

POLICY BRIEF

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Strategies, performance, and institutional arrangements of apple and pear farming in Flanders

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Flemish apple and pear farmers experience a downward pressure on their income, mainly caused by a structural oversupply of both apples and pears. The demand for apples and pears has reduced for very different reasons. Effective strategies to lower the supply of both commodities are lacking; in that sense, the challenge for producers of both commodities is similar. This is in part due to the nature of tree fruit farming as a capital intensive activity with high adjustment costs: investments and debt cause farmers to continue operations even when revenues do not exceed costs.

Strategies to improve the profitability of apple and pear farming have been the specialisation in Conférence pear farming, a highly homogeneous export product for which Flemish farmers have a comparative advantage, the introduction of new varieties of apples and pears in club systems, in which value is added to the fruit through quality enhancement and supply limitation, and the improvement of product quality in general. Upscaling has been an important strategy in recent years, but only a minority of the farms has made the step from a family owned and managed farm towards a farm hiring permanent labour. Some indications were encountered that the upscaling of large farms is reaching its limits. The increasing difficulty to find seasonal labour for harvesting, and the challenge to harvest larger plots of specific varieties in a narrow timeframe, are two of them. Diversification into activities other than the production of apples and pears has also been a popular strategy, especially in the touristic Haspengouw region. Conversion to organic farming has been a remarkably unpopular strategy: only 15 out of the roughly 650 specialised apple and pear farmers produce fully organically.

Despite the attention for product quality by marketing cooperatives, wholesalers and supermarkets, the sector continues to struggle with delivering good quality apples to the consumer. Delivering high quality in terms of cosmetic standards, such as the EU marketing standards, is feasible, as long as sufficient crop protection products are available. Delivering apples of good internal quality is more difficult, as it requires careful planning of the harvesting, among other things. Testing for internal quality does prevail in the

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supply chain, but is not entirely successful. Pears seem to be much less prone to quality loss. This is another factor that contributes to the pursuing specialisation in Conférence pear production.

The dominant institutional arrangement for the marketing of apples and pears in Belgium is the marketing cooperative. Although dominant in terms of market share, marketing cooperatives are confronted with heavy criticism by a group of dissatisfied farmers and downstream trading partners (wholesalers and supermarkets). Current challenges for marketing cooperatives are member heterogeneity in terms of farm size and differentiation of products, and the pressure of their downstream trading partners and largest member-producers to further integrate their activities. In addition, the new trend of retailers setting private quality standards (either on product quality or environmental management) challenges the model of collective marketing. Marketing cooperatives have given in to these pressures by organising bilateral sales between members and buyers, and by allowing members to conduct post-harvest operations themselves. However, this has led to two different types of members: those actively involved in the cooperative's activities versus those using less services.

The result of these drivers and trends is a more heterogeneous sector than often perceived by outsiders. The figure of 84% membership of marketing cooperatives masks differences between passive and active users of cooperatives' commercial services, between farmers sorting, storing or even packaging their fruit entirely on the farm, and between farmers with high bargaining power towards the cooperative management and farmers without. In this perspective, the impact of the support for investments in material assets, comprising 54% of the Flemish Rural Development budget, should be evaluated carefully. The policy instrument may facilitate an increase of the heterogeneity of Flemish apple and pear farms, by lowering the cost of investments that are feasible only for larger or more innovative farms. The instrument may also help smaller or less innovative farms to catch up on others, by lowering the cost of more basic investments.

Support for investments in material assets may also increase the profitability of individual operations as compared to collective operations. When the instrument supports individual investments for post-harvesting activities that are also performed collectively, it weakens the position of marketing cooperatives. An example is the support for sorting machinery: 60% of the farmers in our sample is the owner of sorting machinery. 14% of this 60% stated to have received government support for this investment. It is paradoxical that the Flemish Rural Development Programme supports such individual investments, while Flemish producer organisations receive support to do the same activities collectively. A better alignment of the Flemish Rural Development Programme and the Flemish National Strategy for fruits and vegetables, which determines how producer organisations can use the funds of the EU Common Market Organisation (CMO), might thus be necessary.

Key messages

- The Flemish / Belgian apple and pear sector struggles with problems that require collective action, such as the oversupply of apples and pears, and the persistent production of low quality apples.
- The dominant model of collective marketing is under pressure of increasing member heterogeneity and the desire of buyers and some member-producers to integrate their activities more strongly.
- Marketing cooperatives have given in to these pressures by organising bilateral sales in addition to collective sales, and by allowing members to conduct post-harvest processing themselves. The resulting differences between members have complicated the organisation of marketing cooperatives.
- The impact of the support for investments in material assets should be evaluated carefully. This policy instrument may facilitate an increase or decrease of the heterogeneity of Flemish apple and pear farms, depending on the type of investments that are supported.
- It is paradoxical that the Flemish Rural Development Programme and the CMO for fruits and vegetables subsidise respectively individual and collective investments for the same activities.



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