



# E.U. Expansion And Residue Reduction

**T**his month I am happy to substitute for our long time friend and columnist, Robert Zwartkruis. We wish him a speedy recovery and hope he'll be back to you soon with his unique reporting of the European market.

First, I'd like to give you a rundown of what's been happening in Europe day to day and then focus a little on a new development that, in our opinion, will have significant impact on how we do business in the fresh produce industry.

Europe has just come off one of its warmest winters, yet consumption of fresh produce has been down year-to-date compared to 2006, which was one of the colder winters! Explanation? We really have none! Normally, Northern Europeans start eating more citrus the colder it gets. This year consumption is near last year's.

Consumers usually consume more grapes the warmer it gets. This year consumption is down even on last year. Even weekly consumption data only tells us what happened after the fact. That is the charm of our industry. There is only so much we can predict. Yes, certain products can be moved through price elasticity, others react to more emotional aspects and with yet others, it does not matter what you do.

Overall the European market this winter has not seen any shortages like 2006, behaving more in line with 2005. Southern hemisphere markets are shipping ample supplies to the European Union. A strong Euro is an added benefit and should not be underestimated in the decision-making process of growers/exporters. Fortunately, the European Union has been expanding and, with 27 member states, the amount of consumers has grown in absolute numbers. This is necessary as the "legacy" markets, such as Germany, France and the United Kingdom, are full and, for all intents and purposes, saturated.

Then there is the specific issue of Maximum Residue Limits (MRL), which Greenpeace has made top-of-mind for every operator in Europe. Greenpeace regularly takes samples off the shelves and them for residue levels. It has communicated the results aggressively and directly to the consumers, putting the German retailers on the bench of the accused. This in turn has had a major effect: German retailers — in particular German discounters (Aldi, Lidl) — have taken drastic actions to avoid future criticism. What until recently was perceived the "dumping ground" of Europe now has arguably the strictest food safety standards worldwide!

Non-produce crises, such as mad cow's disease, swine fever, dioxin chicken and so on, led the European Union during the '90s to implement strict, mandatory food safety and hygiene codes. This was complemented by stricter codes from the retailers. Effectively, all fresh produce inside the European Union — imported or locally

grown — is now by law fully traceable upward and downward and no retailers will take any fruit that is not EurepGAP certified nor will they use service providers that are not BRC (widely covered recently by the Perishable Pundit) or IFS certified.

We are all perfectly accredited, but there is no guarantee of 100 percent safe food. All you need is a grower using other pesticides than he records in his spray diary (or climate simply forces him to save the crop and thus residue levels upon arrival exceed MRLs), contamination of an adjacent field with a different crop on it and so on.

Produce is as safe as it has ever been, but Greenpeace has highlighted that E.U. regulations are far from harmonized. Residue limits vary from one member state to another, and as long as the European Union has not harmonized the MRL, each member state must

enforce its own laws: So if you want to market produce inside the European Union, you'd have to have it tested for every single market.

Furthermore, there is still room to discuss MRLs. The European Union believes an excess MRL poses no health risk. Greenpeace says a cocktail of various pesticides can pose a risk even if all individual pesticides are within limits. The only known fact today is no one has died due to pesticides residue.

The argument can be made either way and with all the "spin," near hysteria and fearmongering, we are still far from a levelheaded debate. For now, there is only one party speaking out, and it is not the fresh produce industry!

German discounters are arbitrarily enforcing their own MRLs, which are set anywhere between 33 and 50 percent of the MRL. We

must have each lot tested for 500 active ingredients — at a cost of €200 per test — and only then does a discounter decide whether to buy or not. Remember the days we just fought over price?

This has changed the buying dynamics tremendously, and the effects will be strategically interesting at the very least. Does an operator now pursue a fully integrated supply chain? Is a discounter willing to hand over its strength of flexible spot buying? The answers will likely differ for each operator and retailer. What will happen is that no longer just U.K. buyers, but now all E.U. buyers, will enforce stricter codes in the global quest for fresh produce.

For all of you readers who wonder whether one-third of the MRL is at all possible, the answer is simple: YES. Growers from around the world have proven this for months. The problem only arises when, prior or during harvest, products need to be sprayed due to rain — then one can forget about meeting the target.

As a result, a discounter in Germany will switch into a different origin, a different variety or de-list the product altogether. The rules of the game have again changed: This is EU-27 in '07. Welcome! **pb**

*Now all E.U. buyers will enforce much stricter codes in the global quest for fresh produce.*