

Report number 2381

Report to DFID on Attendance at FAO Sub-Group Meeting on
Tropical Fruits (25-28 May, 1998, Thailand)
Volume One

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Acknowledgements

We are grateful to DFID for commissioning NRI to represent it at the FAO Sub-Group meeting, as well as to the Food and Agricultural Organisation for their invitation to attend and to the Ministry of Agriculture of Thailand for hosting the event.

Summary

The author attended the meetings at which delegates from different producing and consuming countries participated. Presentations were given on aspects of production and trade, as well as more technical issues. A large part of the agenda was devoted to considering how the Sub-Group would operate in the future. The author endeavoured to raise the important question of what policy focus the new group would have. In doing so, the author proposed a five-point mission statement reflecting the importance of production and trade issues, sustainable economic and social livelihoods, poverty alleviation, human resource development and environmental considerations. Commitments were received to adopt these points by the Sub-Group and the Tropical Fruit Network (which was set up as part of the Sub-Group). The Common Fund for Commodities also supported this policy focus.

A whole set of background papers, which were issued at the meetings, is included with this report.

Recommendations

Despite the success which was achieved in having the UK's proposal on a development policy focus implemented as part of the Sub-Group's constitution, it will be necessary to monitor to ensure that the commitments which have been received are carried out. This will apply to the drafting of the constitution by the Thai delegates to include the 5 points as well as to the inclusion of the points in the formal mission statement of the Sub-Group, and of its parent Group, the Group on Bananas.

It appears worthwhile that NRI and other UK based agencies develop project ideas along the lines of the "5 point mission statement" for submission to the Common Fund for Commodities (CFC).

Background

1. It was evident from an earlier meeting of the Common Fund for Commodities (CFC) in Latin America in September 1997, which the author attended, that the absence of a Commodity Board covering the tropical fruit sector impedes the consideration of development issues in that area. Consequently, it was decided to establish a Group which would facilitate funding for tropical fruit projects. This has been set up as a Sub-Group of the main Group for Bananas. (The FAO is keen to keep the number of Groups to a minimum in order to save costs. Indeed, some FAO staff have suggested that some of the International Commodity Boards might merge in the future, merging for example a number of Groups into one Horticultural Group.)

Objectives

2. This conference was the first meeting of this FAO Sub-Group. DFID had several objectives in sending a representative.

a) To collaborate with multilateral agencies such as the Food and Agricultural Organisation (FAO) of the United Nations, based in Rome, and the Common Fund for Commodities (CFC), based in Amsterdam. This objective is in accordance with one of the components of DFID's ASSC funding.

b) To advise DFID on areas of policy formulation in relation to the tropical fruits sector.

3. Indeed, an objective was not merely to find out what were the aims of this new Group but to attempt to ensure that some or all of DFID's own broad development agenda is incorporated into the Mission Statement of the new body itself. Since DFID has expressed concern at the level of focus on technical matters in FAO expert groups at the expense of developmental issues, this was an opportunity to find out what the Sub-Group's stance would be and to influence its position.

Outputs

4. Since this meeting is the first meeting of this FAO Sub-Group, the author considered it best to represent DFID by helping to shape the agenda which the Sub-Group adopts for its future policy work. In this way, we would hope to make the FAO's priorities in this area highly relevant to DFID's own development goals, which have been spelt out recently in the Government's White Paper. The main output from the visit was the adoption of the UK's proposal for five main priorities for the Sub-Group's overall strategy. These are set out in the following box:

Mission Statement for Tropical Fruit Network Proposed by UK

- I. Development of production and trade in tropical fruits with developing countries.
- II. Promote projects in the tropical fruits sector which foster sustainable livelihoods.
- III. Promote projects in the tropical fruits sector which assist poverty reduction.
- IV. Promote tropical fruits projects which stress human resource development.
- V. Promote tropical fruits projects which stress environmental considerations

5. At the Meeting, there were three institutions which DFID had the opportunity to influence regarding their stance on future policy. These were:

- a. The FAO Sub-Group
- b. The Tropical Fruit Network (TFNET), established as part of the Sub-Group
- c. The Common Fund for Commodities (CFC)

6. The Draft Report (document CCP:SG TF 98/Draft Report) provides an overview of the outcomes of the meetings. This paper was written after the Session had ended. The other papers were prepared beforehand. From this document, certain points are worth highlighting:

- a. Paragraph 8: The Sub-Group has requested that the Secretariat of the FAO extend its research of tropical fruit consumption into new markets, and mentioned China as one of these.
- b. Paragraph 8: The Sub-Group referred to the conclusions of the World Food Summit and stressed the contribution that could be made by tropical fruit to smallholders' food security. It, therefore, requested the Secretariat to undertake an analysis of linkages between production, consumption, export earnings and food security.
- c. Paragraph 10: Tariff duty reductions as part of the Uruguay Round are unlikely to have a major impact on trade since those duties are already very low.
- d. Paragraph 10: The need for exporting countries to adapt their quality control procedures in order to meet the Sanitary and Phytosanitary (SPS) conditions of importing countries is a far more pressing concern than the levels of tariff or quota protection. However, harmonisation of some SPS conditions and the "complementary relationship of the International Plant Protection Convention (IPPC) and the SPS Agreement" will facilitate trade.
- e. Paragraph 11: The reduction in the availability and acceptance of pesticides, especially the phasing-out of methyl bromide as a fumigant for quarantine treatments is a key trade issue at the moment. The Sub-Group requested that the Secretariat initiate action to investigate alternatives to methyl bromide.
- f. Paragraph 15 and 19: Thailand agreed to draft the constitution of the TFNET. This will incorporate the 5 Point Mission Statement, proposed by the UK (see box above).

These objectives will form the strategy of both the Sub-Group and of TFNET and will hopefully ensure that the Sub-Group looks beyond macro increases in trade in the future. This might take the form of considering linkages of development issues in the context of indigenous horticulture and livelihoods, target indicators for poverty in the tropical fruit sector and the share of ACP countries in the tropical fruit market.

g. The second half of Paragraph 19 of the Draft Report re-iterates these important amendments to the statement of the Sub-Group's overall strategy for the development of the tropical fruit sector. In any case, since the TFNET is part of the Sub-Group, the TFNET adopts the parent body's agenda by default.

h. Paragraph 21: There was an interesting presentation on the African Fruit Fly initiative. (See paper 98/12). UK capability in pest management (for example, at NRI) could be relevant.

i. Finally, Paragraph 22 of the Draft Report addresses DFID concerns of duplicity in development initiatives and the need for collaboration between multilateral agencies. The representative from the International Trade Centre, ITC, of the UNCTAD/WTO informed the Sub-Group of the Market News Service (MNS). The ITC might be able to assist with better marketing information in Asia, and world-wide, for tropical fruits.

Common Fund for Commodities (CFC)

7. The author also stressed the importance of harmonious objectives of the FAO Sub-Group and of the CFC in considering projects for funding. The FAO body will become a key panel of expertise for tropical fruits. The FAO Sub-Group and the CFC need to use consistent criteria in assessing proposals for funding.

8. While the senior members of the FAO Panel (Paola Fortucci and Kaison Chang) and the CFC (Mr Getachew) agreed with the development agenda being proposed by the UK, it was for the participants to come to a consensus on this issue, which they eventually did.

Location of Tropical Fruit Network

9. The matter of *what* was to be discussed was settled despite a protracted debate over *where* future meetings should be held. In the end, a deferred decision was arrived at whereby Thailand and Malaysia would decide between themselves, within three months, where the next meeting would be held.

Background Material

10. Presentations were given by Kaison Chang of the FAO on the market situation in tropical fruit, as can be seen in the agenda (document CCP SG TF 98/1 in the file). The majority of the papers were issued without being presented. All of the papers are attached in this report to DFID. Some are official FAO papers issued on behalf of the Committee for Commodity Problems (CCP). The remainder have the suffix CRS.number and are not official but are informative nonetheless.

11. The papers provide, first, a fairly detailed overview of supply and demand prospects (98/2 to 98/4), recent policy developments (98/5); and Sanitary and Phytosanitary (SPS) Issues and measures of the WTO (98/6 and /7).

Participants

12. The list of participants (doc CCP:SG TF 98/Inf.2 (Provisional)) shows that a wide range of countries were represented, with an expected bias towards Thailand, the hosts.

Possible Priorities of the Sub-Group on Tropical Fruits

13. In document 98/11, the FAO makes suggestions for possible project ideas:

- a. Quality improvement
- b. Fostering market expansion for tropical fruits
- c. Measures to enhance market transparency
- d. Measures to implement improved technology and alternative quarantine treatments

Conclusions and Recommendations

14. Despite the success which was achieved in having the UK's proposal on a development policy focus implemented as part of the Sub-Group's constitution, it will be necessary to monitor to ensure that the promises which have been received are carried out. This will apply to the drafting of the constitution by the Thai delegates to include the 5 points as well as to the inclusion of the points in the formal mission statement of the Sub-Group, and of its parent Group, the Group on Bananas.

15. It appears worthwhile that UK based agencies develop project ideas along the lines of the "5 point mission statement" for submission to the Common Fund for Commodities (CFC).

June 1998

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Organización
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para la
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y la
Alimentación

COMMITTEE ON COMMODITY PROBLEMS

Sixty-second session

REPORT OF THE FIRST SESSION OF THE SUB-GROUP ON TROPICAL FRUITS Pattaya, Thailand, 25-28 May 1998

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I. INTRODUCTION

1. The Sub-Group on Tropical Fruits held its First Session in Pattaya, 25 to 28 May, at the kind invitation of the Government of the Kingdom of Thailand. The session was attended by 170 delegates from the following FAO member countries: Bangladesh, Brazil, Cameroon, Chile, China, Côte d'Ivoire, Cuba, Egypt, Fiji, France, Honduras, Kenya, Malaysia, Netherlands, Peru, Philippines, Spain, Switzerland, Tanzania, Thailand, United Kingdom and Viet Nam. In addition, observers from Brunei Darussalam and the following organizations attended: International Trade Centre UNCTAD/WTO, Common Fund for Commodities, Confederation of Importers and Marketing Organizations in Europe of Fresh Fruit and Vegetables (CIMO), European Union of the Fruit and Vegetable Wholesale Import and Export Trade (EUCOFEL) and the International Network for the Improvement of Banana and Plantain (INIBAP). A list of delegates and observers was distributed as document CCP: SG TF 98/Inf.2.
2. The Session was inaugurated by the Minister for Agriculture and Cooperatives of Thailand, H.E. Mr Pongpol Adireksarn. He welcomed the delegates to Thailand and expressed the wish of his government to cooperate with the global community in creating a more orderly global trading environment for tropical fruits, and he also indicated the willingness of his Government to host the TFNET headquarters in Thailand.
3. Mr S. Hadiwigeno, Assistant Director-General and Regional Representative for Asia and the Pacific welcomed the delegates on behalf of the Director-General of FAO, Mr Jacques Diouf. He expressed warm appreciation to the Government of the Kingdom of Thailand for hosting the Session.
4. The Sub-Group elected Mr Charern Sukhanantapong, Inspector-General, Ministry of Agriculture and Cooperatives (Thailand) as Chairperson; Mr Gerard Bosma (Netherlands) as first Vice-Chairperson and Messrs Atékébrai Abel Vangah (Côte d'Ivoire) and Emilio Farrés Armenteros (Cuba) as second Vice-Chairpersons.
5. The Provisional Agenda CCP: SG TF 98/1 was adopted by the Sub-Group.

II. ECONOMIC AND TRADE ISSUES

A. CURRENT MARKET SITUATION AND SHORT-TERM OUTLOOK

6. The Sub-Group discussed this item with the assistance of background document CCP: SG TF 98/2. It also received with interest reports on tropical fruits from Thailand (CCP: SG TF 98/CRS.2), Malaysia (CCP: SG TF 98/CRS.11), Honduras (CCP: SG TF 98/CRS.4), Côte d'Ivoire (CCP: SG TF 98/CRS.13) and Tanzania (CCP: SG TF 98/CRS.12); and the ITC's Market News Service.
7. On statistical issues, the Sub-Group recommended that the Secretariat continue to develop and modify the questionnaire issued under its auspices to facilitate ease of response by countries. In addition, the Sub-Group encouraged each member country to respond to the questionnaire in full and in a timely manner.

B. MEDIUM-TERM SUPPLY AND DEMAND PROSPECTS

8. The Sub-Group considered the socio-economic factors underpinning supply and demand trends for fresh and processed tropical fruits with the assistance of documents CCP: SG TF 98/3 and CCP: SG TF 98/CRS.1. In addition, with the help of document CCP: SG TF 98/4 the Sub-Group reviewed the potential for import growth of tropical fruits in the world market to 2005. The Sub-Group stated that the studies provided a generally useful framework for the

development of marketing strategies. However, it requested the Secretariat to extend its research to new markets, particularly China, and to undertake analysis also for other fruits such as durian, lychees, longan and mangosteen, bearing in mind available resources. On the supply side, the Sub-Group referred to the conclusions of the World Food Summit and stressed the contribution that the tropical fruits sector could make to smallholders' food security. It therefore requested the Secretariat to undertake analysis on the linkages between production, consumption and export earnings and food security.

9. The Sub-Group was optimistic in its review of the short and medium-term prospects for trade in both fresh and processed tropical fruits. However, to promote a dynamic future for tropical fruits it cautioned that production had to be better organized not only for the improvement of quality, but also to ensure competitiveness and efficiency. On the demand side, apart from economic factors such as income, tropical fruit prices and pricing relationships within the total fruit market (tropical, temperate and other fruits), the improvement of packaging, transportation, and market promotion were specific requirements for the expansion of markets for tropical fruits.

C. POLICY DEVELOPMENTS

10. The Sub-Group reviewed policy developments with the assistance of document CCP: SG TF 98/6. The Sub-Group agreed that post-Uruguay Round tariff reductions on fresh tropical fruits were not likely to have a major impact on global trade as duties were already generally low in major markets. However for some countries preferential advantages would be eroded, and adjustments might therefore be needed to maintain market shares. The harmonization of sanitary and phytosanitary (SPS) measures was expected to benefit trade in fresh tropical fruits in the longer run. However, exporting countries would need to adapt their quality control systems and infrastructure to meet evolving market requirements.

11. The Sub-Group considered phytosanitary issues concerning imports and exports of tropical fruits in greater detail with the assistance of document CCP: SG TF 98/6. The Sub-Group noted that where plants or plant products for export had certain pest(s) associated with them, the exporting country needed to put into place systems to meet phytosanitary import requirements. It also noted that the complementary relationship of the International Plant Protection Convention (IPPC) and the Sanitary and Phytosanitary (SPS) Agreement would facilitate trade. The Sub-Group further noted that the reduction in availability and acceptance of pesticides, particularly the phasing-out of methyl bromide as a fumigant for quarantine treatments, would clearly have strong implications for trade in tropical fruits. Seeing that initiatives to date toward research for alternatives had been extremely limited, and recognizing the urgent need and substantial benefit to be obtained from relatively small investments into identifying alternatives, the Sub-Group requested the Secretariat to initiate action which would assist efforts to investigate alternatives for methyl bromide.

12. The Sub-Group considered food safety issues under the SPS Agreement with the assistance of document CCP: SG TF 98/7. The Sub-Group noted the current status, benefits and the major issues regarding food safety standards and regulations for tropical fruits. It was informed that the Codex Alimentarius Commission (CAC) played a significant role in formulating standards relating to the quality and safety of foodstuffs including tropical fruits. The Agreements on the Technical Barriers to Trade (TBT) and SPS had given a new direction to international food trade, with Codex-recommended standards providing a *de facto* international reference for the arbitration of trade disputes as well as for harmonizing national standards. The Sub-Group recognized the need to have total "mutual recognition" and "equivalence" of requirements. On the nutritional value of tropical fruits, the Sub-Group noted positive findings, particularly the strong association between consumption of fruits and vegetables generally and prevention and control of micronutrient malnutrition.

13. The Sub-Group reviewed the key elements that exporting countries should take into account when establishing SPS standard and quality control systems. Three types of quality control systems were presented together with their advantages and disadvantages. The Sub-Group concluded that it was critical for exporting countries to analyze long-term world market trends and conduct cost-benefit analysis to determine the quality control system best suited to each country.

14. The Sub-Group was informed that document CCP: SG TF 98/CRS.10 was not an authorized paper for the Session and therefore had been withdrawn.

III. INTERGOVERNMENTAL ACTION

A. TROPICAL FRUIT NETWORK (TFNET)

15. After reviewing document CCP: SG TF 98/8 and the proposals of Malaysia, Thailand and the Philippines, the Sub-Group considered that many issues would have to be resolved before the Tropical Fruits Network (TFNET) could be launched. To facilitate and expedite the work, an informal Working Group of 14 countries met to define the views of interested members concerning (i) organization and governance; (ii) drafting of the constitution and by laws; and (iii) location of the headquarters of TFNET.

16. The report of the Working Group was circulated to the Sub-Group as document CCP: SG TF 98/CRS.15.

17. The Sub-Group noted that the Working Group had decided to launch the network, subject to the following guidelines:

- TFNET should be both inter-institutional and intergovernmental with institutional members acting in concert through one lead agency on inter-country decisions;
- The present focus should be on the global TFNET which would establish linkages with regional networks gradually as each region formed its own country groupings;
- There should be two categories of members, ordinary and associate members;
- Membership fees should be determined by the scale of production, consumption and trade, category of membership and other relevant factors;
- Thailand would prepare the first draft of the constitution; and
- Malaysia and Thailand were both acceptable as host of TFNET headquarters and should be given the opportunity to decide between themselves within three months as to which country should be the host, communicating the decision to the participants through FAO.

B. COMMON FUND FOR COMMODITIES

18. The Sub-Group expressed appreciation to the representative of the Common Fund for Commodities (CFC) for the information provided concerning the objectives and requirements of the CFC, and the possibilities for the Sub-Group to be designated as an International Commodity Body (ICB). The Sub-Group noted that pending designation, the Fund would be prepared to examine and comment on project concepts or proposals that the Sub-Group might wish to sponsor.

19. The Sub-Group considered that it should seek to obtain ICB status with the CFC in its own right. It therefore recommended that the Secretariat apply to the CFC for ICB status on its behalf. In addition, the Sub-Group agreed on a statement of its strategy for the overall development and improvement of the tropical fruits sector, as outlined in document

CCP: SG TF 98/11, and its addendum. The Sub-Group requested that amendments to the statement be introduced to reflect in particular the development of production and trade, sustainable livelihood, poverty alleviation, human resource development and environmental considerations. The strategy statement subject to these modifications should be submitted to the CFC.

20. The Sub-Group also agreed that a mechanism was necessary in order to allow project work to continue in the interim between its regular sessions. It therefore recommended that the bureau should act on its behalf for the submission of project proposals to the CFC and related matters.

21. The Sub-Group endorsed the project concept "African Fruit Fly Initiative" presented in document CCP: SG TF 98/12. However, it was agreed that the proposal needed to be further developed to identify those components that might be submitted for funding consideration by the CFC.

IV. ACTIVITIES IN OTHER ORGANIZATIONS

22. The representative of the International Trade Centre UNCTAD/WTO informed the Sub-Group of the activities of the ITC, particularly the Market News Service (MNS). Focusing on tropical fruits, he described how information was collected, analyzed and transmitted to the various receivers. He informed the Sub-Group of the creation by ITC of a Tropical Fruit Network on the Internet and took note of the request of a delegate for the creation of an ASIAN-MNS if funds permitted.

23. The representative from the European Union of the Fruit and Vegetable Wholesale Import and Export Trade (EUCOFEL) informed the Sub-Group of the activities of his organization. He indicated that he was optimistic about the future of tropical fruits trade in Europe, but stressed the need for maintaining market quality as well as investigating ways of reducing transportation costs, the highest cost component in the marketing of tropical fruits.

V. DATE AND PLACE OF THE SECOND SESSION

24. The Sub-Group recalled the decision of the 61st Session of the Committee on Commodity Problems that the Sub-Group on Tropical Fruits should be merged with the Intergovernmental Group on Bananas into one group with separate sub-groups dealing with bananas and tropical fruits. The Sub-Group therefore agreed that its Second Session should take place at an exact time and place to be determined by the Director-General in consultation with the Chairpersons of the Sub-Group on Tropical Fruits and of the Intergovernmental Group on Bananas.

VI. VOTE OF THANKS

25. The Sub-Group expressed appreciation to the Government of the Kingdom of Thailand and particularly to the Ministry of Agriculture and Cooperatives for the hospitality provided to delegates and for the opportunity to learn more about the tropical fruits industry in Thailand.

APPENDIX 1
List of documents

CCP: SG TF 98/1	Provisional Agenda
CCP: SG TF 98/2	Current market situation and short-term outlook
CCP: SG TF 98/3	Supply and demand prospects
CCP: SG TF 98/4	Medium-term outlook
CCP: SG TF 98/5	Recent policy developments in international trade of tropical fruits
CCP: SG TF 98/6	Trade in tropical fruit: Phytosanitary issues concerning imports and exports
CCP: SG TF 98/7	Tropical fruits: Food safety issues under the SPS measures of the World Trade Organization
CCP: SG TF 98/8	The Tropical Fruits Network
CCP: SG TF 98/9	Extract from the Report of the Fifteenth Session of the Intergovernmental Group on Bananas, Rome, 7-9 May 1997
CCP: SG TF 98/10	Terms of reference and rules of procedure of the Sub-Group on Tropical Fruits
CCP: SG TF 98/11	Possible priorities of the Sub-Group on Tropical Fruits
CCP: SG TF 98/11 (Addendum)	Possible priorities of the Sub-Group on Tropical Fruits
CCP: SG TF 98/12	Project Concept: African fruit fly initiative

Information Documents

CCP: SGTF 98/Inf.1	Information Note on Arrangements
CCP: SGTF 98/Inf.2	List of Delegates and Observers

Conference Room Series Documents

CCP: SG TF 98/CRS.1	Demand prospects for processed tropical fruits
CCP: SG TF 98/CRS.2	Supply and demand prospects for tropical fruits in Thailand
CCP: SG TF 98/CRS.3	Supply and demand prospects for tropical fruits in Sub-Saharan Africa
CCP: SG TF 98/CRS.4	Supply and demand prospects for tropical fruits in Latin America
CCP: SG TF 98/CRS.5	Tropical fruit demand in the European Union
CCP: SG TF 98/CRS.6	Tropical Fruits Network: The Malaysian proposal
CCP: SG TF 98/CRS.7	Tropical Fruits Network: The Philippine proposal
CCP: SG TF 98/CRS.8	Tropical Fruits Network: The Thai proposal
CCP: SG TF 98/CRS.9	Statistics questionnaire
CCP: SG TF 98/CRS.10	WITHDRAWN
CCP: SG TF 98/CRS.11	The fruit industry in Malaysia: Present status and future outlook
CCP: SG TF 98/CRS.12	Country Report - Tanzania
CCP: SG TF 98/CRS.13	SPS standards under WTO
CCP: SG TF 98/CRS.14	Country Report - Côte d'Ivoire
CCP: SG TF 98/CRS.15	Report of the Informal Working Group of the Sub-Group on Tropical Fruits
CCP: SG TF 98/CRS.16	Presentation by the Common Fund for Commodities
CCP: SG TF 98/CRS.17	Perspective and prospects of fruit crops in Pakistan