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*Committee on Agriculture and Rural Development*

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## **DRAFT REPORT**

on the future of Europe's horticulture sector – strategies for growth  
(2013/2100(INI))

Committee on Agriculture and Rural Development

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the future of Europe's horticulture sector – strategies for growth (2013/2100(INI))

*The European Parliament,*

- having regard to Part Three, Titles III and VII of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)<sup>1</sup>, to be taken over by the Commission legislative proposal of 19 October 2011, submitted under the TFEU ordinary legislative procedure (ex co-decision procedure), for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation) (COM(2011)0626), which was recently approved by the three EU institutions concerned,
- having regard to Regulation (EC) No 1182/2007 of 26 September 2007 laying down specific rules as regards the fruit and vegetable sector<sup>2</sup> and to Commission Implementing Regulation (EU) No 543/2011 of 7 June 2011 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors<sup>3</sup>,
- having regard to Regulation (EU) No 1169/2011 of 25 October 2011 on the provision of food information to consumers<sup>4</sup>,
- having regard to Directive 2001/18/EC of the European Parliament and of the Council of 12 March 2001 on the deliberate release into the environment of genetically modified organisms<sup>5</sup>,
- having regard to its resolution of 21 June 1996 on a Community initiative for ornamental horticulture<sup>6</sup>,
- having regard to the Commission Communication of 9 December 2008 on food prices in Europe (COM(2008)0821),
- having regard to the Commission Communication of 16 July 2008 on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan (COM(2008)0397),

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<sup>1</sup> OJ L 299, 16.11.2007, p. 1.

<sup>2</sup> OJ L 273, 17.10.2007, p. 1.

<sup>3</sup> OJ L 157, 15.6.2011, p. 1.

<sup>4</sup> OJ L 304, 22.11.2011, p. 18.

<sup>5</sup> OJ L 106, 17.4.2001, p.1.

<sup>6</sup> OJ C 198, 8.7.1996, p. 266.

- having regard to the Commission Communication of 28 October 2009 on a better functioning food supply chain in Europe (COM(2009)0591),
  - having regard to the Commission Communication of 28 May 2009 on agricultural product quality policy (COM(2009)0234),
  - having regard to Commission Decision 2008/359/EC of 28 April 2008 setting up the High Level Group on the Competitiveness of the Agro-Food Industry, and to the Report of that High Level Group of 17 March 2009 on the Competitiveness of the European Agro-Food Industry, along with the Group’s recommendations and roadmap of key initiatives<sup>1</sup>,
  - having regard to the November 2012 study entitled ‘Support for Farmers’ Cooperatives’ (SFC), which presents the findings of the SFC project launched by the Commission<sup>2</sup>,
  - having regard to the 2013 study by the Commission Joint Research Centre – Institute for Prospective Technological Studies entitled ‘Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics’<sup>3</sup>,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development (A7-0000/2013),
- A. whereas the fruit and vegetables (F&V) sector accounts for 18 % of the total value of agricultural production in the EU, represents 3 % of the EU’s cultivated area and is worth more than EUR 50 billion;
  - B. whereas the F&V supply chain has an estimated turnover of more than EUR 120 billion, with approximately 550 000 employees;
  - C. whereas despite being the world’s second-largest producer, the EU is also the second-largest importer of F&V;
  - D. whereas per capita F&V consumption in 2011 for the EU-27 decreased by 3 % compared with the average consumption of the previous five years;
  - E. whereas more than half of all EU growers do not belong to a producer organisation (PO) despite the Commission’s objective of an average rate of 60 % PO membership by 2013; whereas the low rate of organisation has been partly caused by the suspension of POs within Member States, which creates uncertainty among producers;
  - F. whereas the ‘knowledge pipeline’ to translate research into practice for horticulture is under strain, and whereas spending by the private sector on research is low overall, with research and development (R&D) accounting for only 0.24 % of total food industry expenditure across the EU-15 in 2004, the latest period for which figures are available;

<sup>1</sup> Available at <http://ec.europa.eu/enterprise/sectors/food/competitiveness/high-level-group/documentation/>

<sup>2</sup> Available at [http://ec.europa.eu/agriculture/external-studies/2012/support-farmers-coop/fulltext\\_en.pdf](http://ec.europa.eu/agriculture/external-studies/2012/support-farmers-coop/fulltext_en.pdf)

<sup>3</sup> Available at <http://ftp.jrc.es/EURdoc/JRC80420.pdf>

1. Stresses the importance of promoting the EU horticulture sector and enabling it to compete in the global marketplace;
2. Emphasises the need to make it easier for producers to gain access to third-country markets, for example by removing phytosanitary barriers that limit the export potential of flowers and ornamental plants;
3. Encourages the promotion of F&V consumption in Member States through educational activities such as the Grow Your Own Potato and Cook Your Own Potato industry schemes in the UK;
4. Notes the measures in the EU F&V regime which are intended to increase market orientation among EU growers, encourage innovation and increase growers' competitiveness through the provision of support to POs and inter-branch organisations;
5. Welcomes the Commission public consultation entitled 'A Review of the EU Regime for the Fruit and Vegetables Sector', in particular section 3.8 thereof, which acknowledges the need for simplification of the current rules governing POs;
6. Supports the work of the Newcastle Group aimed at improving the EU fruit and vegetables regime;
7. Calls on the Commission, in its review of the EU F&V regime, to produce clearer practical rules about how POs should be designed and managed, and believes that in order to encourage more growers to join POs it is crucially important that the scheme adapts to fit the market structures that exist in Member States;
8. Notes that unfair trading practices remain across the EU which undermine horticultural businesses and diminish growers' confidence to invest in the future;
9. Believes that codes of conduct agreed by all actors in the supply chain, backed by a legislative framework and overseen by a national adjudicator in each Member State, will greatly improve the functioning of the food chain and the internal market;
10. Stresses that horticulture is reliant on a variety of plant protection and fertiliser products, and urges the Commission to take a risk-based approach to the regulation of these products that is justified by scientific evidence; emphasises that minor uses are particularly vulnerable; calls on DG Agri, DG Sanco, DG Environment and DG Competition to work strategically together to take into account the impact of changes to plant protection product regulation from multiple perspectives;
11. Recalls that both the Plant Protection Products Regulation (Regulation (EC) No 1107/2009 of 21 October 2009<sup>1</sup>) and the new Biocides Regulation (Regulation (EU) No 528/2012 of 22 May 2012<sup>2</sup>) require the Commission to specify scientific criteria for the determination of endocrine-disrupting properties by December 2013; is concerned that

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<sup>1</sup> OJ L 309, 24.11.2009, p. 1.

<sup>2</sup> OJ L 167, 27.6.2012, p. 1.

these criteria have the potential to remove significant substances which could still be used with acceptable risk; urges the Commission to fully consider the impact of different approaches when presenting proposals for endocrine disruptors;

12. Calls on the Commission to reassess the current restrictions on the use of some neonicotinoids in light of new scientific evidence and urges the Commission to properly assess the economic and environmental impact of such restrictions before bringing them into force;
13. Highlights the potential of precision farming in horticulture and believes that such techniques could significantly reduce the use of chemicals;
14. Notes with concern the Commission proposal for a regulation on plant reproductive material (COM(2013)0262) and stresses that while regulation in this area is necessary, any legislation should be proportional and recognise the principle of subsidiarity;
15. Urges the Commission to prioritise economically important horticultural crops for funding and research using new and innovative plant breeding techniques, and to provide clarity about the regulatory status of plants produced by these new techniques;
16. Calls on the Commission to differentiate between cisgenic and transgenic plants and to create a different approvals process for cisgenic plants so as to recognise that cisgenesis is an extension of plant breeding and not a form of genetic modification;
17. Highlights the specific labour needs of the horticulture sector, and specifically the need for seasonal workers, and calls on the Member States to ensure that there are effective schemes in place to ensure that horticulture producers can access the labour they need for key periods of the year;
18. Welcomes the renewed emphasis on apprenticeships in workforce training but notes with concern that the numbers of people completing horticulture apprenticeships in some Member States remains worryingly low;
19. Urges the agri-food sector and the research community to work together in a systematic way to attract and train the next generation of researchers and upskill the existing workforce;
20. Emphasises the benefits of strengthening and extending partnerships between government, industry and research organisations and the need to clarify through dialogue respective roles and funding responsibilities in order to maximise the impact and coherence of investments overall;
21. Is of the view that with funding for agricultural and horticultural research under budgetary constraint in Member States, it has never been more important for retailers to reinvest a proportion of their profits from the fresh produce category back into the sector, with public-sector funders focusing on areas where market failure is most apparent;
22. Underlines the crucial importance of a good-quality business plan in securing capital finance; recommends that growers make greater use of business support and advisory

services and urges the Commission to work more closely with industry to ensure that such services are easily accessible to growers;

23. Is deeply concerned that up to a third of edible produce is wasted because of its appearance and calls on the Commission to create possibilities for marketing a wider range of quality specifications of produce;
24. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

Horticulture represents 18% of the total value of agricultural production in the EU and uses only 3% of the EU's cultivated land. Fruit and vegetables (F&V) play an important role in today's society and form a major part of a healthy diet. The sector is very diverse and is perhaps the most complex and least understood part of EU agriculture.

There is much optimism about the future of horticulture in the Member States, opportunities are many and varied and the EU has an important role to play in unlocking the sector's huge potential.

Growers produce an enormous variety of crops, the majority of which have to be harvested, processed and delivered in time to meet the exacting standards of processors, retailers and consumers. There are many challenges facing Europe's horticulture sector; from adapting to the effects of climate change, to feeding a growing global population with less environmental impact.

The effect of increased temperatures and CO<sub>2</sub> will mean the range of current crops will move northward in Europe. Horticultural crops are more susceptible to changing conditions than arable crops. Water deficits will directly affect horticultural production.

However, EU horticulture should not just be seen as a series of challenges, and to some extent the universal challenges facing EU horticulture are already being tackled. The number of smaller and less specialist producers is falling, as competition from imports and other growers require the industry to adapt and to use the latest machinery and production methods. Furthermore, it would be wrong to suggest that overall supply chains are dysfunctional. Europe has seen a trend in recent years towards more integrated supply chain relationships within the fresh produce sector and there are good examples of where this is working well. In order for this trend to be accelerated, the sector must take a more strategic approach to the way it does business.

Growers today are operating against a backdrop of diminishing profitability and escalating farmgate costs. Current challenges arise mainly from long-term structural changes. Consumers increasingly demand convenience in food purchasing and preparation, taste and variety, and are increasingly concerned for food safety and quality. Supply chain relationships within the fresh produce sector have become increasingly complex with sales being controlled by fewer and fewer retailers. At the same time, the fresh produce supply base is declining in many Member States, or is losing considerable market share to imports from competing countries within Europe and globally.

This problem has been further exacerbated by the global economic crisis which has caused consumption levels to fall. In more than half of European countries the intake of fresh F&V is still below the World Health Organisation's recommended minimum level.

One of the main structural limits of the EU F&V sector is the small size of farms. In 2007,

over 70% of the F&V holdings did not exceed 5Ha, creating higher production costs for farmers, limiting efficiency of production and reducing global competitiveness. The average size of F&V holdings is much larger in the North Sea countries than in Mediterranean countries.

Lack of trust and confidence within supply chains is arguably the most significant factor impacting on the fresh produce sector. It is often clear from discussions with growers that a lack of confidence, together with low margins, is resulting in low levels of investment within the growing base, which is then translated into lower efficiency and reduced competitiveness. However, Codes of Conduct agreed by all actors in the supply chain backed by a legislative framework overseen by a national adjudicator in each Member State can give producers the confidence they need to invest.

Growers also need the legislative and political environment to be as supportive as possible. The EU F&V Regime has helped growers become more market orientated, encouraged innovation and increased growers' competitiveness through the provision of support to Producer Organisations (POs). However, after 15 years, more than half of all EU growers do not belong to a PO despite the European Commission objective of an average rate of 60% by 2013. The low rate of organisation has been partly caused by the suspension of POs within Member States which is of significant concern because it creates uncertainty amongst producers and results in a competitive disadvantage between those in the scheme and those outside it.

The Commission in its review of the EU F&V Regime must produce clearer practical rules about how POs should be designed and managed and ensure the scheme adapts to fit the market structures that exist in Member States. Strengthening the position of growers through increased collaboration, better internal organisation and a more professional approach to management will help ensure that growers receive sufficient returns when negotiating contractual arrangements with major purchasers and retailers. In this respect, the work of the Newcastle Group is of particular importance. This is a group of Member States that met at Newcastle in 2012 with the aim of improving the EU F&V Regime, and in particular improving the wording in Implementing Regulation (EU) No 543/2011 concerning simplification and recognition criteria.

Horticulture is reliant on a variety of plant protection products. The Commission needs to take a risk based approach to the regulation of these products. Minor uses are particularly vulnerable. It would be very regrettable to reach a position where manufacturers do not develop new products for the EU market but choose instead to focus on other markets with lower regulatory costs.

In addition, the Commission should reassess, in light of new scientific evidence, the current ban on the use of some Neonicotinoids and should properly assess the economic and environmental impact of such restrictions before bringing them into force. Furthermore, the potential of precision farming in horticulture needs to be taken into account. Such techniques could significantly reduce the use of chemicals in horticulture.

Legislation is not sufficient on its own. With public sector funding for horticultural research under budgetary constraints in Member States, it has never been more important to encourage

more sector-led research, and for retailers, as direct beneficiaries of new product research and development (R&D), to reinvest a proportion of their profits from the fresh produce category back into the sector.

Joint investment in research into new varieties, production techniques and products that consumers want to buy will enable EU growers to retain a viable production base and successfully compete in world markets. The translation of research into practice is of particular importance and is essential if EU horticulture is to remain ahead of its competitors.

With regard to EU funded R&D programmes, renewed attention must be given to floriculture and ornamental plants. Similarly, the absence of ‘protected cultivation’ from Horizon 2020 calls is resulting in missed opportunities for climate controlled innovations in horticulture. Investment aimed at improving water management and energy efficiency must also be encouraged.

Consumers rightly expect food that is safe, healthy, nutritious and convenient, but without new advances in technology these expectations will become increasingly difficult to meet. In view of this, the Commission should prioritise economically important horticultural crops for funding and research using new and innovative plant breeding techniques, and provide clarity about the regulatory status of plants produced by these new techniques.

Current genome technologies can be used effectively in horticultural crop improvement programmes. These provide a wealth of information that can be mined for useful genes and molecular markers. Advances in biotechnology over the last decade have also resulted in plant breeding techniques that can utilise this information.

The use of genetic modification (GM) to transfer genes of interest between organisms has proven to be a powerful technique in introducing new traits such as disease resistance, stress tolerance and enhanced nutritional properties into plants. This technology can be particularly valuable in the development of horticultural plant varieties that are difficult or time-consuming to produce using traditional breeding methods. However, this technology is also being used to move genes efficiently between plants of the same species (i.e. to produce cisgenic plants).

Horticulture still encounters difficulties regarding workforce availability. Stakeholders indicate that there is a shortage of qualified and competent employees in the sector, since it does not appear to be perceived as an attractive career choice. The agri-food sector and research community need to work together in a systematic way to attract and train the next generation of researchers and up-skill the existing workforce.

The specific labour needs of the horticulture sector, and specifically the need for seasonal workers, should also be taken into account. Member States should have effective schemes in place to ensure that horticulture producers can access the labour they need for key periods of the year.

Apprenticeships in workforce training are of key importance too. However, the numbers of people completing horticulture apprenticeships in some Member States remain worryingly low. There is also a decline in the number of horticulture related courses run by higher

education institutions due to lack of demand. At the same time, there is a shortage of horticulture skills, particularly in areas such as botany, plant pathology and agricultural engineering.

EU horticultural statistics must include all categories, be user friendly and updated quarterly in order to obtain better sectoral information. Quality statistical information will help growers better understand market trends and prepare future harvests.

Growers should also be encouraged to make better use of business support and advisory services. In this respect, the Commission must work more closely with the sector to ensure that services are easily accessible. As for all enterprises in the EU, and especially for SMEs, there is a great need to reduce the regulatory burdens for horticultural businesses.