

CBI SECTOR ALERT FRESH FRUITS AND VEGETABLES

Publication date: April 2008

INTRODUCTION

The goal of this Sector Alert is to optimise assistance given, especially by Business Support Organisations (BSOs) to exporters in developing countries by providing insight information on expected strategic developments in the fresh fruits and vegetables sector. This way, new opportunities in the sector may be identified, market orientation may be improved and counter measures may also be taken towards competitor moves. This Sector Alert contains processed and very practical information for not only BSOs, but also for managers from exporting companies. This Sector Alert discusses the following alerts:

- 1) Ever increasing food safety demands
- 2) Increase in scale inevitable
- 3) Increasing global trade opportunities

ALERT 1: EVER INCREASING BUYER DEMANDS REGARDING FOOD SAFETY

Description

Food safety demands

Everyone involved in the fresh produce sector is aware of its high quality and food safety demands. So far, nothing new. However, especially buyers' demands are increasing at a very fast rate and becoming tighter and tighter. For example, two years ago HACCP used to be the most advanced standard demanded by buyers. Nowadays, their demands go beyond this, and HACCP has merely become a prerequisite. The same goes for Globalgap, previously known as Eurepgap, which is a standard for Good Agricultural Practices (farming the products). It has been reduced to a minimum demand, and an exporter will not have any competitive advantage by having this certification. This is only the starting point. Within two years from now, the BRC Global Standard - Food (BRC stands for British Retail Consortium) will be the norm, especially for pre-packed produce. Although it was originally a standard adopted by UK supermarkets, other major European supermarkets are also expected to follow suit.

In Germany especially, discussions about food safety are intensifying. It is a hot issue, Greenpeace has even started campaigns in this biggest market in Europe about food safety and Maximum Residue Levels (MRLs) in fresh food products. At the latest Fruit Logistica trade fair in January 2008, Greenpeace presented a list of 1327 pesticides which may harm human health and also the environment. Of these, 168 are allowed in the EU.

In addition to these standards, individual supermarkets may have their own demands, such as individual labels. One example is Nature Choice by Tesco in the UK (refer to the website below). For one thing, supermarkets do not generally want to be confronted with an excess of MRLs, for fear of claims and negative publicity. Although the maximum limits for MRLs have been set by EU legislation, a leading supermarket like REWE (<http://www.rewe.de>) has already set more severe limits. These are being copied by other supermarkets in the country and are expected to be set tighter in the near future. Another supermarket, Edeka (<http://www.edeka.de>), will issue a list with hundreds of materials which it will no longer accept from 1 January 2009 onwards. These also include materials that are allowed by EU legislation, but which are still undesirable. Some suppliers have already refused to cooperate; their contracts have been terminated.

Other European countries are expected to follow these strict guidelines in the near future. Even countries in Eastern and Southern Europe, which traditionally were less demanding as regards certificates, will follow rapidly. Especially pan-European supermarket chains in these countries will certainly implement the demands as discussed above. Nevertheless, the number of smaller