

**FOR IMMEDIATE RELEASE**

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## **Fruit and vegetables seek new perspectives for the European fresh produce sector in time of geopolitical turmoil**

**The fresh fruit and vegetables sector is exposed to unprecedented business conditions resulting from the combined effects of increased costs in the aftermath of the Covid-19 pandemic and the geopolitical instability in the Eastern part of the European continent. These developments are completely reshaping the global business environment for fresh produce. Within an interconnected and international fruit and vegetables sector, thoughts and solidarity go from the European fruit and vegetables sector to those suffering from the violence and stolen freedom from this situation. Within this geopolitical turmoil Freshfel Europe acts as the much-needed platform of exchange for the sector and is working intensively with the European Commission to secure market stability and solutions to rising costs.**

While the sector demonstrated its resilience during the two years of the Covid-19 pandemic, the moving out of the pandemic situation has led to an unprecedented rise of costs throughout the supply chain, reaching an unsustainable level for the sector. In early January the sector was further hit by the Belarussian embargo, which was a prelude to a devastating war in Europe. From a fresh produce business perspective, the latest developments have far-reaching implications for the sector that Freshfel Europe is closely coordinating with its members and with the European Commission. In this respect, Freshfel Europe was appointed to the new European Food Security and Crisis Preparedness Expert Group of the European Commission for agricultural markets. Freshfel Europe is closely coordinating the sector perspective for the Market Observatories and Civil Dialogue Groups of the European Commission to voice the concerns of the European fresh fruit and vegetables sector. Freshfel Europe is also actively involved in the newly created global coalition of the lead fresh produce associations around the world to address rising costs and disrupted supply chain.

In the past months, as the economy was resuming after the pandemic, the rising costs of production input, energy and logistics were becoming a priority concern and seriously impacting the competitiveness of production. This is one of the dominating concerns, considering that more increases are still expected in the coming months with the war outbreak with further rises expected namely for energy and fertilizers. Freshfel Europe General Delegate Philippe Binard commented, *“Earlier this month, Freshfel Europe estimated that the rising costs for production increased in the last year by up to 0,1 € cents per kg. This estimation includes a wide range of increases of production input (plant protection products, fertilizers), but also pallets, transport and consumer packaging, infrastructure costs, labour and consultancy services, banks and insurance costs. For the fresh fruit and vegetables sector, the combined effects of these increases represent an additional cost of close to 10 billion € per year. Besides this, logistics costs, for local distribution, for intra EU exchange as well as for long distance sea or air transportation also raise the costs of produce significantly. Freshfel Europe is estimating the total logistics additional charge of close to 4 billion € for the European fresh produce sector. This does not include other collateral logistics consequences of delays or merely the lack of availability of containers leading to missed businesses opportunities”.*

According to Freshfel Europe, the rise of costs will continue given the war outbreak further impacting energy costs. Additionally, financial aspects such as inflation and exchange rate developments are also impacting the sector with the devaluation of the euro and other European currencies to the US dollars so far by around

**EUROPEAN FRESH PRODUCE ASSOCIATION A.I.S.B.L**

Rue de Trèves 49-51, bte 8 - 1040 Brussels - Belgium  
+32 (0)2 777 15 80 - [info@freshfel.org](mailto:info@freshfel.org) - [www.freshfel.org](http://www.freshfel.org)

10% , which is detrimental for purchases in € of materials and energy set in USD further inflating those rising costs.

On the trade side, Freshfel Europe analysis recalls that during the last decade, the fruit and vegetables sector has been repeatedly the hostage of the consequences of geopolitical disputes. The most important destinations in the EU neighbourhood were one by one suspended: Russia in 2014, Algeria in 2016, Belarus in January 2022 and now Ukraine in February 2022. Mr Binard specified, *“For fruit and vegetables it is more than 3 billion € of business that is at stake every year under these embargos, a turnover that need to be repositioned.. Today, while the consequences of the Russian embargo are not yet fully absorbed, the situation is further exacerbated by the new developments. Given the long-term investments in orchards and market access protectionism by many countries, the challenge of repositioning production in new market outlets is complex, timely and costly”*. Freshfel Europe analysis demonstrates that as the EU fresh produce sector absorb the major burden of these embargos, several destinations including allies in this geopolitical instability such as USA, Japan, Australia, South Korea, Turkey, or Peru , including countries which enjoy with the EU Free Trade Agreement remain hermetically closed for European fresh produce, while access to destinations such as Mexico or Chile remains very limited and under excessive conditions. India and Southeast Asia remain markets with some perspective for growth, despite sometimes discriminatory market access conditions such as the Vietnamese cold treatment requirements. Since early March uncertainties are also coming from Egypt with the introduction of the letter of credit scheme which would limit shipments which today reach 300.000 T. The new SPS rules for Great Britain on 1<sup>st</sup> July remain a point of concern as well with the upcoming introduction of phyto control combined with reluctance of the European Commission to remove the redundant marketing standard certificate. Beyond market access, the export outlook for all European fresh produce is also at stake given ongoing logistics constraints with container shortages and high prices.

The international turmoil in the Eastern European neighbourhood is also raising serious concerns for market stability in the European Union, which could put more pressure on market prices while the costs will continue to rise. Mr Binard explained, *“While the EU supply was already nanned almost 10 years ago in Russia, then in Belarus and Ukraine , those countries still imported annually about 8 to 9 Mio T of fruit and vegetables. With the introduction of sanctions and banking restrictions as well as the suspension of traffic by larger container carries, it will probably almost cancel most of the international fresh produce business with these regions. The 45% roubles devaluation and economic uncertainties in Russia will make business unreliable and unpredictable for those third countries still aiming at supplying the Russian market. There is therefore a significant concern of volume re-routing to Europe, initially planned for these Eastern destinations”*. From a Freshfel Europe perspective and in the interest of market stability and rewarding prices, it will be important that volumes arriving into the EU should be those traditionally planned for the European quality specifications for the markets destined for well-established business relations. Produce destined to the European market should go to identified market recipients with products grown and labelled in compliance with EU safety and quality expectations and customer requirements. Given the rising costs of production input and logistics, no-one can sustain market instability due to oversupply and declining prices resulting from re-routing.

This season is also fully exposing the fresh produce sector to the consequences of the economic situation for European citizens. The purchasing power of European consumers is already well noticed by the sector, as consumers are forced to carefully balance household budgets between an increase in energy invoices and budget for food. Mr Binard added, *“In the past few months this has already translated into a drastic slowdown of fresh produce consumption across Europe. In some Member States, the consumption is already showing a decline of up to 10%. This is particularly worrying and the debate of the Farm to Fork Strategy was*



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*giving expectations to move eating habits towards a more plant diet". The current situation means that at some points the prices of fruit and vegetables might have to increase at consumer level to compensate that sometimes now producers are forced to sell below their costs of production, which is unsustainable. Mr Binard stated, "One should be reminded that in the assortment at retail level, fruit and vegetables remain the cheapest diet option, with average price per kg often below 2€, while other food categories are well above 10 or even 20€ per kg". From Freshfel perspective it will be important the the Commission activate exceptional measures mechanisms including new promotion budget and withdrawal schemes through producers organisations namely to be destined to refugees*

Consequently, in this intricate situation, Freshfel Europe, on behalf of the European fruit and vegetables sector, is exploring a wide range of solutions to accompany growers, traders and retailers in this unprecedented complex market environment. Stephan Weist, President of Freshfel Europe, concluded, *"Freshfel Europe is well placed to reshape the business perspective for the sector and give new perspective and priorities for the sector in this changing environment. We need to find a new balance that combines competitiveness and financial stability for an essential sector with benefit for the planet and health of citizens, while keeping the attractiveness and affordability of the products for consumers."* He added, *"This is very challenging but Freshfel Europe with its members is well positioned to look internally in the supply chain and externally with European authorities for tailor-made solutions"*.

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**Note to the Editors:**

*Freshfel Europe is the European Fresh Produce Association, representing the interests of the fresh fruit and vegetables supply chain in Europe and beyond. Freshfel Europe currently has over 200 members, including both companies and associations. For more information, please contact [info@freshfel.org](mailto:info@freshfel.org).*



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