Ref. Ares(2023)4622306 - 04/07/2023

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate E – Markets
**The Director**

Brussels,
AGRI.E.2/CW/pgg (2023)6975773

**MINUTES**

***Meeting of the Expert Group Fruit and Vegetable Market Observatory - Tomatoes***

**19 June 2023**

Chair: AGRI.E2

Organisations present: AREFLH, EUCOFEL, EUROCOMMERCE, COGECA, ECVC, COPA, FRESHFEL, TOMATOEUROPE, WUWM

## 1. Approval of the agenda and of the minutes of previous meeting

The minutes of the previous meeting and the ongoing agenda were approved.

## 2. Nature of the meeting

The meeting was hybrid non-public and was web-streamed with interpretation. Language regime: FR – EN – IT – ES – PT

## 3. List of points discussed

### 3.1. Fresh tomatoes

*3.1.1 Market situation in the EU and in Germany from consumers' view*

The situation of the retail sector was presented from the consumer side by an ad-hoc expert who focussed on home consumption (hence excluding all out-of-home demand) and on the German market, where most detailed data is available.

In general, tomatoes are the most important vegetables consumed in most EU Member States (MS) regarding quantity as well as value. With a retail turnover of more than EUR2bl, Germany is the most important tomato market in the EU, however this is mostly due to their large population: regarding consumption per household, Germany comes fifth after Spain, Poland, Italy and France.

Data are influenced by the fact that the "tomato basket" is quite different in the EU, namely the content of small more expensive tomatoes (cherry and cocktail) in the overall tomato consumption: DE, DK, SE have a big share in the composition (up to 60% in the case of DE), thus increasing the expenditure, whereas the share of small tomatoes is presumed to be much lower for PL and ES. Data shows that small tomatoes are gaining importance in many MS.

With regards to prices, retail prices in Germany are lower than in comparable MS like BE and FR, due to the high density of discounters on the market: around half the expenditure for tomatoes in Germany is indeed made in discounters.

After the peak reached during the COVID and due to high inflation, the quantities of fresh vegetables consumed decreased afterwords, while household expenditure increased at the same time. This is particularly true for organic tomatoes, which, together with the most expensive types, grew most in prices and their consumption dropped significantly in 2022 and 2023.

Across the year, tomato consumption in Germany is pretty stable, with a slight increase during the summer months; regarding prices, the peak occurs earlier in the year i.e. in March-April due to the fact that the consumption of small (more expensive) tomatoes is lower in the summer months.

Regarding the first months of 2023, there has been a reduction of supply mainly due to adverse weather conditions in ES and Morocco. In the EU this did not reduce however the availability of fresh tomatoes, like it was the case  in the UK where the prevalence of long-term contracts make that market more sensitive to times of uncertain and volatile supply. However, the low supply increased prices, which in turn reduced the consumption in the EU.

*3.1.2 Winter campaign and forecast for summer – Spain*

Over the winter campaign (October 2022 to May 2023), taking all vegetables together, the average price increased by 14% y-o-y; for tomatoes, the increase was 10%. In general, the lower tomato production led to increased prices.

For the summer campaign (from June to September 2023), the production in Spain is forecast to around 450 and 500 thousand tonnes i.e. 10% less than last year of which: 211 thousand tonnes for household consumption (down from 226 thousand tonnes in 2022), 15 thousand tonnes for out-of-home consumption, and 80 thousand tonnes for exports (down from 87 thousand tonnes in 2022). Household consumption is particularly high in the summer months, whereas out-of-home consumption is surprisingly low during these months.

There is high regional diversity regarding production methods and types of tomatoes. Regions producing most of the winter tomatoes represent less than 50% of production in summer. More than half the summer production comes from the provinces of Andalucia and Galicia, followed by Cataluna and C. Valenciana. Regarding the tomato types produced, the production does not mirror consumption as cherry and organic tomatoes are mostly exported. Less than 10% of small tomatoes and around 1% or organic tomatoes are consumed in Spain.

A survey on purchase criteria, which was carried out in November 2022 showed that the decisive factor for purchase is the price, followed by seasonality, origin and production method. Only 21% gave origin as purchase criterion, which was pointed out by the Spanish expert as a problem for the local producers.

<u>Competition with non-Eu suppliers</u>

Since 2014 the EU is facing a consistent increase of imports and reduction of exports; imports overtook exports in 2017, and the gap has been widening since then. Imports are expected to reach 800 thousand tonnes in 2023 whereas exports have been impacted by the war in Ukraine and Brexit.

While in the EU Morocco is the most important non-EU tomato supplier (which has also gained market share in the UK market), the importance of Türkiye should not be underestimated. Imports from Türkiye increased by 265% since 2014 and are estimated to reach 200 thousand tonnes in 2023.

Spanish producers lamented the fact that are more and more disadvantaged by increasing production costs (+51% since 2015 due to energy and labour costs) as well as increased requirements on production standards whereas social and environmental standards are considered lower regarding imported tomatoes. With regards to Morocco specifically, it was mentioned that as per the Green Plan, production is subsidized through a publicly funded desalinisation plant used for irrigation.

<u>ToBRF virus</u>

In Spain the virus was detected in all production zones. While it's currently under control, the situation is worrying, as the only measures to be taken is prophylaxis. Monitoring of all seeds imports is crucial, including those marketed as resistant or tolerant varieties.

Currently about 1% of the plants are affected, so no real loss can be attributed to the virus. Moreover, there are also other viruses affecting the tomato plants, whose impact is not really known for the moment. The main reason of the lower production remains the bad weather conditions and reduction of planting area.

*3.1.3 Winter campaign and forecast for summer – Italy*

The campaign so far is judged as satisfactory, although there was a fall in production, the prices made up for it. The COVID effect led to a 20% price increase for vegetables, but as of 2022 prices came back to the level of 2019. Due to reduced production, tomatoes kept the high prices. The inflation has led to the consumption of smaller quantities of lower quality tomatoes.

The 2023 summer campaign is impacted by adverse weather conditions, delaying the planting and reducing the harvest, and by lack of labour force. The lack of labour force should be addressed by more flexible working arrangements.

The ToBRF virus has led to a 10% fall in domestic production. Work to develop resistant varieties is ongoing. Systematic check of seeds is necessary to limit the propagation of the virus.

*3.1.4 Summer campaign (no winter campaign) – France*

With more than 500 thousand tonnes produced on 2800 ha, the tomato production in France was rather stable over the last 3 years. In 2022, 20% of the tomatoes were round, 40% vine and 40% small tomatoes. 90% of the tomatoes are produced under cover.

As in other producing countries, the general inflation led to a decrease in consumed quantity while the expenditure remained stable. For 2023, the average price is 4,2 Euros/kg, more than 6% higher than the year before.

With regards to organic production the share in overall production area rose from 17% in 2020 to 30% in 2021 and declined significantly in 2022. Organic production faces a strong disadvantage by national law: since 2019, the sale of organic products from heated greenhouses is not authorised between end December and end April, providing a big advantage to other producing countries (EU or non-EU).

Consumer preferences underwent another change with pre-packaged tomatoes gaining importance (up 15%) to the detriment of bulk.

In 2023, the production is mainly impacted by drought, lack of light and demand limitation due to high retail prices.

Morocco is the most important non-domestic supplier of tomatoes to France, and Moroccan tomatoes represent 63% of all French tomato imports. In 2022, imports from Morocco increased by 19% to 426 thousand tonnes. The increase is particularly marked in spring and summer (where overall import figures are low) as well as for small tomatoes. Indeed cherry tomatoes account for 30% of Moroccan imports. Also the French expert pointed out that the Moroccan tomatoes are more competitive in terms of price than locally produced ones due to different labour costs benefitting the former.

As French consumers value French production, the marking of the origin in well visible letters was pointed out as something that could make up for the disadvantage.

Finally regarding viruses affecting the plants, no incidences are reported yet on ToBRV in 2023 with however the appearance of clavibacter with a total of 30 cases detected so far with the propagation probably due to seed contamination.

*3.1.5 Winter campaign and forecast for summer for NL (and DE, BE)*

NL confirms the trend stated for other countries: tomatoes are still the most consumed vegetable, but “classical” types of tomatoes lose market share in favour of small tomatoes.

Total sales in the NL amount to 1,1 million tonnes, mostly exported (including re-export), with the main markets being DE, UK, PL and SE and only 9% marketed in NL.

In general Dutch farmers did quite well in spite of the spike in energy costs. This is because the energy contracts were mostly contracted in 2021 and unused energy was also traded back into the grid which brought some relief; a strong rise in prices could be expected now even if energy prices started already to decrease. The price hike experienced for tomatoes is mostly due to the increased consumption of small tomatoes, which have more value and are sold in small packages.

For this campaign, plantings were later than normal as they happened in November and December (whereas normally planting takes place between August and October). The question is if this could lead to an over-supply later in the campaign which could be partially mitigated by the reduction of private gardens production as well as production in other countries due to the current dry conditions.

Exports are expected to drop this year, partly due to a drop in production. Another reason is the expected decline of exports to the UK, hampered by the uncertainties regarding phytosanitary requirements as a result of Brexit. There were efforts to open new markets in Canada and the USA, but they are hampered by high freight costs. Japan has high phytosanitary barriers so that only a few hundred tonnes could be exported. Middle East could be an interesting export destination.

Production dropped by more than 15% in 2022: 5-10% of the decline can be attributed to the ToBRF virus, 7% to energy cost, and 1% due to new varieties with lower yield. Now the market should be more stable.

While the energy price peaked in September 2022, it is still fluctuating. 70% of energy was bought through long contracts, and 30% was bought on the spot market having to contend with relatively high prices. Those who had long-term contracts sold their energy to the communes at a favourable price, leading to a reduction of the production area for winter tomatoes from 800 ha to 200 ha.

Labour costs were also mentioned as a competition factor causing those varieties with the highest labour input not being produced anymore. Technological progress was mentioned as a way to be more efficient: for example, a new tomato picking robot is under development with trial on real life scale foreseen for next September. Another example mentioned was artificial intelligence which is more and more used for prediction on the most important factors affecting yields such as changes in temperature.

Regarding the future, new winter production is not likely to reach the 2018-2019 level but could still be reasonable.

Regarding the ToBRF Virus, the development of vaccines is under way, but virus is still regarded as quarantine disease. Resistant varieties are being developed, but their degree of resistance is still unclear. Until then hygienic measures are the only way to control the disease.

Regarding the organic production, less than 2% of NL tomatoes are organic, and in general the yield of organic tomatoes is far less than for conventional (between 7% and 55% less yield). Organic production in the NL is highly impacted by the fact that, although in general production conditions are very sustainable with closed circuits, most farmers do not produce on soil which doesn’t allow them to qualify as organic as per EU legislation.

*3.1.6 Winter campaign and forecast for summer for Poland*

Contrary to other countries, the production/consumption profile did not change very much: “pink tomatoes” are still the most consumed tomatoes in Poland, special and small tomatoes only make up for 15%, the rest being “classic” tomatoes.

As everywhere else, energy costs (up 18%) and labour costs (up 12 %) influenced production. While at the beginning of the energy crises, farmers lived from their stocks of fossil fuel, the situation become more difficult after: the energy prices delayed planting, which led to 20-25% decrease compared to last year.

Regarding the price of tomatoes, the highest hike increase concerned cocktail tomatoes, but with +32%, also pink tomatoes profited from a generous hike.

In terms of imports, NL and ES are the main tomato non-domestic EU suppliers. Consumer preference changed as better quality tomatoes was demanded. This impacted imports with increase (decrease) of tomatoes from NL (from ES).

Türkiye proved to be an important extra-EU new supplier with large increase. In the first quarter of 2023 imports were as high as last year during the whole year, and this year it has become so far the most important supplier.

Exports are mostly to UA, DE, UK although exports to UA practically stopped completely because of the war. This would make more tomatoes available for local consumption. DE is a stable market for small tomatoes.

Summer forecast: Due to the lack of artificial lighting in Poland, planting started later and a surplus in summer is expected. In general, there is the threat of instable supply and fluctuating volumes available week on week.

Polish production is also threatened by fraud labelling (which according to a survey could be as high as 30%) as well as aggressive price policy by retail and discount chains putting huge price pressure on producers.

Finally, the ToBRF Virus can lead to production decrease of up to 20% with the Polish expert lamenting that controls seem to be insufficient at the moment.

*3.1.7 Overview of extra-EU trade of fresh tomatoes in the EU in 2022 and first months of 2023 (France)*

Almost 800 thousand tonnes of tomatoes were imported in 2021, representing around 12% of the estimated available quantity in the EU: 70% of these imports are from Morocco which hence account for around 8% of all supply.

In France the imports in 2022 amounted to 570 thousand tonnes, 70% through Perpignan, which takes 438 000 tonnes of imported tomatoes, mostly coming from Morocco.

36% of the imports from Morocco are cherry tomatoes.

Re-exports amounted to 325 000 tonnes, and the destinations are much more varied: the main destinations are DE (32%), NL (20%) and ES (9%).

## 3.2. Processed tomatoes

Despite the bad weather in the EU and the USA and the very low production in UA because of the war, world production of processing tomatoes in 2022 only dropped by 5% y-o-y thanks to the recovery of the Chinese and Turkish production. The overall quantity in 2023 is forecast to reach historically high level of more than 42 million tonnes (around 11% y-o-y and 12% 5 vs 5-year average) due to: i) high production levels in China; ii) European and Californian production returns to "historical" productions; and iii) Ukrainian production is expected to recover partially. This increase resumes the upward trend interrupted in recent years, signal of a slight but constant increase in consumption worldwide. Despite the increase, the EU share is however expected to decline a bit (from 26% to 25%).

The cost increase of fresh tomatoes also affected the processing industry and prices are expected to go further up in the main producing areas to +45% in ES and +38% in northern IT. Even in China, price increase is expected to be around 25%. The key question of this marketing season is whether the market would be able to absorb especially in products with lower added value. Another key question is whether there would be the return of the “Chinese threat” as the temptation for re-processing industries, particularly multinational ones, could be very strong given the possible competitiveness of tomato paste produced in China whose costs are expected to increase less (and from a lower level) as China was largely spared from the energy price crises.

Finally, the expert pointed out an advantage of the European sector: a strong differentiation of production specialization in the main European production areas of processing tomatoes has favored the stability of European production and helped the sector to weather the market uncertainties and volatility. Indeed, the production in the EU is differentiated according to three macro producing regions: Southern Italy is more specialised in diced and peeled tomatoes, Spain and Portugal more in tomato paste whereas Northern Italy (and similarly, France) produces peeled, pulp and concentrate in roughly equal proportions.

With regards to organic, in line with the trend in organic fresh tomatoes, volume sold goes down and value goes up.

### 3.3. Short-term and medium-term outlooks

AGRI A2 presented the elements and concepts of the outlooks exercise performed by the Commission. Medium-term means up to 10 years. This takes into account many different elements, like for example changing consumption patterns, demographics, or the impact on export of availability elsewhere.

The experts were asked to provide their input in writing on the short-term projections presented and were informed that a survey will be shared with participants on medium-term outlook.

### 3.4. Evolution of consumption and prices for tomatoes and vegetables at retail level

The peak of inflation was reached some months ago, now it stands at about 6,1%. However, food inflation is still more than 12%, and will go down only in about 6 months. As matter of fact due to long-term contracts it takes some time for the reduction to reach the consumers.

Contrary to remarks from producers, it cannot be said that margins and profitability of supermarkets increased. Supermarkets feel they could not sufficiently pass on the price increase to the consumers, especially in basic products which already have quite low margins. Energy prices for cold chains had a big impact, and there were no savings to be made there. Discounters are generally better off because their volume increased so much.

The general trend, growth in retail sales values, but reduction of volumes (-4.9%) is also valid here. Consequently, consumers reduce consumption of meat, fish, fresh F&V and especially organic produce. More and more consumers buy in discounters as well as supermarket own brands. As many found the quality of supermarket own brands quite satisfactory, this habit is going to last.

Price is the main driver of consumption, only higher income consumers consider sustainability factors.

### 3.5. Update on WUWM project on wholesale price monitoring for fresh tomatoes

The project is carried out by the tomato sub-group of WUWM (World Union of Wholesale Markets), a network of wholesalers, retailers and street markets.

The results for three case studies (Paris - Rungis, Spain - Mercamadrid, Portugal - Lisboa, Coimbra, Porto and Faro) were presented and showed the increase in prices in the last years with the exception of French organic tomatoes in France. A word of caution was expressed by the expert on the price monitoring system results presented due to : i) no centralisation and homogenisation of wholesale information of this kind; ii) problem to compare data because of different denominations, typologies and categories; iii) data gaps in time series; iv) lack of information on origin; iv) only few markets inform about quantities; v) unsatisfactory price and volume indicators that would allow a quick and clear analysis of local and global dynamics on tomatoes market.

## 4. Next meeting

The next meeting is foreseen for 20 October 2023.

## 5. List of participants

See Annex

[e-signed]

Pierre BASCOU

List of participants– Minutes

***Meeting of the Expert Group Fruit and Vegetable Market Observatory - Tomatoes***

**19 June 2023**

| MINISTRY OR ORGANISATION |
|---|
| AD HOC EXPERT - HANS-CHRISTOPH BEHR |
| AREFLH (ASSEMBLEE DES REGIONS EUROPEENNES FRUITIERES, LEGUMIERES ET HORTICOLES) |
| EUCOFEL |
| EUROCOMMERCE |
| EUROPEAN AGRI-COOPERATIVES (COGECA) |
| EUROPEAN COORDINATION VIA CAMPESINA (ECVC) |
| EUROPEAN FARMERS (COPA) |
| FRESHFEL |
| TOMATOEUROPE (TOMATOEUROPE PROCESSORS ASSOCIATION) |
| WORLD UNION OF WHOLESALE MARKETS (WUWM) |