

Important commodities in agricultural trade: fruits and vegetables

SUMMARY

- ▶ *Fruit and vegetables exports are increasingly important for many developing economies. There are few subsidies for producers in developed countries and tariffs are low.*
- ▶ *Tariff escalation is taking place with processed produce, such as fruit juice, and there are stronger phytosanitary controls in many countries which affect imports of fruit and vegetables.*
- ▶ *There is a demand for harmonization of technical standards and treatments of exports which affect production processes and agrochemical practices.*

Growing developing country trade in fruit and vegetables

Fruit and vegetables are important commodities for developing countries seeking to diversify exports. World trade in all categories has grown strongly (Figure 1). The value of developing countries' exports rose by US\$4.5 billion from 1992 to 2001, up 55 percent (see Figure 2), from 31 to 37 percent of total world exports. The value of world fruit and vegetable exports was US\$34.6 billion in 2001. Fruit accounted for almost 60 percent of this and vegetables for a little over 40 percent. The main fruits were citrus (21 percent), bananas (19 percent), grapes and apples. The value of trade in tropical fruits (mangoes, papayas, pineapples and others) is slightly under US\$1 billion (5 percent). The most traded vegetables are tomatoes and onions.

Developing countries account for virtually all exports of bananas and tropical fruits, and about half the trade in citrus. The value of exports such as avocados, melons, pears, green beans, tomatoes, asparagus, aubergines and onions is higher in developing than in developed countries with a concentration of exports from a few countries (Table 1). However, the participation of the least developed countries (LDCs) in trade is very low: during 1997-2001 their share in fruit was 0.5 percent, and in vegetables, 0.8 percent.

Developing countries have been less successful at adding value to their fruit and vegetables and have a lower share in the exports of processed products: 36 percent in 2001. However, they dominate exports of some processed commodities.

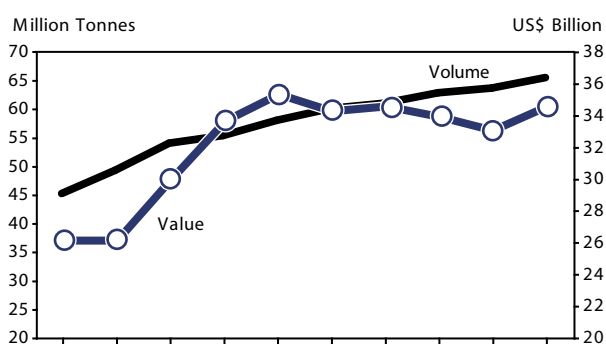
Domestic subsidies for fruit and vegetables are lower than for other commodities

Government intervention in fruits and vegetables tends to be lower than in other agricultural sectors. Generally, industrialized countries do not subsidize horticultural producers directly, and there are no price support mechanisms. There are indirect supports through processing subsidies (e.g. for citrus in the EU), provision of phytosanitary services and support to generic advertisement and export promotion programmes (in the USA and the EU). The main trade intervention of governments is through market access regulation.

Market access issues are complex Tariffs, tariff quotas and minimum entry prices

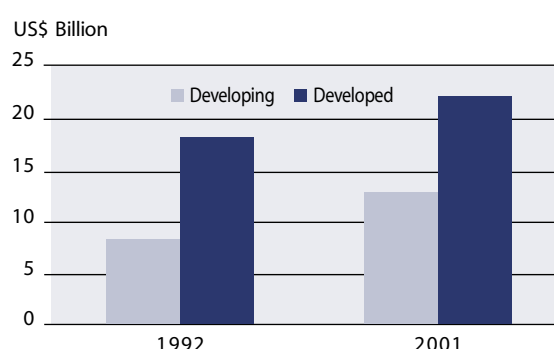
The EU, the USA and Japan each operate a complex system of seasonal duties, quotas and entry prices to regulate fruit and vegetable imports. The main aim is to protect domestic producers, so more complex systems apply to temperate crops. For

Figure 1: World exports of fresh fruits and vegetables



Source: FAOSTAT

Figure 2: Exports of fruits and vegetables by developing and developed countries



Source: FAOSTAT

Table 1: Concentration of fruit exports in supplying countries

Product	Leading suppliers	Joint share of world exports (value)
avocados	Chile and Mexico	53 percent
mangoes	Mexico, Philippines and Brazil	62 percent
pineapples	Costa Rica and Côte d'Ivoire	61 percent
bananas	Ecuador, Costa Rica, Colombia	60 percent

Source: FAOSTAT

example, the EU and Japan apply seasonal tariffs to citrus imports, while the USA applies them on cantaloupe melons. In addition, the EU imposes minimum entry prices for products such as citrus, apples, grapes, pears and tomatoes. Applied tariffs on fresh tropical fruits tend to be low in developed countries (from 0 to 20 percent).

The EU has two tariff rate quotas (TRQ) in the case of bananas - one of 750,000 tonnes reserved for African, Caribbean and Pacific (ACP) country suppliers with zero duties, and the other of 2,653,000 tonnes with the tariff of 75 euro per tonne for non-ACP countries. Additional imports attract a prohibitive tariff. In practice, this system has protected exports from ACP countries to the EU while limiting exports from Latin American suppliers. The EU has announced that it will replace this with a tariff-only system in 2006. Depending on the tariff chosen, this may result in higher imports from Latin American countries, lower imports from ACP countries and a fall in prices in the EU.

Tariff escalation is apparent in the fruit and vegetable sector, with tariffs on imported processed produce generally higher than fresh produce. Fruit juice and fruit preparations are subject to higher tariffs than fresh produce in the EU, Eastern Europe, North America and Southern Africa.

Very recently, a number of developing countries and developed countries began to protect their domestic industries. Developing countries have raised tariffs, introduced tariff quotas and occasionally banned imports of selected fruits and vegetables.

THE NUMBER OF SPS ISSUES IS INCREASING ■

Phytosanitary controls imposed by importers are critical for developing countries exporting fresh fruit and vegetables. These controls are particularly stringent in the USA, Australia and Japan. Between 1995 and 2000, nearly 270 sanitary and phytosanitary (SPS) measures were introduced against imports of fresh fruit and vegetables worldwide.

A major hindrance to fresh produce trade is the lack of harmonized technical standards and treatments for exports. Some countries apply the Codex Alimentarius for maximum pesticide residue limits (MRLs), while others apply their own, often stricter MRLs that may only partially conform to the Codex. New MRL regulations in the EU will affect production practices and costs in producing fruits and vegetables. Another difficulty arises from setting MRLs at the limit of determination, as it makes verification of compliance depend on often very costly modern analytical methods. Quarantine regulations are another serious impediment. For example, measures to prevent bio-terrorism are likely to increase the administrative and regulatory burden on exporters of fresh fruits and vegetables.

Developing countries exporting tropical fruit face serious challenges in meeting the phytosanitary regulations of importing countries due to the phasing out of methyl bromide. While there is ongoing research for alternatives, harmonization is still a long way off.

KEY CHALLENGES

- ▶ *To reduce tariffs on processed fruits and vegetables which are currently high and hamper exports from developing countries;*
- ▶ *To harmonize international phytosanitary standards and regulations for fresh produce imports;*
- ▶ *To assess the impact of new regulations on maximum pesticide residue limits and agree on a standard system of determination.*

