

POLICY BRIEF

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

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A structural oversupply of both apples and pears has resulted in Flemish apple and pear farmers experiencing a downward pressure on their incomes. The demand for apples and pears have reduced for very different reasons. Effective strategies to lower the supply of both commodities are lacking; in that sense, the challenges faced by producers of both apples and pears are 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 led to specialisation in Conférence pear farming; a highly homogeneous export product for which Flemish farmers have a comparative advantage. Additionally, the introduction of new varieties of apples and pears in club systems are being pursued, where value is added to the fruit through quality enhancement and supply limitation, as well as the improvement of product quality in general. Upscaling has been an important strategy in recent years, but only a minority number of the farms have made the step from a family owned and managed farm towards a farm that hires permanent labour. Some indications were encountered that suggest the upscaling of large farms is reaching its limits. The increasing difficulty to find seasonal labour for harvesting coupled by the challenge to harvest larger plots of specific varieties in a narrow timeframe, represent two of the limitations of upscaling. 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 paid to product quality by marketing cooperatives, wholesalers and supermarkets, the sector continues to struggle with delivering high quality apples to the consumer. The delivery of high quality apples and pears in terms of cosmetic standards, such as the EU marketing standards, is feasible as long as sufficient crop protection products are



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available. Delivering apples of good internal quality is more difficult, as it requires careful planning of the harvesting, among other factors. Testing for internal quality is prevalent within the supply chain, but is not entirely successful. The fact that pears seem to be much less prone to quality loss is another contributing factor to pursuing specialisation in Conférence pear farming.

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 responded to these pressures by organising bilateral sales between members and buyers, and by allowing members to conduct post-harvest operations themselves. However, this has resulted in two different types of members: those who are 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 more nuanced differences such as: 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 those without. In this light, the impact of the support for investments in material assets (comprises 54% of the Flemish Rural Development budget) should be carefully evaluated. This 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. This instrument may also help smaller or less innovative farms to catch up 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 can be seen in the support for sorting machinery: 60% of the farmers in our sample owned the sorting machinery and 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: 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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