

The Fruit and Vegetables sector and efficacy of the legacy policy support

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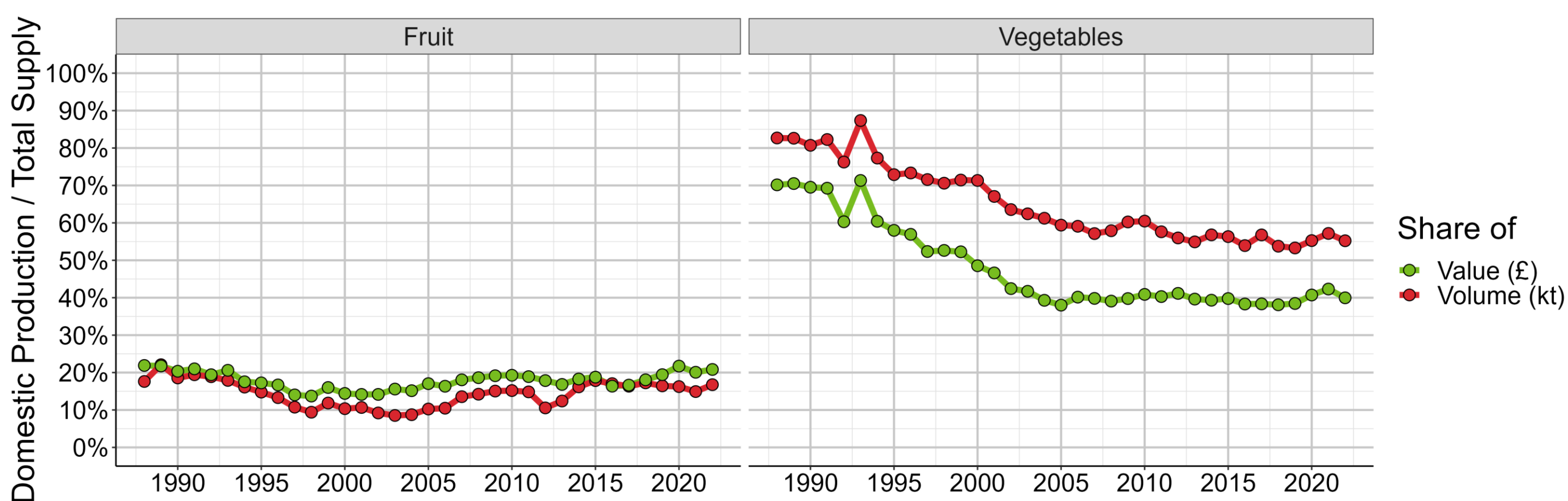
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Introduction:

Since 2020, the Fruit and Vegetable (F&V) sector has faced supply issues and economic challenges for domestic growers, including price fluctuations. The UK government recognized the sector's importance for food production and environmental sustainability in 2022. Most government support is directed to group of producers called producer organisations (POs) through the F&V aid scheme, which will be replaced by 2025. The UK has a lower number of POs than the average EU countries. We will consider whether the support through the 34 British POs made a significant difference to the sector.

The F&V production is stable, but the industry has consolidated

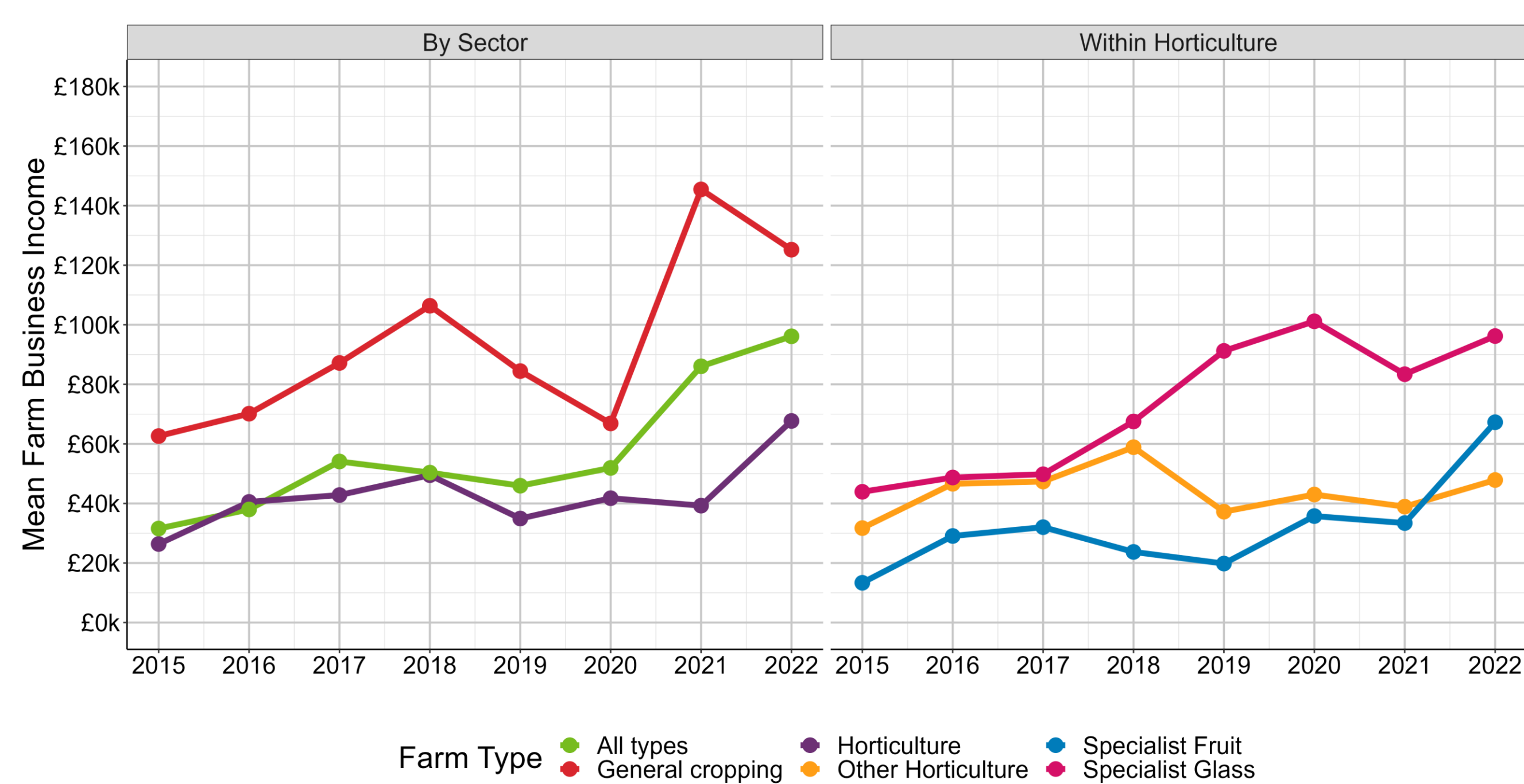
Figure 1: Evolution of the share of total UK F&V supply that is domestically produced, by value and volume (Defra, 2023)



UK's F&V production has been stable since 2004, emphasizing higher volumes and lower-value crops for vegetables than fruits. The share of domestic production in the country's supply, particularly for fruits, is below the 60% average of domestic consumption.

Economic performance of F&V farms

Figure 3: Evolution of Farm Business Income on a range of Farm Business Survey types (1) from 2015 to 2022 (Farm Business Survey, 2023)



POs and F&V aid scheme did they have an impact?

Producer Organisation and F&V aid scheme presentation

In the UK, there are 34 POs, which is fewer than the European average. Both POs and cooperatives (co-ops) benefit from competition exemptions, but co-ops have more administrative burdens. POs can claim 4.1% of their Value of Marketed Product (their sales) under F&V scheme. The scheme acts as a spending framework. Production planning and environmental measure's themes received the most funding in 2022 and most of the funding was spent on investments, followed by training (See Table 1).

Producer Organisation and F&V aid scheme - Impact

The value of the F&V aid scheme has been increasing over 14 years, from £13m to £40m (See Figure 4), this reflects the increased value of the POs F&V production since 2013. The median receipt has increased in lesser proportions, reflecting the fact that in 2022 10 POs attract 80% of the funding, suggesting dominant POs have grown more. UK POs are in general larger than their EU counterparts, with a higher proportion of POs over €50 millions of Value of Marketed Product (DG Agri, 2019).

The 20% of specialist F&V growers in PO have a 49% market share of the sector's value but only an estimated 24% of the total volume. In the UK between 2010 and 2017 we can evidence (See Figure 5) that POs have increased their share of the UK domestic fruit market while their share of the vegetable market has remained consistent, since 2017 their development on the Fruit sector has slowed down.

Conclusion – Discussion:

Existing analysis of the sector's problems is limited by its relative complexity and lack of data. The available data shows a relative decline of the sector, but economic performance shows nuanced result despite inputs price variations. The limits might be in the sampling of the data, the type of relationship with the downstream supply-chain and the prices paid. Using newly available data we were available to compare the evolution of producers supported with the existing scheme to the wider sector. Apart from fruits until 2017, we see mixed success in terms of impact of the funding, the concentration of the sector has taken place on POs as well, with a large increase in funding.

(1) All types selected except the average of all farms are F&V growers, the general cropping category includes field vegetable growers. The horticulture category does not include potato growers and non-edible growers.

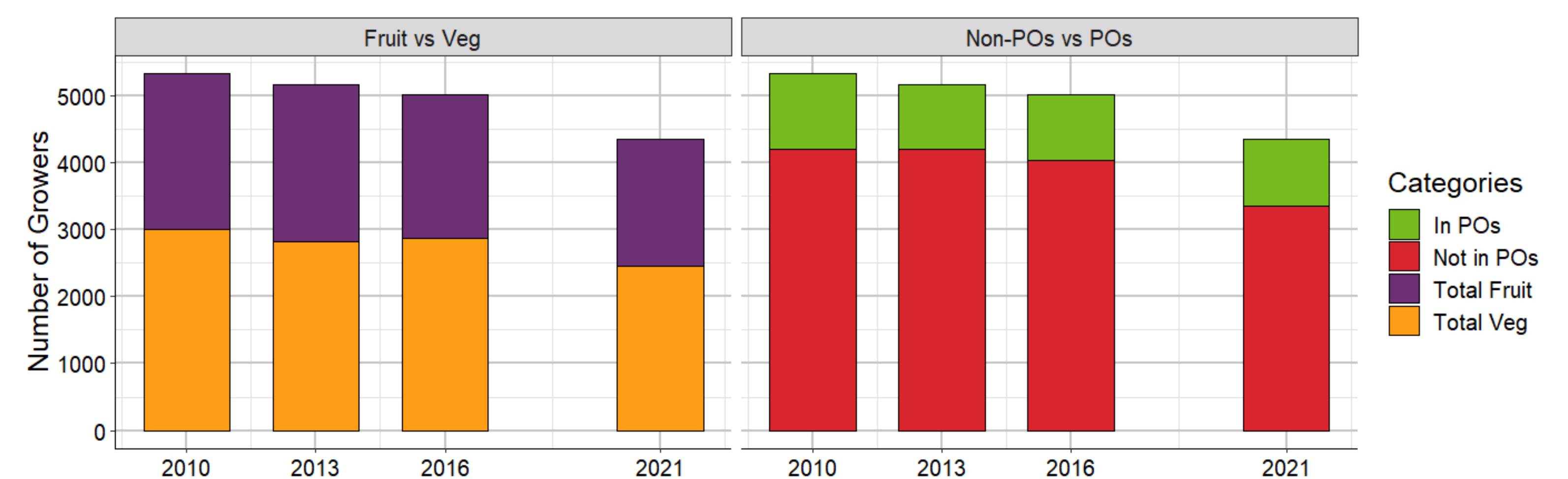
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Figure 2: Evolution of the number and composition of the UK F&V growers (Defra, 2023; RPA data)



The F&V sector has amalgamated faster than the average farm, specialised F&V farms represented 4.1% of English farms in 2021 compared to 5.1% in 2010. 18% of specialist F&V growers have left since 2010. The number of PO growers has remained stable in terms of a proportion of the total sector. In parallel, the acreage of fruit and vegetables has reduced, and it represents 1.08% of total agricultural acreage in 2021.

- Fruit and Vegetable production is a high input high output production, that has been impacted by recent inputs price rise. Most of the F&V growers sell directly to retailers (~80%) on which no information is available. We will consider how F&V producers (mean) income has been impacted and whether it explains the sector trends.
- The horticulture category is below all farm average while farm incomes for general cropping remain above average, there is a large variation in terms of performance/productions in horticulture category (Defra, 2024).
- Volatile input and output prices have had an impact, with more volatility in incomes, but incomes have increased over the time period. Income rises in F&V growing type is lower than the all-farm category except for general cropping; for example, specialist glass farms have seen their income reduce since 2020.
- These nuanced findings might be a result of the sector's continuous consolidation, poor performers exiting the sector, for example the best performing category – general cropping – has increased its acreage from 238ha to 491ha on average.

Table 1: Identification of types of spend in the PO Operational Programme 2022 (RPA data):

| Category | % of funding |
|--|--------------|
| Labelled as Investments | 52% |
| Labelled as Research and Experimental production | 3% |
| Labelled as Training, advisory services and technical assistance | 8% |
| Other labels | 37% |

Figure 4: CAP support received through the F&V aid scheme by PO in the UK from 2013 to 2022 (DEFRA, 2023)

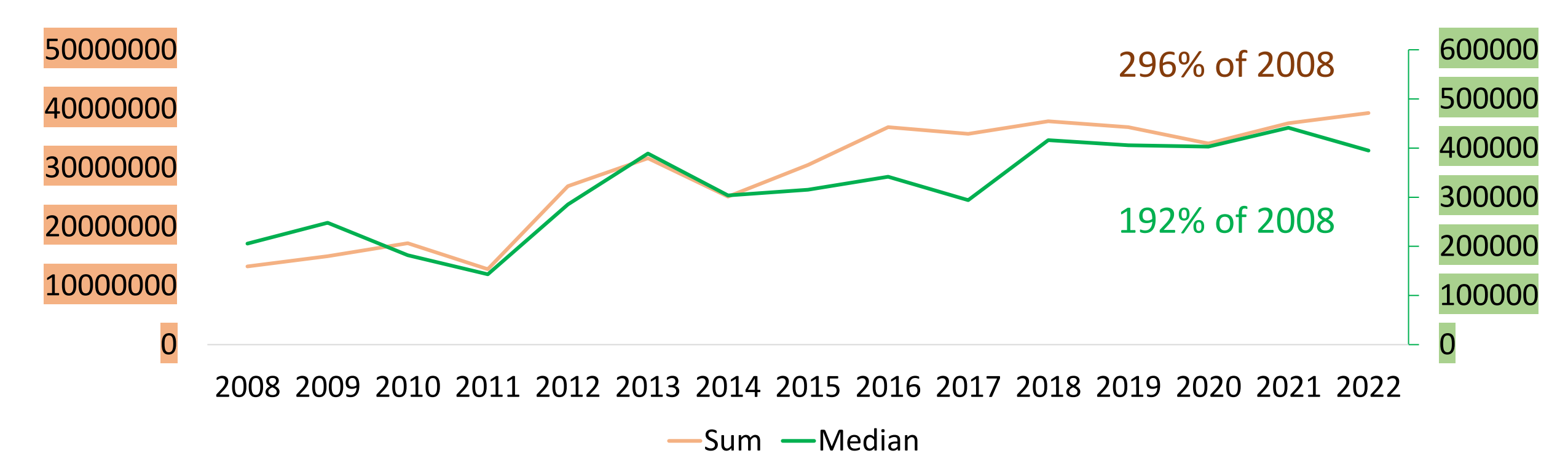


Figure 5: Evolution of the value of F&V production and evolution of the domestic market share of UK POs from 2010 to 2021 (DEFRA, 2023; RPA data)

