Draft Report
Advisory group Fruit and Vegetables
20 June 2012
Brussels

In absence of the President, Mr Calcagni, the meeting is chaired by Mrs Roncolini. The following points were discussed.

Local agriculture and short supply chain

Presentation by Commission services (DG AGRI) on the objective and main findings of the conference which took place in Brussels on 20th April. A PowerPoint - available on CIRCA - supported the presentation. The conference was structured around 3 workshops focusing respectively on the appropriate policy framework (role of CAP pillar 1 and 2), on the tools to facilitate market access (e.g. on labelling requirements) and on the food safety legislation (better use of the hygiene specification for small producers).

- In regard to workshop 1 (CAP support either under pillar 1 or 2), the main findings are that smaller growers have today a lack of critical mass to access the market as well as a lack of marketing skills and lack of local networks. Against this background, the Commission is suggesting to reinforce the position of small growers within the second pillar by fostering short supply chains and by setting up several actions to develop infrastructure, local business, skills and quality.
- With regard to workshop 2, focusing on facilitating market access for small farmers, several aspects were tackled including the possibility of specific labelling for produce sold on the local market to facilitate market penetration for local farmers. This workshop also concluded on the difficulty to have a definition of both local and short supply chain despite some clear ‘ingredients’ including territory, mutual trust between producers and consumers, local stakeholders and limited number of intermediaries involved. The objective is to increase interest in local foods, provide greater visibility of local food, reconnect farmers and consumers, ...

During the discussion, the following remarks were made:

- There is today a complementarity between short and longer circuits and the two concepts should not be opposed. Organized producers need to keep their support for concentrating offer, while local farmers, often not in a position to join a PO given their size, should be granted a different kind of support.
- There are today some severe difficulties that could arise on the market if derogations would be given for local products. It is reminded that the EHEC crisis found its origin with the supply of local organic food. The Commission indicated that the objective is not to seek derogations but rather to get policy adjustment to cope with specific conditions of production and supply on the local market.
- There are also examples that today local authorities already provide financial assistance for short circuits which are in such cases well supported at local level by town

hall/municipalities, by departments or provinces or by regional authorities. It is however recognized that across Europe there are many different experiences at national and local level.

- More generally, there might be a lack of incentives for local growers to join PO's and another angle would be to have more incentives for smaller growers to join PO's which would need to be further enhanced.
- From a fiscal perspective, getting producers and consumers closer together should not result in attempts of tax evasion.
- Labelling might be complex and should be weighted against multiple options already available for labelling.

With regard to the follow up of this dossier, based on workshop conclusions as well as other developments, the Commission will make an evaluation by the end of the year (in a format that still needs to be discussed). The progress will also be linked to the discussion on the quality package and the external study (JRC) which is in preparation.

Competition policy:

A representative of DG Competition was invited to make a presentation on the application of competition law in the food supply chain. The presentation is available on CIRCA. As a matter of context it was recalled that the European Parliament, requested that competition authorities at national and EU level investigate and evaluate consumer prices throughout the European Union to ensure that competition rules are respected as well as to analyse the gap between producer and consumer prices, differences between prices in the Member States and differences in prices between various agricultural products. The Parliament is also urging the Commission and Member States to address the problem of unfair distribution of profits within the food chain, especially with regard to adequate incomes for farmers as well as tackling the imbalances in the food distribution chain including self-regulation but also requiring regulation and adjustments to competition law.

The presentation included the main findings of the recently published ECN Food report of DG COMP. The ECN report provides a review of COM and Member States action in the area of competition law from 2004 to 2011. Overall in the food sector, the vast majority (almost half - 49%) of cases were of a horizontal nature, such as price fixing and information sharing. The European competition authorities have scrutinized all levels of the supply chain, with most cases at processing (28%) and retail level (25%). It was noted that the transformative part of the chain (processing and manufacturing) represents almost half of all cases and that the agricultural producer level represented a rather low share (12%) of all cases. The fruit and vegetables sector represented 10% (19 cases) of all cases. At EU level, recent cases included bananas and exotics, while the remainder of the cases (16) covered in the report are national (in Belgium, Cyprus, France, Greece, Malta, Netherlands, Poland, Portugal, Romania, and Spain). The report found cases in the fruit and vegetables sector at various levels and for fresh, processed, canned or frozen products (and covering, for instance, cauliflowers, endives, bell peppers and potatoes).

Market monitoring actions by national competition authorities (NCAs) concerned different aspects, such as price transmission, farming structure, unfair commercial practices, barriers (below cost selling, contractual control over land,…). Several of these actions also looked at unequal bargaining power and so-called unfair commercial practices. Most NCAs found that these issues fall outside of the area of competition law and can be addressed by codes and regulation. DG COMP will continue to follow this matter carefully and created a Food Task Force.

Following the presentation, which was welcomed by the audience, several questions were raised on the overall objective of the EU competition law, the scope of actions for interbranch in line with the objectives of the CAP, the differences of prices among MS, and what kind of threshold would be seen by DG COMP on the level of grouping of the production before becoming “suspicious” from a competition perspective. Concerning the market share of POs and APOs, there is not a simple answer because it depends of the competitive structure of the market at hand. As in other markets, DG COMP is worried about dominance (i.e., a position that enables a single entity to act independently of its competitors, customers and ultimately consumers). The Commission's experience suggests that this is not likely if the market share of the entity is below 40% in the relevant market. As far as the exchange of information is concerned, aggregated data that does not allow recognizing the individual company is less of a concern and can include overall production, stocks and market trends. Information could be shared within a PO, APO or association members.

Review of regulation 882/2004 on official controls

Presentation by DG SANCO on the latest development of the reform of the official controls legislation. The objective is to simplify the procedure and reduce costs for authorities while being also beneficial and more adapted for operator needs. The reform includes several aspects from seeds controls, animal and plant products and the policy of official control at the border. The review process will touch on several legislative points, including feed law, food law (including FCM and GMOs), animal health law, animal welfare rules, plant health law and plant reproductive material law.

The impact assessment is being finalized, while inter-service consultation continues. The state of play is therefore still at this stage a perspective from DG SANCO and not yet from the Commission. The reform aims at moving to single authorities improving coordination and contact, as well as increasing transparency (report on compliance and non compliance). General obligations of controls are confirmed on a risk based approach, and EU border controls are to be reshaped according to risks evaluated during FVO visits. The border control posts should be clearly designated by MS and criteria should be identified in this respect. The review also covers laboratories, sampling procedures etc.. A model of a Common Health Entry Document is designed to facilitate pre-notification of entries and its use for operators will being on the basis of a full electronic use. The Commission confirmed that it expects with this reform to move ahead in regard to electronic documents for all kind of certification (plant health origin,...). DG TAXUD is taking the leadership in the project and COM is well aware of the demand of operators.

Sustainable food policy

A presentation is made by DG ENVI on the forthcoming Commission report on sustainable food production and consumption. Indeed, there is at this stage no coordinated approach on the matter with very fragmented solutions proposed in agriculture with the nitrate directive, the pesticide directive or with the environmental conditionality for EU funds or the rural development policy and agri-environmental schemes. Besides, there are also initiatives such as the Green Public procurement of the labelling legislation. A European and coordinated response is needed given the impact of the production and consumption of food, feed and drink which are one of the most important global drivers of environmental pressure, including impacts on habitat change, climate change, fish depletion, water use, toxic emissions, or biodiversity loss. On top of this and only in the EU, the total amount of food waste is about 89 million tonnes per year or 179 kg per capita per year. 2011 FAO estimates suggest that, globally, about one-third of food produced for human consumption is lost or wasted. This represents about 1.3 billion tons per year. A recent McKinsey report estimates that the potential savings by 2030 of reducing food waste could be more than $250 billion a year globally and reduced use of cropland by up to 40 million hectares. On this background, the EU has embarked in a resource efficiency roadmap with several objectives of policy coordination with focus on incentives for healthier and more sustainable production and consumption of food, to halve the disposal of edible food waste in the EU by 2020 as well as consider ways to lower the environmental impact of food production and consumption patterns. Finally to formulate views and expectations, the Commission is due to release a Communication on Sustainable Food in 2013.

In the process, it will look at various segments of the chain from production to processing down to retail, catering and consumption, without neglecting international aspects and waste. Key areas of work include reduction of food waste, healthier and sustainable consumption patterns, sustainable agriculture practices, resources efficiency, and resource efficiency of chain segment as well as R&D policy.

During the discussion, it was raised that the EU policy is not assisting in reducing waste, the limited legislation on waxes and additives being a point in case in this regard. Therefore to provide response to the issue of sustainability, the COM should first address the matter of its failure in the legislation

Late payment directive:

The Commission submitted a written contribution available on CIRCA

Trade issues:

Representatives from DG AGRI, international department, provide an update on latest developments for Euromed and Mercosur:

Euromed: Under the Barcelona process, there is an objective of setting up a free trade zone including political, cultural and trade aspects. Several countries were reviewed to adjust to the process, even if the political situation on the Southern rim of the Mediterranean basin did not facilitate a soft and prompt process in recent months. Concretely, the situation is as follows:

- Morocco: revision of the agreement started in 2006 and ended in 2010 under discussion at the EP up to ratification in February. Agreement needs to be signed by EU Council and ratified by the Moroccan Parliament. If notification of the ratification by Moroccan parliament is received before the end of June, the new agreement will be applied as of September. Reasons of delays in Morocco are the new Constitution of Morocco and new competences of the Parliament which need to set priorities with other fiscal issues on the desk of the Parliament

- Tunisia: expected to resume discussion with the new authorities and finish discussion before the end of 2012
- Algeria: this country is not willing to go ahead at the moment and do not want to go forward in trade liberalization
- Palestine: agreement in place since early 2012 with agricultural concessions, with free of charge entry but compliance with entry price
- Egypt: new agreement in place and possible evaluation once the political situation will be cleared
- Lebanon: same as Egypt, unclear views from Lebanese expectation
- Israel: agreement in place since 2010 with revision clause next year

Mercosur: In 2010, EU and Mercosur re-launched the negotiation for an FTA. Eight meetings took place so far, but no breakthrough in regard to market access as there was no exchange of offer for the time being. No dates are fixed for this process. Brazil is taking over Mercosur presidency and the EU is awaiting new timing and priorities. From the audience it is reminded that there is a need for reciprocity and for incorporating SPS issues on the discussion. Issues in regard to plant health control need to be taken account given increase of interception on citrus from Brazil. Commission confirmed that the chapter on SPS is part of the discussion.

CMO fruit and vegetables revision

The Commission is currently debating at the management committee an amendment of the CMO Commission regulation 543/2011 setting new provisions on crisis management (withdrawal indemnity, free distribution and clarification of provisions regarding green harvesting and non harvesting). The proposal also covers some new specifications on the traceability of the consignment cleared under the deductive method for the compliance with the entry price. Despite a discussion on the 14th and 19th June at the management committee, no agreement was reached by the Commission and Member States. The Commission will do the utmost to solve the latest difficulties by the 11th July to adopt the new text before the summer. As it was already done during the tomatoes expert group, a voice of deep concerns by Belgium and Dutch growers of the discrimination entailed in the proposals between northern and southern growers was raised, and if adopted, the case might end at the court. The alleged risk of fraud between withdrawal and processing is not a valid justification in the case of the Benelux, which place all its production on the fresh market. Growers are penalized and discriminated as authorities are not in a position to solve control. Besides, a report is also made on the amendments of environmental management rules with an objective of simplification and cost reduction for the Commission budget while keeping encouragement for PO’s to adopt environmental practices.

Fruit and vegetables CMO reform – Commission consultation

Given crisis and difficulties of the sector, COM is anticipating the reform of the CMO starting with a consultation of stakeholders (up to 9 September), a public hearing with stakeholders, process being part of an impact assessment leading to a report by Mid 2013 with legislative proposals. Main reasons for the amendments are presented. Those are included in the consultation document available on the internet.

COM has presented 3 options from the classical status quo to a further and deeper transfer of budget to the second pillar, while elements of the options could also be combined.

To stimulate the discussion and exchange of opinions by the Advisory Group, the Commission organized three workshops as follows:

- Encourage PO and new form of organization, as well as improved (chaired by Mrs Roncolini)
- Supply chain and ways to improve value and consumption (chaired by Jose Antonio Garcia Fernandez)
- Crisis tools and for whom, which measures to transfer to rural development (chaired by Hans Van Es)

Summary of proceeding in workshop 1: PO's and new form of cooperation

Based on the debate in workshop 1, the conclusion of the proceedings is as follows:

- The Commission evaluation on PO's presented in the Review of the EU regime for fruit and vegetables is too negative and to some extend contradictory. The European scheme of assistance to PO's is still young (1996) and time is required to change mentality of growers and restructure cooperatives. As a point in case, Belgium is a Member States where fruit and vegetables are already efficient while it took almost 10 years to convince fruit and vegetables growers for frozen food to get organized in PO's. The EU-12 only have a PO's scheme for fruit and vegetables since 5 years, and this period is too short to draw conclusions on the development of PO's in Eastern Europe. In statistical data, one should distinguish between professional growers and the others. Recent amendments of the support to pre-recognised PO's is also leading to mistrust of the growers established in the new Member States to join a PO. Legal insecurity resulting from national and European audit is not encouraging growers to move into cooperation. There is no direct link between the size of fruit and vegetables PO's and its efficiency. Smaller PO's are not de facto less efficient than large PO's, everything depending on which market they are operating (local, national, European, international,...). The organization of the demand is always faster than the one of the supply, and individual growers will always exist. The Commission is invited to read the document on professional agricultural and cooperative organizations (in the fruit and vegetables sector) distributed during the meeting which outlines the value added of the PO's regime for fruit and vegetables producers, but also for cooperatives and consumers.
- PO's for fruit and vegetables should remain the corner stone of the support to grower's post 2013. The PO system is the only option that allows growers to develop their cie. The option 4 aiming at transferring the aid regime to PO's from CAP pillar 1 to pillar 2 is not a viable option as fruit and vegetables PO's will only be able to get access to rural development measures where available in the Member States and the financing will be lower than those applied today. Besides, giving up the operational programme would have a negative impact on the concentration of the offer.
- PO's need to be further reinforced with measures to prevent and manage crisis, stimulate merger and association of PO's and reinforce the legal security and provide incentive to PO's to position themselves on third country markets.

- The aid regime to PO fruit and vegetables based on a co-financing of EU producers and the value of marketable production is the most efficient means to concentrate the supply. There is no need to set up other form of organizations of producers as the current regime already have in place a system with different eligible actions leading to different form of PO's. Today PO's supply around 60 % of the demand of major retailers. Repealing the support to PO's in pillar 1 would have a very negative impact on individual growers which enjoy the favourable market conditions resulting from the actions of organized growers in PO's. The security of supply on the EU market could be in danger and exposing the EU to greater risk coming from third countries. Also repealing the support under pillar 1 would be contrary to the recent declaration of the EU of the need to reinforce the position of producers in the food supply chain.
- Individual growers need to be assisted to get organized, namely in regard to exchange of experts, education,…
- Regarding controls, those need to be strict on the compliance with the criteria for the recognition of PO's (set up by growers, controlled by growers, democratic decision process as it is the credibility of the regime that is at stake). In regard to control, a risk analysis regime should be in place with a control of the critical points.
- The international context significantly changed since the introduction of the aid regime for fruit and vegetables in 1996. EU PO's are competing with other international growers from third countries. This is done while fruit and veg represent 17% of the value of agricultural output, while the CAP budget for the sector is only 3.5%. Budget needs to remain open to allow the growth of fruit and veg PO's.

Summary of proceeding in workshop 2: supply chain perspective

1. Introduction

The chair made some introductory remarks on the objective of the workshop as well as on the main findings and messages of the public consultation document on the policy option and their impact assessment. According to the chair, the scenarii and evaluation of the state of the sector as described in the Public Consultation document is really worrying:

- Persistent weakness in organisation of the production
- Increasing Uncertainties
- Widening GAP between output and input prices
- Risks for the environment and climate change
- Uneven distribution of value added along the supply chain
- Limited use of crisis prevention and management tools
- Falling consumption
- Needs for simplification

To cope with the situation, limited financial resources will be available in the future and the time to react is short. On this background, the purpose of the workshop will neither be to discuss the details of the scenario nor to go on analysing the current situation, but well to discuss about the future.

It is also an opportunity to

- Argue the need of a strong European F&V Policy
- Convince the EC that F&V are a strategic asset for European society (Healthy + Economic Impact)
- Look for new ways to join efforts between public authorities and the sector
- Agree on innovative, practical and positive proposals with real impact on the sector

The scope of this workshop is specific. It should not look at ways to improve the organization of the production, neither at tools of crisis prevention or management. These issues are talked in the other two workshops. The remit is however broad as discussion could cover all kind of issues from a supply chain perspective, namely contractual relation, interbranch agreement, trade issues, promotion, tools to stimulate consumption, competition aspects.

There are no further remarks from the group which can proceed with the discussion of the three topics:

1. How to increase the share of the value added for producers in the chain?
2. Should new forms of cooperation in the chain among the different actors be envisaged?
3. How to increase consumption?

1. <u>How to increase the share of value added for producers in the fruit and vegetables chain</u>

The chair opens the discussion by a number of statements generated from the industry state of play and from the consultation documents.

- Producers generate value for all the actors involved in the chain except for themselves.
- The gap between the trends of producer (output) prices and costs (input prices) has widened in the last years.
- Producers have a low bargaining power in the face of distribution chains.
- Low rate of organisation through PO´s (43%-2007)
- Perishable products are of particular concern because they are subject to cyclical market crisis
- An improvement of the professional skills and transparency of the management of PO´s is needed.
- There is a need to protect producers in order to assure quantity and quality of European supply products

On this background and to stimulate the discussion, some ideas, including possibly provocative ones, are suggested to facilitate the discussion. Among these ideas which should not be attributed to a position from the chair, one could highlight:

- Measures to promote solutions for producer's members and non members of PO´s.
- Incentives to increase the size of PO´s (including mergers) requiring a minimum turnover to guarantee bargaining power
- Promoting a contractual policy on the basis of written contracts and indexing prices to costs of production
- Promoting harvest insurance and mutual funds
- Encourage producers to create inputs purchasing bodies to be more competitive and gain productivity
- Specific co-financed projects to improve professional management education

- Create an Observatory to monitor the evolution of costs, prices and margins
- Reinforce PO's partnership agreement with traders
- Role and opportunities of processed products in the value chain

From the discussion, emphasis was put on the following points:

- VALUE: the added value for producers needs to be well understood as could be approached from different angles. On the one hand the value for growers would result from 3 criteria including the return on price, the total volume placed on the market and the reduction of costs. On the other hand, one should also consider the value for the chain covering the various actors/segments including growers, PO, traders, retailers. To create more value in the chain is today not easy, but several ways could be explored, even if moreover in the fruit and vegetables some are difficult to implement: create brand (our sector is fragmented), protect product with Intellectual Property.... It is also challenging to create value in a "cost" chain, and the only remaining option to generate more value is to cut costs of production and distribution while increasing volume (new technologies, yields). Producing more does not always lead to better value and the debate is also therefore on how to rebalance the margin in the chain.
- NETWORKING: Following the discussion on value, it appears from several participants that PO's and growers need to be more integrated with processors and traders to get better value on the markets. The debate is therefore dual including on the one hand to reduce costs while increasing bargaining products. To better rebalance this, specialization is put forward as an important element. PO's should primarily have as a function to have tasks relating to production (environment, IPM, plant health, MRL compliance, use of active substances, water, packing...) and not become primarily a marketing organization. For these trading tasks as well as for other functions such as processing a reinforced partnership with other stakeholders in the chain is crucial (traders and processors) to better cope with market demands.
- CONTRACTUAL RELATIONSHIP: The workshop did not come to any conclusion on this issue. On the one hand there are limited experience and most of them being a failure for the fresh sector. For processors, demand for more stable and contractual relationship seems to be feasible. In this respect, given regular fluctuation of volume at production, changing demand according to weather, price fluctuation, it is noted that having a contract fixing prices is not the panacea and it is more relevant in the partnership with the customers to have commitments on growing conditions and programmes such as term of growing, product specification, quality, customer requirements and could possibly incorporate terms in regard to benefits or losses if growers/traders relationship is build for the long term. Such an approach might however in this case be more complicated with the processing sector. There was also a brief discussion about unfair practices, an item which is discussed in other fora such as the High Level Forum for the better functioning of the food chain.
- ABOUT THE PRODUCT: The support should primarily end to growers for the benefit of placing on the market safer, better and more consistent products from a quality perspective to increase the value and ensure that there are enough products on the market.

2. <u>Should new forms of cooperation among different actors in the food chain be envisaged</u>

To introduce this second item, a number of statements which might need to be discussed for validation are made. These aspects include for example the fact that co-operation is a must among the supply chain, that there is a lack of transparency in the chain, or that there is a need to involve retailers in the discussion while it is also equally important to have a link between producers and retailers/consumers to adapt products and quality.

As in the previous point, the chair also suggested a series of points for discussion, once again presented to facilitate the discussion without necessarily being the position of the chair. The remarks include:

- It is essential to make APO´s and Interbranches real actors moving from theory into practice:
    - Seeking compatibility with competition regulations (Exceptionalities)
    - Adopting flexible procedures in the legislation to enforce agreements
- To foster the creation of a platform for networking (including Foodservice sector) on a business (and no political) basis
- Cooperation production and processors

From the discussion, emphasis was made on the following points:

- NETWORKING AND PARTNERSHIP: Continuing to argue in similar terms as in the first point, the group suggested that more interaction is desirable in the chain. This could include more discussion and interaction with all the stakeholders in the chain. As an example, it is mentioned that in case of crisis, a more proactive role of retailers would be desirable to launch promotion activities or price incentives to stimulate the consumption, rather than stacking produce. The role of the Commission is questioned to foster the communication/interaction with retailers. The cooperation should however involve all kind of relationships and stakeholders (traders, processors,…) as it could cover a wide range of topics (PGI, development of club varieties and new varieties at large, research and innovation,..). Partnerships should also cover the civil society such as health NGOs and other consumer groups which could also contribute to positive messages to stimulate the consumption.
- MARKET OBSERVATORY: Given frequent fluctuation of supply and demand as a result of climatic condition and other production factors, it is important for the sector to get access to the most accurate information on the production, on market trends, consumer's trends. This role could partially be handled by the sector itself and its existing instruments, but there are still today legal uncertainties on the compliance with the competition policy, generating uncertainties. Unanimous views were expressed on the necessity of such an observatory to provide operators the monitoring information to take on their own the best decision according to changing markets parameters. For efficiency purposes, it is also stated that the observatory should have tools for communication.
- INTERBRANCH: The discussion on this point demonstrated some of the differences of approaches among Member States but also the incoherence of the EU policy between its advocacy for interbranch (even beyond fruit and veg as the F&V model is taken as an example in the CAP reform) contrasting with the lack of efficiency and flexibility of operation. Constraints could be legal (cartel and competition law, compulsory levied challenges in several Member States...). A much clearer framework is desirable.

3. <u>How to increase fruit and vegetables consumption</u>

To introduce the discussion, the chair referred to the latest findings of the Freshfel annual Consumption Monitor quoted in the consultation document. The findings are worrying and clearly the consumption of F&V is stagnating or even falling in the EU; with a per capita fruit consumption decreasing by 9,4% in 5 years (2005-2010) while the per capita vegetable consumption decreasing by 10,3% in 5 years (2005-2010). To stimulate the discussion, some views were also exchanged, once again without being a position from the chair. Some of the areas which could be investigated include:

- Reinforce the F&V Promotion Policy considering it as a Public Health Issue (e.g. Obesity and Chronic diseases), with an increasing budget to:
  - Create a Pan-European Platform for stimulating consumption and coordinate messages
  - Go on with the School Fruit Scheme as it is a long term project
  - Consider generic communication
  - Avoid F&V price misperception
  - Create a digital fresh produce community (internet, social networks…)
- Feasibility of a consumption levy as per in the USA levying an import levy on F&V together with the domestic levy to develop promotion campaigns (avocado, kiwi or blueberries case in USA)
- Amendment of EU legislation to ban the misuse of fresh F&V image
- Promote a no VAT policy on fresh F&V
- Increasing our exports to non EU markets is an opportunity:
  - A stronger EU Policy to open markets and assist exporters
  - A Pan European scheme to address credit insurance and currency fluctuation
  - Provide greater focus at EU level to negotiate and implement plant health protocols

Consequently, it is stressed that the discussion on this point could cover both tools to foster and stimulate consumption on the EU domestic market, as well as developing market share on third country markets by boosting exports. The main findings from this discussion are as follows:

- PROMOTION AND COMMUNICATION: Promotion is key and should look at all aspects, not only the activities of the sector, but also the role of public authorities. The consumption of all healthy fruit and vegetables (fresh and processed) was underlined for these efforts of stimulating the consumption. Two angles are considered:
  - Public authorities should focus on health messages but also secure the right protection of the image of the product (cfr Freshfel study "Where is the fruit ?").
  - As health messages alone did not succeed in reversing the downward consumption trends, both public campaigns and the sectors' communications should – in addition to the health message - focus and concentrate on the enjoyment, on pleasure, on the fun, on the fashion, on the diversity of taste and texture, on the convenience and easy ways of consuming fruit and vegetables (=convenience).
- CONSUMERS: As the consumption declines, the produce placed on the market should take into account the rapidly evolving demand. Current EU policy such as promotion and the school fruit scheme should not only be kept but also improved and enhanced significantly. Other instruments were also discussed but implementation might be deemed complex (no VAT, given national competences, levy for promotion (compatibility with WTO),…).
- TRADE : Lack of reciprocity for fresh and processed is highlighted as well as the relevance for the European fruit and vegetable sector to take part to the growth of the markets elsewhere (Russia, Middle East, Asia, Latin America). The full support of authorities is requested for a coherent European export strategy as all the tools for exports were dismantled.

Summary of proceeding in workshop 3: crisis management tools

This workshop first of all confirmed that crises could be of different nature. On the one hand there could be a crisis resulting from market instability given largest punctual supply /overproduction or under demand due e.g. to climatic conditions. Besides, and as more recently experienced with the EHEC crisis, they could affect the market as a whole for food safety reasons.

The role of PO's has been underlined in dealing with a crisis but it is also stressed that its capacity of operation might be limited as PO's might only be representing a small margin of the market.

To cope with crisis of the market, new tools should be envisaged. The group identified in particular the setting up of mutual funds, or the role to be played by interbranch.

The group also reconfirmed that they are not supportive of the transfer of measures to pillar 2 to cope with crisis management. These measures should stay in the first pillar and be improved. The PO's being at the source should remain one of the principal actors of the system.

Finally, it is stressed that environmental actions are not easy to be implemented within the CMO, difficulties are linked to subsidiarity for PO's in countries with high environmental standards where the threshold set of 10% cannot be reached.

Conclusions by the Commission

The Commission thanks the delegates for their active participation in the 3 workshops and for the input provided. The Commission will continue its evaluation based on the hearing (6 meetings scheduled on 27 June and 4 July) with the ISSG (interservice group of the Commission). Besides, the Commission is expecting up to 9 September input from stakeholders through response to the written consultation process. The Commission expects numerous and comprehensive response. With these elements the Commission will progress with its impact study before moving into more political steps with legislative proposals early next year.

As there were no further questions or agenda items, the chair closes the meeting.