



THE FRUIT AND VEGETABLE INDUSTRY SERIES



FRUIT AND VEGETABLES SCHEME



OECD-COLEAD Fruit and Vegetables Industry Series

Session n°8 – Market challenges and geopolitical issues affecting trade flows in Fruits and Vegetables (F&V)

Tuesday 29 October 2024

10:00-11:30 CET (time in Paris/Brussels) – 9:00-10:30 UTC

[Online \(Zoom\)](#)

English-French interpretation available

1. Context

The global trade of fruits and vegetables (F&V) is a complex and dynamic sector, significantly influenced by various market challenges and geopolitical issues. These factors can disrupt supply chains, alter market dynamics, and impact the availability, distribution, and prices of produce globally. Geopolitics and international trade are deeply interconnected, as economic interests are intertwined with political power and strategic decision-making. Currently, international trade faces extraordinary pressure from ongoing supply chain disruptions and heightened geopolitical rivalries.¹

The F&V sector relies heavily on efficient logistics. Disruptions, such as those caused by the COVID-19 pandemic, can lead to delays and increased costs. Issues like labour shortages, transportation bottlenecks, and rising fuel prices further complicate the situation.

What distinguishes the F&V industry from others is the rapid evolution of consumer demand and preferences, the challenges producers face in responding to these changes, and the unpredictable impact of climate change on agricultural output. Extreme weather events, such as droughts, floods, and hurricanes, can devastate crops, leading to reduced yields and increased prices. Climate change also affects growing seasons and the geographical distribution of suitable farming areas.²

Conflicts, such as the war in Ukraine, can disrupt agricultural production and trade routes. For instance, the war has led to significant disruptions in the supply of grains and vegetable oils, impacting global food security and prices. Russia and Ukraine, being key exporters of agricultural commodities, have seen their conflict exacerbate existing tensions in the agricultural commodities market. Russia is the top global exporter of wheat and fertilizers, while Ukraine is the largest

¹ World Economic Forum 2024. [Geopolitical rivalries are costly for global businesses. Here's why – and what's at stake.](#)

² Lana Genc. Maersk. [What to expect in 2024 - overcoming challenges in the fruit and vegetable industry.](#) 2023.



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exporter of sunflower oil and the fourth largest exporter of corn. Their combined export market share for 2015-2020 was 28% for wheat, 15% for corn, 66% for sunflower oil, and 16% for fertilizers.³

2. Market challenges and geopolitical issues affecting F&V trade

Geopolitical tensions, such as conflicts and diplomatic disputes, can disrupt trade routes and supply chains, leading to protectionism, trade barriers, tariffs, and export restrictions. These measures significantly impact F&V trade flows, limit market access, and increase costs for exporters. Nearly 40% of fruit exporters in the Southern Hemisphere report that protectionism, particularly disproportionate phytosanitary or non-tariff barriers, hinders their operations. This issue is especially acute in developing countries, where inadequate infrastructure often leads to non-compliance.⁴

Economic instability in key producing or consuming countries, often exacerbated by war, can deter foreign investment and reduce economic growth. Currency fluctuations, inflation, and recessions can lower purchasing power and demand for imported produce.

Sanctions and embargoes can restrict countries' ability to trade F&V, leading to supply shortages and increased prices in affected regions, thereby disrupting global trade patterns.

Geopolitical shifts often lead to **regulatory changes**, increasing operational costs and complexity for agrifood operators. This instability can worsen food security, especially in import-dependent regions, leading to shortages and higher prices for both producers and consumers. It also deters foreign investment in the agrifood sector.⁵ Conflicts can **disrupt trade routes** and destroy infrastructure, halting both domestic and international trade.⁶ The **global rise in prices for oil, food, and fertilizers** due to conflicts like the Russia-Ukraine war has led to higher inflation and reduced purchasing power, particularly in many African countries.⁷ Beyond economic impacts, wars also cause severe social and human costs, including displacement, loss of lives, and long-term trauma, further hindering economic recovery and development.⁸

Operators in the global F&V trade have faced unprecedented increases in container prices, with costs soaring by up to 400% globally over the past year, according to the Global Coalition of Fresh Produce (GCFP) estimates. Additionally, road, sea, and air freight costs have spiked.⁹ The perishable nature of fruits and vegetables makes efficient transportation crucial. Delays and inefficiencies in logistics can lead to significant losses. Issues such as inadequate infrastructure, port congestion, and customs delays can disrupt the supply chain, affecting the freshness and quality of produce.

The F&V sector is labour-intensive, requiring significant manpower for planting, harvesting, and processing. **Labor shortages**, often exacerbated by migration policies and demographic changes, can lead to increased costs and reduced productivity. Low wages compared to other sectors also contribute to workforce shortages. Rising costs of inputs such as seeds, fertilizers, and pesticides, along with higher transportation and labour costs, squeeze profit margins for producers. These cost

³ Thomas Glauben, Miranda Svanidze, Linde Götz, Sören Prehn, Tinoush Jamali Jaghdani, Ivan Duric, Lena Kuhn. [The War in Ukraine. Agricultural Trade and Risks to Global Food Security](#). Intereconomics. 2022.

⁴ The [Global Coalition of Fresh Produce](#) recently published a [report](#) highlighting multiple concerns regarding the status of the world's fresh produce industry. Global Coalition of Fresh Produce. Global Value Chains for Fresh Produce an urgent call for policy measures. January 2023. [GCFP-Call-for-Policy-Actions-27.01.2023.pdf \(producecoalition.net\)](#)

⁵ World Economic Forum. [These are trends shaping the future of food](#). 2023.

⁶ IMF Working Paper. WP/20/221. Xiangming Fang, Siddharth Kothari, Cameron McLoughlin, and Mustafa Yenice. [The Economic Consequences of Conflict in Sub-Saharan Africa](#). 2020.

⁷ Bohlmann, H., Bohlmann, J., Cororaton, C., Geda, A., Henseler, M., Lemma, A., Musyoka, M.P., Ngui, D., Ngepah, N., Papadavid, P., Raga, S., te Velde, D.W. and Zaki, C. (2024) ['Impact of the Russia-Ukraine war on Africa: policy implications for navigating shocks and building resilience'](#). ODI Policy brief. London: ODI.

⁸ IMF Working Paper. WP/20/221. Xiangming Fang, Siddharth Kothari, Cameron McLoughlin, and Mustafa Yenice. [The Economic Consequences of Conflict in Sub-Saharan Africa](#). 2020.

⁹ [Global Coalition of Fresh Produce](#). Global Value Chains for Fresh Produce an urgent call for policy measures. 2023.

increases are often passed on to consumers, affecting demand and market stability. Geopolitical confrontations, like those involving Russia, have caused shortages and soaring costs of inputs. For example, the cost of a wooden pallet in Europe quadrupled from 4 euros in 2021 to 16 euros in 2022, while fertilizer prices in the United States increased by 150–300% year on year in 2021.¹⁰

3. Businesses responses to market disruptions and geopolitical challenges

Market disruptions can arise from sudden economic shifts, technological advancements, or unexpected events like natural disasters and pandemics. Geopolitical challenges include political instability, trade restrictions, and conflicts between nations. Both types of challenges can significantly impact supply chains, consumer demand, and overall business operations.

Entrepreneurs worldwide increasingly face geopolitical and trade issues that impact their businesses. The combined effects of market challenges and geopolitical issues create a complex and volatile environment for the F&V trade. Producers, exporters, and importers must navigate these challenges to maintain supply chains and meet consumer demand. These challenges highlight the need for agrifood operators to develop robust risk management strategies and stay adaptable to changing geopolitical landscapes.

- Strategic responses to market disruptions

Diversification of supply chains: One of the primary strategies businesses employs is diversifying their supply chains. By sourcing materials and products from multiple suppliers across different regions, companies can mitigate the risk of disruptions in any single location. This approach became particularly relevant during the COVID-19 pandemic, which highlighted the vulnerabilities of relying on a single source. Some businesses are bringing production closer to their key markets to avoid tariffs and trade barriers and reduce transportation.

Adoption of technology: Technological advancements play a crucial role in helping businesses adapt to market disruptions. Automation, artificial intelligence, and data analytics enable companies to optimize their operations, predict market trends, and respond swiftly to changes. For instance, during the pandemic, many businesses accelerated their digital transformation to maintain operations and reach customers online.

Agile business models: Flexibility and agility are essential for businesses to navigate uncertain environments. Agile business models allow companies to pivot quickly in response to changing market conditions. This might involve altering product lines, entering new markets, or adjusting pricing strategies.

- Responses to geopolitical challenges

Risk assessment and management: Businesses must continuously assess geopolitical risks and develop strategies to manage them. This includes understanding the political landscape, monitoring potential conflicts, and preparing contingency plans. Companies often engage in scenario planning to anticipate various outcomes and devise appropriate responses.

Engagement in policy advocacy: Many businesses actively engage in policy advocacy to influence trade regulations and policies that affect their operations. By working with industry associations and government bodies, companies can help shape a more favourable business environment. This is particularly important in industries heavily impacted by trade policies, such as technology and manufacturing.¹¹

Building resilience through partnerships: Forming strategic partnerships and alliances can enhance a company's resilience to geopolitical challenges. Collaborating with local businesses, governments, and international organizations can provide valuable support and resources during

¹⁰ Ibid.

¹¹ Harvard Business Review. [How Companies Can Navigate Today's Geopolitical Risks](#). David S. Lee. Brad Glosserman. 2022.

times of crisis. These partnerships can also facilitate market entry and expansion in politically stable regions.

Investing in local container manufacturing: One of the strategies to address the container shortage in Africa is investing in local container manufacturing capabilities. Several African countries are exploring the possibility of producing containers domestically to reduce reliance on global supply chains. By manufacturing containers locally, Africa could enhance its capacity to respond to fluctuations in global container availability and ensure a more stable supply for regional trade needs.¹²

4. Way forward

The F&V industry faces unique challenges as it navigates evolving consumer preferences, climate-related disruptions, and the need to sustain the world's food supply. The trade of F&V is subject to market challenges and geopolitical issues that can disrupt supply chains, affect prices, and impact the availability of these essential food products. Addressing these challenges requires coordinated efforts from governments, industry stakeholders, and international organizations to improve infrastructure, enhance labour availability, stabilize trade policies, and mitigate the impacts of climate change. By doing so, the global F&V trade can become more resilient and sustainable, ensuring a steady supply of nutritious food for consumers worldwide.

Businesses in Africa increasingly operate under disruptive geopolitical pressures. Wars and conflicts significantly impact economies, especially in developing countries, affecting various sectors. Producers and exporters must adapt to these changes to maintain market access, which can be costly and time-consuming.

5. Promoting increased knowledge about the F&V industry

In the context of the United Nations (UN) 2021 International Year of Fruits and Vegetables, the COLEAD¹³ through its FFM SPS and FFM Plus programmes (funded by the European Union and Organisation of ACP States (OACPS)) and the OECD Fruit and Vegetables Scheme¹⁴ of the Trade and Agriculture Directorate launched an online series highlighting the significance of the F&V sector and its various dimensions.

The main objectives of the series are:

- Sharing knowledge of markets and operators working in local and export F&V markets.
- Understanding the F&V sector contribution to sustainable production and consumption.
- Promoting F&V contribution to healthy and nutritious diets.
- Showcasing successes and innovations of private sector operators across the European Union and Southern countries and lessons learned.

¹² Africa Logistics. [Building resilience: The impact of container shortages on African trade](#). 2024.

¹³ As a private sector (not-for-profit) organisation, COLEAD's purpose is to support activities that aim to increase the agricultural sector's contribution to achieving the Sustainable Development Goals. <https://www.colead.link/>

¹⁴ OECD Fruit and Vegetables Scheme promotes international trade through the harmonisation of implementation and interpretation of marketing standards. <https://www.oecd.org/agriculture/fruit-vegetables/>

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PROGRAMME

Moderator: *Isolina Boto, Head of Networks and Alliances, COLEAD*

10:00-10:10 Welcome and introduction

- *José Brambila-Macias, Programme Manager, Trade and Agriculture Directorate, Agricultural Codes and Schemes, OECD*
- *Jeremy Knops, Délégué Général, COLEAD*

10:10-10:35 Market challenges and geopolitical issues affecting trade flows in F&V

This panel will share information on trends and findings of market challenges and geopolitical issues affecting trade flows in F&V.

- *Laura Demurtas, External Relations Expert, Club DEMETER, France*
- *Marcel Adenäuer, Policy analyst, Trade and Agriculture Directorate, OECD*

10:35-11:00 Views from operators

This panel will feature experiences from operators in the F&V production, transport and retail.

- *Hans-Willem van der Waal, CEO, AgroFair, The Netherlands*
- *Simon Mlay, Chief Programmes Manager, TAHA, Tanzania*

11:00-11:20 Q&A session

11:20-11:30 Conclusion and way forward



This event was organised by the Fit For Market Plus programme, implemented by COLEAD within the framework of Development cooperation between the Organisation of African, Caribbean and Pacific States (OACPS), and the European Union (EU).

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