EUROPEAN MARKET POTENTIAL

FOR

SELECT AFRICAN FRUIT AND VEGETABLE COMMODITIES

BY

ROBERT E. McCORKLE

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INTRODUCTION

This paper is presented as an assessment of the potential of the European Market as an outlet for Eastern and Southern African horticultural products. The primary emphasis of this paper is directed toward fruits and vegetables, as several countries of the African continent have historically been, are currently in, or exhibit the potential for entering into the export of fruit and vegetable commodities to this market.

Historically most fruits and vegetables were marketed and consumed close to the areas in which they were produced. This was in response to commodities being seasonal in nature, varying greatly in quality, and exhibiting problems of perishability. The storage and transport of these commodities has always been difficult, and therefore generally expensive. Market structure to deal with these problems and yet facilitate exchange, developed in such a manner that the interested parties could be in sight of the product during exchange.

In more recent years, agricultural scientists and engineers have experienced success in attacking problems associated with growing and marketing perishables. Plastic greenhouses and transplanting techniques have been developed to extend seasons, processing equipment improved to facilitate grading and select quality, and storage and transport equipment developed to maintain the product through time and over space.

Because of these advances produce today is more likely to be traded on the basis of description utilizing the telex to facilitate communication rather than by both parties being physically at a market site in full view of the commodity. Thus the European market from a technical standpoint is much more accessible to the African exporter than ever before.

Horticultural production on a commercial basis might be viewed as an attractive addition to traditional food crops, particularly for those countries experiencing high labor to land ratios. Many of the African countries have limited quantities of quality land, and are experiencing underemployment of labor. Third world countries have demonstrated an ability to utilize this resource mix to their advantage by intensively employing both labor and land. Because of cheap labor in developing countries, and the seasonal climatic advantages many possess, they can be competitive in world markets.

These high value cash crops can provide excellent returns to the commercial African farmer, and if exported in quantity may serve to develop an export leading sector that will improve the balance of trade and provide scarce foreign exchange to the economy that in turn may be utilized to promote the development process.

THE MARKET

The European community countries taken as a bloc are the single largest importers of fresh fruits and vegetables in the world, accounting for 55 percent of world fruit imports and 60 percent of vegetable imports. During the off-season the demand for fresh fruits and vegetables is great and appears to be growing. This growth, according to Sarris is an income elasticity response reflecting a change in food habits by the consumer away from the bulky, high-carbohydrate traditional winter vegetables such as turnips, potatoes and cabbage, toward fresh imported "choice produce" such as green beans, eggplants, zucchini, and strawberries. Significant supplies of these products are currently provided by Mediterranean and North African countries.

The Kenya Horticultural Crops Development Authority statistics list countries by order of importance that import fresh fruits and vegetables from that country. The top six are located in Western Europe, and in 1983 they accounted for 91 percent of total air freight exports by weight. The chief product imports by weight in 1983 were green beans, eggplant, chillies, okra, mangoes and zucchini.

The Western European Market is dominate by those countries that are members of the European Common Market (EEC) founded in 1962 by six member states: Belgium, France, The Federal

Republic of Germany, Italy, Luxembourg and the Netherlands, and expanded in 1973 to include Denmark, Ireland, and the United Kingdom.

THE COMMON AGRICULTURAL POLICY

The Common Agricultural Policy (CAP) of the European Economic Community (EEC) demands the attention of exporters considering any of the member countries as a potential market. The CAP is an elaborate price-and-trade regulating mechanism which both protects and supports the member countries agricultural sectors. Domestic producer prices are supported at levels that generally exceed world prices and imports are regulated by tariffs, variable levies, and quotas to ensure that the prices of domestically produced commodities will not be undercut by imports.

Eastern and Southern African countries that are covered under the Lome Convention with 65 African, Carribean, and Pacific (ACP) countries are not generally subject to the European Communities Common External Tariff. Zimbabwe and Mozambique are not signatory to the pact.

A Reference Price System is utilized to keep produce of EC origin competitive with imports from third countries. These reference prices are calculated from the averages of the three proceeding years Community producer prices plus an allowance

for marketing. Should the entry price of a commodity fall below the reference price by 0.60 ECU (European Currency Unit) per 100kg for two consecutive days, then a countervailing levi will be charged making the market unattractive to the export country.

Fruits and vegetables subject to the Reference Price System at this time include apples, apricots, cherries, table grapes, peaches, pears, plums, lemons, mandarins, oranges, cauliflower, cucumbers, eggplant, tomatoes, and zucchini. The list of products may be added to at any time, and the time of year that charges may be assessed can be altered from the current time frame (Fig 1). European community grower associations have proposed additions to the list: asparagus, sweet peppers, mushrooms, onions, melons, green beans, and early carrots.

Quantitative import restrictions (embargoes) though they may be applied as a safeguard at any time, generally have not, because voluntary export restraints have instead been negotiated with exporting countries.

Community quality standards though quite high are stated to have not been held as a cause for serious trade restriction. Consumer demand within the Community market is generally for quality produce. The trade has grown accustomed to dealing primarily with suppliers capable of providing quality product.

Export rebates are paid to EC exporters in order to bridge price differentials that may exist between higher internal

prices and lower external world prices to relieve over supplies on the domestic market.

In addition to the many foreign trade regulations, the European Community has established a price support system on its internal market which covers approximately sixty percent of the total EC supply of fruit and vegetables for the fresh market. Commodities included in the price support program, and the time frames in which intervention prices may be applied are exhibited in (Figure 2).

In 1972, total support expenditures in fruit and vegetable markets, according to Hogan, were about 74 million (ECUs). In 1984, expenditures for the commodities are estimated to total 1.05 billion ECUs, an increase of over 1300 percent and amounting to about 15 percent of Community support expenditures. This growth of expenditures for fruits and vegetables reflect a fundamental imbalance in some fresh markets.

To encourage a viable commodity processing industry, the Community pays a production subsidy to processing companies handling tomatoes, peaches, oranges, pears, plums, cherries, figs, sultanas and currants. The subsidy reduces the packers cost of raw product substantially, in some situations by as much as 50 percent (Moulton USDA).

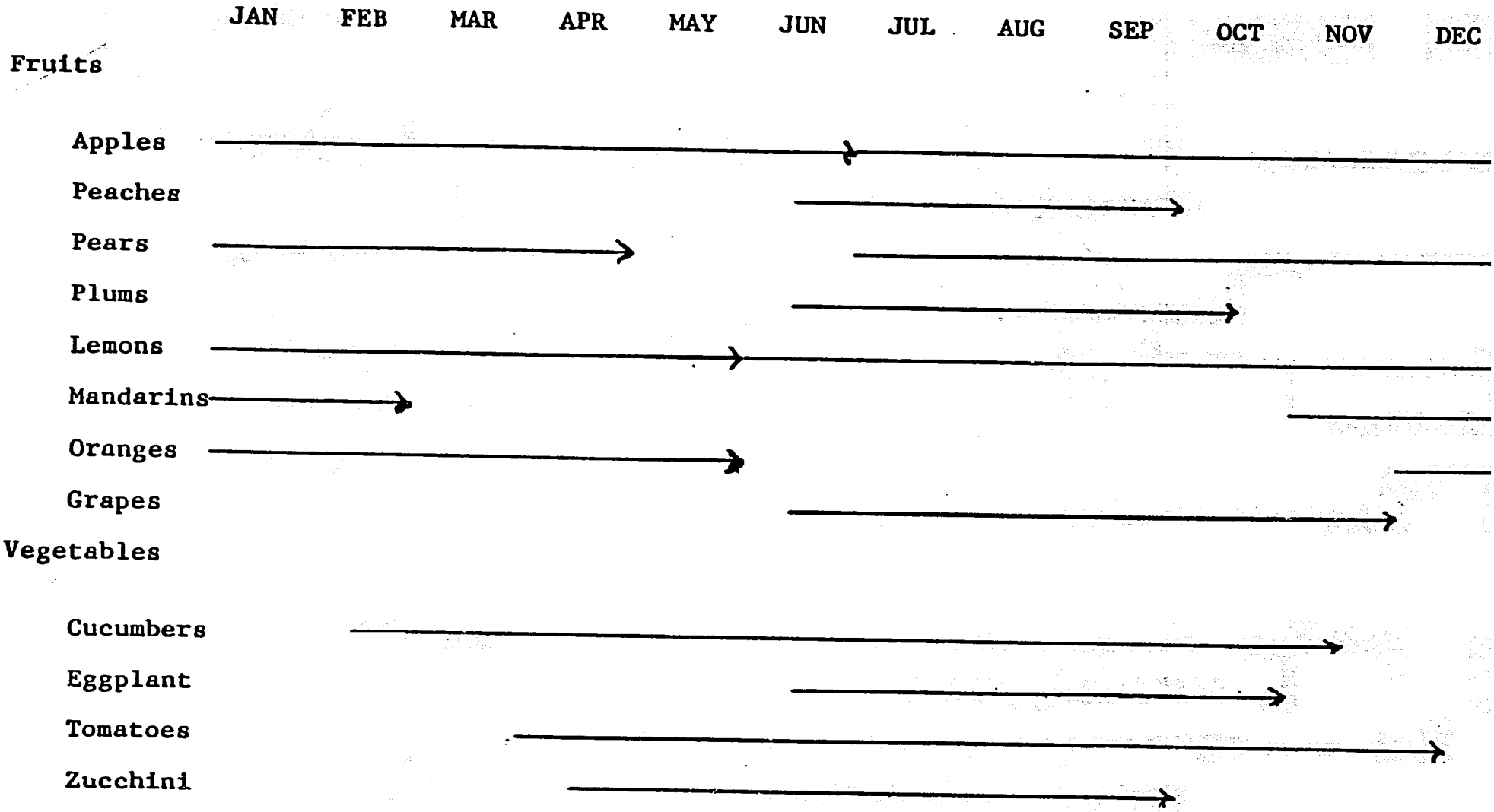
In 1976, 18.6 million ECUs were paid for processing subsidies. By 1980, processing subsidies had increased to

almost a half billion ECUs and about three quarters of a billion ECUs in recent years. The processing subsidies have played an important role in increasing exports of processed commodities, and given rise to third country charges of unfair competition under the General Agreement on Tariffs and Trade (GATT).

For a discussion of pressures for change in the CAP and financial difficulties facing the Community under current Agricultural Policy see Josling, "Development in the Common Agricultural Policy of the European Community".

Figure 1

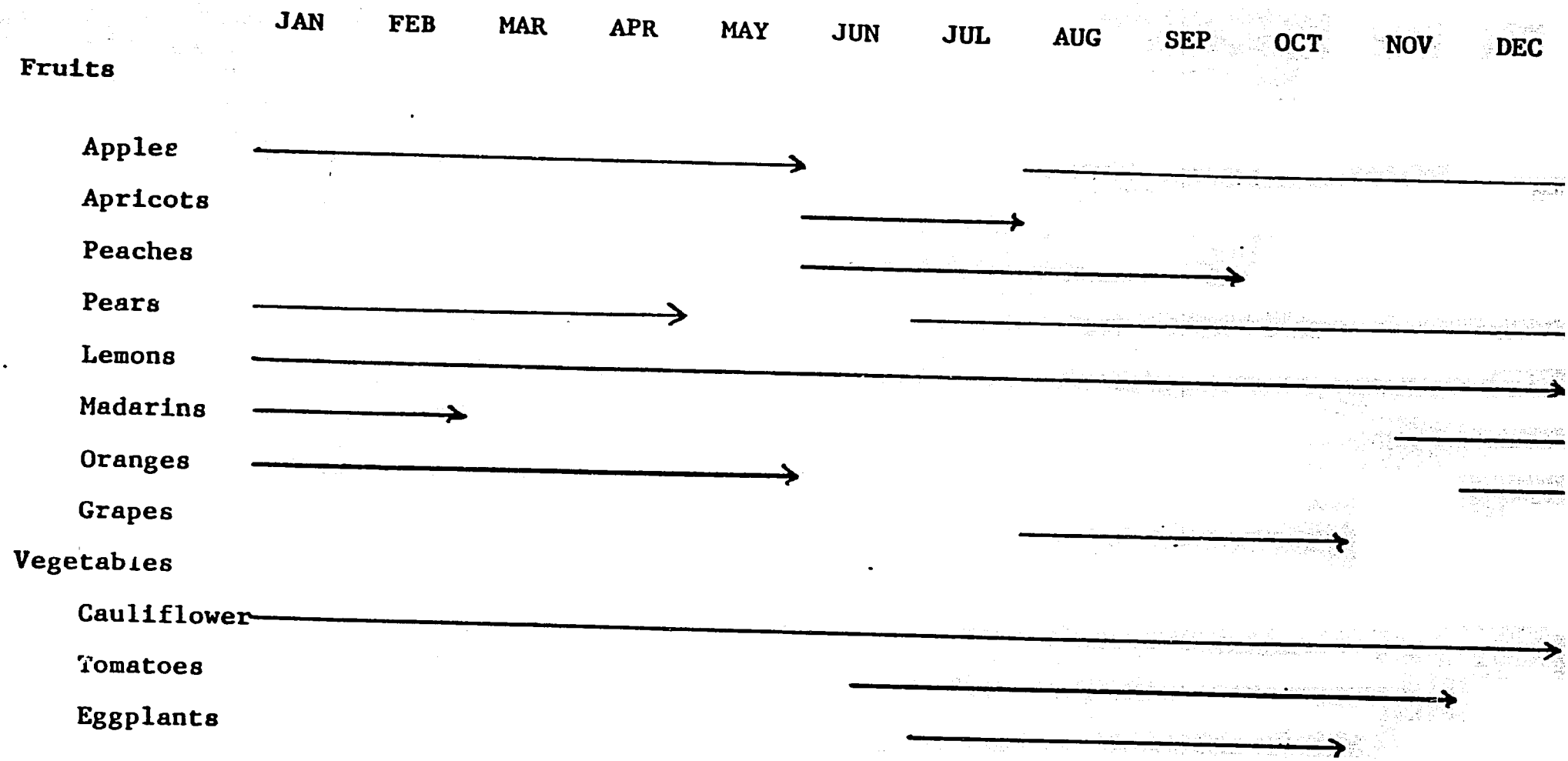
TIME FRAMES IN WHICH EC REFERENCE PRICES
ARE APPLIED TO SELECT FRUITS AND VEGETABLES



Source: Adapted From Unpublished World Bank Report

Figure 2

TIME FRAMES IN WHICH EC INTERVENTION PRICES
ARE APPLIED TO SELECT FRUITS AND VEGETABLES



Source: Adapted From Unpublished World Bank Report

COMMODITY POTENTIAL

Given the restrictions imposed under the CAP, what are some of the possibilities for export of fruit and vegetable commodities by African countries to the European community? Several select commodities were chosen for review to ascertain the level of existing import country demands, the major sources of supply, and market quality preferences. The major sources of information for this section included a publication produced by the International Trade Center UNCTAD/GATT entitled "Selected European Markets for Tropical and Off-Season Fresh Fruit and Vegetables", and statistics published by the Kenya Horticultural Crops Development Authority.

Fruits selected for review in which southern hemisphere comparative advantage might exist included avocados, mangoes and pineapples. Vegetables selected for review included several being produced in the off-season, again in which southern hemisphere comparative advantage might exist. Included in this group were asparagus, aubergines, (eggplant), and courgettes (zucchini), capsicums (peppers) and green beans. there are large quantities of sweet melons being exported into the European market, so they were reviewed as well.

SELECT FRUIT REVIEW

Avocados

The consumption of avocados in Western Europe increased rapidly during the 1970s and is still growing. France, based on 1979 statistics, (Table 1) was by far the largest market for avocados accounting for some 70 percent of the importations (41,000 tons) into the six leading European countries. The United Kingdom ranked second with approximately 16 percent, the Federal Republic of Germany third with six percent. The Swiss, Dutch and Belgian markets each accounted for approximately two and one half percent. (Fig 3)

The major supplying country is Israel; it is followed by South Africa and Martinique. Minor suppliers include Kenya, Swaziland, Cameroon, and Ivory Coast. Northern hemisphere countries, led by Israel, supply the market during the winter; southern hemisphere suppliers export avocados from April to September. Ninety percent of Kenya's exports to these markets were shipped during this period.

The major suppliers export their products into these markets primarily by sea, using air transport only at critical periods. Kenya though, shipped 1045 tons into these markets during 1983, and all were air freighted because of irregular sea freight service to East African ports.

Strong commercial ties continue to exist between a country and its former colony. During 1983 Kenya exported 504 tons of avocados to the United Kingdom and only 378 ton to France; a much larger market.

European buyers require quality fruit slightly unripe upon arrival, free from disease, bruising or other skin disfigurements, and accurately size graded. Stringent quality is required to minimize losses and ensure adequate shelf life.

The consumer prefers bright-green pear-shaped avocados typified by the Fuerte variety. Other varieties such as Has with its warty dark purple skin have met consumer resistance, and varieties with large or loose stones are not acceptable.

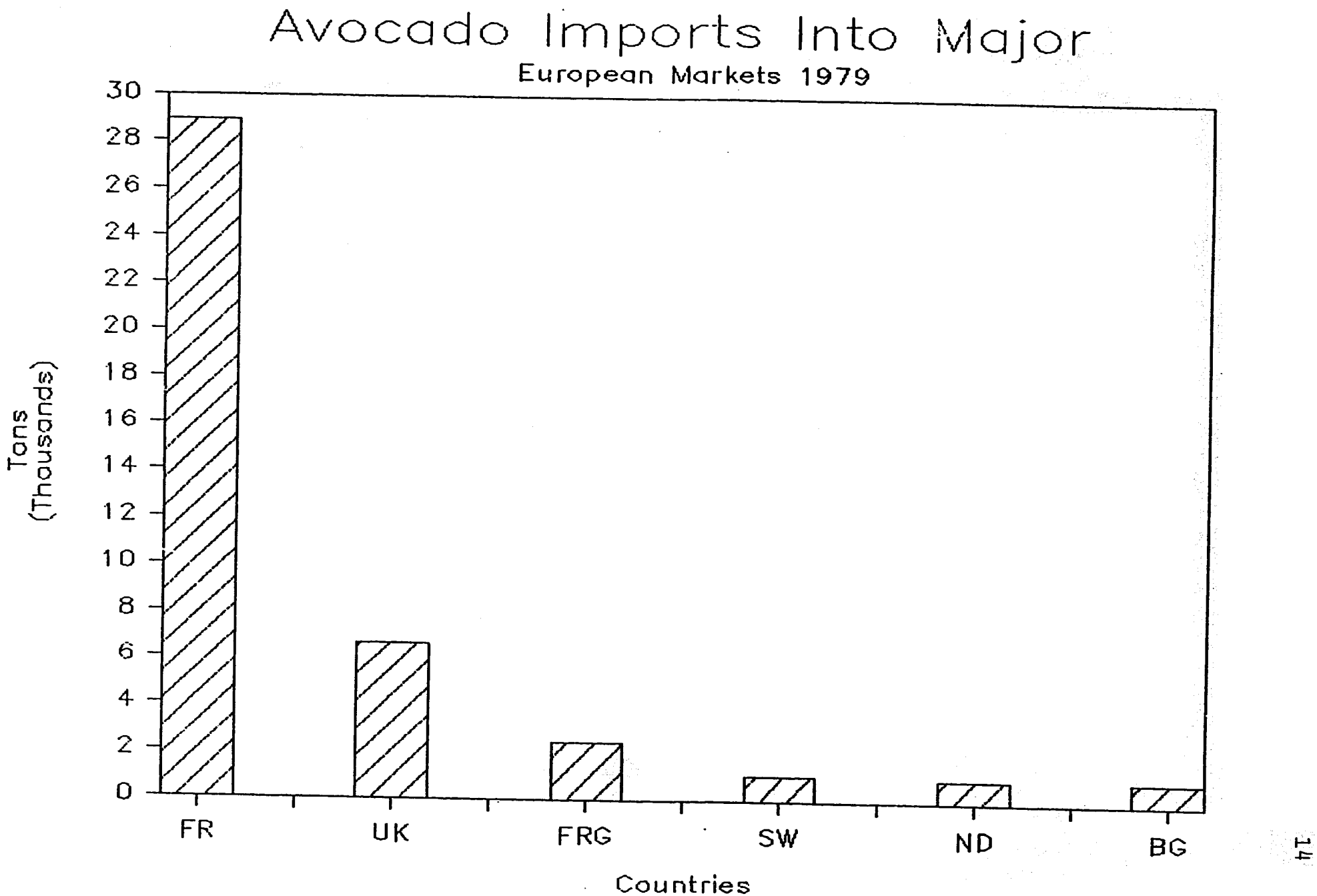
TABLE 1

IMPORTS INTO MAJOR EUROPEAN MARKETS OF SELECTED FRESH FRUIT AND VEGETABLES 1979

Product/Destination		Tons 1979	% of 1979 Total
Avocados		40,878	100.00
France	FR	28,930	70.80
United Kingdon	UK	6,633	16.20
Germany, Fed. Rep	FRG	2,421	5.90
Switzerland	SW	1,010	2.50
Netherlands	ND	944	2.30
Belgium	BG	940	2.30
Mangoes, Guaves and Mangosteens		7,667	100.00
United Kingdom	UK	2,768	36.10
France	FR	1,859	24.20
Netherlands	ND	1,534	20.00
Germany, Fed. Rep.	FRG	947	12.40
Belgium	BG	322	4.20
Switzerland	SW	237	3.10
Pineapples		89,283	100.00
France	FR	44,485	49.80
Germany, Fed. Rep.	FRG	16,204	18.20
Netherlands	ND	9,489	10.60
United Kingdom	UK	8,952	10.00
Belgium	BG	6,267	7.00
Switzerland	SW	3,886	4.40

Source: International Trade Center UNCTAD/GATT Geneva 1981

Figure 3


Avocado Imports Into Major
European Markets 1979
Tons
(Thousands)
30
28
26
24
22
20
18
16
14
12
10
8
6
4
2
0
FR
UK
FRG
SW
ND
BG
Countries

Mangoes

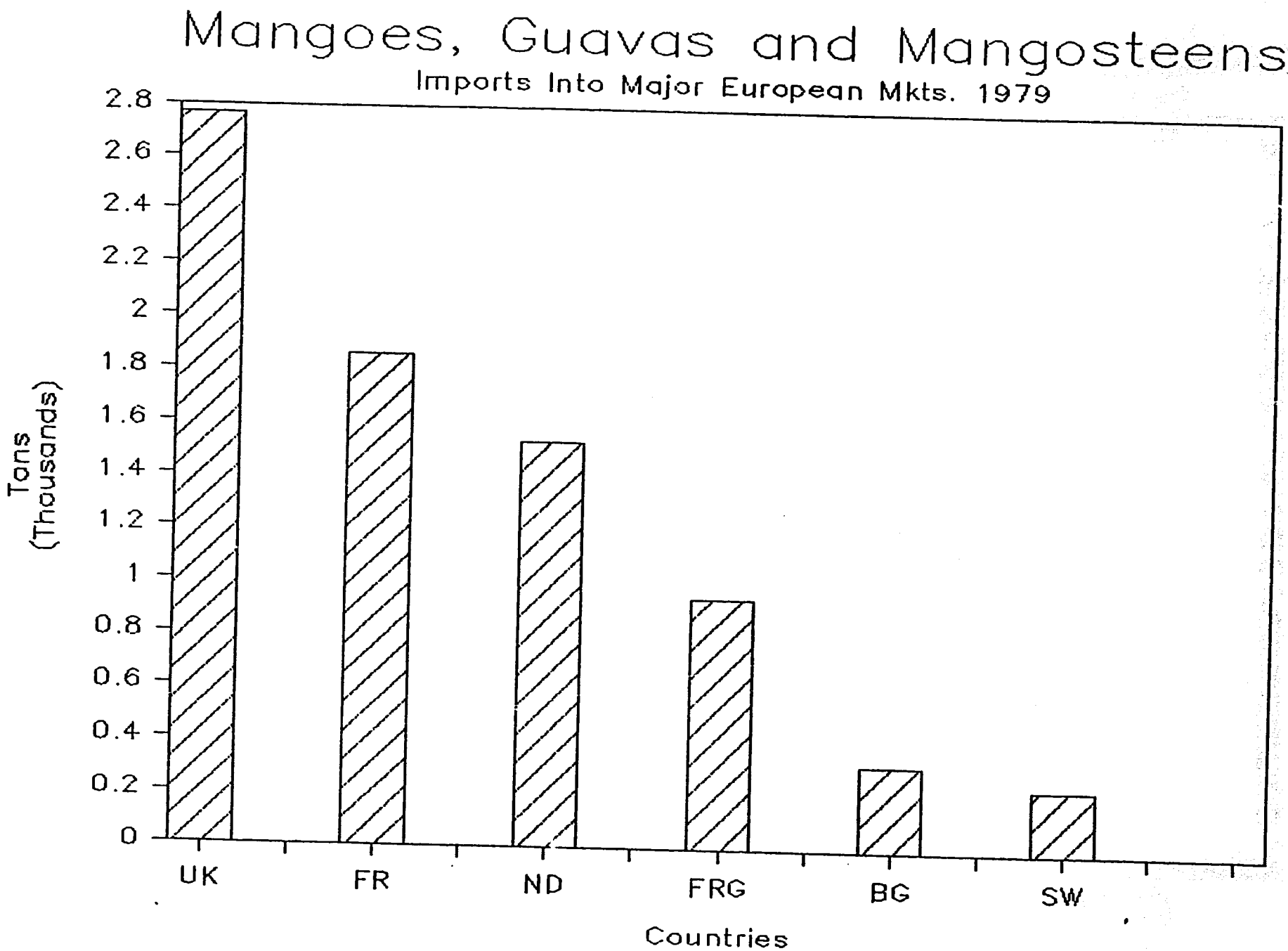
The consumption of mangoes is increasing rapidly in the Western European Market, and particularly in European countries covered by the EEC-financed promotional campaign. The United Kingdom was the largest importer based on 1979 statistics, (Table 1) followed in order by France, The Netherlands, Germany, Belgium and Sweden. (Fig 4)

Sizeable volumes are purchased wherever large numbers of immigrant populations are settled. Peak months of import depend largely upon the availability of fruit already familiar to the consumer and often come from his country of origin. Therefore no single supplying country dominates the market as the production period for high quality mangoes in most producing countries is short. The list of supplying countries is long and include countries like India, Pakistan, Brazil, Mexico, Kenya, Mali, and South Africa.

Fresh mangoes are highly perishable, so it is usually necessary to air freight them. They should arrive in country fully mature but firm to enable them to ripen satisfactorily yet have a lengthly shelf life. Most buyers prefer fruit that shows some of its mature color, yellow or red depending on the variety. Green mangoes, although fully mature and of excellent quality meet some market resistance and generally return a lower value.

It is essential for exporters to size grade the fruit accurately as mangoes are sold by the piece in retail outlets and most traders show a preference for cartons containing uniformly sized fruits.

Figure 4


Mangoes, Guavas and Mangosteens
Imports Into Major European Mkts. 1979
Tons (Thousands)
2.8
2.6
2.4
2.2
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
UK
FR
ND
FRG
BG
SW
Countries

Pineapples

The consumption of pineapples in Western Europe increased by more than 25 percent during the latter portion of the 1970's. There would appear to be room for market expansion in the United Kingdom which ranked fourth among the leading European importers in 1979 despite its relatively large population. France took fifty percent of the imports into major EEC markets and ranked first followed by Germany and then The Netherlands. (Table 1) The Netherlands however, re-exported some fifty percent of its imports to neighboring EEC countries. (Fig 5)

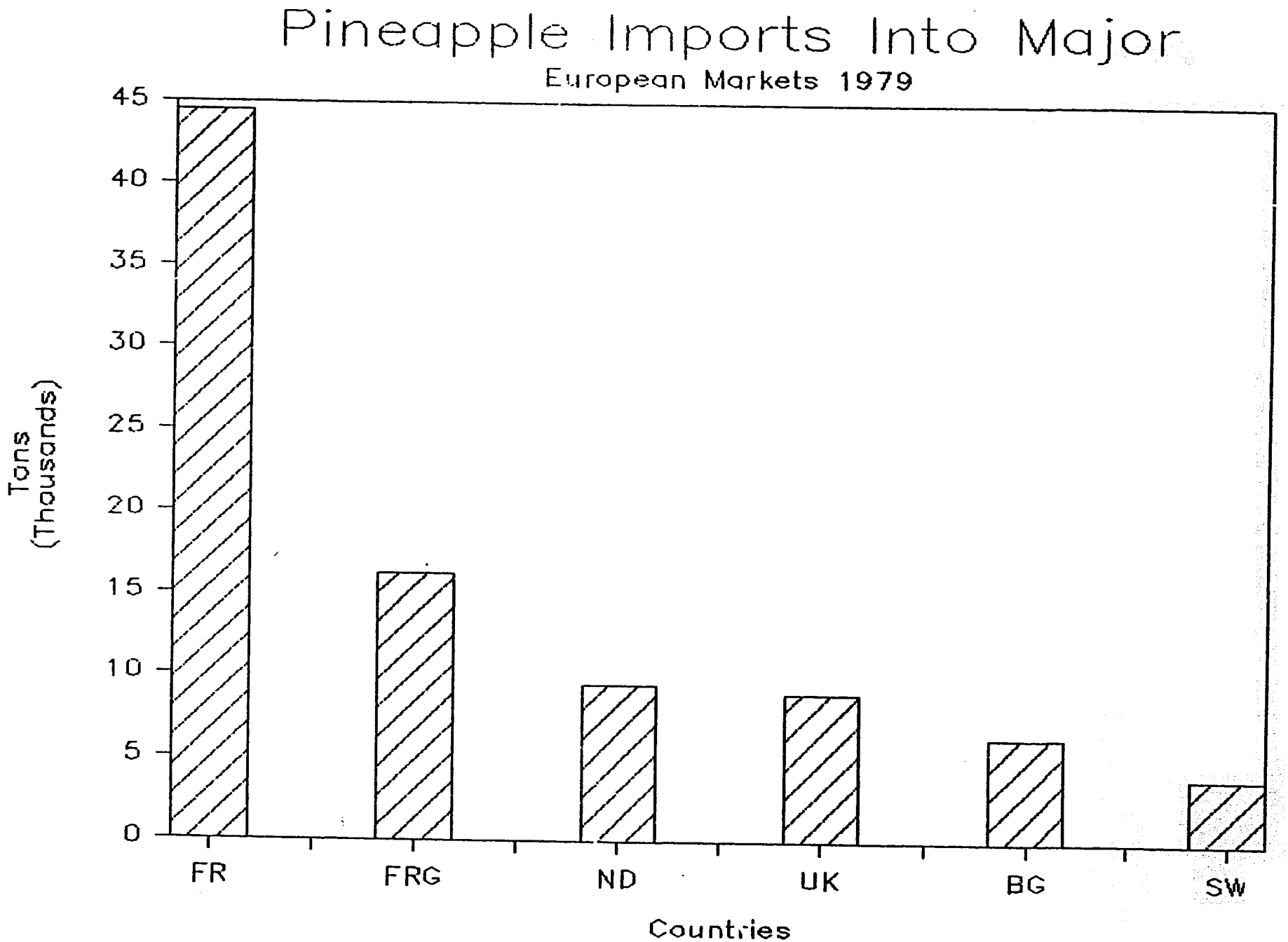
The largest supplier of fresh pineapples to the European market is the Ivory Coast followed by South Africa and Cameroon. Imports of this fruit are concentrated in the period October-May and peak in December. During the summer months, when the supply of cheap domestic fruit is abundant, the demand for pineapples is significantly reduced.

The market may be divided into two sectors. The "popular or mass" market, supplied primarily by South Africa and the Ivory Coast with sea-freight pineapples, and the "luxury" market supplied with air freighted and preminum-priced large fruit mainly from Kenya. The luxury market though limited in size takes fruit throughout the year. This market provided an outlet for some 90 tons of Kenya pineapples per month during 1983.

For the fresh pineapple market, the color, weight and the condition of the crown are the leading quality characteristics. Consumers greatly show a marked preference for fruit of a deep yellow or coppery orange shade, green being associated with underripe fruit. While most markets prefer fully mature fruit, the United Kingdom trade prefer the fruit be two thirds colored allowing for longer shelf life. The crown leaves should be firm and bright green.

The most commonly accepted variety is Smooth Cagenne though small amounts of other varieties are imported. The pineapples should weigh between 0.7kg and 1.5kg although high-quality fruit for the United Kingdom market, may weigh as much as 2.7 kg.

Figure 5


Pineapple Imports Into Major
European Markets 1979
Tons (Thousands)
45
40
35
30
25
20
15
10
5
0
FR
FRG
ND
UK
BG
SW
Countries

SELECT VEGETABLE REVIEW

Asparagus

Asparagus consumption varies considerably by country. In France it is traditionally regarded as a spring vegetable and consumed throughout the country. In the United Kingdom it is viewed as a luxury item even when domestic production is at a peak, and is always an expensive item. On the European continent the demand is for white asparagus graded to a minimum diameter of 16mm and a uniform length of between 16 and 22cm. In the United Kingdom, importers prefer all-green asparagus and larger sized with diameters of 20-24mm and lengths of 20-22cm.

The Federal Republic of Germany imports the largest quantity of off-season asparagus taking 3500 tons during the 1979/80 period. (Table 2) Switzerland ranked second with 1100 tons, the United Kingdom third with 254 tons, and Belgium fourth with 169 tons. (Fig 6)

A gap in supplies to Germany appears between the October-December period when South Africa is the leading supplier on the market and before many supplies begin to arrive from France. Currently Germany is not a large consumer of the vegetable but growth potential exists.

The United Kingdom also may provide some potential for an exporter producing green asparagus immediately prior to the beginning of the United States season in January.

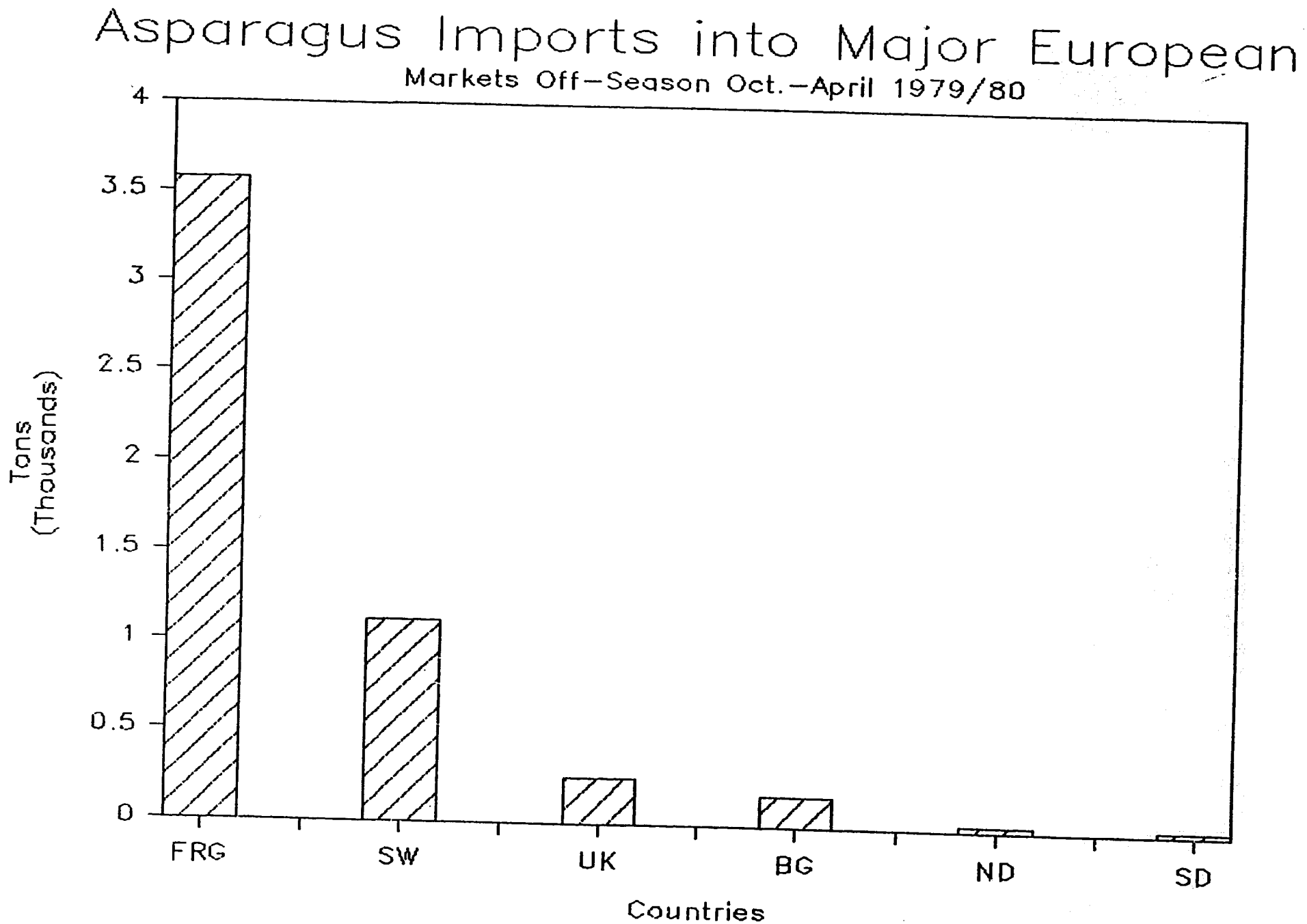
TABLE 2

IMPORTS INTO MAJOR EUROPEAN MARKETS OF SELECTED OFF SEASON FRESH FRUIT AND VEGETABLES, OCT-APRIL 1979-80

Product/Destination		Tons 1979/80	% of 79/ Total
Asparagus		5,170	100.00
Germany, Fed. Rep	FGR	3,578	69.20
Switzerland	SW	1,120	21.70
United Kingdom	UK	254	4.90
Belgium	BG	169	3.30
Netherlands	ND	26	0.50
Sweden	SD	23	0.40
Aubergines and Courgettes		56,133	100.00
France	FR	37,035	66.00
Germany Fed. Rep	FRG	8,086	14.40
United Kingdom	UK	4,677	8.30
Switzerland	SW	3,394	6.10
Netherlands	ND	1,689	3.00
Belgium	BG	1,252	2.20
Capsicums		84,967	100.00
Germany, Fed. Rep	FRG	45,782	53.90
France	FR	12,391	14.60
Netherlands	ND	8,311	9.80
United Kingdom	UK	7,731	9.10
Sweden	SD	4,293	5.10
Belgium/Switz.	BG/SW	5,564	6.50

Source: International Trade Center UNCTAD/GATT Geneva 1981

Figure 6


Asparagus Imports into Major European
Markets Off-Season Oct.-April 1979/80
Tons (Thousands)
4
3.5
3
2.5
2
1.5
1
0.5
0
FRG
SW
UK
BG
ND
SD
Countries

Aubergines (eggplant) and Courgettes (zucchini)

Aubergines are known as eggplant in the United States while courgettes are commonly referred to as squash or zucchini. Trade statistics have not until recently distinguished between aubergines and courgettes, so they are considered together.

Imports of these items into the major markets during 1979/80 October-April off-season amounted to 56,000 tons. France, based on those statistics (Table 2) was by far the largest market for these vegetables accounting for some 66 percent of the off-season importations (35,000 tons) into the six leading European countries. Germany ranked a distant second with 14 percent, and the United Kingdom third with eight percent. The Swiss, Dutch and Belgian markets took lesser amounts. (Fig 7)

The more northern European countries are stated as beginning to offer good outlets for aubergines, a typically mediterranean vegetable, owing to the development of tourism, the growing interest in exotic cooking and the large number of workers from the Mediterranean area who have immigrated north.

The leading off-season suppliers are the Canary Islands (Spain), Morocco, Israel, Martinique, the Ivory Coast and Kenya. Kenya in 1983 was the leading supplier in Africa, shipping 2100 tons by air freight into the European market. Production in Spain, Italy, and Morocco is being increased, and production in plastic houses in European countries lengthening

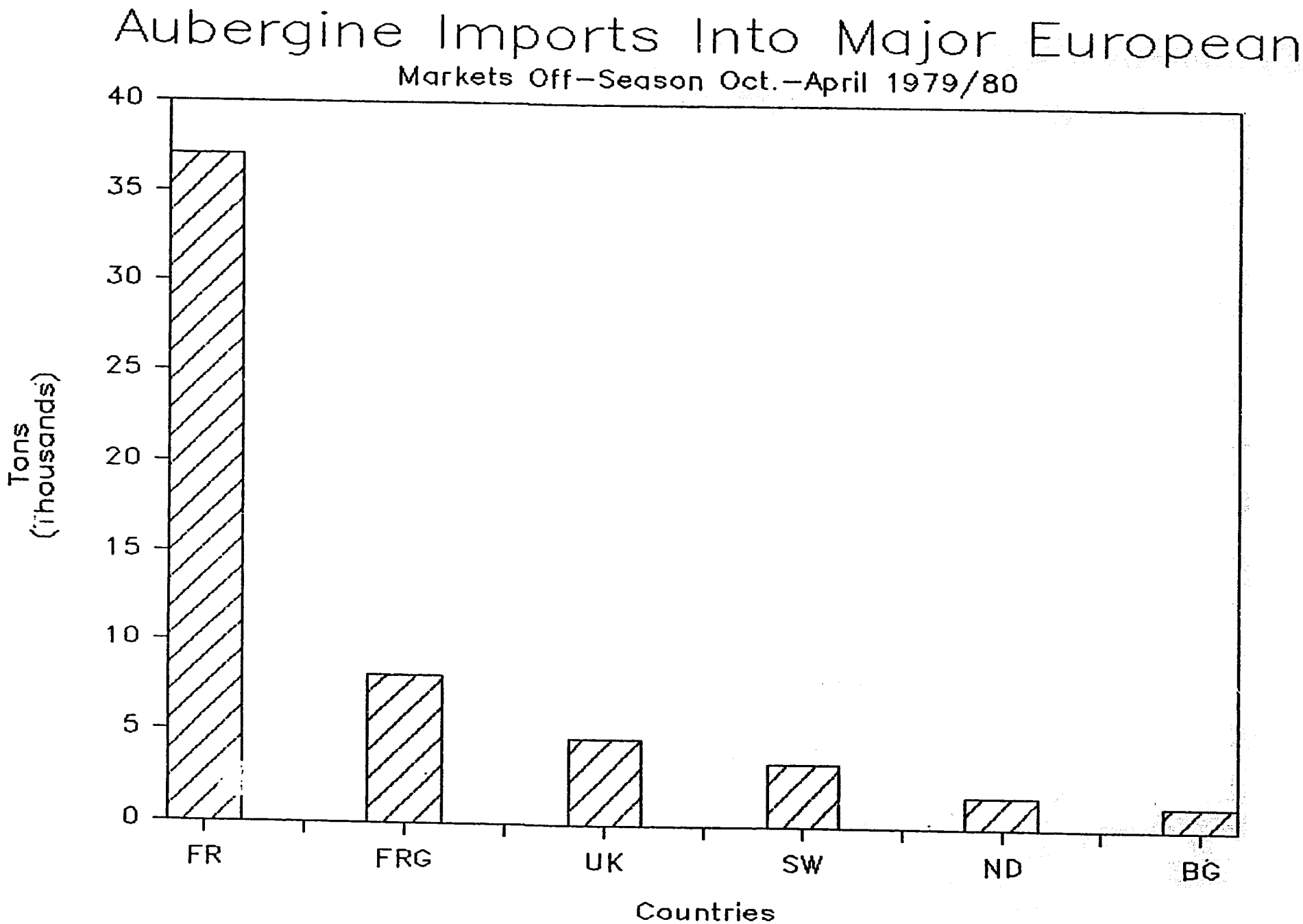
the season is making it harder for distant suppliers to compete. Almost all the aubergines now exported to Europe are transported by sea

A wide range of aubergine varieties are available on the European market during the off-season, but fruit with a black/purple skin and a green galyx is preferred in all markets. The fruit should be clean, free from disease, relatively free from wind-scarring, skin discoloration and sunburn markings. Both long and round type are acceptable in the United Kingdom, the other countries prefer the long fruit.

Courgettes' varietal characteristics differ quite radically according to cultivation conditions. The sizes in demand for this vegetable vary and the preferred color ranges from light green to dark green. All fruit should be clean, firm, free from blemishes and generally straight with a more or less uniform diameter throughout. The stalk should be cut neatly and square to the fruit.

Kenya has been the leading African country supplier to the off-season market for several years. Most Kenya produce is supplied to the United Kingdom which took an average of 168 tons per month during this 1983 off-season.

Figure 7


Aubergine Imports Into Major European
Markets Off-Season Oct.-April 1979/80
Tons
('thousands)
40
35
30
25
20
15
10
5
0
FR
FRG
UK
SW
ND
BG
Countries

Capsicums

Imports of fresh capsicums (sweet peppers) into the seven major markets during the 1979/80 October-April off season amounted to 85,000 tons. (Table 2) West Germany took 45,000 tons, 54 percent making it the leading importer. France took some 15 percent, The Netherlands ten percent, the United Kingdom nine percent and Sweden, Belgium, and Switzerland together eleven percent. (Fig 8)

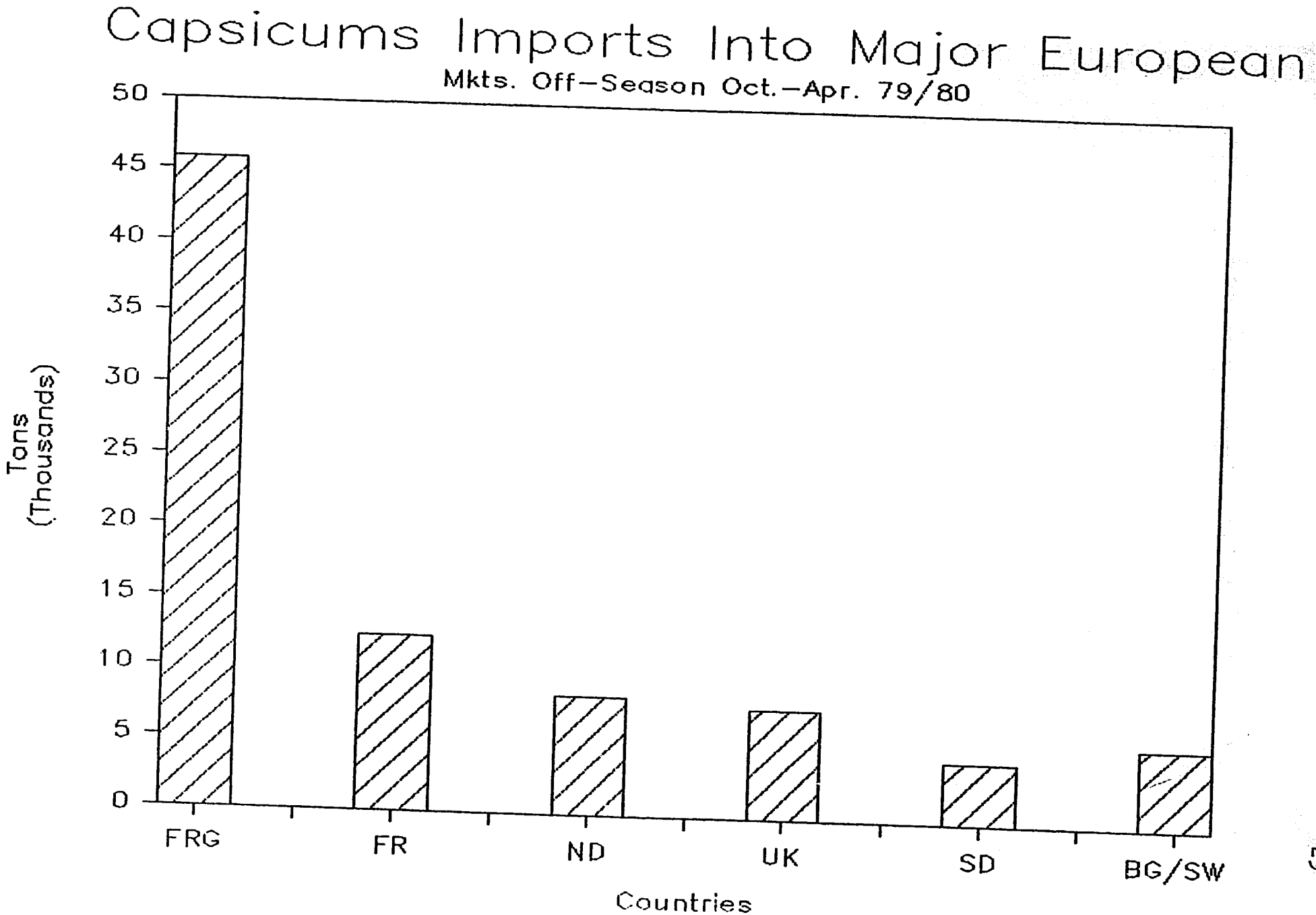
Italy is the largest European producer and is the leading off-season supplier. Production of capsicums now takes place in glass houses and under plastic in southern Italy allowing for exports all year round. Spain has increased its exports several times as a result of a rise in production in its warm southwestern region, and increases in quantities supplied by the Canary Islands.

Other main suppliers include Morocco, Israel, The Netherlands, Senegal and Kenya. Those African countries that must air freight are experiencing difficulty in maintaining market position because of transport cost advantages accruing to The Netherlands and others producing closer to the marketplace. The Netherlands now produces high quality hot-house capsicums for the off-season that can be trucked to market.

European buyers require bull-nosed capsicums, such as the California Wonder. Approximately 90 percent of the total

demand is for green capsicums, the balance being for red. The demand is mainly for medium-sized, six to eight per kg., and they should be fresh looking. They tend to be packed in fiber board cartons although Italy sends produce in wooden boxes.

Figure 8


Capsicums Imports Into Major European
Mkts. Off-Season Oct.-Apr. 79/80
Tons (Thousands)
50
45
40
35
30
25
20
15
10
5
0
FRG
FR
ND
UK
SD
BG/SW
Countries

Green Beans

Western Europe is generally self-sufficient in beans from May to October. During this time frame substantial quantities from the largest producers France, Italy and Spain are transported to the more northern countries. During the off-season, green beans are not grown in the open in any European country and have to be imported. Prices are usually high because green beans are highly perishable and must normally be transported by air.

France during the 1979/80 off-season period was the largest importer taking 14,500 tons, (Table 3) The Netherlands ranked second taking 5700 tons, Germany ranked third with 4500 tons, and Belgium, Switzerland, and the United Kingdom ranked in that order taking lesser amounts. (Fig 9)

Spain is the largest off-season supplier accounting for 55 percent of the entire off-season trade in 1979/80. Senegal, Kenya and Egypt supply substantial quantities, and lesser amounts are provided by Morocco, Burkina Faso, Cameroon, Niger and Mali.

With increases in labor costs in Europe, production of fine needle beans has decreased considerably, providing an opportunity for producing countries to export into the European market year-round. Kenya exported 6,850 tons of green beans into this market during 1983 taking advantage of the year-round market for quality produce. French-speaking consumers in

Belgium, France and Switzerland are prepared to pay high prices for quality produce.

Fine or extra-fine beans to be sold as a quality product should be 10-12cm long, and be of an attractive unvariegated green color. They should meet the EEC's quality standards and be accurately graded, clean, and very fresh. They should be neatly packed in rows in 2.5kg to 3.0kg ventilated fiberboard cartons and sent by air.

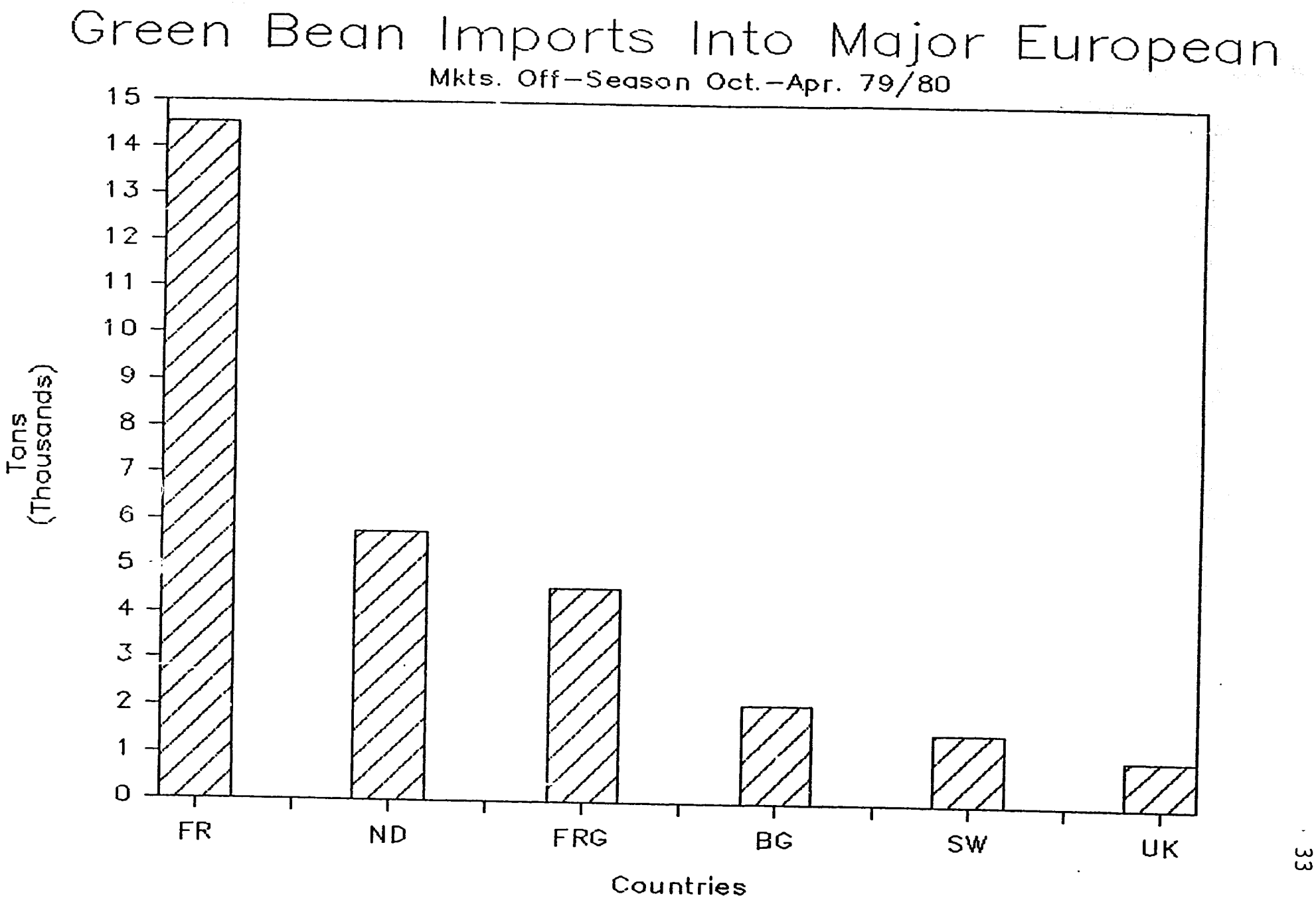
TABLE 3

IMPORTS INTO MAJOR EUROPEAN MARKETS OF SELECTED OFF SEASON FRESH FRUIT AND VEGETABLES, OCT-APRIL 1979-80

Product/Destination		Tons 1979/80	% of 79/80 Total
Green Beans		29,509	100.00
France	FR	14,529	49.20
Netherlands	ND	5,755	19.50
Germany Fed. Rep.	FRG	4,569	15.50
Belgium	BG	2,110	7.20
Switzerland	SW	1,533	5.20
United Kingdom	UK	1,002	3.40
Melons		20,979	100.00
United Kingdom	UK	11,142	53.10
Netherlands	ND	3,423	16.30
Germany Fed. Rep.	FRG	2,914	13.90
Switzerland	SW	1,331	6.30
Belgium	BG	1,213	5.80
Sweden	SD	956	4.60

Sorce: International Trade Center UNCTAD/GATT Geneva 1981

Figure 9


Green Bean Imports Into Major European
Mkts. Off-Season Oct.-Apr. 79/80
Tons
(Thousands)
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
FR
ND
FRG
BG
SW
UK
Countries

SWEET MELONS

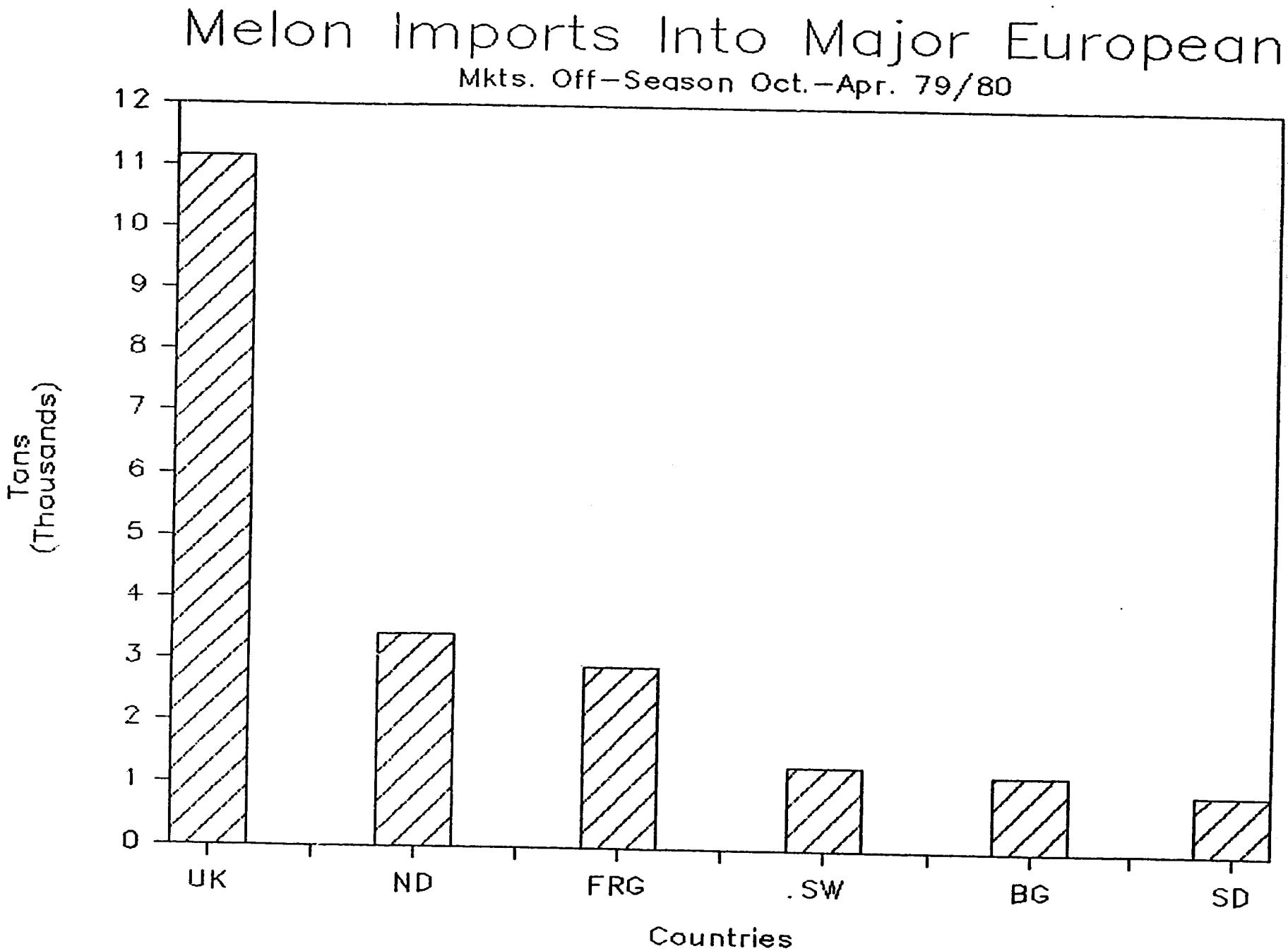
Melons

Some 21,000 tons of melons were imported into the major European markets during the October-April 1979/80 off season. (Table 3) The United Kingdom took 53 percent of those imports (11,000 tons), The Netherlands 16 percent and Germany 14 percent. Switzerland, Belgium and Sweden imported an average of five percent. The United Kingdom was by far the largest importer of off-season melons. (Fig 10)

Spain is the major supplier accounting for as much as 50 percent of off-season supplies. Spain exports mostly honeydews, the greatest quantities being sent October through December. Israel, the next largest supplier, exports Ogen and Galia melons primarily before the first of the year. In January melons from the southern hemisphere countries arrive, the largest quantities coming in from South Africa and Senegal. Kenya, Zimbabwe and Zambia, also from the African continent, send small amounts at this time. Several Latin American countries including Chile, Brazil and Columbia provide sizeable quantities as well.

The types of melon demanded in Europe vary with the different markets. In most countries the honeydew, particularly the yellow skinned type is the most popular. However, in France which produces and consumes large quantities of charentais, yellow skinned honeydews meet strong consumer resistance.

Figure 10


Melon Imports Into Major European
Mkts. Off-Season Oct.-Apr. 79/80
Tons (Thousands)
12
11
10
9
8
7
6
5
4
3
2
1
0
UK
ND
FRG
SW
BG
SD
Countries

TRADE EFFECTS OF COMMON MARKET EXPANSION

Greece was officially added to the list of common market members in 1981 and is currently undergoing a transition period of between five and seven years to "harmonize" markets. Spain and Portugal are currently under consideration for entry, which will bring the total European Community membership to twelve.

The enlargement will affect the Community's Agricultural sector dramatically. According to Hinton enlargement will increase agricultural production by 24 percent, cultivated area by 49 percent and the number of farms by 57 percent with Spain accounting for the lions share. But, because of the relatively lower levels of income and smaller population, community purchasing power will not greatly increase.

The addition of the more southerly lying countries, the subsequent relaxation of trade barriers, and the introduction of subsidies to these countries producers will have a great affect upon supplies of fruits and vegetables within the European market. There seems to be some disagreement between researchers over price and income elasticities, which has led to a difference of opinion in what the consumer demand response will be.

Spain appears poised to reap the benefits of joining the EC. Since 1971 horticultural production under plastic houses has been increased from 1,114 hectares to more than 9,000

hectares in 1983/84, an increase of over 800 percent in twelve years, substantially increasing its ability to supply the off-season markets. Hogan reports the following: after looking at the most recent 1979/83 (EC) import, statistics for ten fruit and vegetable products: "Spain in eight of ten products studied increased the absolute quantities shipped to EC markets and increased its relative share of the market. This includes the large volume vegetable markets-tomatoes, onions and potatoes. For the two markets where Spain is not increasing its share, one, green peas is very small and the other, green beans, is characterized by intense competition among at least eight developing countries for a market that is at best increasing only marginally."

With EC expansion, current patterns of trade will be altered as follows: There will be a trade creation effect in that new members will supply a greater share of the existing EC market. There will be trade diversion as fruit and vegetable products from the new members partially displace exports of third countries. World prices for horticultural products are likely to decline because of smaller trade to the European Community. Price reductions caused by the EC enlargement add to the general negative trend of real prices occurring for fruit and vegetables on international markets.

Sarris estimated with trade models that trade creation between the former EC-9 and Spain, Greece, and Portugal would

be about $400 million (constant U.S. dollars, 1977) whereas trade diversion would be about $250 million (constant dollars). He indicates the costs of trade diversion will be borne rather uniformly across most exporters. These estimates of limited damage to third country markets are the most optimistic, other researchers point toward much greater losses.

WORLD BANK INVESTMENTS

The World Bank in recent years has been investing approximately U.S. $1.5 billion per year in fruit and vegetable projects, the majority centered in Mediterranean-rim countries. These projects have focused on off-season production, often in greenhouses, and are aimed at the high-demand off-season produce markets of the EC.* To the extent producers participating in these projects are able to capture segments of the EC market, the more limited the opportunity for Sub-Saharan exporters.

MARKET POTENTIAL SUMMARY

It can be seen from the short review of commodities that quantities of fruits and vegetables originating from the African continent are finding their way into the European market. Because of the distances involved, and the high costs of transport, one tends to find primarily premium quality products being supplied from distant African countries.

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*World Bank unpublished paper.

Kenya as an example, supplies large sized high-quality pineapples to a specialty market in the United Kingdom. They have also been quite successful in marketing high quality off-season green beans, but are experiencing strong competition from Senegal and Egypt for that market.

Excess demand appears to exist for a short period in the off-season for both green and white asparagus. Some developing country could probably produce and supply this market though its scope might be limited.

Sizeable quantities of mangoes are imported to most of the European markets. Demand for new or different varieties at another time of year appears limited however, because consumers prefer varieties coming from their country of origin and consume the commodity only when traditional varieties are in the market.

Strong competition exists for the aubergine and courgette market from Mediterranean-rim countries, and from European countries lengthening their production seasons with use of plastic houses. The Netherlands provides stiff competition in the Capsicum market by utilizing hot-houses for off-season production, and can avoid high cost transport by utilizing trucks for delivering in nearby markets.

The EC sweet melon market expanded by one-quarter between 1980 and 1983. Several third world countries benefited from the expansion, with Brazil, Chile, and Senegal making the

greatest gains. Eleven different African countries exported melons to the market in 1983. South Africa led the group with 1750 tons, Senegal sent 1510 tons, and Kenya ranked third with 60 tons.

Large quantities of citrus are imported into the EC market, but it is dominated by Mediterranean-rim suppliers. Even so, substantial quantities of grapefruit from South Africa 31,600 tons, and from Swaziland 15,600 tons, were marketed there in 1983. Mozambique and Zimbabwe sent smaller amounts totaling 843 tons.

The summer orange market is clearly dominated by South Africa having over the past decade maintained a market share of about 40 percent. Moulton pg. 9. During the May-October 1983 market period South Africa supplied 146,000 tons of sweet oranges, and Swaziland is stated to have contributed 4,600 tons. Countries planning on exporting fresh citrus to the EC must produce a quality fruit, well colored and free from disease, sun spots or other skin blemishes, because the European consumers citrus quality standard is set by produce originating in California.

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1 March 1985

MEMORANDUM

TO: AFR/TR/ARD, Ken Prussner

FROM: AFR/TR/ARD, R. McCorkle

SUBJECT: European Market Potential for Fruits and Vegetables

Recent research of the European Common Market points up limited opportunities for new suppliers of fruits and vegetables and their products to that market even though the community is the world's largest importer of horticultural products.

Aggregate consumer demand is thought to be limited by near zero population growth rates, slow growth in consumer income as the community is made up of mature economies, and relatively low income elasticities for food products among the inhabitants.

The system of protection employed by the Common Market has excluded outside suppliers to the advantage of producers and processors within. Import duties and variable levies establish minimum prices at which imports can be sold in the market, in effect removing price as an element of competition. Producers and processors are subsidized thus in many cases neutralizing the effects of comparative advantage.

Greece is undergoing the process of entering the EC, Spain and Portugal are preparing to follow. Should this occur productive capacity for temporate climate crops will be substantially increased behind the trade barriers. EC enlargement is expected to substantially change the origin of EC imports of fruits and vegetables. Recent statistics already indicate that trade within this group is expanding significantly at the expense of imports from third countries.

The off-season market that some Southern hemisphere export countries depend upon will be shortened in some cases and eliminated in others. Spain and Italy have dramatically increased greenhouse capacity for the production of vegetables.

Horticultural productive capacity of Mediterranean basin countries has been expanded through injections of sizeable quantities of capital by the World Bank. The objective in many cases being to export output to European Markets creating even more competition.

Locational factors make it extremely difficult for Sub-Saharan countries to compete. Regular transport by sea is nearly impossible to organize and transport by air is expensive. Only premium quality high-priced product can pay the fare.

Demand should remain strong for select off-season fruits and the Community is likely to import larger quantities of tropical fruit. The demand for vegetables is likely to be much weaker.

Strategies involving fruit and vegetable projects dependent for success upon exporting quantities of product into the European market should be approached with caution. Studies of individual country markets are required to establish the existence of commodity demand. Contact with knowledgable members of the trade is important to determine consumer preferences. Strict adherance to EEC standards for quality and packaging of commodities is required.

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