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# Support for Farmers' Cooperatives

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## *Sector Report*

## Fruit and Vegetables

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Jos Bijman

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# Support for Farmers' Cooperatives

## ***Sector Report Fruit and Vegetables***

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November 2012

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## **Preface and acknowledgements**

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives”, that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the “Support for Farmers’ Cooperatives” project this sector report on the fruit and vegetables sector in the EU has been written.

Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 27 country reports, 7 other sector reports, 33 case studies, 6 EU synthesis and comparative analysis reports, a report on cluster analysis, a report on policy measures for cooperatives in other OECD countries, and a final report.

Special thanks to Andreu Soler Celma for analysing the data and preparing most of the figures and tables.

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# 1 Introduction

## 1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from the fruit and vegetables (F&V) sector.

In this context, the specific objectives of the project, and this sector report, are the following:

First, to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in the F&V sector. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in the F&V sector.

## 1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

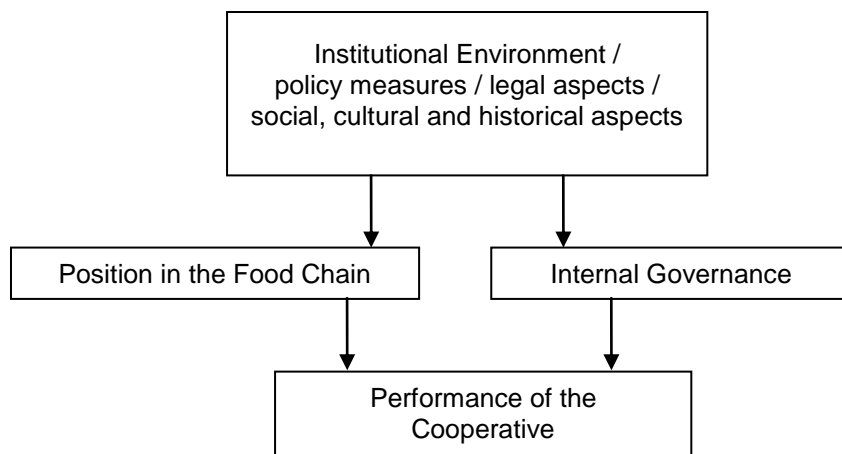


Figure 1. The core concepts of the study and their interrelatedness

### 1.3 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (from now on shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisation (often called federated or secondary cooperatives).

### 1.4 Method of data collection

This sector report is mainly based on the fact finding in 27 country reports, that were made earlier in this project, one per member state. In addition an inventory of policy measures at EU level was used. For these country reports multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

### 1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed. For member states that joined in 2004 and 2007 the focus is on the post-accession period.



## **2 Statistics on the evolution and position of agriculture**

### **2.1 Special characteristics of the sector**

The EU Fruit & Vegetables sector consist of a large number of different products. The most important vegetables, in terms of volume harvested products (2010 figures), are tomatoes (16.1 million tons), carrots (5.1 million tons), and onions (5.4 million tons). In the category fruits, the main products are apples (10.4 million tons), oranges (6.3 million tons) and pears (2.5 million tons).

F&V are characterized by the perishability and seasonability of the products, but also by the variation in quantity and quality (due to natural conditions). Both the variation in supply and the variation in demand (e.g. due to weather) lead to price volatility. Fresh products in general are bulky, as water is the main component of F&V. Perishability and bulkiness have major implications for logistics in the supply chain. Finally, in the consumer market fruits and vegetables are substitutes. Depending on the price, consumers easily shift to buying other fruits or vegetables. Another type of substitution consists of the different forms in which F&V are offered to consumers: fresh, canned, frozen or dried, prepacked or ready-to-use.

Most F&V products are very perishable, which means they have to be consumed soon after harvesting or that they have to be processed directly after harvest into a less perishable form. This applies to most of the leafy vegetables, the soft fruits and subtropical fruits. Other products can be stored, relatively easy, for months. This applies to carrot, onion, potatoes, apples and pears. This perishability has implications for the organisation of sales and distribution. For highly perishable products efficient logistics is more critical than for less perishable products. Also the relationship between seller and buyer is different for a perishable product, as the seller is more vulnerable to opportunistic buyer behaviour after a contract has been agreed.

Some countries and regions have specialized in the production of processed F&V products, while other countries and regions are specialized in the production of fresh produce. An important characteristic of the processing industry is the substantial economies of scale in processing facilities. Another characteristic is that processed F&V are more often sold under brand name than fresh F&V.

Food safety is an important issue in the F&V industry. On the one hand, the consumption of fruit and vegetables is considered of crucial importance for public health. For this reason, international organisations like the FAO and WHO, the EU and national governments are promoting the consumption of fruit and vegetables. On the other hand, the F&V sector is not immune to food safety problems, as was experienced in the 2011 EHEC crisis.

The F&V marketing system presents a complex and diversified organisational structure, with multiple players engaged in horizontal, vertical and diagonal transactions, multiple products, and seasonal variations. Logistics is one of the key factors in the marketing (or distribution) system, as products are often shipped over large distances, are perishable, and subject to rather volatile supply and demand conditions. Also international trade is substantial, both within the EU and with third countries. The technological developments in storage and transport has made possible that most F&V are now year-round available in European supermarkets. These developments have lead to additional competition for European producers of F&V.

The European Union dedicates part of the Common Agricultural Policy to the F&V sector. It supports producers and fruit and vegetable cooperatives by offering them support via various measures: the Single Payment Scheme; Producer Organisations; transitional payments for red berries; the promotion of agricultural produce; the School Fruit Scheme, and rural development measures. Most of these measures are, however, not specific to cooperatives. For the period 2007-2013, the amount of the Community's agricultural budget which will have been spent on

this sector will represent 3.5% of European Agricultural Guarantee Fund spending (Copa Cogeca, w.y.).

## 2.2 Share of the sector in agriculture and in National Product

A study of farmers' cooperatives can best start at the farmers side, in agriculture. The F&V sector represents close to 17% of the total value of agricultural produce in the EU and involves approximately 1 million farms specialising in fruit, vegetable and citrus fruit cultivation (Copa Cogeca, w.y.). Figure 2 shows the relative importance of the different production countries, as well as the development of individual country market shares in total EU F&V output. It is clear that Spain, Italy and France are the largest producers of F&V in terms of production value. These three countries account for more than half of the total EU production value of 50 billion euros.

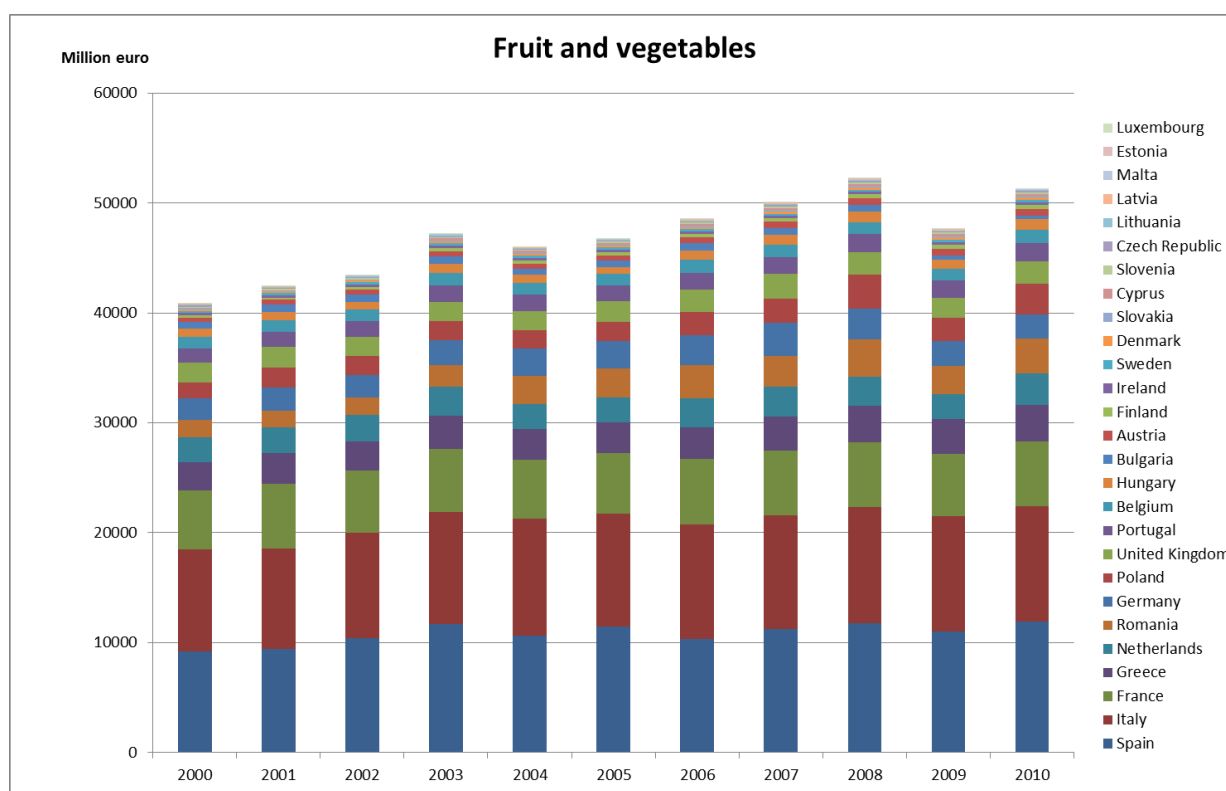


Figure 2 Trend in output fruit and vegetables sector 2000 – 2010. Source: Economic Accounts of Agriculture, Eurostat.

When focussing on individual products, the picture is more divers. For instance, Poland is a large producer of carrots, onions and apples. Table 1 presents the five largest producers (in share of total EU output) for the three main fruits and vegetables. For most of the main products, two or three countries account for more than 50% of total production in the EU-27. Spain and Italy account for 64% of all tomatoes, 84% of all oranges, and 49% of all pears produced in the EU-27. Apples are concentrated in Poland, Italy and France, together representing 55% of total production.

Table 1. Main producing countries of the main vegetables in the EU-27 for 2010 (% share of EU-27 total harvested product, in volume)

<b>Vegetables</b>					
<b>Tomato</b>		<b>Carrot</b>		<b>Onion</b>	
<i>Country</i>	<i>%</i>	<i>Country</i>	<i>%</i>	<i>Country</i>	<i>%</i>
Italy	37.1	Poland	15.9	Netherlands	24.6
Spain	26.6	United Kingdom	14.6	Spain	20.5
Greece	8.7	Germany	10.8	Poland	10.8
Portugal	8.7	France	10.6	Germany	7.2
France	5.0	Netherlands	10.0	United Kingdom	6.8
<b>Fruit</b>					
<b>Apple</b>		<b>Orange</b>		<b>Pear</b>	
<i>Country</i>	<i>%</i>	<i>Country</i>	<i>%</i>	<i>Country</i>	<i>%</i>
Italy	21.1	Spain	44.2	Italy	30.0
Poland	17.8	Italy	39.5	Spain	19.3
France	16.4	Greece	12.7	Belgium	11.4
Germany	8.0	Portugal	3.1	Netherlands	10.7
Spain	5.7	Cyprus	0.4	France	7.1

Source: Eurostat, Fruit and Vegetables, Annual Data

The F&V sector is particularly important in the Mediterranean countries, due to their favourable climatic and topographic conditions. The weight of the sector in the total agricultural production of the individual Member States is notably significant in Spain (27.6%), Greece (27.1%), Cyprus (28.1%), Malta (27.8%) and Italy (24.4%). In addition, there are a number of countries more to the north in which the F&V sector has a significant share of total agriculture. These countries are Belgium (15.8%), the Netherlands (12.9%), Poland (12.3%), Hungary (12.3%), the United Kingdom (10.5%) and France (9.9%).<sup>1</sup>

The major producing regions of the EU are Andalucía, Murcia, Provence Alpes Côte d'Azur, Emilia-Romagna, Campania, Puglia, and Sicilia. See map in Appendix III.

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<sup>1</sup> 2007 data; source: Camanzi et al., 2009: 3.

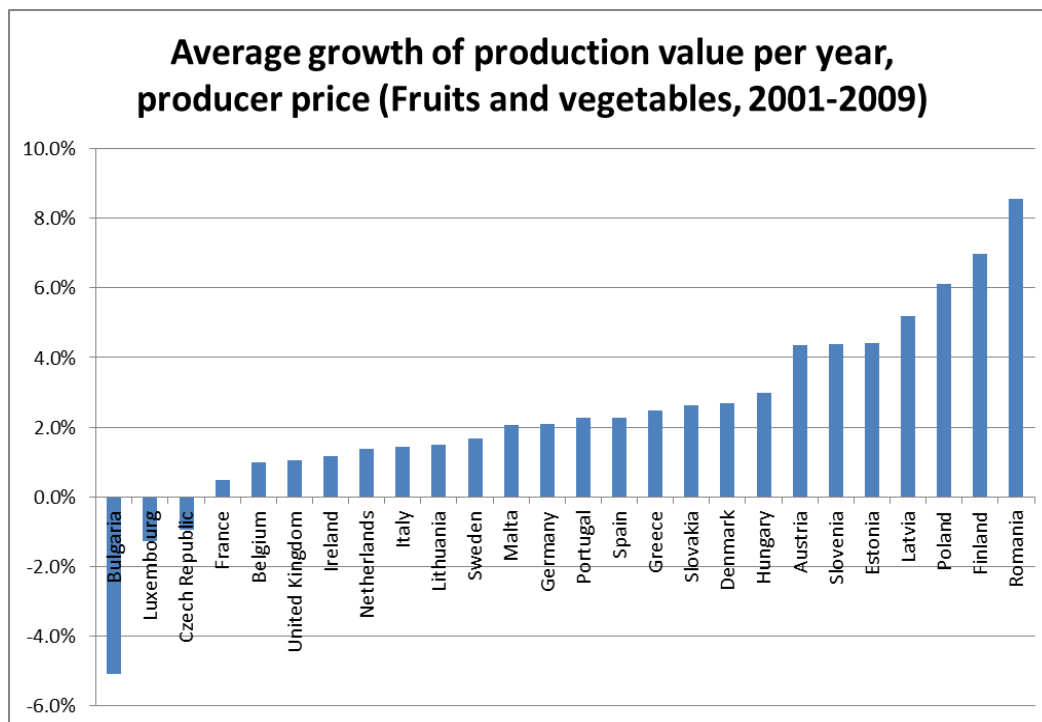


Figure 3. Average growth of production value per year (producer price), 2001-2009

In most EU member states, the production of F&V has increased (at least in production value). Only in Bulgaria, Luxembourg, Czech Republic and Cyprus, the total value of F&V production has steadily decreased over the decade 2000 – 2010 (see Figure 3).

### 2.3 Development in the number of farms

For the EU-27, the total number of farms engaged in F&V production was almost 900,000 in 2007 (Figure 4). Three countries – Spain, Italy and Poland – account for more than half of all EU farms producing fruit and vegetables. Other countries with substantial number of F&V farmers are Greece, Rumania, Portugal, France and Hungary. It is clear that the largest share of F&V farmers in the EU can be found in the Mediterranean Member States. The number of farms specialized in the production of fruit and vegetables is decreasing in the EU-27, especially in the Member States of the EU-15.

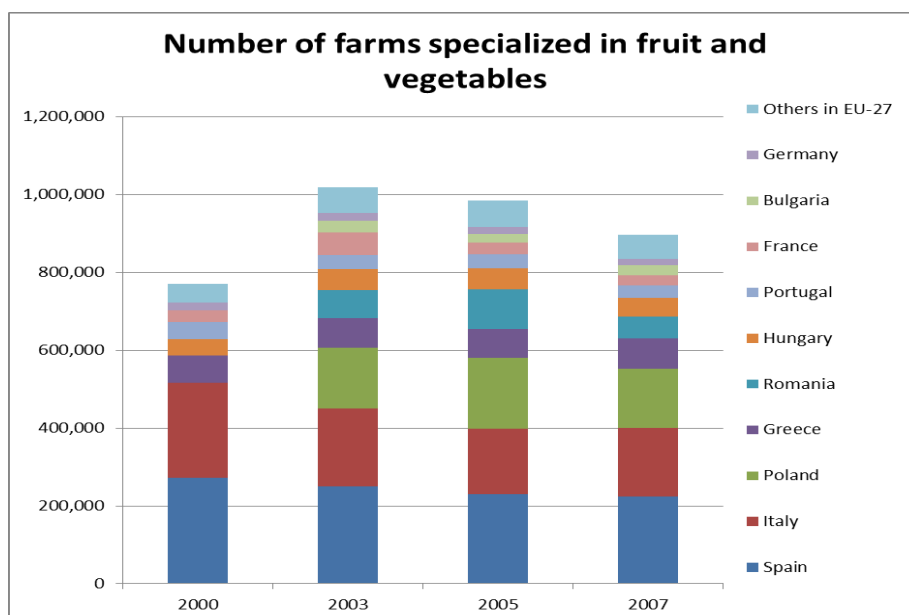


Figure 4. Number of specialized farms in fruit and vegetables, 2000 and 2007. Source: Eurostat, Farm Structure Survey.

### Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Figures 5 and 6 show the distribution of farms per size class, measured in European Size Units (ESU) for the Mediterranean countries (Figure 5) and for the North-West countries (Figure 6). The average size of the F&V holdings is much larger in the North Sea countries than in the Mediterranean countries. In Luxembourg all farms seem to be in the 16 to 40 ESU category, but Luxembourg only has a few specialized F&V farms.

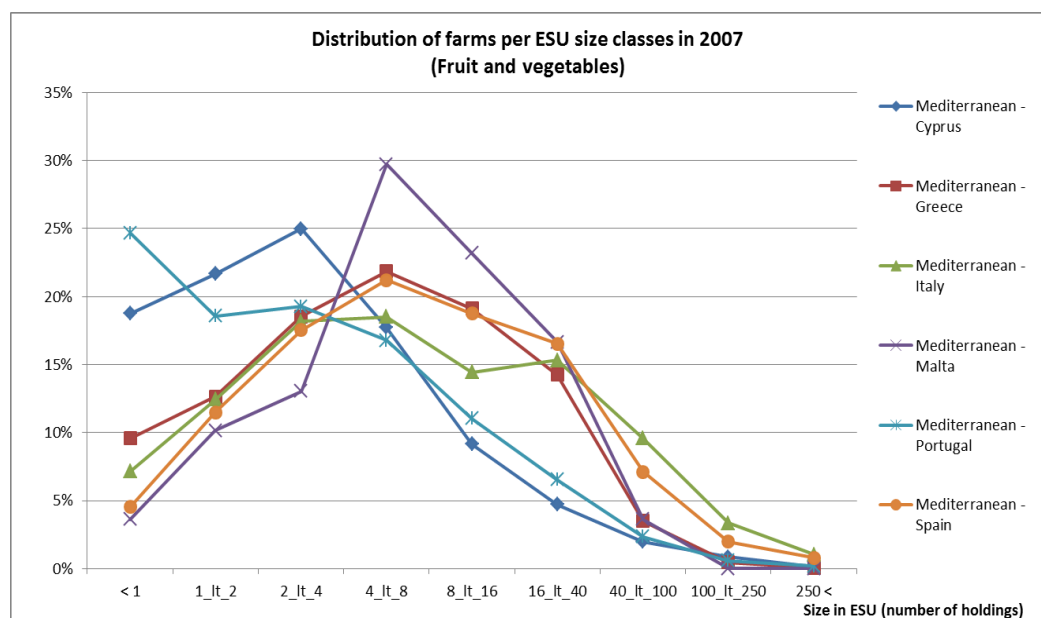


Figure 5. Number of farms per size class (measured in ESU), for the six Mediterranean countries (2007). Source: Eurostat, Farm Structure Survey.

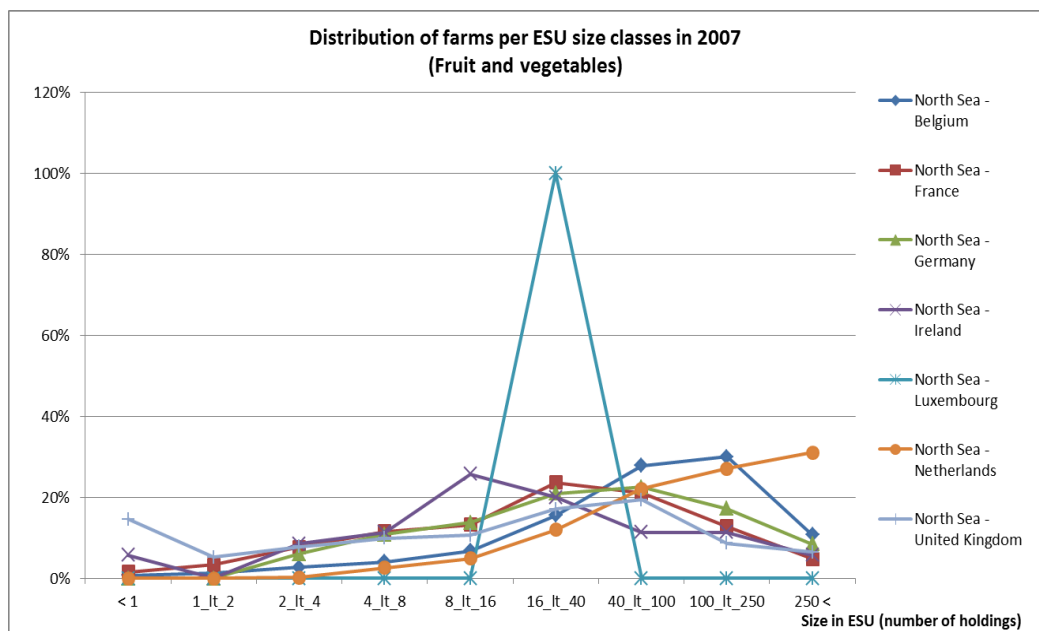


Figure 6. Number of farms per size class (measured in ESU), for the seven North Sea countries (2007).  
Source: Eurostat, Farm Structure Survey.

### **3 The evolution and position of cooperatives and their performance**

#### **3.1 Description of the food chain issues in the sector**

The position and performance of F&V cooperatives in the food chain is affected by a number of developments in the market for fruit and vegetables. Major developments are the increasing concentration of the market at the stage of distribution, strong competition from third countries, and stagnation of the consumption of the fruit and vegetables in the European Union. We will discuss each of these trends in more detail.

##### *Concentration in food retail*

Consumers buy most of their fruit and vegetables in supermarkets. For the major retail chains, F&V are an important category. Fresh produce is one of the categories that can attract new customers, and it is also an important source of profit.

The share of large retailers in the sales of fruit and vegetables to consumers is 75% in the United Kingdom and France, more than 50% in Italy and more than 40% in Spain (Camanzi, 2009). In the Netherlands, all supermarkets together account for 75% of all F&V sales (Bunte, 2009).

Concentration in the food retail sector is very high in most northern European countries, and is increasing in southern EU countries. In France, the eight major retailers account for 90% of all food sales. The eight supermarket companies buy their products through 5 purchasing organisations. In both Sweden and Denmark, the top three importers-wholesalers account for 80% of all food sales (Camanzi, 2009). In Spain and the Netherlands, the top 5 supermarkets had 66% share of the food market in 2007. The purchasing powers of supermarkets is actually larger, as only 3 purchasing organisations accounting for 73% of all food purchases (Bunte, 2009).

The concentration of food sales by just a few retail companies has implications for the position of their suppliers, and the balance of power between suppliers and buyers. In general, suppliers are much more dependent on the retailers than the retailers are on their suppliers. A study by the UK competition authorities showed that even large suppliers depend for 70 to 80 percent of their sales on just five retail companies, while the largest supplier of Tesco (the largest supermarket company in the UK) only accounts for 2.7% of all purchasing of Tesco (UK Competition Commission, 2000, p. 390). The same study also showed that large supermarket chains pay lower prices for their supplies than smaller retail companies.

Concentration in food retail is generally considered as disadvantageous for suppliers, as the food retail companies and their group purchasing organisations have substantial market power. However, concentration may also have some advantages. Larger companies have been more supportive of product innovation in the F&V industry. Large supermarket companies are better able to bear the risk of the introduction of new products, can store and present more different varieties of products, and have the resources to launch large-scale advertising campaigns to introduce new products and new product varieties.

Concentration among supermarkets has also lead to significant improvement in the efficiency of supply chains as the large supermarkets use sophisticated ICT and logistic systems (Bunte et al., 2011). Due to the competition among retailers, this benefit has been mostly passed on to consumers. Supermarket companies use distribution centres where suppliers bring their products and where different products are combined to be shipped to local stores. This has greatly reduced the number of deliveries to individual stores, and thus the amount of pollution resulting from such deliveries.

The dominant position of a small number of large supermarkets has also affected the structure of quality assurance in the supply chain. Over the last decades, large supermarkets have

introduced new (private) quality standards, such as BRC in the UK and GlobalGAP (formerly known as EurepGAP) in the rest of Europe. Suppliers have no choice than to comply with these standards. Originally, these private standards may have been introduced for competition reasons (Henson and Reardon, 2005), now they are the common standard for whole F&V industry.

The concentration and dominance of supermarkets in the sales of F&V to consumers has effect on the functions and structure of the wholesale companies that supply these supermarkets. Retail companies prefer to trade with a limited number of preferred suppliers. Thus, wholesalers are competing among each other to become preferred supplier. Also, retailers want their suppliers to be able to supply year-round a broad category of products, including seasonal products available off-season. Finally, retailers want large quantities of uniform products, in order to be able to sell the same products in all of their stores.

#### *Increasing competition from third countries*

European producers of F&V are experiencing increased competition from countries outside of the Union. Temperate climate fruits are imported from the Southern hemisphere countries like Chile, South Africa and New Zealand, particularly in the European winter season, but even beyond this season. In fresh vegetables like beans and peas the European producer has found significant competition from African producers, both from West-Africa (e.g. Senegal), East-Africa (Kenya and Ethiopia), and North Africa (Morocco, Egypt) and Turkey.

In the processing industry, the competition from outside the EU has a longer history. This competition is most strong in the low price category. For instance, China has become one of the worlds largest exporters of processed fruits and vegetables. Most European processors have shifted towards products with added value, such as high quality products and organic products.

#### *Stagnation in the consumption of fruit and vegetables in the EU*

In most the EU Member States, consumption of fruit and vegetables is stable or decreasing. According to the Freshfel Consumption Monitor 2010 (at: [www.freshfel.org](http://www.freshfel.org)), consumption of fruit and vegetables in the EU-27 decreased by 16% (or 100 gr) between 2004 and 2009. While there are good health reasons to enhance F&V consumption, consumers are actually consuming less.

### **3.2 Performance of cooperatives**

One of the indicators that can be used to measure the performance of cooperatives, is market share. Over the years 2000-2010, market shares of cooperatives in the F&V sector seem to have increased (Table 2).



**Table 2. Market Shares of Cooperatives in the F&V sector**

Country	2000		2010	
	Number of members	Market share (%)	Number of members	Market share (%)
Austria	-	-	App. 6000	>50
Belgium	-	80 (2003)	-	83
Bulgaria	-	-	-	-
Cyprus	-	-	> 5845	-
Czech Republic	-	-	163	35
Denmark	-	-	-	>50
Estonia	-	-	-	4
Finland	-	-	460	40
France	35,000 (2003)	Fruit: 35 Vegetables: 25 (2003)	35,000	Fresh fruit: 35 Fresh Veg.: 30 Ready-to-Eat Vegetables: 45 Canned Veg: 40
Germany	44,000	35	27,000	40
Greece	-	Fruit: 51 Vegetables: 12 (1996)	-	Veg: 35
Hungary	23,980 (2004)	16.1 (2004)	20,177 (2007)	18 (2010)
Ireland	-	-	-	-
Italy	107,620 (2006)	44	103,276 (2008)	50
Latvia	1 (2004) ?	3.3 (2004)	6 (2008)	12 (2008)
Lithuania	-	-	-	-
Luxembourg	-	-	-	-
Malta	1,703	22	1,520	>21
Netherlands	9,000	71	4,500	95
Poland	-	-	90 coops; 150 PGs; 20 other POs	11
Portugal	-	35 (only fruit)	-	25 (only fruit)
Romania	-	-	-	-
Slovakia	6 (2004)	-	7	10
Slovenia	24 (2003)	76 (2003)	26 (2008)	70
Spain	153,000 (2003)	15-45 (2003)	160,500 (2008)	50
Sweden	-	60 (1995)	-	70
UK	-	-	-	35

Source: Country Reports; most 2010 figures are experts' estimates.

- : not available

While the figures in Table 2 have been collected by the National Experts from either written sources or from national interest organisations, Table 3 is based on the database that the European Commission (DG-Agri) holds on the Producer Organisations in the F&V sector of the EU. This database consists of data on the structure and activities of all PO and APOs per Member State.

**Table 3. Share of F&V products marketed by approved POs (2009)**

Country	Number of POs	Total value of marketed products by MS (mio €)	Total value of marketed products by all the POs (mio €)	Market share of all POs (%)	Number of farmer-members of all POs
Austria	8	576	165	28.6	2,077
Belgium	15	-	1,006		16,894
Bulgaria	6	-	2,124		95
Cyprus	5	183	21	11.5	1,436
Czech Republic	8	-	938		155
Denmark	8	-	829		8
Estonia		-	-		-
Finland	5	288	57	19.6	325
France	277	-	2,625		22,349
Germany	32	-	1,091		8,526
Greece	151	3,221	347	10.8	92,317
Hungary	-	-	31		368
Ireland	4	-	138		77
Italy	112	-	1,160		27,282
Latvia	-	-	-		-
Lithuania	-	-	-		-
Luxemburg	-	-	-		-
Malta	5	21	6	27.1	433
Netherlands	20	2,120	2,345	110.6	4,493
Poland	22	-	-		-
Portugal	86	-	267		9,663
Romania	1	-	63		5
Slovakia	5	145	10	6.6	25
Slovenia	-	-	-		-
Spain	613	14,672	8,543	58.2	126,310
Sweden	9	195	114	58.4	442
United Kingdom	53	-	595		1,277

Source: EU - PO database DG AGRI-C.2; 2009 version

- : no data available

### 3.3 Description of largest farmer's cooperatives in the sector

Table 4 presents the five largest cooperatives in the F&V sector per Member State. The size of the cooperative is measured in turnover. It becomes clear that large differences in size already exist among the top 5 F&V cooperative per country. For several countries number one is more than 10 times as large as number five. Also huge difference exist among the different Member States. In Germany and The Netherlands, for instance, the largest cooperative has more than 1 billion euro turnover.<sup>2</sup> What is most surprising, is that in France, one of the major production countries of F&V, the largest cooperative only has a turnover of 218 million euro. Most of the large F&V cooperatives in the Mediterranean countries are secondary cooperatives (in Italy: 3 out of 5; in Greece: 3 out of 5; and in Spain: 4 out of 5).

<sup>2</sup> It should be noted that the turnover of Landgard includes ornamentals. The turnover for only F&V is almost 700 million euro. For Coforta/The Greenery the turnover includes the trade in non-member products. The turnover of only member products amounted to about 750 million euro.

**Table 4. Most important cooperatives in F&V sector, per country (2010)**

Country	Name of Cooperative	Primary (P) or Secondary (S) cooperative	Turnover 2010* (mio Euro)	Number of farmers
Austria	1. Efko Frischfrucht und Delikatessen GmbH**	P	120	158
	2. LGV-Frischgemüse Wien reg. Gen.m.b.H.	P	81	228
	3. Gemüseerzeugerorganisation Ostösterreich reg. Gen.m.b.H	P		-
	4. Steirische Beerenobstgenossenschaft	P	5	700
	5. Österreichische Bergkräutergenossenschaft	P	2	37
Belgium	1. Mechelse Veilingen	P	285	2090
	2. Veiling Hoogstraten	P	184	1090
	3. REO Veiling	P	178	2940
	4. Belgische Fruitveiling	P	145	
	5. Veiling Borgloon	P	83	1732
	6. Veiling Haspengouw	P	81	434
Bulgaria	1. Niva-93(Нива-93)			
	2. Edinstvo(Единство)	P	2	1224
	3. Hristo Botev-92(Христо Ботев-92)			
	4. Shatrovo-94(Шатрово-94)			
	5. Plodorodie-93(Плодородие-93)			
Cyprus	1. SEDIGEP Limassol	P	10	5384
	2. SEDIGEP Sotiras	P	6	230
	3. SEDIGEP Parekkliasias	P	1	134
	4. SEDIGEP Farmaka-Odous	P		
	5. SEDIGEP Argakas	P		
	6. SEDIGEP Lysis	P		
	7. SEDIGEP Paralimniou	P		
	8. NEA SEVEGEP	P/S	16	97
Czech Rep.	1. CZ Fruit	P	13	41
	2. OD Litozel	P	9	16
	3. Jihomoravská zelenina	P	34	9
	4. EB Fruit	P	0.002	12
	5. Družstvo producentů rajčat	P		17
Denmark	1. Gasa Nord Grønt	P	66	70
	2. Gasa Odense Frugt-Groent Amba	P	45	89
	3. Gasa Kolding AmbA	P	13	23
	4. Ørskov Friskfrugt AmbA	P	9	34
	5. Producentorganisationen for Dybfrostærter AmbA	P	7	223
Estonia	1. Peipsiveere Kõogiviljauhistu	P	0.01	1
Finland	1. Närpes Grönsaker	P	39	167
	2. Vihammes Laitila (oy)	P	17	70
	3. Ålands Trädgårdhall	P	9	149
	4. Leppävirran marjaosuuskunta	P	2	
	5. Tuore-Tawastia (oy)	P	1	
France	1. Sica St Pol	P	219	1500

	2. Union Vergers Blue Whale	P	171	250
	3. France Prune	P	160	533
	4. Saveol	P	150	150
	5. UCPT	P	129	990
Germany	1. Landgard eG	P	1,663	3143
	2. Pfalzmarkt eG	P	102	1637
	3. Erzeugergroßmarkt Langförden-Oldenburg e.G.	P	84.1	52
	4. OGM Obstgroßmarkt Mittelbaden eG	P	46.5	5324
	5. Marktgemeinschaft Bodenseeobst eG	P	40.3	568
Greece	1. U.A.C. of Aigio "PES"	S	27.7	59
	2. Joint Venture of Agricultural co-operatives 'ALMME'	S	26.2	3
	3. U.A.C. of Larisa-Tyrnavos-Agias			
	4. SKOS S.A. A.C.**	?	16.9	10
	5. U.A.C. of Argolida "REA"	S	15.1	32
Hungary	1. Dél-alföldi Kertészek Zöldség-Gyümölcs Termelő Értékesítő Szövetkezete	P	21.0	510
	2. Észak-Alföldi Zöldség-Gyümölcs Termelői Értékesítő Szövetkezet	P	7.6	920
	3. GYÜMÖLCSÉRT Termelői Értékesítő Kft.	P	4.2	93
	4. BOTÉSZ Bodzatermelők Értékesítő Szövetkezete	P	2.6	171
	5. ZÖLD-TERMÉK Termelő Értékesítő Szövetkezet	P	2.3	97
Ireland	-	-	-	-
Italy	1. Conserve Italia	S	933	47
	2. Agrintesa	P	211	5831
	3. Consorzio Casaleasco del Pomodoro	P	198	200
	4. Apofruit	P/S	196	3750
	5. Melinda	S	191	16
Latvia	1. LPKS "Zaļais grozs"	P		18
	2. LPKS "Kurzemes dārzi"	-		
	3. LPKS "Latgales ekoproducti"	-		
	4. LPKS "Gatuga"	-		
	5. LPKS "VT Dārzi"	-		
Lithuania	1. Žemės Ūkio Kooperatyvas "Piktupėnų Javos"			
	2. Kooperatyvas "Eko tikslas"			
	3. Žemės ūkio kooperatyvas "Juodoji uoga"			
	4. Kooperatinė bendrovė "Bulvių namai"	P	16	9
	5. Žemės ūkio Kooperatinė Bendrovė "Litbera"			
Luxemburg	1. Obstbaugenossenschaft von steinsel soc. Coop.	?	0.012	
	2. Syndicat Des Producteurs De Plants De Pommes De Terre	P		66
	3. Bio Baueren Genossenschaft Letzebuerg	-		
Malta	1. Farmers' Central Co-operative Society Ltd.			
	2. Koperattiva Agrikola Ghawdxija Gozitano Ltd.	P/S	2.3	453
	3. Koperattiva Gomriza Maltese Agri Products Ltd.	P/S	2.6	100
	4. Mgarr Farmers' Co-operative Society Ltd.			
	5. Rabat Farmers Co-operative Society Limited			

Netherlands	1. Coforta/The Greenery	P	1,263	1007
	2. FresQ	P	480	76
	3. ZON Fruit & Vegetables	P	334	372
	4. Fruitmasters	P	229	506
	5. Versdirect.nl	P	121	80
	6. BGB	P	91	57
Poland	1. "Mularski" Sp. z o.o.			
	2. Agrofirma Szczekonicy (Cooperative)	P	14	152
	3. Hajduk Sp.z.o.o. Producer Group	P	15	17
	4. "Agrochamp" Sp. z o.o. Producer Group	P	9	14
	5. Grzybek Łosicki (Cooperative)	P	18	36
Portugal	1. Provape – Cooperativa Agrícola do Vale da Pedra, CRL	P	12	39
	2. Alensado – Cooperativa Agrícola do Sado, CRL	P	8	72
	3. Frutus – Estação Fruteira do Montejunto, CRL	P	8	12
	4. Frubaça – Cooperativa de hortofruticultores, CRL	P	7	14
	5. Cooperfrutas – Cooperativa de Fruta e Produtos Hortícolas, CRL	P	6	119
Romania	1. SC Hortifruct SRL	S	31	5
	2. Combinatul Agroindustrial Curtici			
	3. Societatea agricola a producatorilor de Mere Dedrad – Batos	P	1	10
	4. Cerasus grup S.R.L	P	0.5	7
	5. Legumes S.R.L	P	0.5	3
Slovakia	1. Ovocinárske družstvo BONUM	P/S	6	11
	2. DRUTOMA družstvo	P/S	0.5	14
	3. Odbytové družstvo producentov ovocia SK FRUIT	P	0.4	5
	4. GreenCoop družstvo	P/S	1	5
	5. Odbytové družstvo producentov rajčín	P/S		9
Slovenia	1. KZ KRKA Novo mesto z.o.o.			
	2. KZ Agraria Koper, z.o.o., Koper			
	3. KZ Ptuj			
	4. KZ Vipava			
	5. KZ Ormož			
Spain	1. Anecoop S.Coop.	S	485	84
	2. Acorex, SCCL.	S	217	42
	3. CASI, S.C.A	P	190	1700
	4. Murgiverde, S.C.A	S	110	30
	5. Unica Group S.C.A	S	94	6
Sweden	1. Sydgrönt ek. för.	P	148	70
	2. Svenska odlarlaget ek. För	P	21	90
	3. Äppelriktet Österlen ek. för.	P	7	83
	4. Mellansvenska Odlare ek. För	P	6	45
	5. Kalmar Ölands Trädgårdsprodukter	P	4	160
UK	1. Speciality Produce Limited	P	51	11
	2. Society of Growers of Topfruit Limited	P	28	22

	3. Bedfordshire Growers Limited	P	25	37
	4. Premium Vegetables Limited	P	14	2
	5. East of Scotland Growers Limited	P	12	19

Source: SFC project Country Reports;

\* : 2010 or latest year available;

\*\* : Efko Frischfrucht und Delikatessen GmbH

Table 5 presents the 20 largest cooperatives in the EU F&V sector. All of the major production countries – Italy, Spain, France, Netherlands and Belgium – are present in Table 5. Four out of these 20 are secondary cooperatives, all from Italy or Spain.

**Table 5. The largest farmers' cooperatives in the EU F&V sector, 2010**

No	Name	Country	Turnover (million €)		% change 2000/2010	# of farmer members	Primary (P) or Secondary (S) Coop
			2010	2000			
1	Coforta / The Greenery	NL	1,263	1,523	-17	1,007	P
2*	Conserve Italia	IT	933	586	59	47	S
3**	Landgard	DE	696	N.A.	N.A.	3,143	P
4	FresQ	NL	480	130	269	76	P
5*	Anecoop	ES	467	N.A.	N.A.	84	S
6	ZON	NL	334	247	35	372	P
7	Mechelse Veilingen	BE	285	262	0.09	2,090	P
9	FruitmastersGroep	NL	229	91	152	506	P
10	Sica St Pol	FR	219	182	20	1,500	P
11	Agrintesa	IT	211	125	69	5,831	P
12	Conzorzio Casalasco del Pomodoro	IT	198	37	435	200	P
13	Apofruit	IT	196	95	106	3,750	P / S
14	Melinda	IT	191	134	43	5,200	S
15	CASI	ES	190	109	74	1,700	P
16	Veiling Hoogstraten	BE	184	94	96	1,090	P
17	REO Veiling	BE	178	113	58	2940	P
18	Union Vergers Blue Whale	FR	171	99	73	250	P
19	France Prune	FR	160	N.A.	N.A.	533	P
20	Saveol	FR	150	N.A.	N.A.	150	P

Source: Own data "Support for Farmers' Cooperatives" project

\* For Conserve Italia and Anecoop the number of farmers is not available. Number of primary cooperatives is given instead.

\*\* For Landgard the turnover figure only represents its activities in the F&V sector, while the number of members is for the whole cooperative.

## **The role of cooperatives and POs in the main F&V production countries<sup>3</sup>**

### Italy

Italy is the largest producer of F&V within the EU. Italy is also a major exporter of fruit and vegetables, mainly to other EU member states. The production of F&V has shown a continuous increase over the last decade.

Cooperatives and POs are present in both the collection of fresh produce (preparation, storage, packaging, marketing) and in the transformation of fruits and vegetables into purees, pulps, fruit-based drinks, etc. Of the top five cooperatives, three were secondary cooperatives. These secondary cooperatives are often active in processing of fruits and vegetables, such as Conserve Italia, the largest F&V cooperative in Italy, representing 47 primary cooperatives and – indirectly – thousands of farmers.

The market share of all cooperatives in the value of total F&V products marketed is about 50%. For recognized POs, the market share is 33%. This average may hide large regional differences, as it ranges from 70% in the North and 16% in the South.

The Ministry of Agriculture, Food and Forestry Policies counted 302 POs in the F&V industry in 2010.<sup>4</sup> Eleven of these POs are actually Associations of Producer Organisations (APOs). Of the 302 POs, 229 (or 76%) were registered as cooperatives. The other 24 % were mainly consortia.

In 2000, the organisation rate (i.e., the total turnover of all recognized POs as a share of total production value in F&V) was 28 percent (now it is 33%). Over the last decade, both the number of POs and the quantity of products marketed have slightly increased.

The EU and national policies that promote POs in the F&V industry can be considered as a success story. Not only is the market share of POs in F&V larger than in other sectors, also the POs in F&V are performing better than in other sectors.

### Spain

The F&V sector is the main sector in Spanish agriculture, accounting of 38% of total agricultural production. The Spanish F&V sector is the second largest in the EU, after Italy. The F&V sector is an important source of employment, particularly in rural areas, whether directly in farming activities or in complementary activities. Over the years 2000-2009, production of vegetables has increased continuously, while the production of fruits has been stable. A substantial part of Spain's fruit and vegetables is exported, mainly within the EU.

According to Camanzi et al. (2009), the supply chain for F&V in Spain is fragmented. Traditional retail (including traditional markets) accounts for more than 40-45% of F&V sales, while supermarkets also account for about 40-45% of the final F&V market. The fresh produce industry still includes many other economic agents, like small traders, wholesalers, transport companies, processing firms and import/export companies.

Traditionally the fruit and vegetable sector supply chain had been based on wholesalers and in the sale of product through an exchange (a centre in which the farmer sells their product by an auction system). Such exchanges also offer services including the integration of logistic activities and commercialization. However, market conditions have pushed for a more modern model

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<sup>3</sup> This section is mainly based on the country reports for Italy (Bono, 2011), France (Filipi and Bordeaux, 2011), Spain (Ciagnocavo and Vargas-Vasserot, 2011), Greece (Iliopoulos, 2011), and The Netherlands (Bijman, 2011). Where other sources have been used, they are mentioned in the text.

<sup>4</sup> The EU database on POs (Table 3 above) only counted 112 POs, but this figure still has to be corrected.

based on associations of producers, distribution entities and logistics operators, in which the co-operative plays a key role, resulting in horizontal and vertical integration which permits farmers to concentrate their product and control directly sale of such product.

The role of cooperatives in the F&V industry is substantial, with a market share of about 50%. According to EU data, the market share of POs (cooperatives and other legal forms) in F&V sector was almost 58% (PO database 2009). In 2000, this figure was 35%. In 2009, the number of recognized POs was 613, in 2000 it was about 550. Despite the financial support available for POs, not all farmers so want to sell through registered POs. Experts have indicated that not all farmers are willing or able to improve the quality of production processes (including labour conditions). Also not all farmers want their sales to be registered and thus transparent for tax authorities and other state agencies. This issue, of course, is not typical for Spain, as also other Mediterranean countries have a substantial informal economy.

Most F&V are marketed through a multi-tier system of primary collecting cooperatives and secondary marketing cooperatives. As shown by Table 4, four out of the five largest F&V cooperatives are secondary cooperatives.

The F&V sector is still characterized by high fragmentation of production and trade. However, over the last decade, significant mergers have taken place among F&V cooperatives (Meliá et al., 2010). Also, major investments have taken place in new technologies to increase production. Also quality is being enhanced by investing in laboratory testing, certification systems, integrated agricultural practices, tracking and tracing systems, and biological pest control. The province of Almería, the main production area for vegetables, has gone through a 'green' revolution since 2005, by substantial increase in the use of biological pest control. In 2010, 90% of the farming area dedicated to peppers was controlled biologically, while 26% of the area of tomatoes was controlled this way.

### France

France is the third largest producer of F&V (potatoes excluded), after Spain and Italy, with 3.3 million tons of fruits and 5.3 million tons of vegetables produced in 2009. The principal areas of production are in the south-west and, particularly, in the south-east of the country.

The share of cooperatives in marketing vegetables is estimated at 30% and for fruits at 35% (Table 2 above). France has many POs. In 2009 there were 277 registered POs (Table 3 above). In 2000, there were still 339 POs (Commission, 2004). In 2000, the organisation rate was 56%, which has decreased to 46 percent in 2007 (Camanzi et al., 2009).

Cooperatives, their unions and SICAs represented 70% of producer organisations in France in 2010 (source: Felcoop). The number of producer organisations decreased by 23% between 2000 and 2010 because of the disappearance of union associations, but also because of the multiple mergers made by cooperatives. According to Felcoop, the producer organisations have become more efficient, and 27% of the producer organisations represent 68% of the value of the marketed production.

Cooperatives and POs are of medium size compared to the largest companies in the F&V sector. Cooperatives and POs focus on the marketing of fresh produce, while processing is more often done by IOFs. Some cooperatives have established joint ventures with IOF in the frozen vegetables industry (such as Trikalia and Cecab). The cooperatives that have own processing plants are usually multipurpose cooperatives (such as Cecab, Agrial, and Triskalia).

Distribution of fresh produce has historically been based on regional wholesale markets, which still exist but have become less important. Supermarkets have established buying and logistic centres at the wholesale market locations. Private labels have a strong presence in French supermarkets, also for processed fruit and vegetables. In fresh produce, a number of strong



producer labels exist, although the majority of fruit and vegetables is not sold under any company label.

The fruit and vegetable market in France is a mature market, so the cooperatives will have to expand their activities at international level. Going international is also a way for those companies to respond to the needs of their customers, who want to have access to certain vegetables all year long (tomatoes, for example).

### Greece

Greece is the fourth largest producer of F&V in the EU. The F&V sector accounts for more than 27% of all agricultural output of Greece. Between 2000 and 2008, the share of F&V in the Greek agricultural production has increased. The sector has a major contribution to the domestic economy, in terms of employment, production area, exports and income. The main fruit products are oranges, peaches and watermelon; the main vegetable products are tomatoes, onions, cucumber and cabbage.

Of the top 50 agricultural cooperatives, 24 are active in the F&V sector. Many producers are now organized in producer organisations, with more than 150 registered POs. In 2000, the number of POs was 122 (Commission, 2004).

Beyond the primary cooperatives, often organized at village level, there are 70 secondary cooperatives in the F&V sector. Most of these are Union of Agricultural Cooperatives (UAC), the others are joint ventures of cooperatives.

### Netherlands

In fruit and vegetables, the majority of products is sold through cooperative marketing organisations. All of the major fruit and vegetables cooperatives are registered producer organisations under the EU/CMO regulation (and all of the approved POs are cooperatives). In 2000 there were 14 formally registered POs, accounting for about 70% of all fruits and vegetables sold in The Netherlands (Bijman, 2002).

In 2009 there were 21 officially registered POs in the Dutch fruit and vegetables industry, while this number reduced to 19 in 2010 (due to mergers). The total value of products marketed by these POs was 2.345 billion euro. This represent approximately 95% of the production value of all fruits and vegetables produced in the Netherlands.

No secondary cooperative exists in the Dutch F&V industry. However, there is structure of multi-level organisations. Growers of the same product often have set up so-called growers associations. Within an association growers collaborate for product innovation, process innovation, and joint input purchasing. They may also have a jointly owned packaging station. The actual marketing of the products is done by the large F&V marketing cooperatives, such as Coforta/The Greenery, FresQ, or ZON. Because growers are member of both a small grower association and a large marketing cooperative, this structure is not the same as the primary – secondary cooperative structure.

## **Transnational cooperatives**

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Usually they do not buy agricultural products from farmers, or supply inputs to them. However, there is a growing group of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs, they

actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country. Table 6 presents the foreign transnational cooperatives and Table 7 presents the international cooperatives active in the F&V sector.

**Table 6. The transnational cooperatives in the F&V sector**

<b>Name of the Cooperative</b>	<b>Mother country</b>	<b>Member States where cooperative has members</b>	<b>Member States where cooperative has suppliers</b>
Mechelse veilingen	B	NL	
Veiling Borgloon	B	NL	
Veiling Hoogstraten	B	NL	
Veiling Haspengouw	B	FR	
Vegras	B	FR, NL	
European Fruit Co-operation (EFC)	B	DE, NL	FR
In-Co	B	NL	
B.N.D. Internationale Telersvereniging	B	DE, NL	
Landgard	DE	NL	
BOTÉSZ Bodzatermek Értékesít Szövetkezete	HU	SK	
FINAF	IT	FR	
Coforta/The Greenery	NL	UK	ES
ZON Fruit & Vegetables	NL	DE	
FresQ	NL	UK	

Transnational cooperatives in the F&V sector exist only in the Netherlands, Belgium, Germany, Hungary and Italy. The largest F&V cooperatives in Belgium and the Netherlands are all transnational cooperatives. This is not surprising, as many F&V cooperatives in the Netherlands and Belgium are either auctions or former-auctions. Auctions need to present their buyers with a broad range of products, thus they are used to sell, next to the products of their members, also products from foreign suppliers. In order to obtain a long term commitment from their foreign suppliers, these farmers are often invited to become member of the (auction) cooperative.

All but one of the Belgian approved POs have foreign members. Of the approved POs in the Netherlands (2009 data), 55% had foreign members. While in the Netherlands the number of foreign members is actually quite low - for most POs it is just a handful - in Belgium the numbers are more significant. The most international (in number of foreign members) are the POs that sell vegetables to the processing industry (source: EU-PO database 2009).

In Germany there is at least one transnational cooperative in the F&V sector, with members also in the Netherlands. Landgard is a multi-purpose cooperative, with the majority of its turnover in ornamentals. In Hungary there is one very small cross-border cooperative (turnover less than 3 million euro).

An interesting example of a transnational cooperative/PO in the F&V sector is the Association of Producers Organisation FINAF in Italy. FINAF stands for First International Association of Fruit. It was founded in 2001 by an Italian PO consortium *Apo Conerpo*, and a French PO organisation *Conserve Gard*. The transnational FINAF saw a progressive rise in its members and it now (2010) consists of 9 POs that operate in the F&V sector, representing more than 10,000 member-growers. Of these 9 POs, two are French and seven are Italian. FINAF manages the EU and national subsidies for Operational Programmes of the POs. The members of FINAF have the

opportunity to bring their own production into an integrated system that uses over 80 associated structures (source: Bono, 2011).

The large market shares of transnational cooperatives in the Netherlands and in Belgium indicate a high integration between these markets. Dutch growers are member of Belgian auction because they favour the auction clock price determination method, which has been abolished in the Netherlands. The Dutch cooperatives have members in other countries either to be able to sell locally produced F&V to foreign retailers, or to make sure they have sufficient supply year-round. Some of the most recent transnational cooperatives are actually transnational POs set up by national coops/POs. These transnational cooperatives (or APOs), such as EFC and In-Co, have national POs from Belgium, the Netherlands and Germany as their members. This type of collaboration is, of course, largely supported by low cultural distance, short physical distances and common language (at least between Netherlands and Flanders). Most of these transnational POs and APOs have been established quite recently: EFC (2002), Vegras (2005), In-Co (2005).

Looking at international cooperatives in the F&V sector, we find a more diverse picture compared to the transnational cooperatives (Table 7). Countries like France, Austria, Germany, Spain and the UK have international cooperatives while they do not have transnational cooperatives in the F&V industry. Partly this can be explained by the large processing cooperatives from France, Italy and Austria. In fresh produce, however, we see three cooperatives from the UK purchasing also from farmers in other member states.

**Table 7. The international cooperatives in the F&V sector**

<b>Name of the Cooperative</b>	<b>Mother country</b>	<b>Member States where cooperative has suppliers</b>
Efko Frischfrucht and Delikatessen*	AT	CZ, PL, DE
Greenpartners	B	FR, DE, NL
Belgische Fruitveiling	B	CZ, SK, NL
Agrial	FR	IT, PT, ES, UK
Cecab	FR	DE, HU, IT, PL, ES, UK
Raiffeisen Waren-Zentrale Rhein-Main	DE	BE
Mórakert Szövetkezet	HU	RO
Gyümölcsért Termeli Értékesít	HU	FR, IT, ES
Conserve Italia	IT	FR, ES
Unica	ES	NL
Berry Gardens	UK	BE, DE, ES, NL,
Premier Vegetables	UK	ES, NL
Bedfordshire Growers	UK	ES

\* Efko Frischfrucht and Delikatessen is 49% owned by a cooperative of Austrian vegetable growers.

In Italy, processing cooperative Conserve Italia has subsidiaries in Spain and France, which have their own farmer-suppliers. Agrintesa, a marketing cooperative of fresh produce, has international suppliers outside the EU (therefore it is not in Table 7). In France, cooperative Agrial, through its subsidiary ?????, is the European leader in ready-to-eat vegetables. It purchases its fresh supplies from farmers in the UK, Spain, Portugal and Italy. French cooperative Cecab is one of the European leaders for canned vegetables (via its D'Aucy brand), and has suppliers in the UK, Germany, Spain, Italy, Hungary, and Poland.

## 4 Assessment of developments among cooperatives

### 4.1 The institutional environment

The F&V sector has always been characterized as a complex sector. The sector produces multiple products, most of them very perishable. In addition, products are seasonal, and can vary in quality and quantity due to natural conditions (such as climate and pests). Production decisions by the producers need to be made a long time (a few months till a few years) before the products are actually harvested. This makes it difficult to react to changes in market demand immediately, and leads to low price elasticity of supply in the short run. Another characteristic of the F&V sector is the high level of international trade.

There are many relatively small farms, producing several products (because of the need to spread risk and to use land and labour efficiently). However, over the last decades, farms have become more and more specialized, particularly those with glass or other type of greenhouses. Many companies, small and large, are active in the marketing of F&V. The F&V trade sector has low entry barriers, anyone with a mobile phone and some knowledge of the market can start a trading company. However, on the wholesale side of F&V distribution, a strong concentration process is taking place, strongly influenced by the concentration among retailers and their strategy of working with a limited number of preferred suppliers. Efficient logistics is one of the key success factors of the companies in wholesale of F&V.

Cooperatives have always been important in the F&V sector. The market position of the individual grower is weak vis-à-vis the buyer, because of (1) the relatively small quantity the grower produces, (2) the perishability of the harvested product, and (3) the difficulty for the grower to obtain good market information (due to the complex and/or distant market). By setting up collective marketing organisations, growers can reduce the disadvantages related to those three characteristics. On behalf of a group of producers, these collective marketing organisations jointly sell the products, organize logistics, sorting and grading, and collect market information.

Most countries where cooperatives are important in the F&V industry have (or have had) a multilevel structure of cooperatives. Thus, small local cooperatives collect the products and maybe have some storage facilities, while secondary regional cooperatives do the actual marketing of the product. Also in the case of vegetables for processing, local cooperatives collect and secondary cooperatives do the actual processing. As the latter activity involved substantial economies of scale, it has to be done at the secondary level.

However, in the F&V industry farmers always have alternative sales options (next to cooperatives) as traders can easily enter the business. Also, farmers traditionally had strong personal relations with their preferred buyers. Due to the lack of public market information, there was a need rely on the trustworthiness of the buyer.

Compared to other agricultural products in the EU, the F&V sector has always had a relatively low support from national and EU authorities. Support was mainly in the form of import restriction during the main production season in the EU, and in the form of crisis management (taking products of the market in situations of excess supply).

Our data shows that in the F&V sector most cooperatives are specialized coops. Most of them only deal with F&V, not with other farm products (with some exceptions like German Landgard, which is active both in F&V and in ornamentals). Also, most of the F&V cooperatives specialize in marketing. However, about one third of all F&V cooperatives in our sample also provide inputs to farmers.

For price determination in the market for fresh F&V, two systems can be distinguished. One system is bilateral negotiations between producers (or their organisations) and wholesalers or other buyers. The other system is the auction. For fruit and vegetables to be processed, only bilateral contract negotiations are used.

In a number of Member States, producer-owned auctions are used for price determination. Nowadays, only in Belgium auctions are a dominant sales method for producers of F&V. Before 2000, fruit and vegetable auctions were also dominant in the Netherlands. However, a change in marketing strategy by the large cooperatives has resulted in the almost abolishment of auctions in the Dutch fresh produce industry. The only other country with cooperative auctions in the F&V industry is Sweden. In Spain there are a number of auctions organized by IOFs. Also in France (in Brittany) there are a few vegetable auctions.

Grower-owned cooperative auctions have a number of advantages for the growers. First, growers can fully specialize in production, as the marketing of their products is taken care of by the cooperative (in which they have joint control). Second, auctions provide transparent markets. Growers know exactly what prices they and their colleagues have received for the products. Sales transaction are a rather simple transaction, without additional conditions. This transparency reduces transaction costs for the growers. They do not have to find customers themselves and they do not have to fear that their sales agent is cheating on them.

However, auctions only work well under the particular conditions. There has to be sufficient demand, preferably more demand than supply. If not, the transparent market of an auction leads to very low prices. Second, there need to be sufficient buyers present at the actual time of selling. Third, logistics has to be organized well, for speedy delivery of products to and rapid distribution from the auction facilities.

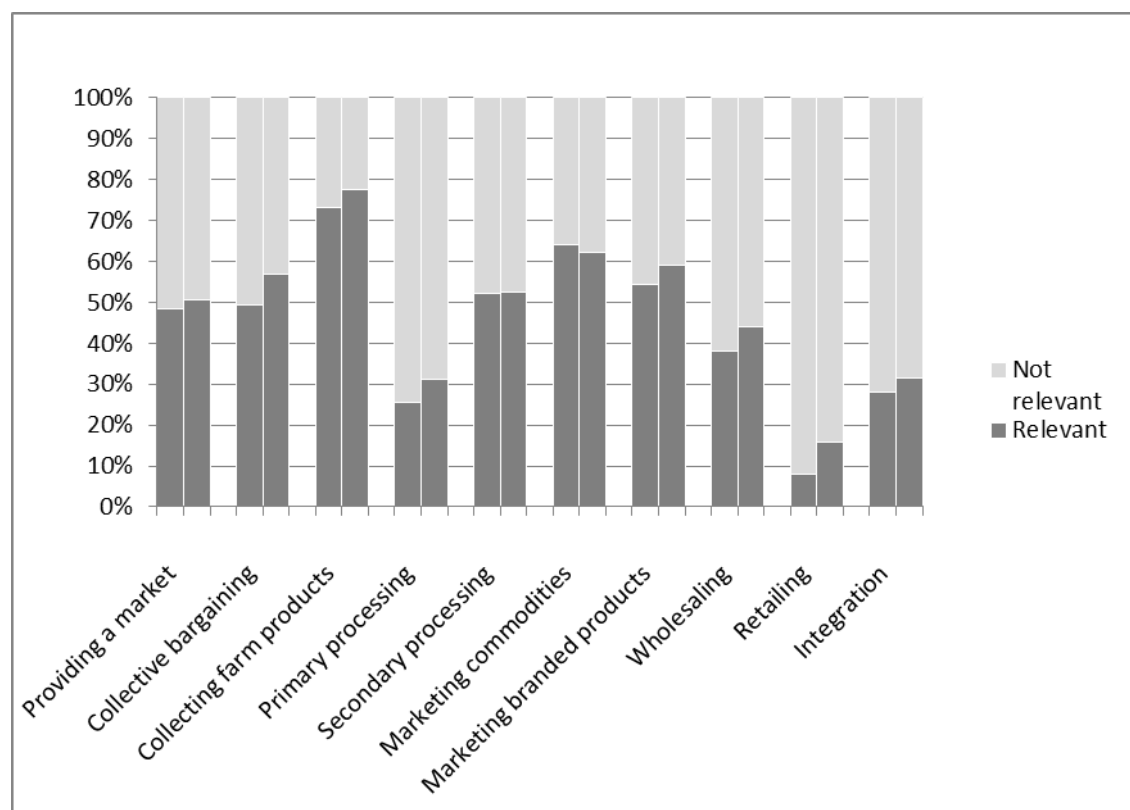
The importance of the auction cooperative for their members (the growers) is larger than just providing a central and transparent market place. The auction cooperative also maintains quality standards, and monitors and enforces compliance to these standards. Finally, and maybe most important, the auction cooperative provides the growers with an insurance against buyer default. Whatever happens to the buyer, the grower will always get 'his money'.

Despite their advantages for growers, most of the F&V auctions in the Netherlands have been transformed into marketing cooperatives that mainly work with bilateral contract negotiations (Bijman and Hendrikse, 2003). The main reason to abolish the auction clock was the threat of major retailers to buy their products elsewhere. Retailers, and particularly the large ones, do not like auctions as they prefer to plan their purchases and their promotions long in advance (which is not possible on a spot market like the auction). Also, retailers want to buy large quantities of uniform products, which is not easy in an auction. But also an increasing number of growers had become unsatisfied with the auction system, as innovation and direct contact with customers was discouraged. The democratic decision making structure at the cooperative auctions worked in favour of the majority of small (and less innovative) growers, while the small group of large and innovative growers felt their interests were not sufficiently taken into account. Thus, from both the demand side and the supply side, there was a growing interest in establishing bilateral trade relationships. Since the mid 1990s, the auction sales of F&V rapidly declined in the Netherlands.

## **4.2 The role of cooperatives in the food chain**

F&V cooperatives can carry out different functions in the food chain, ranging from the most basic service of providing their members with a (physical) market place to selling branded products directly to consumers. In between we find functions like bargaining with customers, processing of fruit and vegetables, marketing commodities (i.e., undifferentiated products), marketing branded products, and wholesaling. As Figure 7 shows, for most cooperatives activities that are

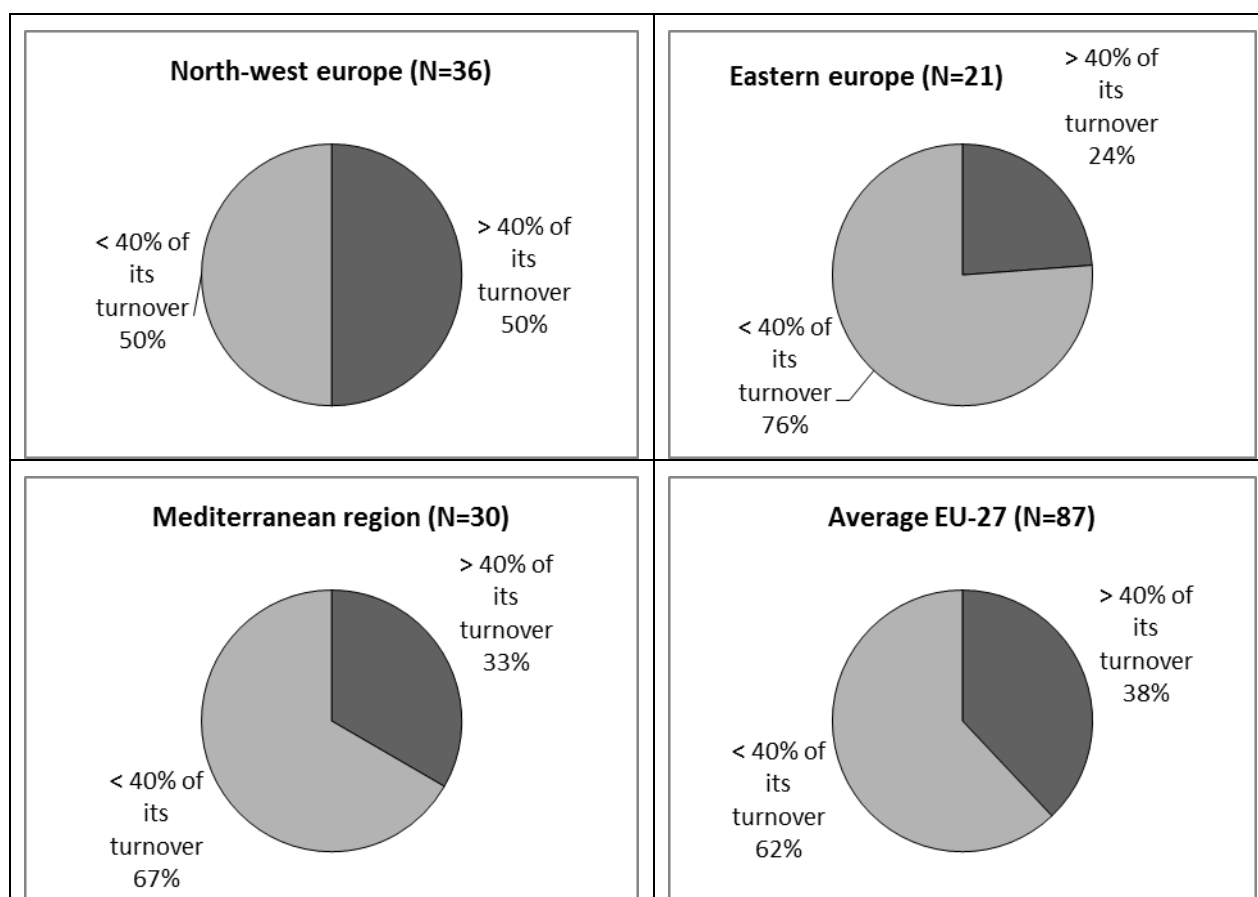
more downstream in the food chain have become more relevant. Thus, compared to 2000, in 2010 more cooperatives were carrying out processing activities, wholesaling activities, and retailing activities. While the marketing of commodities has become relatively less important, the marketing of branded products has become more important.



**Figure 7. Position of the cooperative in the food chain (2000 vs. 2010).** Source: Own data "Support for Farmers' Cooperatives" project; Note: N (2000) = 89; N (2010) = 98

Cooperatives may sell commodities (generic products) or branded products. Branded products can lead to consumer loyalty, thus to a stronger bargaining position in the supply chain. Figure 8 shows that F&V cooperatives in the North-west countries of the EU sell a higher share of their products under brand name compared to the EU average. The lowest share of branded products in total products sold can be found in the Eastern European countries, while also the Mediterranean countries have a relatively low share of branded products in their total product portfolio.<sup>5</sup>

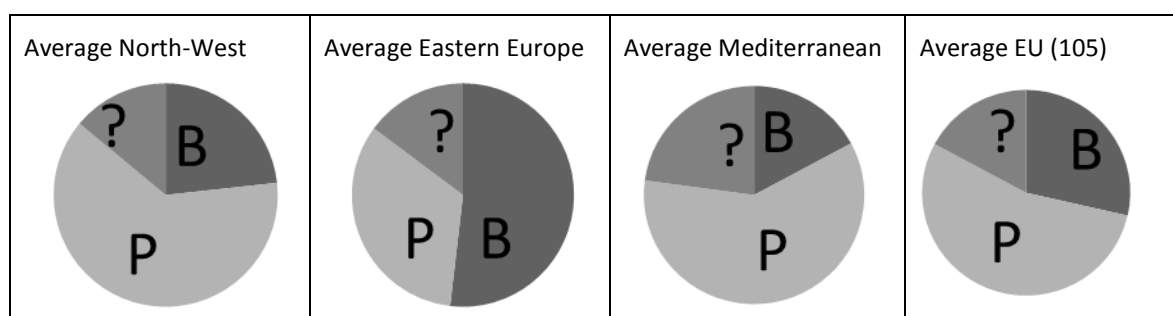
<sup>5</sup> Northwest: IR, UK, NL, BE, DE, AT, LU, FI, DK and SE; Mediterranean: PT, ES, FR, IT, EL, MT, CY; Eastern Europe: PL, HU, CZ, SK, SL, RO, LT, ET, and LV.



**Figure 8. Importance of branded products.** Source: Own data “Support for Farmers’ Cooperatives” project

### Internal Governance

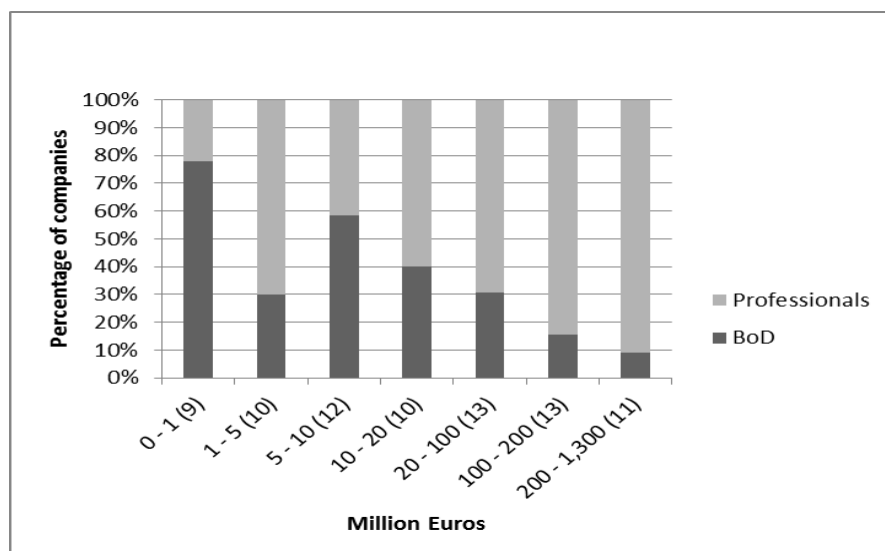
Who is responsible for the operational management of the cooperative? This can be the Board of Director (B in Figure 9) or professional managers (P in Figure 9). Out of the 105 F&V coops in our sample, a slight majority has professional managers taking care of operational management. This share is bigger for the North-West countries than for all other countries. In the members states of the East, it is still mainly the BoD that is responsible for operational management.



**Figure 9. BoD or Professional Managers in charge of operational management.** Source: Own data “Support for Farmers’ Cooperatives” project

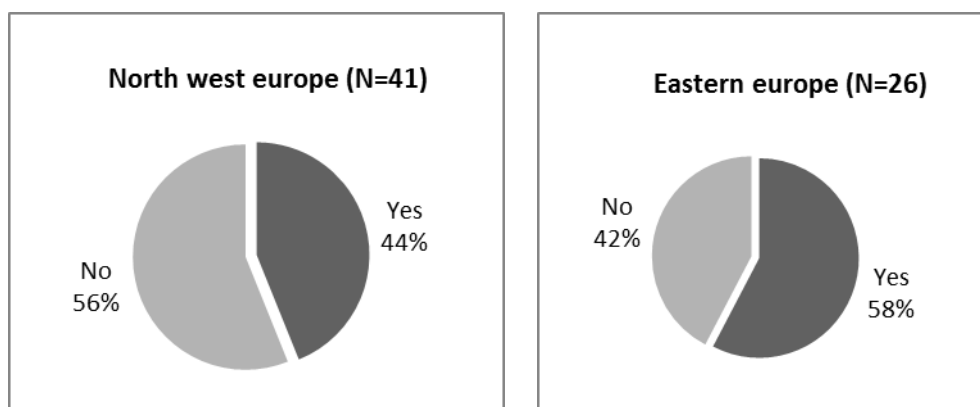
We also analysed the relationship between the responsibility for operational management of the cooperative (B or P) and the size of the cooperative (measured in turnover). Figure 10 shows that large cooperatives are more likely to have professional managers in charge of operational

management, while small cooperatives are more likely to have the BoD take care of day-to-day management.

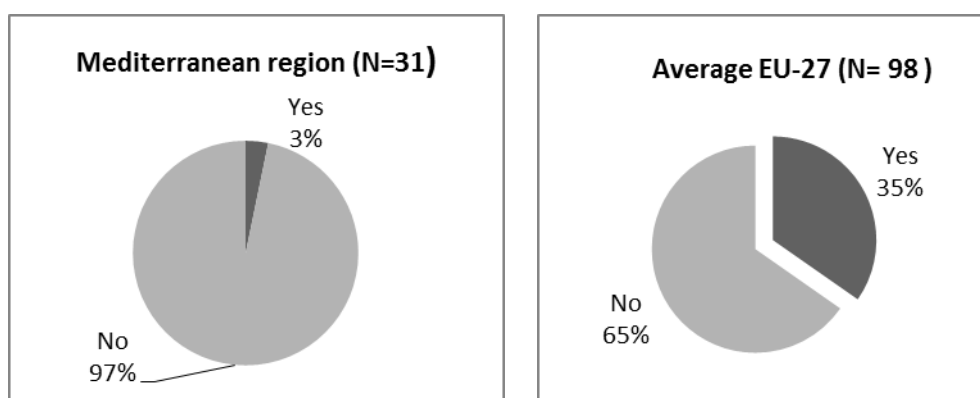


**Figure 10. Relationship between responsibility for operational management and size of the cooperative (2010).** Source: Own data “Support for Farmers’ Cooperatives” project

Some cooperatives have both a Board of Directors and a Supervisory Committee. The supervisory committee, usually consisting of members, has a control function towards the BoD. There is an interesting difference between the North-Western and the Mediterranean countries (Figure 11). On average, two-thirds of the F&V cooperatives in the EU only has a BoD and one third has both BoD and Supervisory Committee. However, in the Mediterranean country almost all F&V cooperatives have only a BoD (and no Supervisory Committee). In the countries of the North West, 44 percent do have a supervisory committee.

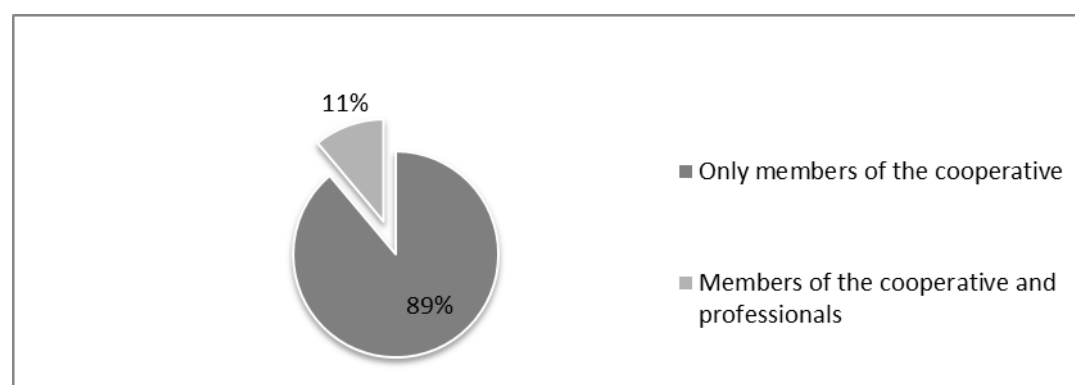






**Figure 11. Is there a supervisory committee (next to the BoD)?.** Source: Own data “Support for Farmers’ Cooperatives” project

What is the composition of the Board of Directors? The BoD can consist of only members of the cooperative, or it can also contain one or more outside experts, such as former managers, accountants, marketing experts or financial experts. The reason for having non-members in the BoD is to strengthen the expertise of the BoD, which may be needed to effectively control professional management. In other words, in order to reduce agency costs in the BoD – professional management relationship, the BoD needs to reinforce its own expertise. Among the F&V cooperatives in the EU, only 11% have non-members incorporated in the BoD (Figure 12). Boards with outside experts can only be found in the North-West and the East of the EU. None of the Mediterranean countries have outside experts in the BoD.



**Figure 12. Composition of the BoD, 2010 (n=99).** Source: Own data “Support for Farmers’ Cooperatives” project

Having a large cooperative where the operational management is still performed by the Board (usually the Chairman of the Board) yields certain risks. The members of the board may not have the qualifications that are needed for running a large, market-oriented company. Another risk related to this board model, is the disproportionate amount of power the chairman can hold. According to the national report on Spain (Ciagnocavo and Vargas-Vasserot, 2011), cooperatives in Spain are excessively “presidentialist”. They argue that having the same person chairing the management board (thus effectively functioning as CEO), acting as president of the cooperative, and chairing the General Assembly yields too much power in the hands of one person.

## **Expert assessment of developments**

Cooperatives hold a dominant position in the F&V sector of the Netherlands, Belgium and Sweden (market share > 70%). They hold an intermediate position in Austria, Denmark, Germany, Greece, Finland, Spain, France, Czech Republic, Italy, Portugal and the UK (market share > 30%). In the other countries, cooperatives are not so important in marketing F&V. For most of the countries for which we have data, the market share of cooperatives have increased over the last decade.

The number of transnational cooperatives in the F&V industry has increased over the years 2000-2010. While the international cooperatives have existed for a longer period of time, particularly those secondary cooperatives that have processing activities and therefore suppliers in other Member States, the growth of international membership may be due to the CMO regulation for F&V. As the amount of subsidies is a percentage of turnover of member products, the POs have an incentive to invite their suppliers to become members.

The management of the cooperatives is increasingly left to professional managers. Particularly when the cooperative grows in size, the management is more likely to be in the hands of one or more professional managers. This explains why in most both Northwest en Mediterranean countries operational management is mostly in the hands of professionals, while in the Eastern European countries the majority of the cooperatives are still run by the Board of Directors (consisting of members of the cooperative). Another internal governance issue relates to the supervisory committee. Mediterranean countries clearly divert from other EU Member States in not having a supervisory committee (which can exert control over the Board of Directors). Together with the strong position of the president of the cooperative, one may wonder whether this structure gives enough opportunity for members to monitor and control BoD decisions. This, in turn, may have implications for member commitment, which is usually lower when members have the perception of low influence. Another risk of the concentration of power in the hands of just one or a few person(s) is that those in power are unwilling to explore merger opportunities which would improve the efficiency of the cooperative (but would for some board members lead to a loss of position and thus status).

At the moment, the position of branded products is minor in the F&V market. Most products are sold anonymous or under the private label of the supermarket. In order to strengthen their bargaining power vis-à-vis the large retailers, cooperatives are trying to establish brands for their products. Both the data and the qualitative information provided by the national experts indicate that more and more cooperatives are developing branded product position. This development towards branded products is more advanced in the Northwest than in other parts of the EU – which could perhaps partly be explained by the fact that the retail is more concentrated there too.

In the vertical competition with large retailers it is also important that cooperatives develop strong bargaining positions. One of their strategies is to become preferred suppliers. This requires the cooperative to be able to supply a full assortment of F&V and to supply those products year-round. As a result we see wholesale cooperatives developing trading activities or acquiring trading companies to include the import of the products the coop members do not produce themselves. Another strategy is to set up strategic alliances with coops in other Member States to be able to supplement each others own products. An example of this the alliance between Dutch cooperative ZON Fruit & Vegetables and Spanish cooperative Unica.

## **5 Overview of policy measures and assessment of the influence of policy measures on the evolution and current position of cooperatives**

### **5.1 Introduction**

The performance of cooperatives (including POs) is influenced by the regulatory framework. This framework is multi-level: EU regulations, national laws and –in some countries- even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) and the regulations that influence the competitive position of the cooperative versus other players in the food chain.

The objective of this chapter is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 4.2 the relevant policy measures and their potential impact in F&V are identified. In section 4.3 an assessment of the policy measures is given.

### **5.2 Overview of regulatory framework**

A number of national policy measures may influence the competitive position of the F&V cooperative versus the investor-owned firm (IOF) or the competitive position of the F&V cooperative versus other players in the food chain. Appendix IV is listing the policy measures in the individual Member States.

#### *EU policy on POs in F&V sector*

In most of the Member States the European policy on POs in the F&V sector has been effective although a handful MS have not yet succeeded in setting up producer organisations. This is the main piece of EU and national legislation that directly impacts cooperatives and producer organisations in the F&V sector, consisting of several EU regulations.<sup>6</sup>

Producer Organisations (POs) have been an important element in EU policies on the F&V sector. Already in 1972, POs were defined in EU legislation as any organization of fruit and vegetable producers which is established on the producers' own initiative for purposes such as promoting concentration of supply and the regularization of prices at the producer stage of the food chain and making suitable technical means available to producer members for presenting and marketing the relevant products (Regulation (EC) No. 1035/1972). Since 1972, the F&V CMO has undergone various reforms, in 1996, in 2000, and in 2007. The latter reform has harmonized the CMO with the 2003 reform of the Common Agricultural Policy (CAP) by including the F&V sector in the Single Payment Scheme (Council Regulation No. 1782/2003 and Council Regulation (EC) No. 1234/2007).

The 2007 reform of the CMO was meant to strengthen the position of producers in a market where the demand is increasingly concentrated, to have a better adaptation of supply to demand in terms of quantity and quality of supply, and to reduce the quantities and costs of products withdrawn from the market. In order to achieve these goals, the 2007 CMO for the F&V sector has restated the key function of the PO.

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<sup>6</sup> Council Regulation (EC) No. 2200/1996; Commission Regulation (EC) No. 1433/2003; Council Regulation (EC) No. 1182/2007; Commission Regulation (EC) No. 1590/2007.

According to Commission Regulation (EC) No. 1182/2007, POs must have one of the following objectives:

1. Ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity;
2. Concentration of supply and the placing on the market of the products produced by its members;
3. Optimizing production costs and stabilizing producer prices.

The same Regulation states that POs are legal entities recognized by the Member State and set up on the initiative of producers. Minimum recognition requirements are set, particularly as regards the number of members and turnover. Member States, however, have some freedom in using additional requirements as to the minimum number of members or the legal form.

POs oblige their members to sell their total output through the organization (i.e., concerning the product(s) for which they have become members of a PO). Also, members need to apply, with regard to production and marketing, rules which have been adopted by the PO with a view of improving product quality and adapting the volume of supply to market requirements.

The CMO encourages PO to have a multi-annual operational program<sup>7</sup>, which is co-financed by the producers and the Commission. As a general rule with several exceptions, co-financing is set to 50% of the amount of real expenditure under the operational program and is limited to 4.1% of the value of market product of each PO (or 4.6% if specific crisis management tools are foreseen).

In order to comply with environmental requirements, at least 10% of the expenditures (or 2 agri-environmental measures) of the operational program must be in favour of the environment. Moreover, the CMO assigns to POs the task related to crises prevention and management. Within the framework of operational plans, the POs can apply different measures of crisis prevention and management, such as green harvesting or no harvesting, withdrawal and free distribution, harvesting insurances, promotion and communication, training, administrative cost support for the setting up of mutual funds. The expenditures related to these measures must not comprise more than one-third of the expenditures of the operational program.

According to Camanzi et al. (2009), the 2007 reform of the CMO has provided POs with greater flexibility, but also with greater responsibility in the use of the funds for operational programs. The main difficulty in the implementation of the operational programs is that each PO should be able to define the specific actions of its program and to make sure that they are coherent with the objective of the policy.

#### *Impact of EU policy on POs in the F&V sector*

The EU legislation on POs seems to have reinforced the position of the cooperatives. Although POs can take different legal forms, in most of the EU countries they are registered as cooperatives. In the Netherlands and Belgium all POs are registered as cooperatives. But also in other major production countries, like Spain, Italy and Greece, the CMO regulation for F&V has

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<sup>7</sup> Such operational plan must have two or more of the following objectives: (1) planning of production, (2) improvement of product quality, (3) boosting the commercial value of products, (4) promotion of products, (5) environmental measures and methods of production respecting the environment, including organic farming, and (6) crisis prevention and management. At least 10% of the expenditures or the operational program must be in favour of the environment.

encouraged producers to become member of a PO or set up new POs. For those countries for which we have both 2000 and 2009 figures (AT, FI, EL, NL, ES and SE) in all but one the so-called organisation rate, which is the percentage of total F&V production being marketed by POs, has gone up significantly. Only for Greece the organisation rate decreased from 14% in “2001” to 11% in 2009.<sup>8</sup>

Looking at the 2009 situation in all of the EU Member States, the organisation rate is very heterogeneous, ranging from a low of 6.6% in Slovenia to a high of almost 100% in The Netherlands. There seems to be a distinction between Mediterranean countries that have many POs and a low turnover per PO, and Northern EU countries that have few POs with high turnover. However, the divide is not so clear cut, as UK, Spain, Sweden France and Germany all show an average turnover per PO of around 10 million euro.

The development of the number of POs shows mixed results. In some countries the number of POs has gone up, notably in Austria, Denmark, Greece, Netherlands, Portugal and Spain. In other countries the number has decreased, notably in Belgium, Finland, France, Germany, Ireland, and United Kingdom. A decrease in number of POs does not mean that the number of organized farmers is reducing, as the decrease is often due to mergers among POs.

From the individual country reports we learn that in almost all countries the EU policy for POs in the F&V sector has had a positive effect on the competitive position of cooperatives in the food chain. Both their market share has increased and their bargaining position in the food chain has been strengthened. In two countries (Portugal and the UK) the policies supporting POs in the F&V sector were considered as complex, bureaucratic, and not flexible, and therefore not as beneficial for farmers as they could have been.

However, fresh produce growers in the UK seem to be more critical about the impact of the EU policy on supporting POs in F&V. A recent report by the English Farming and Food Partnerships (EFFP) concluded that the UK fresh produce industry does not utilize “the EU Fruit and Vegetable Aid Scheme” in the way it was originally intended. The authors believed that the main reason was because of the impact of recent EU rulings and the derecognition of some POs from the scheme (EFFP, 2010). As a result, some organisations found that their structure and operational practices did not adhere to the criteria that the scheme envisaged. One of the reasons for UK POs not being able to adhere to the rules is that they cannot always retain control of their packing and marketing. Up until 2005 this was not always a problem but since then, as a result of audits, the number applying or being relevant to the Scheme has decreased. Over time, the audit services of the Commission seem to have changed the way they understood the rules, and have applied new and retroactive interpretations of the rules.

In most of the country reports from New Member States, the policies regarding Producer Groups are explicitly mentioned as supportive. These Producer Groups are given extra national and EU support to help them, during a transition period, to be able to comply with the more strict requirements for POs.

#### *Other policies*

Most Member States do not have specific policies for cooperatives in the F&V sector. While some countries have no specific policies on cooperatives at all, other have rather extensive policies that support agricultural cooperatives. For instance, in Spain all of the autonomous communities have their own policies on cooperatives, often including state support for modernization, innovation, and investments and for strengthening the marketing of quality products. Also

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<sup>8</sup> “2001” is the average of 2000, 2001 and 2002.

Rumania and Hungary have national policies that are supplementary to the EU policies in supporting cooperatives and POs, both in F&V and other sectors.

Also the EU School Fruit Scheme has been mentioned as one of the EU (and national) policies that support the competitive position in the food chain.

## **6 Discussion**

The F&V sector is characterized by a multitude of different crops, feeding into many types of supply chains that deliver into a multifaceted market place. The consequence of this complexity is large fragmentation of the supply base, many different actors in different position in the supply chain, and many interlinkages between national and regional markets as well as between different product markets. Support for the F&V sector should take into account this complexity.

The development of cooperatives and POs in the European F&V industry can be characterized by two interlinked themes. One theme is the development towards more coordinated supply chain partnerships. While the major retailers determine the supply chain requirements (such as quality standards, delivery schemes, and packaging), wholesalers in their role of preferred suppliers are increasingly becoming the chain coordinators. In some countries these wholesalers are cooperatives, but often they are IOFs. Growers, alone or as a group, have no choice but to engage in these more vertically coordinated supply chain partnerships.

The other theme is the need for growers to strengthen their collaboration, not only to increase their countervailing power, but also to gain operational efficiencies. The EU policy on POs is supporting this collaboration. However, there continues to be rather large differences among the EU Member States in the extent to which farmers have embraced the EU support scheme. In countries with a strong tradition of cooperatives in the F&V industry both existing and new cooperatives have become approved POs. Obviously, the formal and informal institutional environment has been more conducive for old and new POs to benefit from the EU support opportunities. Overall, the EU policy seem to have encouraged growers to enhance their collaboration and for collaborative groups to strengthen their market and customer orientation, as well as their overall sustainability.

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## Appendix I

**European Commission, Directorate-General for Agriculture and Rural Development,  
May 2010**

### **The 2007 reform of the regime for fruit and vegetables**

#### **Reasons of the reform**

Despite the new regime put in place in 1996, for several years the fruit and vegetables sector increasingly faced a number of negative trends:

- increased concentration of the market at the stage of distribution (more and more highly concentrated retail and discount chains),
- strong competition from third countries, which are increasingly offering a combination of improved quality at relatively low prices and taking rapidly growing market shares,
- regular crises of the market, due in particular to the perishable nature of fruit and vegetables,
- stagnation of the consumption of the fruit and vegetables in the European Union.

In this context, a new reform of the Community regime appeared to be justified.

#### **Details of the reform**

The identified objectives of the new reform in 2007 were:

- to improve competitiveness and market orientation of the EU fruit and vegetable sector, thus contributing to achieving sustainable production that is competitive both on internal and external markets,
- to reduce fluctuations in fruit and vegetables producers' income resulting from crises,
- to contribute to increasing consumption of fruit and vegetables in the EU,
- to continue the efforts made by the sector to maintain and protect the environment, and
- to simplify and, where possible, reduce the administrative burden for all concerned.

The main measures taken to address these objectives are described hereafter.

#### **Extension of the range of products covered by the regime**

Additional culinary herbs (e.g. saffron, thyme, basil, mint, oregano, rosemary and sage) were included in the regime for fruit and vegetables.

#### **Producer organisations**

Since the 1996 reform, producer organisations (POs) and their operational programs (OPs) have been the key elements for grouping supply of fruit and vegetables. The experience had shown that POs were still a valid tool to strengthen the position of producers face to the ever greater concentration of demand. Nevertheless the level of the concentration of fruit and vegetables production through POs had been uneven in different Member States. A high percentage of growers in the main producing Member States choose not to participate.

The 2007 reform included measures to improve attractiveness of producer organisations. Provisions were made for simplification and more flexibility in the operation of producer organisations wherever possible. Such provisions concern issues such as the product range of a producer organisation, the extent of direct sales permitted, the extension of rules to non-members and, under certain conditions, the possibility of delegating powers or functions to an association of producer organisations (APO) and the possibility of outsourcing certain activities, including to subsidiaries.

The Community support to producer organisation is still offered to the operational funds established by recognised producer organisations. The Community financial contribution to POs remains limited to 4.1 percent of the total value of marketed produce, but it may rise to 4.6 percent provided that the excess is used only for crisis prevention and management.

Moreover, additional support (60 percent Community co-financing rather than of 50 percent) is offered to mergers of POs, associations of producer organisations (APO), to POs located in regions where the level of the concentration of the supply through POs is very low (less than 20% of fruit and vegetables production), in the States that became members of the Union as from 1 May 2004 or in the outermost regions of the EU, to encourage the creation of POs.



The reform has also reinforced the existing provisions concerning the possibility for Member States to provide additional support to POs in regions with a very low level of organisation. The additional support, in the form of national assistance, can be partially refunded by the Community in certain cases.

### **Producer groups**

In order to improve the grouping of the supply in the States that became members of the Union as from 1 May 2004, producer groups in new Member States wishing to acquire the status of recognised producer organisations can benefit, during a transitional period, of specific national and Community financial support to help attainment of the criteria for recognition. This support to producer groups in new Member States is doubled with the reform.

### **National strategy for sustainable operational programmes**

In order to improve the effectiveness of the operational programmes, Member States are required to establish a national strategy for sustainable operational programmes in the fruit and vegetable sector. The strategy must provide for the following elements: an analysis of the initial situation, the objectives of operational programmes and instruments, performance indicators, assessments of operational programmes and reporting obligations for producer organisations. The analysis of the initial situation must be aimed at identifying the needs to be met, the ranking of the needs in terms of priorities, the goal to be achieved through the operational programmes to meet those priority needs, the result expected in relation to the initial situation, and lay down the most appropriate instruments and actions for attaining those objectives.

The national strategy is required to integrate a national framework for environmental actions, aimed at drawing up the general conditions applying for those actions (see below).

Member States are also required to ensure the monitoring and evaluation of the implementation of the national strategy, through the use of relevant indicators among a common set of performance indicators, relating to the baseline situation, financial, output, result and impact. The monitoring and evaluation must be aimed at examining the degree of utilisation of financial resources, the degree of implementation of the operational programmes, the efficiency and effectiveness of the operational programmes implemented, and assess the effects and impact of those programmes, in relation to the objectives, targets and goals set by the strategy.

### **Crisis prevention and management**

Fruit and vegetables production and demand are influenced by climate conditions and therefore difficult to predict. Given the perishable nature of the products, surpluses, even if they are not too high, can strongly disturb the market.

The 1996 reform had maintained certain produce withdrawal mechanisms. After the 1996 reform, the quantities presented to the withdrawal and the amounts concerned decreased in a drastic way. Experience had shown that the budget devoted to withdrawals had been reduced due to the fact that supply had progressively been better adapted to demand.

Nevertheless, the fruit and vegetables sector was still suffering from market crises. This is why the 2007 reform enlarged the range of tools for the crisis prevention and management.

Concerning withdrawals, the CWC (Community Withdrawal Compensation) was removed. Product withdrawals can now only be carried out by POs under their operational programmes (and, normally, on the principle of 50/50% co-financing). Withdrawals for free distribution in the EU will be 100% paid by the Community, however, up to a limit of 5% of the volume of the marketed production of each producer organisation.

Together with product withdrawal, a wide range of other crisis prevention and management tools are now eligible for support under the operational programmes of the producer organisations. New tools include green harvesting/non-harvesting, promotion and communication tools in times of crisis, training, harvest insurance, help in securing bank loans and financing of the administrative costs of setting up mutual funds.

### **Environmental concerns**

The inclusion of fruit and vegetables in the Single Payment Scheme (see below) entails that Cross Compliance (i.e. the respect of mandatory environmental standards) will be compulsory for all fruit and vegetables producers receiving direct payments.

In addition, producer organisations are required to devote at least 10 percent of expenditure in their operational programmes to environmental actions going beyond the same minimum and mandatory requirements (baseline) applicable for the agri-environment measures. In alternative, an operational programme must include at least two environmental actions.

Finally, the Community co-financing rate for organic production in the operational programmes has been raised to 60 percent.

### **Encouraging greater consumption of fruit and vegetables**

Producer organisations will still have the possibility to include promotion of fruit and vegetable consumption in their operational programmes. In particular they will have the possibility to carry out generic promotion and promotion of POs' brands.

The Community co-financing rate for actions to promote the consumption of fruit and vegetables targeted at children in educational establishments, implemented under the operational programmes, has been raised to 60 percent.

Moreover, the reformed regime gives preference to free distribution of fruit and vegetables withdrawn from the market to schools, hospitals and charitable bodies. Free distribution will be 100 percent financed by the Community up to a limit of 5 percent of the quantity marketed by a PO.

Finally, the 2007 reform has also paved the way to the setting up of a School Fruit Scheme, aimed to grant Community aid, from the 2009-2010 school year onward, for the supply to children in educational establishments (including nurseries, other pre-school establishments, primary and secondary schools) of products of the fruit and vegetables, processed fruit and vegetables, and banana sectors. The Community aid is intended to help cover only the costs of the products and certain related costs of logistics and distribution, equipment, communication, monitoring and evaluation, resulting from the implementation of national/regional schemes in Member States. Member States wishing to participate in the Community scheme must draw up a prior strategy. The total Community aid cannot exceed 90 million € per school year. Moreover, the Community aid to the national/regional schemes cannot exceed 50% of the eligible costs, increased to 75% in regions eligible under the Convergence Objective and in outermost regions. Costs not covered by the Community aid are to be covered by the Member State concerned.

#### **Inclusion of fruit and vegetable areas in the Single Payment Scheme (SPS)**

Land covered by fruit and vegetables (including orchards and potatoes for human consumption) has become eligible for the activation of payment entitlements under the decoupled aid scheme which applies in other farm sectors.

Moreover, all existing support for processed fruit and vegetables will be totally decoupled by 2013 and the national budgetary ceilings for the SPS have been increased consistently. Member States have been allowed to establish reference amounts under the scheme on the basis of a representative period appropriate to the market of each fruit and vegetable product and of appropriate objective and non-discriminatory criteria.

#### **Separate fruit and vegetable payment for SAPS countries**

Countries applying the Single Area Payment Scheme are allowed to introduce a decoupled fruit and vegetable payment to historical producers of fruit and vegetables. They were required to decide by 1 November 2007 the amount to be deducted from the SAPS envelope to cover this and the criteria used for the allocation of the fruit and vegetable payment.

#### **Trade with third countries**

The 2007 reform did not modify the existing legal framework relating to external trade (entry price system, tariff quotas, trigger volumes...), because of the on-going WTO negotiation talks and the parallel process of establishment of the single Common Organisation of the Markets (embodied in Council Regulation (EC) No 1234/2007). Export refunds have been abolished, however.

#### **Simplification**

Administrative simplification is expected to result from the abolition of the processing aids in favour of the existing single payment scheme or of the single area payment scheme is a great advantage of the proposed reform.

The reform introduced several simplifications and increased flexibility with the view to improving the attractiveness of producer organisations.

Simplification also results from abolition of export refunds, as all the procedures relating to the granting of these refunds no longer exist for exporters.

A further simplification concerns the marketing standards. The existing legal provisions on these standards have been replaced with the more concise text applying to the single Common Organisation of the Markets.

## Appendix II

**European Commission, Directorate-General for Agriculture and Rural Development, May 2010**

### **The regime for fruit and vegetables before the 2007 reform**

#### **The origin of the Community regime**

A special regime for the fruit and vegetable sector is in operation since 1962, when a specific Common Organisation of the Markets (COM) in fruit and vegetables was established. Since the beginning, the COM have largely been centred on the market, with the fixing of institutional prices (basic price, buying-in price, withdrawal price and public buying-price) for products considered important in determining producers' incomes and the use of specific market instruments:

- Withdrawal operations, including both produce withdrawals from the market carried out by producer organisations and public buying-in (in case of a serious crisis occurring on the market). In both cases, producers were eligible for financial compensations from Community funds.
- External protection. In case of imports, for each place of origin, reference prices (i.e. minimum entry prices) were fixed for a number of products. If the market price was below the reference price, a countervailing charge was payable.
- Export refunds. To facilitate exports, refunds might be granted, to make up the difference between the internal price and the world market price.

In 1968, the Community established a specific Common Organisation of the Markets in processed fruit and vegetable products. The scheme covered tomato products, peaches and pears in syrup and/or natural fruit juice, prunes and (since the accession of Greece) dried figs and dried grapes. Main market instruments included:

- External trade arrangements, with the possibility of granting export refunds making up the difference between the Community price and the world market price, and the application of minimum price at the frontier for certain processed products.
- Aid for certain processed fruit and vegetables (introduced in 1978, as part of a general policy for the Mediterranean areas), with the fixing of a minimum price which the processors must undertake to pay to producers to qualify for the aid. The aid was intended to compensate the difference between the costs of the raw material (fresh products) produced in the Community and those of imported products, so as to ensure adequate income to producers of fresh fruit and vegetables.

In the case of dried grapes the aid scheme was gradually replaced, over the marketing years 1990/91 to 1993/94, by a cultivation aid per hectare of specialised area harvested.

#### **The 1996 reform**

The reform of 1996 consolidated the orientation towards the market. The economic objective of the regime became to encourage fruit and vegetable growers to join producer organisations (POs) for strengthening their position on the market and satisfying a more and more concentrated demand, both at the distribution and at the transformation stages.

The 1996 reform placed the COM in fruit and vegetables at the vanguard of the process of development of the common agricultural policy, by introducing elements which were then extended to all the sectors at the time of the Agenda 2000 and of the 2003 reform of the Common Agricultural Policy.

a. Progressive reduction of support to the cyclical interventions on the market.

Produce withdrawals had reached insupportable proportions at the beginning of the 90s (1 million Tonnes of apples, 800,000 Tonnes of peaches withdrawn in 1992 and destroyed in the absence of alternative options).

The new regime provided for the possibility for producer organisations to organise, under strict conditions, withdrawals for some products and to receive compensation (Community Withdrawal Compensation – CWC) for the withdrawal costs born ) as well as for the logistical costs in case of free distribution of the products withdrawn. Producer organisations were also allowed to use their operational funds to top up this CWC and to withdraw other products not covered by that scheme.

To avoid excessive withdrawals, the withdrawal mechanism was framed firmly, by the following provisions:

(i) Limits were set to the volume of products eligible for support (there was no limit before), in terms of limited percentage of the volume of marketed production of a producer organisation.

(ii) The fixing of withdrawal compensations was no longer made dependent on the actual market prices and the level of compensation was low.

(iii) An obligation to respect strict environmental condition for the withdrawals was introduced.

b. Gradual reduction of the export refunds

Following the same logic, export refunds were gradually decreased, to take account of the agreements of the Uruguay Round.

c. Strengthening of structural aid aimed at developing competitiveness and the capacity of the producer organisations to adapt to the request of the market.

Producer organisations were already at the core of the previous Community regime, where they performed the essential role of channelling the subsidies received for withdrawals and aids for processing to producers. To a large extent, a number of the POs existing before 1996 had no role regarding the concentration of the supply. In certain case, they were even empty shells only aimed at managing Community aids.

The 1996 reform marks a fundamental shift in the logic of support with the progressive phasing-out of market intervention measures and the introduction of generic aids to strengthen competitiveness and environmental protection.

As from 1996, the members of recognised Producer Organisations (POs) were required to market the majority of their products through their PO. Community financial support was granted through operational funds established by the producer organisations and co-financed at 50% by the EC and at 50% by the POs. The support was limited to 4.1% of the value of the marketed production by the producer organisations. Operational funds only served for financing the implementation of operational programmes. The latter included measures aimed at several objectives, such as improvement of the product quality, increase in product commercial value, promotion campaigns addressed to the consumers, creation of coherent ranges of products, development of integrated productions or adoption of other environmentally friendly production methods, or reduction of the produce withdrawals from the market.

## **The 2000 changes**

In December 2000, four major changes were introduced in the regime established with the 1996 reform.

(a) Community financial contribution to the operational funds

Following the 1996 reform, a double ceiling was applicable to the Community support to the operational funds of producer organisations. The first ceiling consisted in a limit to the support that could be provided at each producer organisation. The second ceiling concerned the total Community aid that could be granted to all the producer organisations.

The change introduced consisted abolishing the second ceiling, with the view to facilitating the implementation of the operational programmes and increasing security concerning their financing. A unique ceiling was fixed for the EU contribution to the operational fund of a producer organisation, equal to 4.1% of the value of its marketed production.

(b) Level of the aid to processed products (tomato, pears and peaches)

The major change consisted in the abolition of the existing aid system consisting, on the one hand, in the fixing of a minimum price to be paid by the processors to the producers for the raw material delivered and, on the other, on granting an aid to the processors on the basis of the volume of the products processed. The new system put in place entailed a freely negotiated price (based on a contract) between a recognised producer organisation and a processor approved by the Member State, and an aid that is granted directly to the producer organisation according to the quantity of raw material delivered to processors under contracts.

Moreover, the existing quota system applicable to the processing industry was replaced by a mechanism of Community and national processing thresholds. Whenever a Community processing threshold was overrun, the aid fixed for the product in question was reduced in all the Member States in which the corresponding threshold had been overrun.

(c) Level of the aid to the citrus fruit sector

In the sector of citrus fruits, once the processing threshold had been exceeded, products initially intended for processing were normally diverted towards withdrawal. In this context, an amendment was introduced aiming at limiting the volumes of marketed products being eligible to the Community Withdrawal Compensation and at increasing the level of the processing thresholds allocated to each Member State.

(d) Trade with the third countries

With a view to improving the management of export refunds, a tender procedure was introduced. This entailed the requirements for European exporters to introduce a written request to the Commission to obtain refunds, so that they could then export when the world price was lower than the European price.

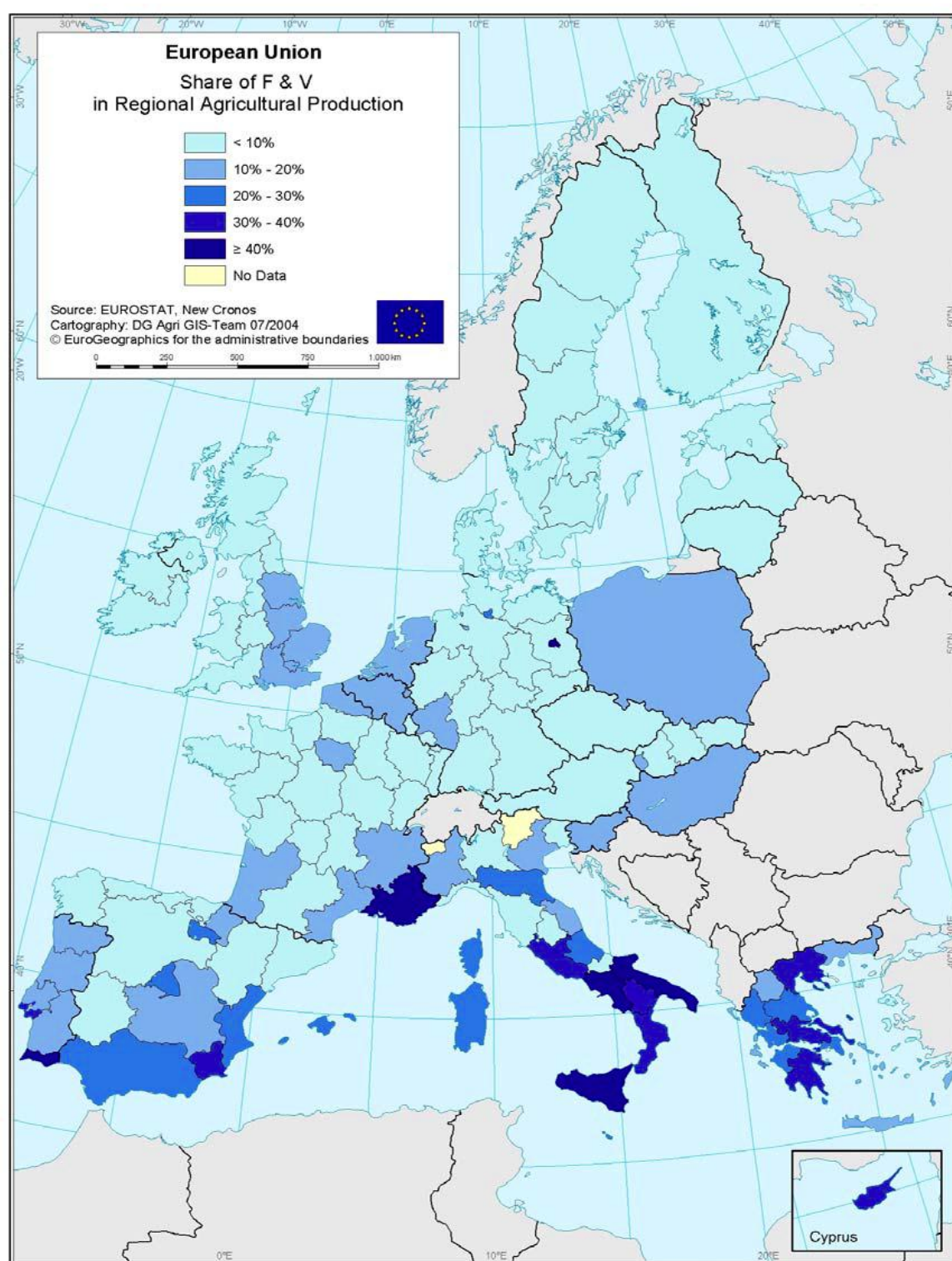
### **The 2003 adaptations**

In 2002, the Commission, the Member States and the stakeholders started discussions on how to simplify the CMO. Some issues required a change in the Council regulation ruling the Community regime (and this has been the basis for the 2007 reform) but others could be addressed through the implementing rules provided by new Commission regulations, which were affectively adopted in 2003.

The main changes introduced were the following:

- A clearer definition of the functions of a Producer Organisation (POs);
- Consolidation of the figure of the Association of Producer Organisations;
- Stimulus for the existing POs to complete their offers with products of other POs as a priority;
- Inclusion of the value of the products used for free distribution in the basis for the calculation of the value of the marketed production of a PO, with the view to stimulating the POs to distribute freely to the most needed their products instead of destroying them.
- Clarification of the rules applicable to trans-national POs;
- Clarification that investments on member' farms are eligible to the PO's operational programme;
- Allowing POs to promote their own brands;
- Clarification that different producers, with different needs, can contribute on a different basis to the financing of the operational programmes; and
- Making environmental management of packaging eligible for support under the operational programmes.

### Appendix III: Main Fruit and Vegetables production regions in the EU-25.



Source: CEC, 2004: COMMISSION STAFF WORKING DOCUMENT Analysis of the common market organisation in fruit and vegetables, Brussels, 03.09.2004; SEC(2004) 1120

#### Appendix IV. Policy Measures in individual Member States on cooperatives in F&V sector

Country	Score	Name of Policy Measure	Type of Policy Measure	Objective of the Policy Measure	Target of the Policy Measure	Expert comment on effects on development of the cooperative
Country code (ISO 3166)		Official name of the policy measures (In English)	1. Mandate e.g. 1.1. Cooperative legislation/incorporation law e.g. 1.2 Market regulation and competition policies 2. Inducement e.g. 2.1 Financial and other incentives 3. Capacity Building e.g. 3.1 Technical assistance 4. System Changing 5. Other	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives 2. Specific to an agricultural sub-sector 3. Applicable to business in general	Description on how the policy measure affects development of cooperatives, by reasoning through the building blocks: - Position in the food chain - Internal Governance - Institutional environment of the cooperative
<b>AUSTRIA</b>						
AT		No special legislation for F&V industry				
<b>BELGIUM</b>						
BE	<b>1</b>	School Fruit Scheme	Inducement Other: promotion of healthy life style	Attainment of equity or social goals	Specific to F&V sector	The money provided within this programme aims at facilitating the supply chain in favour of supply to schools. It therefore interferes with the environment in which fruit and vegetable cooperatives operate (given the importance of this sector in Belgium, this has considerable potential to stimulate cooperative behaviour) and directly impact the competitive position and the position in

						the food chain of cooperatives.
<b>CZECH REPUBLIC</b> (policies mentioned for this country were found in the report, not in the table of policies)						
CZ		Producer groups - Regulation (EC) 1234/2007, Chapter 2 / the corresponding Governmental Decree 318/2008	Inducement Financial incentive to setting up a producer group/ marketing cooperative	Correction of market failure	Specific to F&V sector	
<b>GERMANY</b>						
DE	1	Law for Adjusting Agricultural Production to Market Requirements ("Marktstrukturgesetz") from 1969	1. Mandate 1.1. Cooperative legislation/ incorporation law 1.2 Market regulation and competition policies	1. Correction of market failure	agriculture	<p>In its original formulation, §7 of the law drew a clear line between producer associations based on the German Law and producer organisations based on European Community Law. Producer organisations (EU law) are primarily found in the fruit and vegetable sector; producer associations (German law) are important in the hop, potato, hog and piglet, and quality grain sector. The attainment of state recognition is a precondition for producer associations to apply for financial support and to receive legal competitive privileges.</p> <p>The development of these producer associations has not been that successful as the initiators expected them to be. There are numerous obstacles in the internal organisation, behavioural attitude of its members towards the association, the precondition for the development of promising marketing activities, and management problems prevent these producer organisations from being a favourable alternative for cooperative solutions.</p>
<b>DENMARK</b>						
DK	1	National implementation of EU legislation on the CMO in F&V (financial	Market regulation and competition policies	Correction of market failure	Specific to F&V sector	Allows fruit and vegetable producers to organize in order to strengthen their market power in relation to private purchasers.



		support for POs)				
SPAIN						
ES	3	Royal Decree 1972/2008, 28 November: National implementation of EU legislation on the CMO in F&V (financial support for POs)	1. Mandate. Incorporation law	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	Specific to F&V sector	-Establishes the basic rules for the recognition of organisations of fruit and vegetable producers and associations of organisations of producers.  -To guarantee the correct execution of the activities of such organisations in terms of duration and efficiency of concentration of offer, the decree establishes categories of products among which the organisations must choose in order to be recognized. It also regulates: assignment of votes, terms upon which its members, subsidiaries or external services can provide the necessary measures to carry out their functions, concretize the procedure and the conditions which are necessary for such recognitions, the activities which can be carried out by such associations, etc.  -An organisation of producers must be, in any case, an associative entity constituted on the initiative of the producers.
ES	2	Royal Decree 1302/2009, 31 July, re: funds and operating programmes of fruit and vegetable producer organisations.	2. Inducement. Financial incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	Specific to F&V sector	-Establishes the basic norm in relation to the funds and operative programs in development of Council Regulation (EC) n. 1234/2007 –Agricultural Common Market Organisation (CMO) and it establishes specific dispositions for certain agricultural products (Single CMO Regulation) and the Regulation (EC) no. 1580/2007 of the Commission in which they establish the disposition of the application of Council Regulations (EC) n. 2200/1996, (EC) 2201/1996 and (CE) no. 1182/2007, in the sector of fruits and vegetables.
FINLAND						
FI	-	National implementation of EU legislation on the	Mandate	Correction of market failure	Specific to F&V sector	Allows fruit and vegetable producers to organize themselves in producer organisations in order to

		CMO in F&V (financial support for POs)				strengthen their market power.
FRANCE						
FR	4	Common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)			agriculture	Regulation (EC) No <a href="#">1234/2007</a> provides a single legal framework governing the domestic market, trade with third countries and rules regarding competition.  Even restructuring movement for Fruits and Vegetables with the tools needed to make industrial performance.
GREECE						
GR	3	Law 1234/2007, Article 103 (as it has been amended by EC 361/2008); Financial support POs concerning fruit & vegetables	Mandate		Specific to F&V sector	All regulations that promote the organisation of markets for specific products/commodities through producers' organisations provide a facilitating institutional environment that has considerably improved the positioning of farmers' vis-à-vis their upstream and downstream IOF food supply chain partners.
HUNGARY						
HU	3	Decree of Ministry of Agriculture and Rural Development 67/2009. (VI. 9.) on national regulation of fruit and vegetable producer groups and producer organisations.	Mandate	Correction of market failure	Specific to F&V sector	It contains the rules and process of setting up and recognition of producer organisations (POs or in Hungarian: "TÉSZ") and producer groups in fruit and vegetable sector. Among other important features, it also deals with the questions of Association and Merger of POs, Joint rules for organisational operation (mechanism) of POs and producer groups. The measure influences the internal governance of the co-2op/POs.
HU	3	Decree of Ministry of Agriculture and Rural Development 19/2008. (II. 19.) on national	Mandate	Correction of market failure	Specific to F&V sector	That was the first decree in Hungary which used the "new" terms: "fruit and vegetable producer group" and "producer organisation" instead of "temporary recognised" and "recognised" ("TÉSZ")

		regulation of fruit and vegetable producer groups and producer organisations.				POs. 2010 was the first year when the number POs was higher than the number of fruit and vegetable producer groups in Hungary.  The decree also contains some changes in the process of recognition and in operation/democratic decision making process. The new National Strategy for Fruit and Vegetable Sector in Hungary can be found in the appendices. The measure influenced significantly the internal governance of co-ops/POs.
HU	-2	Decree of Ministry of Agriculture and Rural Development 120/2003. (XII.2.) FVM on national regulation regarding fruit and vegetable producer marketing organisations	Mandate	Correction of market failure	Specific to F&V sector	It raised the minimum of net revenue for HUF 250 million for recognised ("TÉSZ") and HUF 125 million for temporary recognised organisations. Despite the measure the number of POs was the highest (altogether more than 100) in 2004. There was a decrease from 2005 till 2008. The measure influenced the internal governance of the co-ops/POs and also the position of the food chain.
HU	4	Decree of Ministry of Agriculture and Rural Development 25/1999 (III. 5.) on vegetable-, fruit-and -marketing organisations.	Mandate	Correction of market failure	Specific to F&V sector	Basic decree of POs in fruit and vegetable sector. Helping the accession to EU, establishing the rules of setting up and recognition of producer organisations in fruit and vegetable sector. It influenced mostly Internal governance issues, but also helped to improve position in the food chain.
HU	3	Government decree 1066/2008. (XI. 3.) on New Hungary Producer Organisation Current Assets Credit Programme	Inducement	Correction of market failure	Specific to F&V sector	Current assets credits exclusively for (Hungarian) POs. which measure improved their position in the fruit and vegetable chain with securing revolving fund for them to be able to handle the delay in payments from their costumers (e.g. retailing chains, processing industry etc.).
HU	4	National support from the Ministry of Rural Development for "Certain special types of co-operation", like F&V POs.  Legislation background:	Inducement	Correction of market failure	Specific to F&V sector	Support of supply marketing co-operatives ("BÉSZ" in Hungarian) from the budget of Hungarian Ministry of Rural Development for "Certain special types of co-operation", as well as fruit and vegetable producer organisations (POs) was possible from 1999 - 2007 (see more information elsewhere in the table). From 2007 present

		<p>Decree of Ministry of Rural Development 12/2011. (II. 18.) on modification of Decree of Ministry of Rural Development 24/2010. (III. 19.) on support of producer groups in fruit and vegetable sector and Decree of Ministry of Rural Development 9/2010. (VIII. 4.) on national supplementary support of F&amp;V POs.</p> <p>Decree of Ministry of Agriculture and Rural Development 69/2009. (VI.18.) on national supplementary support of F&amp;V POs.</p>				<p>category of measure only includes fruit and vegetable producer organisations since it did not harmonised with EU regulations because these co-ops were organised on territorial base as opposed to product marketing channels preferred by EU.</p> <p>In case of fruit and vegetables it is a joint support with EAGF (European Agricultural Guarantee Fund). (See other measures from EU budget in the next rows).</p> <p>In 2009 the joint support covered by Decrees of Ministry of Agriculture and Rural Development 28/2009 and 69/2009 was almost 4 million EUR.</p> <p>The measure greatly improves co-operatives' position especially in the fruit and vegetable food chain.</p>
HU	3	Decree of Ministry of Agriculture and Rural Development 24/2010. (III. 19.) on support of producer groups in fruit and vegetable sector.	Inducement	Correction of market failure	Specific to F&V sector	<p>Connected to CMO of CAP and supported from EAGF (European Agricultural Guarantee Fund) it improves producers' position in the fruit and vegetables food chain. It contains the increased (possible) rate up to 25% of a national contribution to certain investment support measures for investments taking place in 2011.</p> <p>The measure greatly improves co-operatives' position in the fruit and vegetable food chain.</p>
HU	3	Decree of Ministry of Agriculture and Rural Development 28/2009. (III. 20.) on support of producer groups in fruit and vegetable sector.	Inducement	Correction of market failure	Specific to F&V sector	<p>Connected to CMO of CAP and supported from EAGF (European Agricultural Guarantee Fund) it improved producers' position in the fruit and vegetables food chain.</p> <p>In 2009 the joint support covered by Decrees of Ministry of Agriculture and Rural Development 28/2009 and 69/2009 was almost 4 million EUR.</p>

						The measure greatly improves co-operatives' position in the fruit and vegetable food chain.
HU	4	Support for supply, marketing and service co-operatives in the Hungarian national agricultural support system from 1999-2007	Inducement	Correction of market failure	Specific to F&V sector	Support of supply marketing co-operatives ("BÉSZ" in Hungarian), as well as producer organisations (POs) in fruit and vegetable sector was possible from 1999- 2007 in the Hungarian national agricultural support system. The effect was very good, almost 700 new co-ops have been established in the first year. However, since it come clear that so many co-ops can not be financed from the (national) budget the requirements increased hence the number BÉSZ decreased in the next years. After a short period of derogation (2004-2006) this type of support was not possible in EU since it did not harmonise with EU regulations because these co-ops were organised on territorial base as opposed to product marketing channels preferred by EU. All in all, the measure greatly improved the co-ops' position in the food chain.
ITALY						
IT	4	National implementation of EU legislation on the CMO in F&V (financial support for POs)	Establishing a common organization of agricultural market and on specific provisions for certain agricultural products (in this specific case fruit and vegetables)	Strengthening the role of agricultural producers and their economic organizations	Specific to F&V sector	This action was highly appreciated by the cooperatives. The regulation encouraged the organization and the development of the sector, rewarding those producers which are organized in legal business forms, through co-financing of a special Operational Fund aimed at the full implementation of an Operational Programme. The latter provides for the implementation of certain actions, especially in the support of the marketing of products. More specifically, this regulation has encouraged the Italian sector to concentrate the supply and to improve the competitive position of farmers and processing and marketing firms in the food chain versus retailers. In this framework cooperatives are the main players among the agri-food firms thanks to their natural compliance to the requirements of the CMO Regulation (e.g. in terms

						of Producer Organizations governance).
IT	1	<p>Council Regulation (EC) No 479 of 29 April 2008 (on the common organization of the market in wine).</p> <p>National implementation of EU legislation on the CMO in F&amp;V (financial support for POs)</p>	<p>Making provision for the setting-up of mutual funds to provide assistance to producers seeking to insure themselves against market fluctuations.</p> <p>The support may be granted in the form of temporary and digressive aid to cover the administrative costs of the funds.</p>	Providing assistance to producers seeking insurance against the risk of market fluctuations	Agricultural producer that work in two specific sub-sectors	<p>The Regulations explicitly provides Mutual Funds. The convention can be considered a fundamental basis because the decrease in income related to the crisis of the market is being dealt with for the first time (not to mention the traditional problems related to weather disaster or plant disease and health problems). Nevertheless, the regulations have some limitations. More specifically, they do not involve neither the funding regulations nor the operating regulations.</p> <p>Moreover the support is linked just to the administrative costs of the Fund and it does not seem sufficient to reach the aim of this provision.</p> <p>In this context cooperatives could have a key role thanks to its features.</p> <p>At the moment this issue is being discussed in the debate and in the proposal of CAP reform</p>
NETHERLANDS						
NL	2	National implementation of EU legislation on the CMO in F&V (financial support for POs)	Inducement	Correction of market or regulatory failures	Specific for F&V sector	Substantial effect on the development of cooperatives in fruit and vegetables sector
POLAND						
PL	3	Ministerial Decree by the Minister of Agriculture and Rural Development issued on, December 16th, 2008 on conditions for fruit and vegetable producers to create a preliminary producer group	Mandate	Correction of market failure	Specific for F&V sector	Similarly to the EU regulations, legal or physical persons (already existing ones) can apply in Poland in the fruit and vegetable sector for getting the status of a producer group in 2 steps:1) the preliminary status and 2) the official status of a producer group. In this ministerial decree, the special conditions for this are given (in accordance to EU legislation).

						This decree enables fruit and vegetable producers to create a producer group and sets the conditions for it. Thus, it changes the institutional environment of the cooperatives and strengthens the position of cooperatives in the food chain.
<b>PORTUGAL</b>						
PT	0	POs-Operational programs	Capacity building and technical assistance  POs in fruit and vegetables sector.	According the established in Reg (EC) 1234/2007, 22th October, improve the competitiveness of the POs	Specific for F&V sector	A priori, the program was financially interesting, but according the stakeholders: complex, bureaucratic and not flexible. Therefore the level of adhesion is very low.
<b>ROMANIA</b>						
RO	3	National implementation of EU legislation on the CMO in F&V (financial support for POs)	Mandate Market regulation and competition policies	Correction of market failures	Specific for F&V sector	The Council Regulation modifies the institutional environment of the cooperatives.
RO	3	Council Regulation (EC) No 2201/96 of 28 October 1996 on the common organisation of the markets in processed fruit and vegetable products	Mandate Market regulation and competition policies	Correction of market failures	Specific for F&V sector	The Council Regulation modifies the institutional environment of the cooperatives.
RO	3	Order no. 694/2008 regarding the conditions necessary for the recognition of producer organizations and producer groups in the sector of fruits and	Mandate Market regulation and competition policies  Inducements  Financial and other	Correction of market failures  Equity and social goals	Specific for F&V sector	The order creates the framework for the transposition of COUNCIL REGULATION (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation),„ Council Regulation (EC) No 2200/96 of 28 October 1996 on

		vegetables, as well as the accession of financial aid by these	incentives			<p>the common organisation of the market in fruit and vegetables, Council Regulation (EC) No 2201/96 of 28 October 1996 on the common organisation of the markets in processed F&amp;V.</p> <p>The order establishes the procedure for the calculation of the value of commercialized production, the conditions in which PO or PG are recognized, the eligible investments and ineligible costs for the operational programs, the procedure for the granting of funds, etc.</p> <p>The order influences the position of the cooperatives in the food chain. This is achieved by the financial incentives that POs are granted.</p>
RO	3	Government Decision no. 1078/2008 regarding the granting of financial incentives to producer groups preliminary recognized and to producer organizations in the F&V sector	Inducements Financial and other incentives	Correction of market failures	Specific for F&V sector	The law impacts the position of cooperatives in the food chain as well as the institutional environment.
RO	3	Government Decision no. 1195/2008 regarding the granting of financial incentives in the F&V sector and ecological agriculture	Inducements Financial and other incentives	Correction of market failures	Specific for F&V sector	The law impacts the position of cooperatives (POs) in the fruit and vegetables sector in the food chain. If producers are part of a producer organization, the financial aid triples. The law impacts the position of cooperatives in the food chain as well as the institutional environment.
SWEDEN						
SE	1	National implementation of EU legislation on the CMO in F&V (financial support for POs)	Mandate	Correction of market failure	Specific for F&V sector	Allows fruit and vegetable producers to organize themselves in order to strengthen their market power.
SLOVAKIA						



SK	2	Common market organisation - temporary payment for tomatoes, - payment for fruit and vegetables, - payment on hops	Mandate - Market regulation and competition policies  Inducement - Financial and other incentives	Strengthening market position	Specific for F&V sector	The policy affects development of selected agricultural sectors(e.g. Fruit and Vegetable, Hop):  - Position in the food chain of the POs  The policy is strengthening the position in the food chain of local farmers in relevant sectors.
UNITED KINGDOM						
UK	1	National implementation of EU legislation on the CMO in F&V (financial support for POs)	Capacity building and incentives	Correction of market failure	Specific for F&V sector	An evaluation of this scheme in the UK showed that there had been low uptake mostly because many UK organisations found that their structure and operational practices did not adhere to the criteria that the scheme envisaged. With trends towards more supply chain development, many Pos are unable to retain control of their packing and marketing and there has been a lack of clear advice and so confidence in using this scheme