

Reform of the fruit & vegetables sector: exports of processed tomato products

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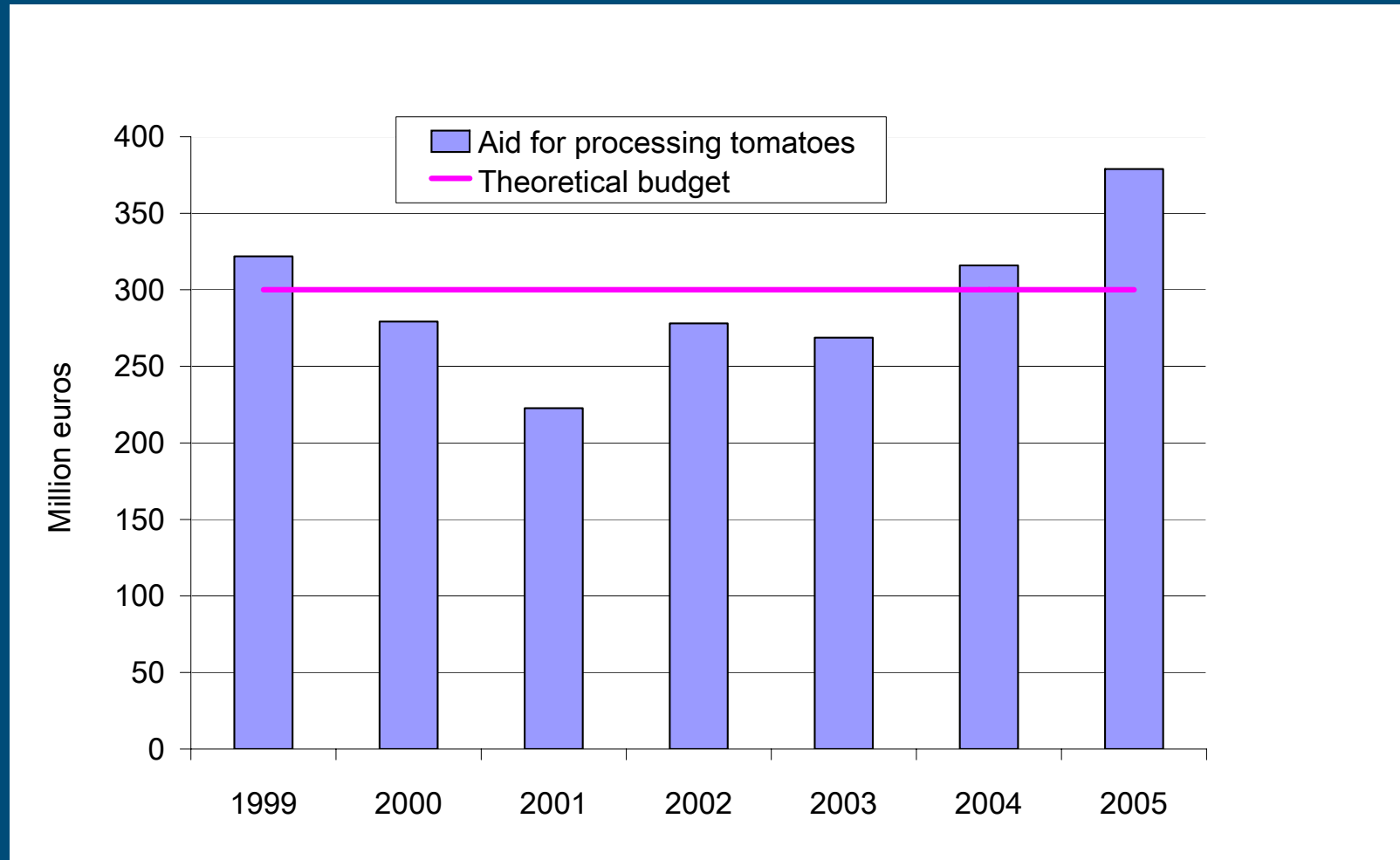
Outline of the presentation

- Status quo of processed tomato regime
- Commission proposal
- Impact of reform on developing countries (focus on West Africa)
- Export refunds for fruits and vegetables (vis-à-vis other product groups)

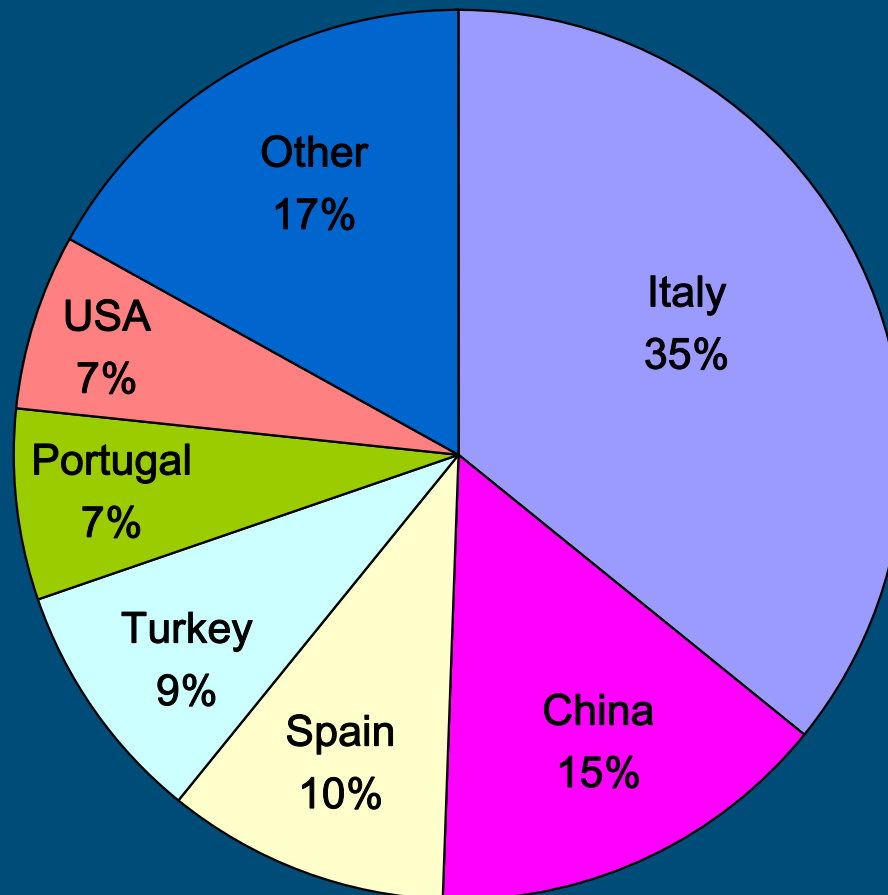
Status quo: regime for processed tomatoes

- Aid for processing tomatoes: € 34.50 / tonne
- Aid is paid to growers, via producer organizations (contracts with processors)
- EU threshold for aid (2005): 8.65 million tonnes, equivalent to 298 million euros aid / year
- Countries receiving aid:
 - Italy, Spain, Greece, Portugal, France, Poland, Hungary, Slovak Republic, Malta, Czech Republic and Cyprus

Status quo: aid for processing tomatoes

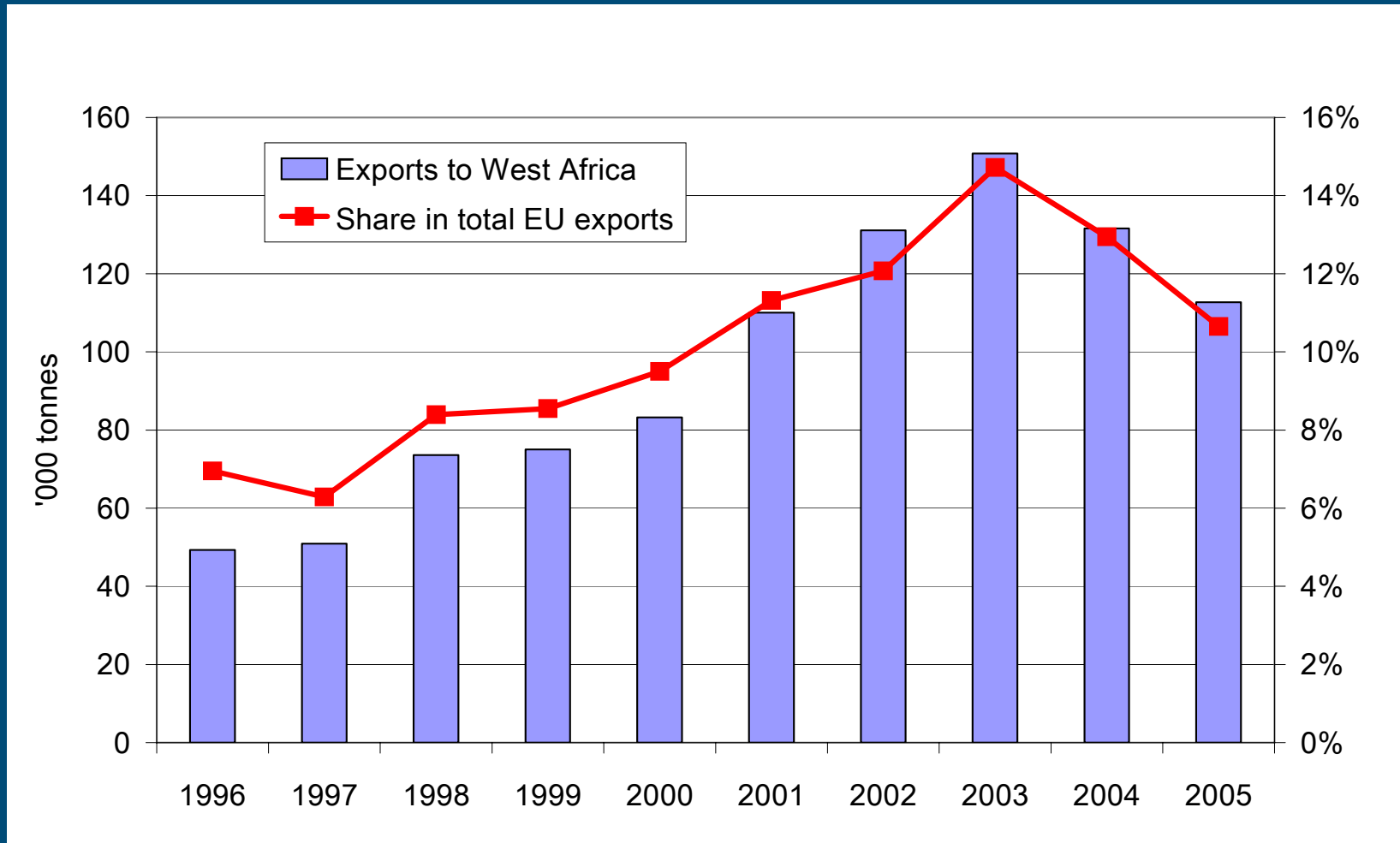


World export of tomato paste (CN 2002 90)



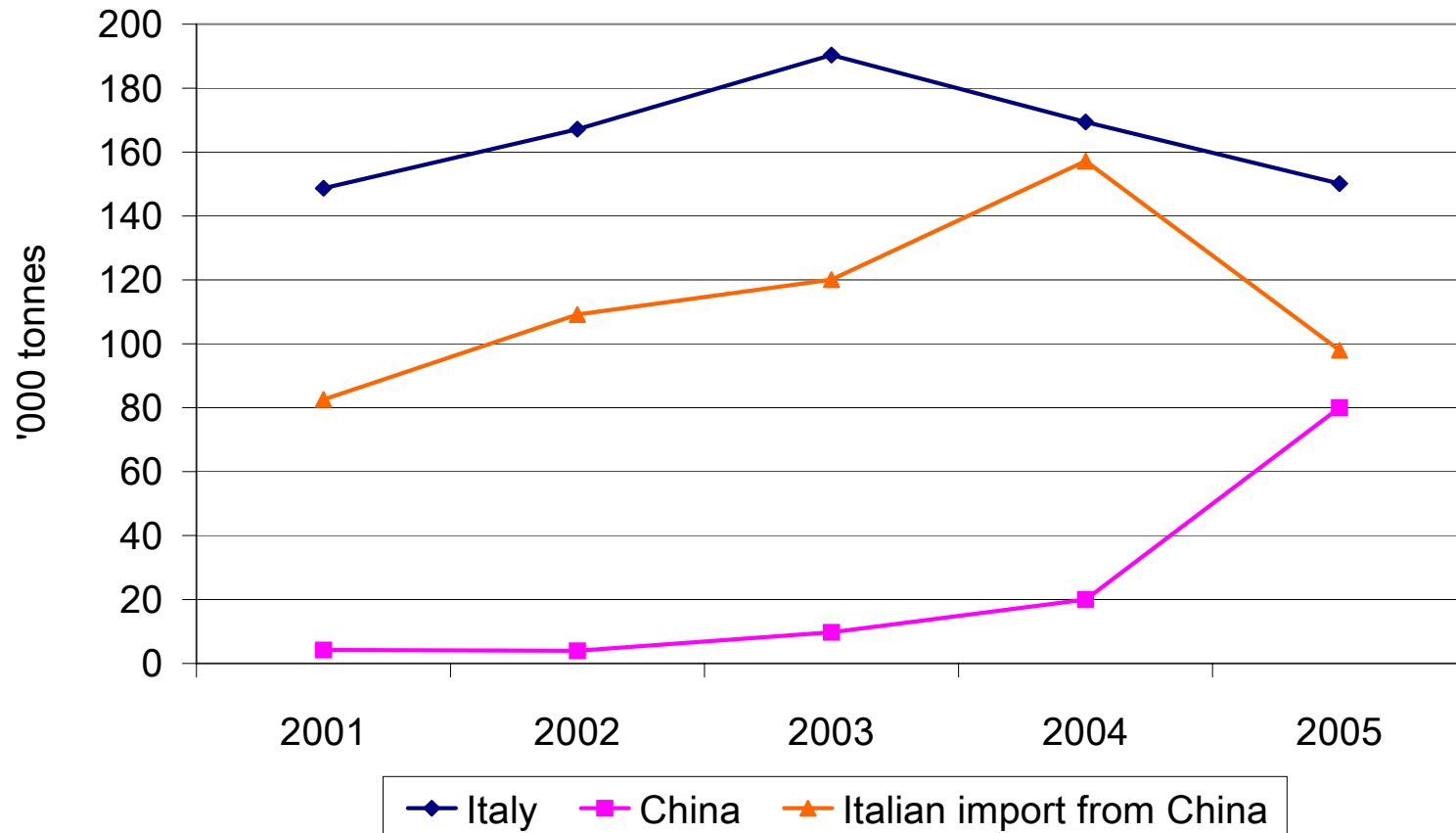
Total world export in 2004: 1.2 billion euros (source: SITC)

EU tomato paste exports to West Africa



Source: Comtrade

Tomato paste export to ACP Africa



Source: Comtrade

Commission proposal for reform

- Main objective: more coherence with other CMOs
- Decoupling of processing aid (Green Box)
- Support for processed fruit and vegetables will be integrated in Single Payment Scheme (SPS)
- Application of 'cross compliance'
- Abolishment of export refunds for fresh and processed fruit and vegetables

Implications of decoupling for supply chain

- Input prices for the processing industry will increase with 27-36%, assuming restrictions on land use
- Without these restrictions, more growers will switch to other crops and industry prices will increase further

	Input prices industry	Grower prices	Hectares	Output
Italy	27.5	-22.5	-15.0	-19.5
Spain	36.4	-13.6	-9.9	-12.6
Greece	35.3	-14.7	-9.5	-12.5
Portugal	34.8	-15.2	-10.4	-13.4
France	35.2	-14.8	-11.8	-14.7

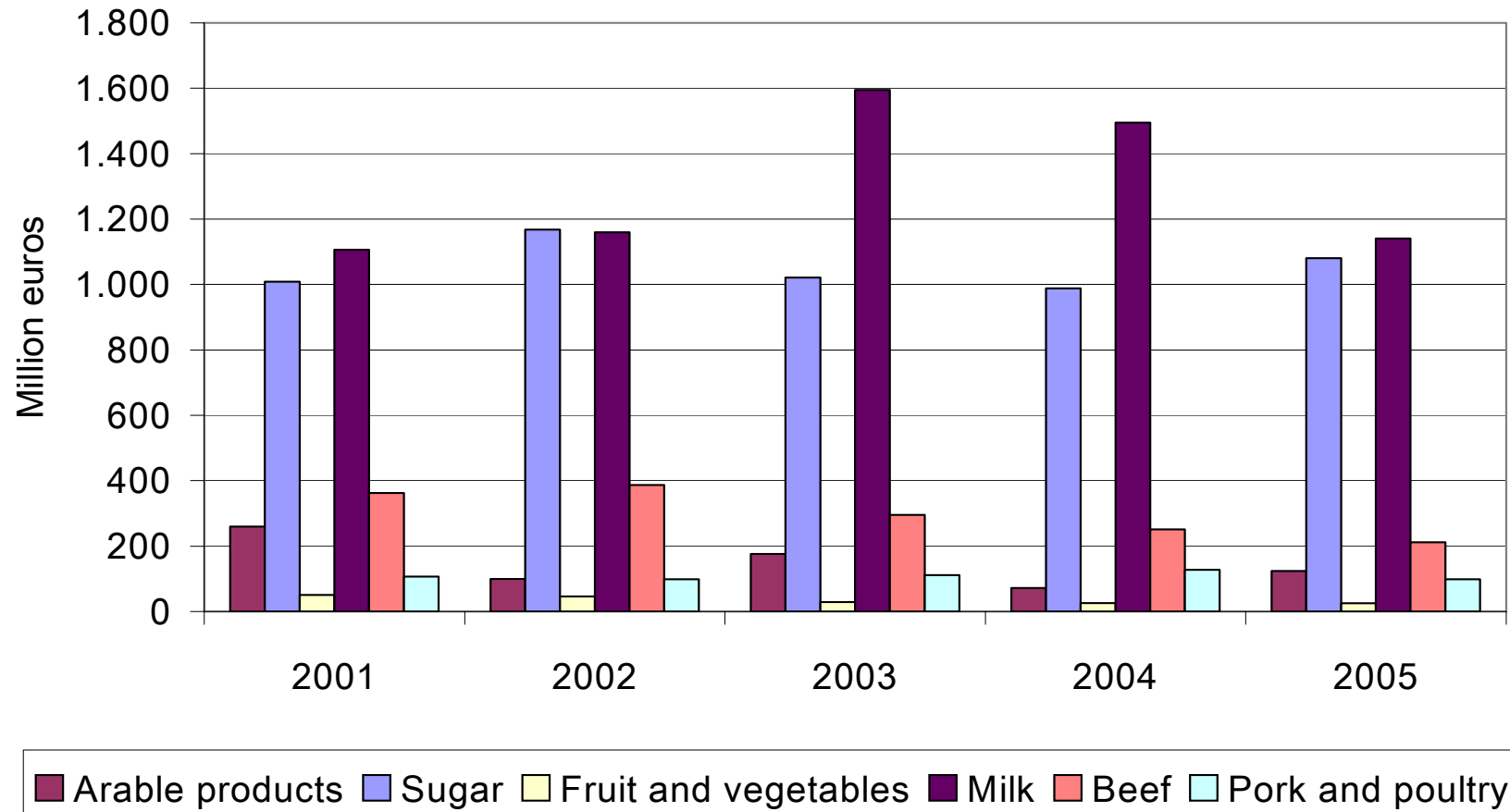
Impact of EU exports on West Africa

- Tomato paste is most important processed product imported from EU
 - Mainly Italian exports (no use of export refunds)
 - Main importers: Ghana, Togo, Nigeria and Benin
- Imports discourage development of local processing industry
- Senegal and Burkina Faso use non-tariff barriers to protect domestic industry (e.g. certificates)
 - Gender equity: domestic agro-processing industry is traditionally made up of women

Impact of reform on West Africa

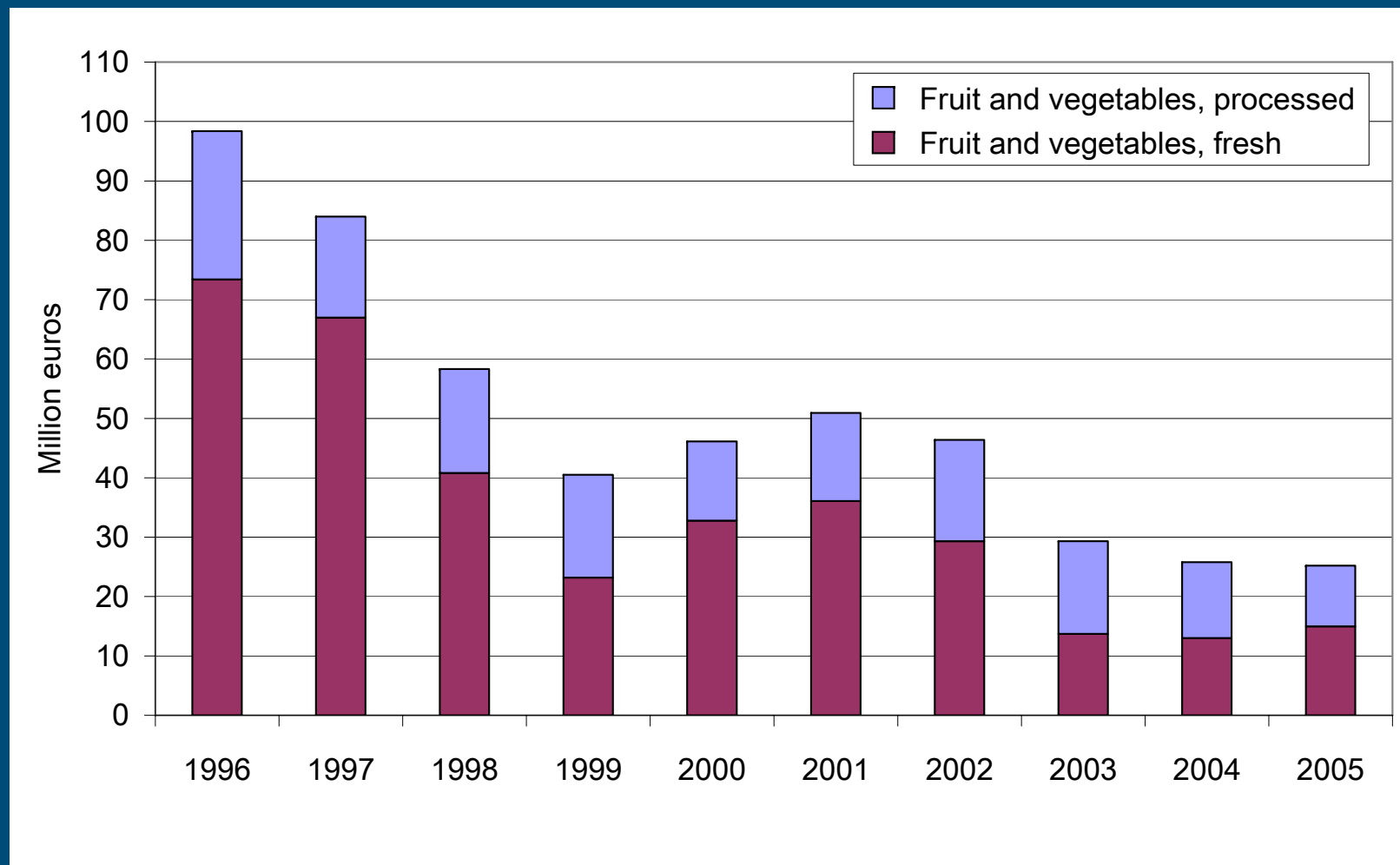
- Higher input prices for European processors will make European tomato paste exports less competitive → EU exports to West Africa will decrease
- Cheap Chinese exports further weaken EU position and also pose a threat to African processors
- EU tomato paste exports will also be discussed in EPA negotiations (West Africa is largest ACP trade partner)
 - Liberalization under EPA will lead to losses in government revenue and a further increase in imports
 - Need to include processed tomatoes in list of 'sensitive' products?

Export refunds: different product groups



Source: EAGGF Guarantee Section Financial Reports

Export refunds: fruit and vegetables



Source: EAGGF Guarantee Section Financial Reports

Export refunds: fruit and vegetables (2)

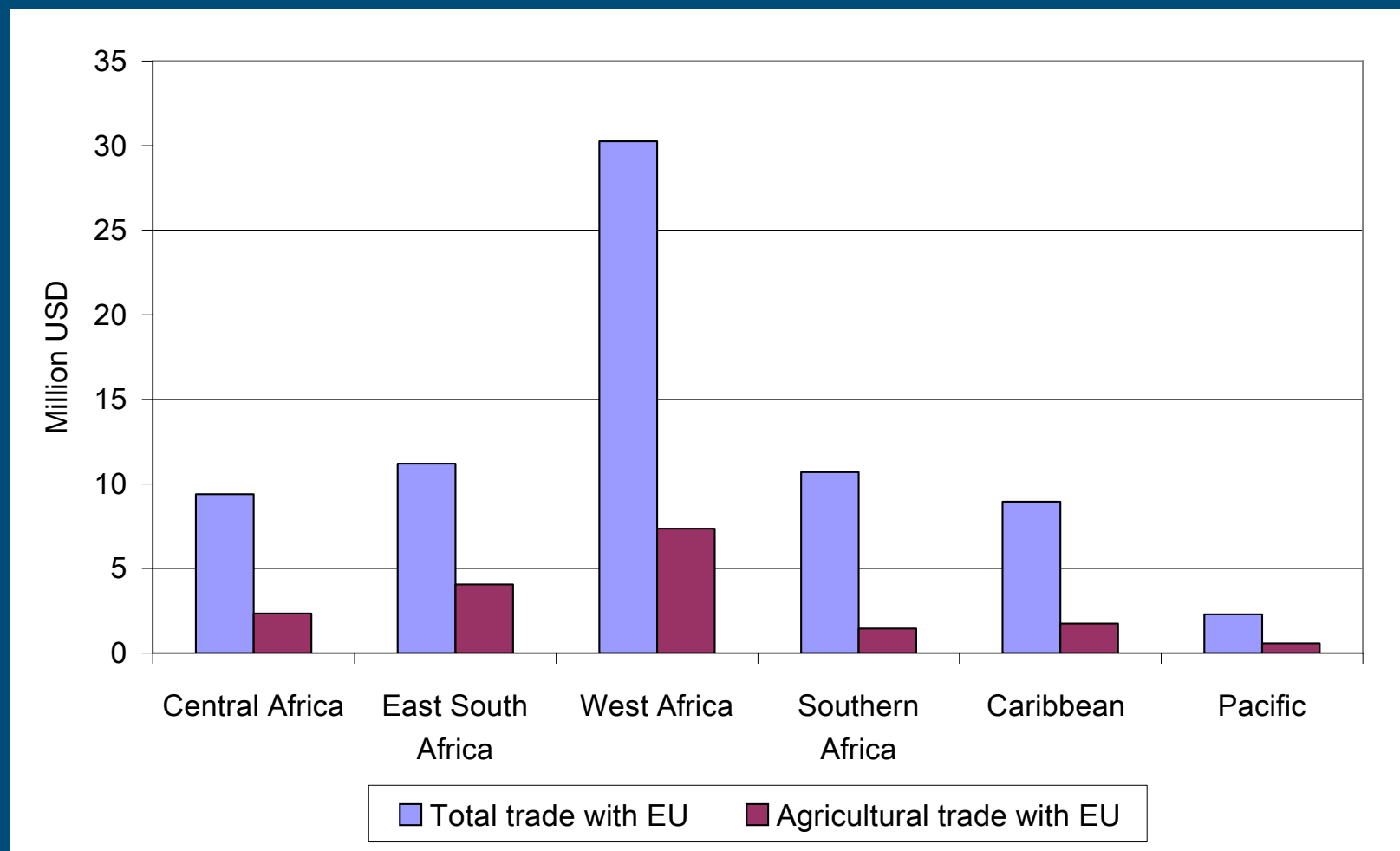
- *Fresh* products: tomatoes, apples, oranges, lemons, table grapes, peaches & nectarines, nuts
- *Processed* products: processed cherries, dried grapes, peeled tomatoes, mixed nuts, orange juice
- In 2004/2005 12% of fruit and vegetables (fresh and processed) was exported with refunds, while the refund only represented between 0.8 en 8.9% of the export price

Thank you for your attention!

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EU trade with ACP regions (av. 2004/05)



Source: UNSD