“Quick scan on the soft fruit sector developments in Lubelskie, Poland”

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Today’s presentation (45 minutes)

Quick scan of the Polish soft fruit sector:

- Highlight main findings
- Possible actions to strengthen the sector in light of changing markets

Main findings European market for soft fruit. **Fresh**

- Biggest market for fresh strawberries but slow growth
- High annual growth for fresh raspberry and blueberry
- Increasing demand for high quality (EU, also Poland)
- Increasing demand for softfruit suitable for snacking
- Year-round demand for consistent quality
- Continued concentration of purchase power by organised retail
- Concentration of packers/suppliers as a reaction to this

(towards limited number of suppliers that are able to offer consistent quality of wide range of berries year-round)

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Main findings European market for soft fruit. **Frozen**

- 5% annual increase in EU frozen berry market, expected to continue
- 50% repacked to consumer packages, 50% processed (juice, yogurts, jams , bakery etc.)
- Poland is main intra EU supplier pf IQF raspberry and strawberry
- Other suppliers Serbia, Ukraine, Mexico, Bosnia
- Food safety is an issue in this segment (Hepatitis, norovirus)
- Tendency for vertical integration, shorter chains

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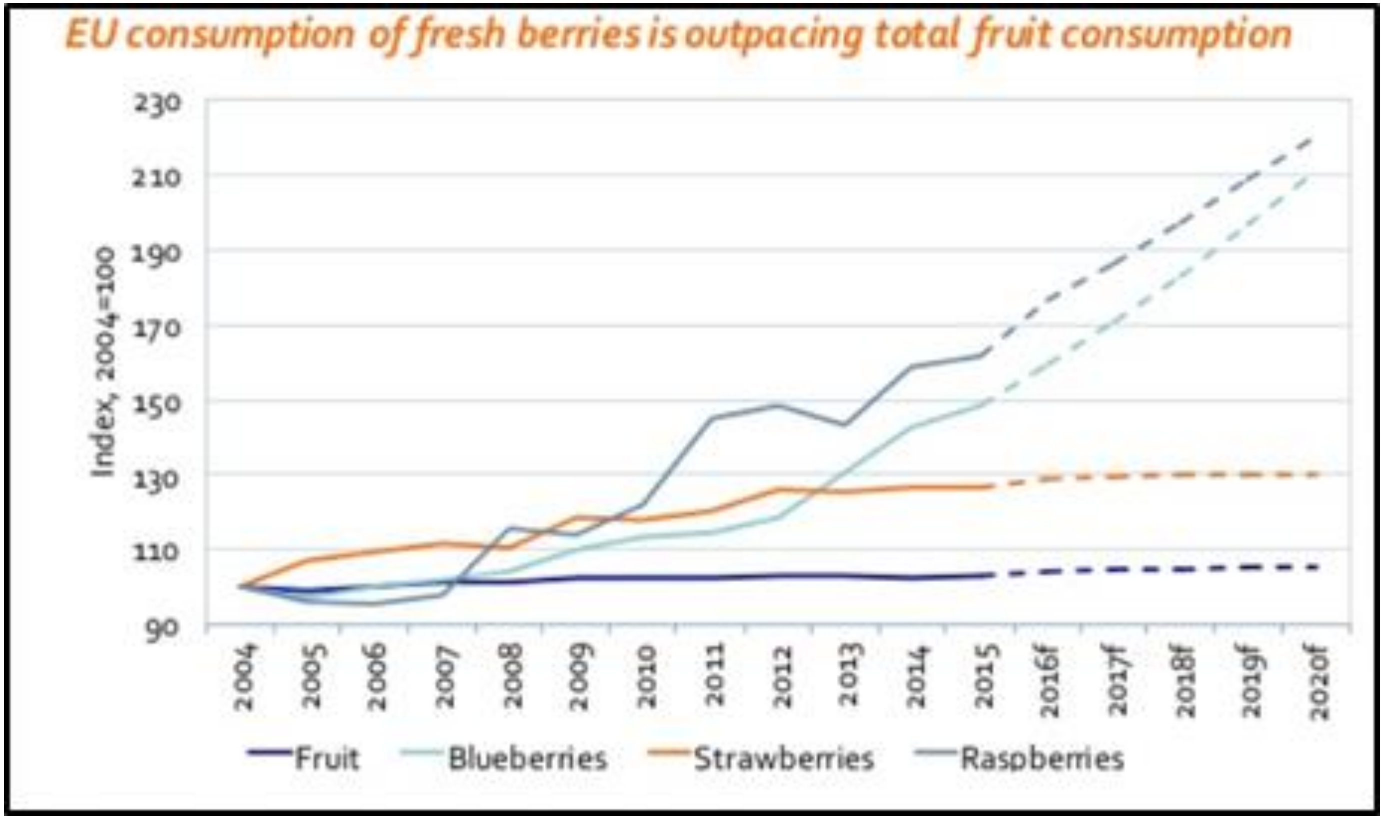
EU berry consumption trends



Polish soft fruit sector, production and marketing

- Poland is main EU-supplier of berries.
- Lublin is main region in Poland. (80% raspberry, 50% black current, 28% strawberry)
- Limited export of fresh berries. (7% strawberry exported as fresh, 13% of raspberries) (30.000 MT together)
- Export of frozen fruit was 320.000 MT (plus 40.000 MT juice concentrate (excl. apple)
- Large investments in cold storage- and ULO infrastructure have already taken place

Polish soft fruit sector; issues

- Labour shortage
- Changing local market demand
- Professionalization of sector focussed on fresh
- Demand for new varieties
- Breeders' rights
- Food safety and CSR becoming more important
- Danger of production moving to Ukraine
- Overall trend for lower prices
- Vertical- and horizontal integration/ cooperation
- Good insight in costs and revenues is often lacking
- Agro logistics are important

STRENGTHS

- Large sector, high production capacity, good climate
- Culture of experienced, professional growers
- Infrastructure and input supplies are available
- Tunnel production leads to increased quality
- Good state of Polish economy boosts local demand
- High-capacity processing industry

WEAKNESSES

- Small family farms use of own planting material
- Substantial trade in uncertified planting material
- Unavailability of some varieties that the market demands
- Sub-optimal inputs lead to low yield/high cost price
- Lack of co-operation between producers (horizontal)
- Lack of co-operation within the value chain (vertical)
- Lack of stable market prices
- Lack of cost price knowledge small growers affect prices
- Cost increase (labour, chemicals, fertilizers, etc.)
- Lack of labour
- Lack of traceability (food safety) in IQF sector

OPPORTUNITIES

- Demand for early- and late varieties and tunnel production increase quality, yields, prices and profitability
- Stronger marketing position via year-round supply through (inter)national cooperation, use of ULO (fresh)
- Invest in consistency in quality and food safety via improved cooperation farmers and processors
- Investment in orchards suitable for mechanical harvesting of raspberries (and blueberries)

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OPPORTUNITIES

- Improved logistics and cultivation < 100 km from processing to extend shelf-life and improve quality
- Small professional growers may find niches
- New markets outside Europe
- Increased demand for fresh snack fruits

THREATS

- Mass production for industry may shift to Ukraine (and others)
- High production cost price due to use of own planting material and low inputs
- Non-administration by small growers (planting material, prices)
- Overlap in harvest window limits cooperation needs NL-P
- Purchase power EU retail force individual growers and small packers out of the market if they cannot meet demands
- Lack of traceability with small farms is likely becoming an issue for processors in near future
- Lack of available varieties that meet market demands

Suggestions for focus

- Good planting material as basis for good production
- Cooperation to meet (future) demand of organised retail
- Cooperation to certify

  and mechanise IQF production

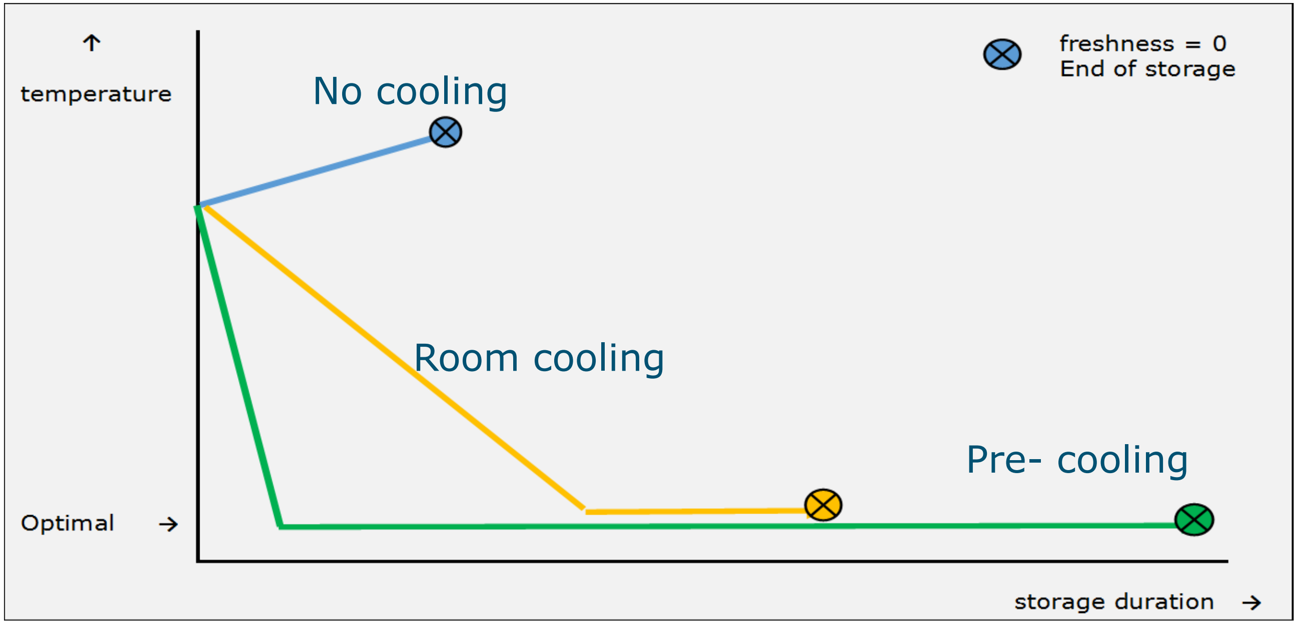
GLOBAL G.A.P.

- Seek (inter) national cooperation models

- Create more insight/ awareness of real cost prices

Example of effect well organised agro logistics on quality

- Improved agro logistics (fast cooling)
- Pre-cooling extends shelf-life * (indicative)



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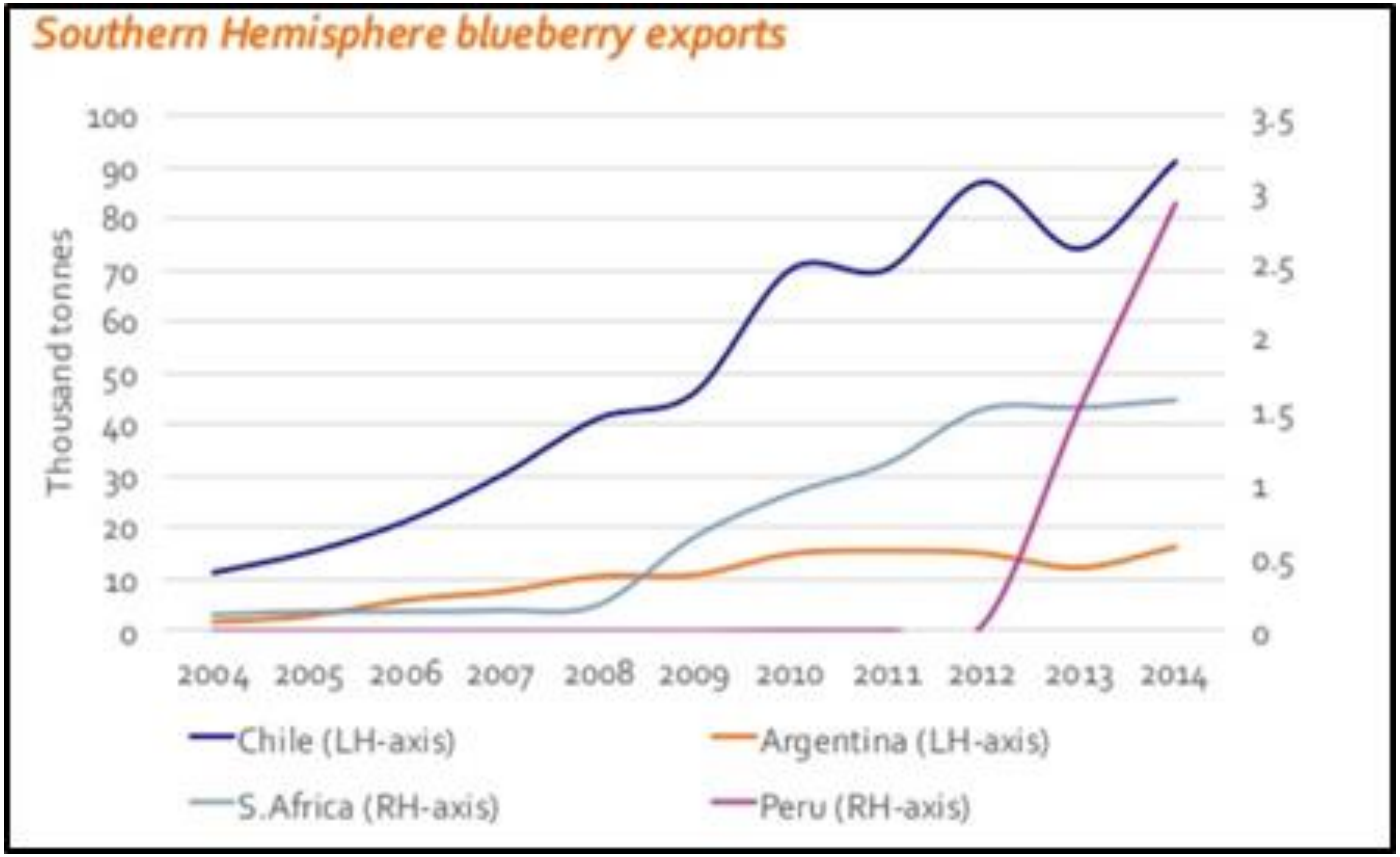
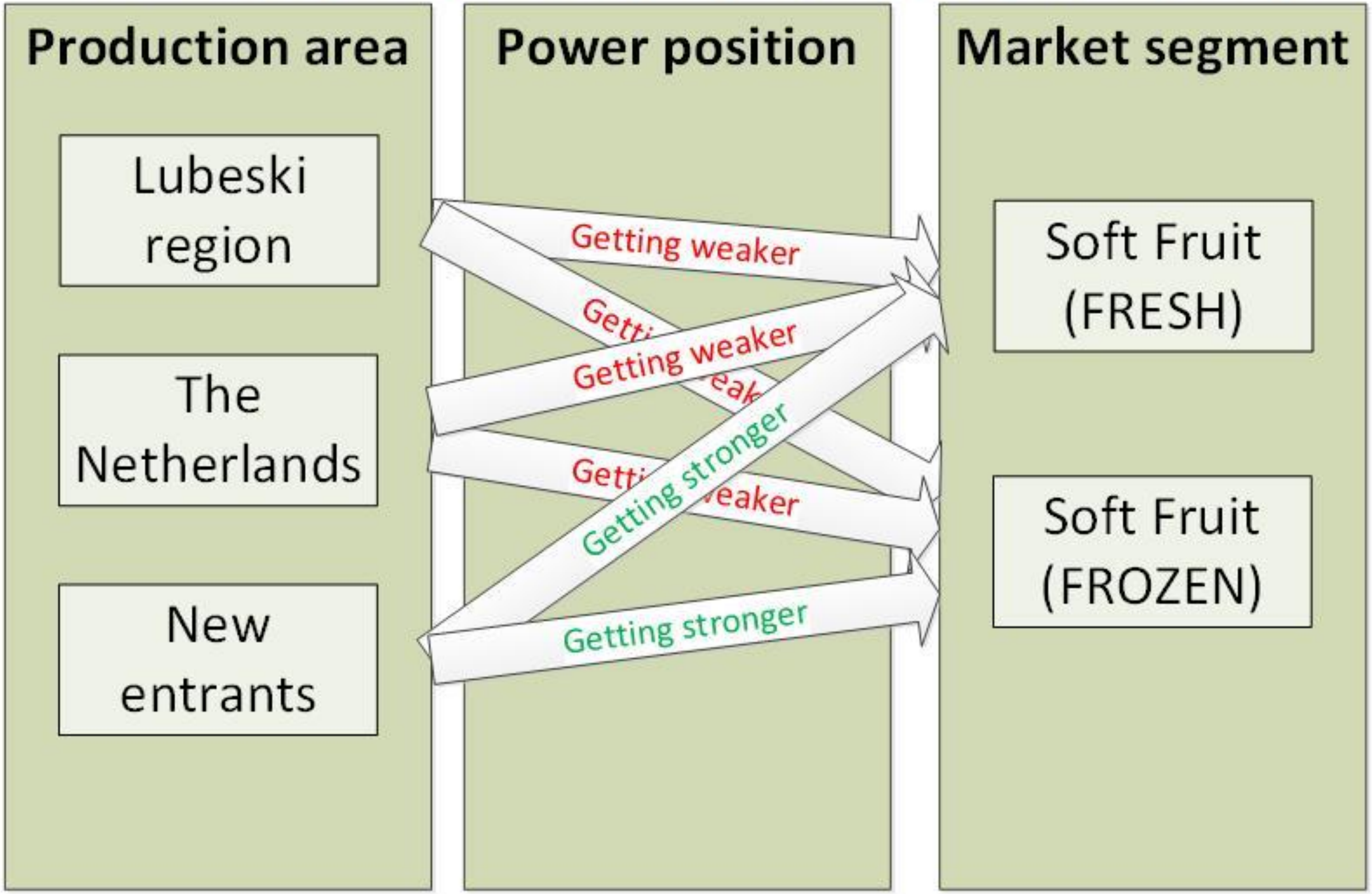
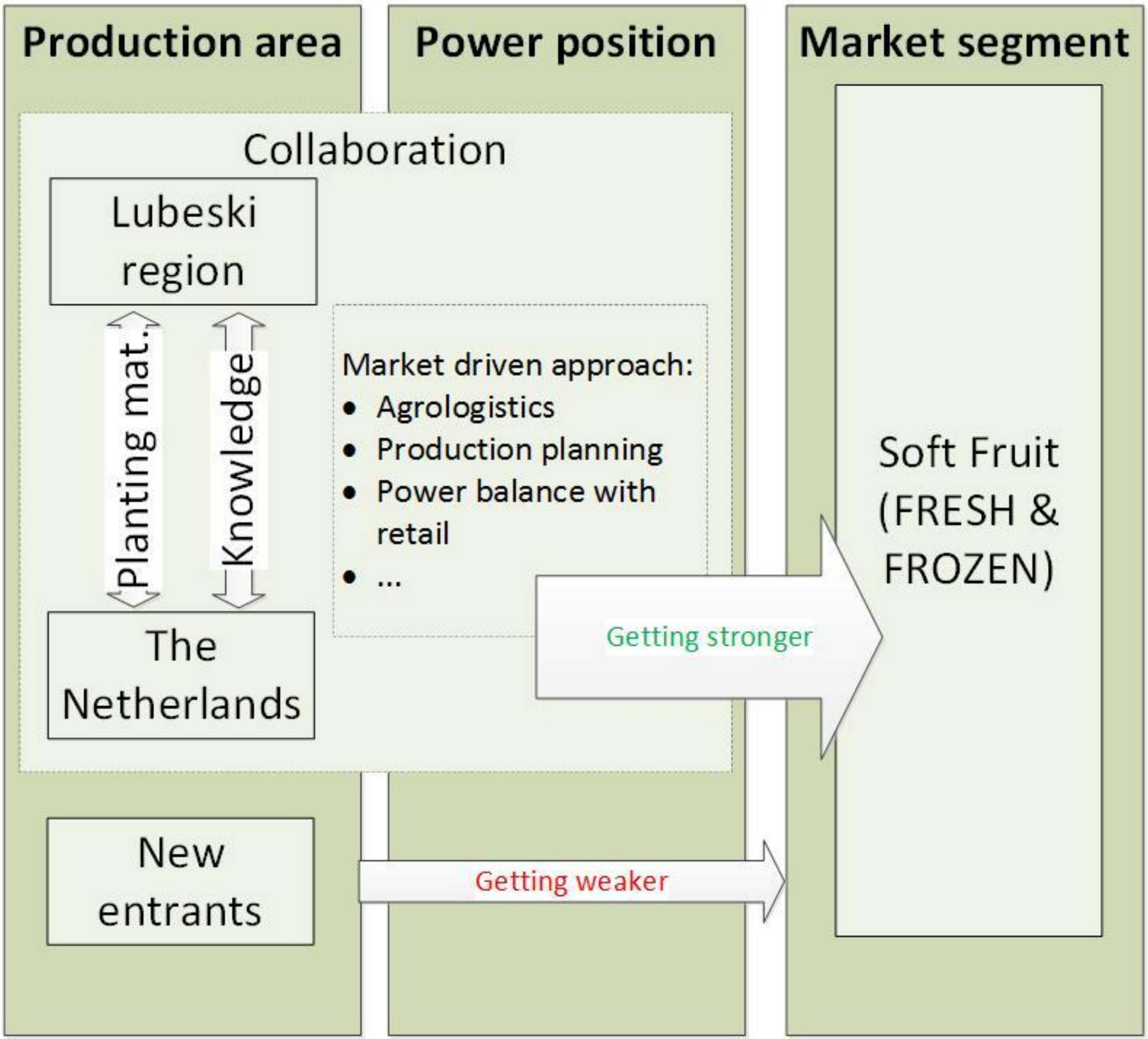

Southern Hemisphere blueberry exports
Thousand tonnes
100
90
80
70
60
50
40
30
20
10
0
3.5
3
2.5
2
1.5
1
0.5
0
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014
Chile (LH-axis)
Argentina (LH-axis)
S.Africa (RH-axis)
Peru (RH-axis)

Current power positions in soft fruit value chains



Launch collaboration programme: Lubelski & The Netherlands



Opportunities for sector development

Nurseries & primary production

	Hardware	Software	Orgware
nurseries	• Certified planting material ➢ early- and late varieties for fresh market production ➢ natural flavours, colours ➢ varieties demanded by retail ➢ disease resistant, sustainable production methods ➢ high density mechanical harvesting suitable for raspberry	• SOP's for primary production based on variety	• Contacts maintenance with PIORIN (Polish NAK) • Extension campaigns explaining that planting material needs a passport and use of good planting material leads to better results and is cost-effective. • Campaign to avoid illegal sales under false brand/ variety name
Primary production	• Harvesting machines for raspberry • Substrate products	•	• Open days to disseminate information on harvesting results

Opportunities for sector development

Fresh market

	Hardware	Software	Orgware
Fresh market	•	• Market study specifically focussed on Polish fresh fruit on UE market • SOP's for post-harvest handling and logistical excellence • Chain cooperation focused on pull market and meeting clients' expectations to the maximum in terms of quality and consistency • Pro-active complaints (or improvement suggestions) policy	• Establishment of cooperation between Polish and Dutch growers/ packers/ value chains with the aim of becoming strong and capable enough to meet the demands of big retail chains in terms of quantities and year-round supply • Branding focussing on quality, flavour, regional produce

Opportunities for sector development

Processing industry

	Hardware	Software	Orgware
Processing industry	• Harvesting machines for raspberry • Toilets with hand washing facility in fields	• Market study specifically focussed on Polish processed fruit on EU market • Development of business plans as a basis to get finance to invest in larger fields with certified planting material suitable for mechanical harvest. • Certification of primary producers (GlobalGap) • SOP's for orchard design suitable for mechanised harvest • SOP irrigation water use, Personal hygiene	• Horizontal chain integration between primary producers being able to jointly get certified based on internal auditing system • Vertical chain integration between primary producers and industry • Enabling financing of needed restructuring by looking at possibility to use EU funding and through chain integration and purchase contracts as a guarantee/collateral for financial institutions • B2B branding based on food safety of processed soft frit from Poland • Campaign focused on small growers explaining the need for farm registration (although not obliged by law) in relation to getting certified and thus secure a future market

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Thank you for your attention

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