers affected by the huge scarcity of production and sales. No conclusions on market stability can be taken from report of CAT 1 , and one should look at interaction on the market with other fruit and veg and also with other food.
- During the last decade, the fruit and vegetables sector and apples and pears as lead exported products have been repeatedly hostage of the consequences of geopolitical disputes. The most important destinations in EU neighbourhood for apples and pears were challenged , one by one: Russia in 2014, Algeria in 2016, and now Belarus in January 2022 and Ukraine in February 2022. For fruit and

vegetables, it is more than 3 billion € of business at stake. 80% of EU fresh produce exports are to EU neighbourhood and market diversification is slow, and increased competition is met from new countries some of them beneficiaries of FAO and World Bank investment in particular in Central Asia. Iran is now also more active on international market , including in Russian and in India.

- Today, the consequences of the Russian embargo are not yet fully absorbed and are further exacerbated by the new developments. Given the long term investments in orchards and the challenge of repositioning production in new market outlets due to complex, timely and costly market access negotiation, In 2014 exports of apples to these destinations amounted to more than 1,1 Mio T for apples and close to 300.000 T of pears representing about 10% of EU production for apples and 15% for pears. To these destination, export does not exist anymore. Countries most affected are Poland, Belgium, Netherlands, Italy and France.
 - Since early March uncertainties are also coming from Egypt with the introduction of letter of credit which could limit shipments which today reach 300.000T.
 - The export outlook for all European apples and pears is also at stake given on-going logistics constraints with containers shortage and high prices
 - The new SPS rules for Great Britain on 1st July remain as well of point of concerns with upcoming introduction of phyto control combined with reluctance of the Commission to remove the reduncant marketing standard certificate
 - Several destinations among out potential allies such as USA , Japan or Australia, South Korea, Turkey, or Peru remain hermetically closed for apples and pears while access to Mexico is limited and under excessive conditions.
 - India and Southeast Asia remain markets with some perspective of growth, despite sometimes discriminatory market access conditions such as the Vietnamese cold treatment requirements for Italian apples. Overall EU apples and pears face increased competition of new suppliers from Serbia, Turkey, Central Asia or Iran.
 - Furthermore, poor market conditions are now also increasingly experienced in Eastern EU countries in market such as Romania and Bulgaria.
 - On the competitiveness , several financial aspects should be highlighted:
 - In the last year the exchange rate witnessed a weakening of the € and PLN to the \$ respectively by 8% and 14%.While this could improve the competitiveness of European products, this advantage is offset by the rising costs in the supply chain some of them being purchased more expensive as in USD including logistics.
 - The increased costs in the supply chain are unprecedented for
 - production input including plant protection products, fertilisers, wooden pallets, cardboard packaging, plastic packaging, altogether by at least 20 to 30%
 - energy and natural resources : including gaz, electricity, oil, water, often by more than 100%
 - for logistics including transport and storage costs by at least 100% and 50% respectively
 - for services and human resources including labour, maintenances and insurances by at least 15%
 - for machinery, and other infrastructure costs by at least 20%
 - for new practices and certification to adapt to F2F biodiversity or organic commitments
- The increased costs are reaching the limit of the margin available in the challenging the long-term sustainability of production and trade of apples and pears. Those increased – corresponding depending of the product profile by 25 to 50% added costs of the per kg while the food prices increase was usually in the last season less than 5%

- The international turmoil's in the Eastern European neighbourhood is also raising serious concerns. Russia, Belarus, Ukraine used to import annually about 8 to 9 Mio T of fruit and vegetables., out of which 700.00 T of apples and 220.000 T of pears. With the introduction of banking restrictions, the suspension of traffic by larger containers carries such as Maersk , Hapag Lloyd, MSC will probably almost cancel the international fresh produce business with the regions. The 40% roubles devaluation and economic uncertainties will make business unreliable and unpredictable. There is therefore a significant concern of re-routing to the EU of volume initially planned for these Eastern destinations. Volume arriving into the EU without an identified market recipient, wrongly labelled for and not complying with EU safety and quality expectation would be problematic for the market stability. Concerns is not exclusively for apples and pears, but for all the fruit and veg sector due to interaction on the market
- Finally, on the EU market, the consumption need urgently to be even more stimulated. The consumption indicators in most of the member states witness a decline since the beginning of the season due to pressure on purchasing power of consumers with rising energy bills.

Consequently, under this intricate situation, the apples and pears sector is collectively and unanimously calling the authorities to give perspective and set up tailor-made solutions for the sector. The apples and pears sector is urging for the following much needed measures:

- Sustain market **stability towards the end of the season** using the instruments of producers organization in particular for apples , while for apples and **pears look beyond the season** with a crop going to its full potential next years for pears and look at **structural measures for apples** due to longstanding market changes.
- Consider the **activation of the reserve budget of promotion in the AWP 2022** to stimulate consumption and export
- **Sustain market access efforts to open market** in USA, Mexico, Japan, South Korea, Australia,
- **Preserve or improve market access conditions** in Egypt (Italy and Poland) , India (Germany) , Vietnam (Italy) , China (all)
- **Consider tools for market diversification in Africa** within the EU international partnership investment/Team Europe to secure appropriate logistics for European perishable products within temperature-controlled supply chain
- **Secure the necessary preparedness for controls and Phyto certificate for export to the UK**
- EU to remove the obligation of the **marketing standard certification for export to the UK**
- **Closely monitor the EU import trade** to prevent market instability. In the case of apples and pears, rerouting could be feared from Serbia, Moldova, Turkey and from the Southern Hemisphere: South Africa, Argentina and Chile.
- **Reassess the requirements and expectations of the Green Deal and the farm to fork, while being however still a priority to enhance a plant diet**
