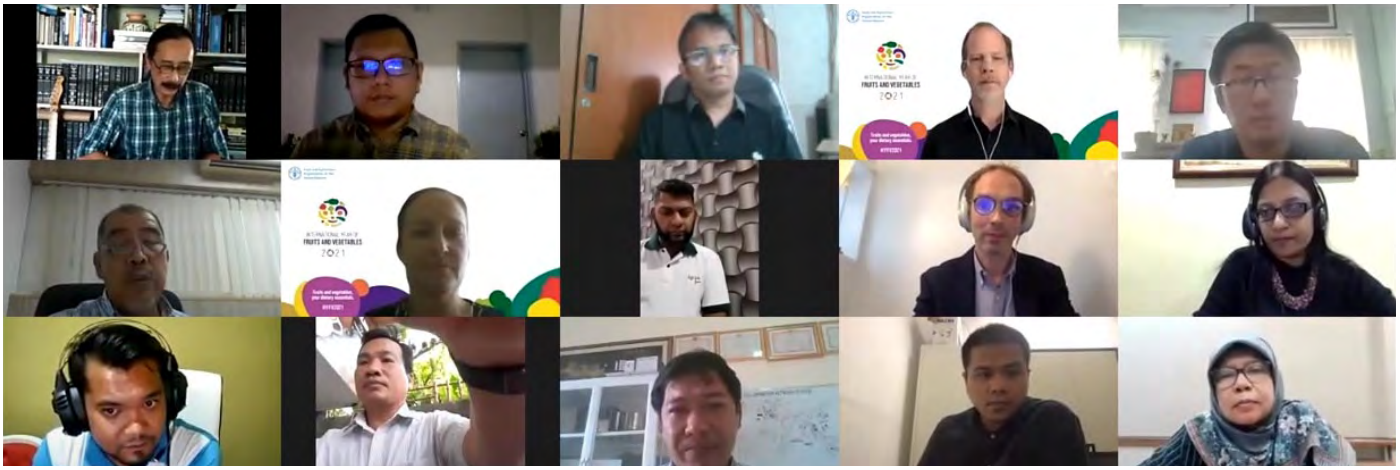
REPORT

# Introduction session for the FAO-UN global project on 'Building Responsible Global Value Chains for Sustainable Tropical Fruits'

by Dorothy Chandrabalan, TFNet

The Food and Agriculture Organization of the United Nations (FAO) and the International Tropical Fruits Network (TFNet) recently held an introductory session for the project titled 'Building Responsible Global Value Chains for Sustainable Tropical Fruits', on 24th May 2021. The event drew a total of 23 participants from organizations involved in the production and marketing of pineapples and avocados around the Asia Pacific region, as well as observers from National Agricultural Research Centers (NARs) from Indonesia, Horticultural (Southern) Fruit Research Center, Vietnam and the Bureau of Plant Industry, Philippines.



**Resource persons and participants attending the introductory session**

TFNet Advisor, Mr. Yacob Ahmad, in his introductory remarks expressed his appreciation to FAO for this collaboration and emphasized the relevance and growing importance of tropical fruits including pineapple and avocado in the Asia Pacific region's trading landscape. He added that, in addition to bananas, which are the most traded and consumed tropical fruits globally, the other important fruits in terms of commerce and consumption are pineapple, avocados, mangos, and papaya.

Together with minor tropical fruits, Asia and the Pacific produce an estimated 55 percent of total global production. He expressed hope that the conversations would provide participants with a better grasp of the project's objectives, the subsequent activities necessary to initiate the project, and the critical nature of sustainability in business.

Mr. Eric Jesper Karlsson, Project Officer from FAO's Markets and Trade Division, introduced the session by providing background information on the project and its planned outcomes. He identified the International Year of Fruits and Vegetables (IYFV) 2021 as an opportunity to increase awareness about food security, nutrition, and health in order to achieve the Sustainable Development Goals.


With tropical fruits produced primarily in developing countries and contributing significantly to job creation and export revenue for development, it was necessary that this sector remain resilient, while accentuating the importance of private sector involvement in addressing tropical fruit sector sustainability issues. Regarding the project, he explained that avocados and pineapples were chosen as the two key fruit commodities due to their significant expansion in production and trade over the last few decades, as well as their contribution to healthy diets.

Numerous new sustainability concerns in tropical fruit value chains have impacted supply, demand, logistics, and worker health and safety. He highlighted, however, that these difficulties can be leveraged to both create business possibilities and more sustainable communities. He referred to the usefulness of the OECD-FAO guidance for responsible agricultural supply chains as an important framework influencing the project outcomes, with the main project outcome towards improved business performance by addressing sustainability challenges and strengthening resilience of value chains.

He highlighted that as the project was global in nature, the products derived from the project will also be global, thus no funding will be channeled to individual companies or projects. Various types of capacity development and technical assistance will be extended based on the industry's needs to improve sustainability and resilience. Among the expected outputs are thematic guides on the various challenges prioritised by project participants, and measures for overcoming them. Additionally, commodity-specific guidelines will be prepared to assist firms in adopting internationally recognized standards such as the OECD-FAO Guidance. A series of related webinars was planned to commence in June 2021.

Dr. Marlo Rankin, Agribusiness Specialist of FAO's Markets and Trade Division and Senior Researcher for the project shared major findings from recent analysis of the global pineapple and avocado value chains. The focus was especially on fresh fruit exports in order to assess the commodities' economic value to developing countries. Leading production for pineapples were Costa Rica and Philippines. Increased production in pineapples was observed in countries such as Brazil, Thailand, Indonesia, India and China, driven by domestic consumption.

The popular MD2 pineapple variety was noted to be widely planted, with recent expansion in plantings in the Philippines, Indonesia, Malaysia and the African continent, namely in Ghana.

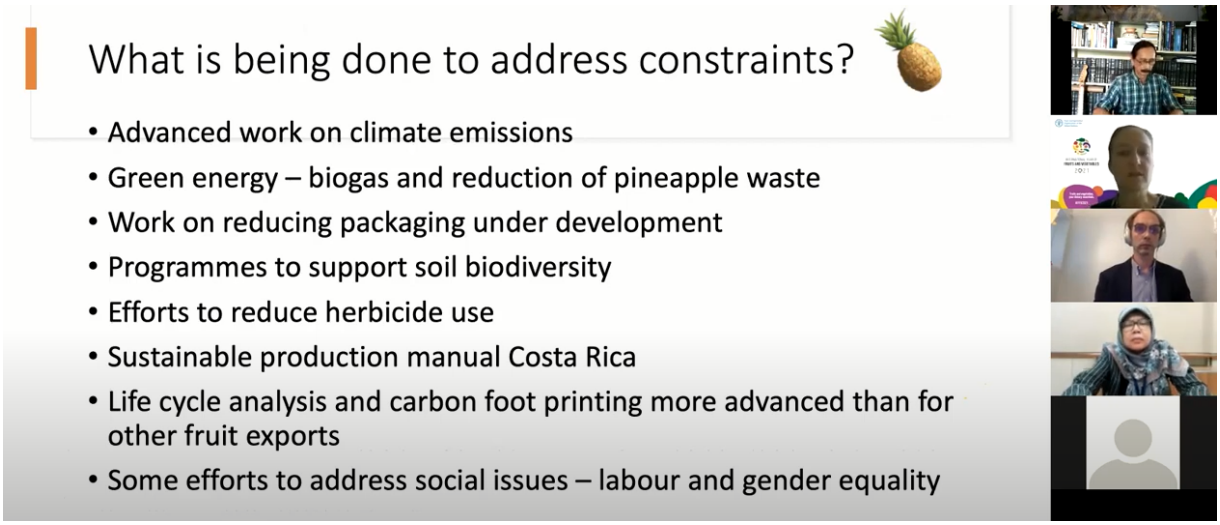
Dr. Rankin then discussed the pineapple industry's sustainability challenges. Commercial pineapple production is intensive, requiring high planting densities and frequent application of agrochemicals to prepare for planting.

Deforestation, soil degradation, and pesticide contamination of ground water were the most often reported environmental concerns globally. It was noted that these issues are currently of less concern in Southeast Asia compared to other producing areas. Numerous countries have also acknowledged the global economic consequences of climate change. There are several factors contributing to this, including rising temperatures, an increase in the frequency of extreme weather events such as droughts and floods, and increased insect exposure. Additionally, the industry has been identified as a greenhouse gas emitter due to its substantial use of chemical fertilizers, pesticides, and extensive maritime transportation to the European Union and the United States.

On labor issues, contracting and outsourcing to third-party companies, rather than direct hiring by pineapple processing and exporting firms, were identified as critical social issues. Concerns about worker health and safety when exposed to agrochemicals continue to exist.

The industry has continued to consolidate over the last decade, with fewer players and increased vertical integration of production, processing, and export. As a result, there are fewer independent smallholders, and many have leased their land to large corporations and are now employed on plantations.


Retail prices for fresh fruit, particularly in the EU and the US, do not reflect the additional costs associated with the adoption of sustainable practices, and tight margins make it increasingly difficult for producers to improve sustainable practices. In line with this point, many companies are now reporting that organic pineapple production is becoming increasingly difficult to profit from. Retailers and consumers are unaware of the unique practices associated with organic farming, which include seasonal fluctuations in volume and size. Additionally, there are several reports of greenwashing associated with the adoption of third-party certifications. Finally, there are reportedly some issues related to the enabling environment, such as lax enforcement of environmental and labor laws in some countries and the difficulties associated with registering new agrochemicals. However, Dr. Rankin reported on some positive developments with many ongoing initiatives by companies within the pineapple industry working towards addressing sustainability constraints, including efforts done to address climate change through mitigation strategies, reforestation projects, significant investments in green energy and reducing emissions associated with shipping. She cited an example in Costa Rica where a national manual for the sustainable production of pineapple cultivation was introduced, with the implementation of the manual made mandatory. In addition, some work has been done here on improving gender equality and opportunities for women working in pineapple pack houses. Whereas in the Philippines, there was improvement in labor contracting with a move towards greater direct hire of employees.




**A presentation on the initial findings of recent value chain analyses for pineapple and avocado by Dr. Marlo Rankin, FAO**


**A worker sorts avocados at a farm factory in Nelspruit in Mpumalanga province, about 51 miles (82 km) north of the Swaziland border, South Africa. Photo by Rael Ombuor/Reuters**

Findings from the avocado value chain analysis study showed that a total of 730,000 ha were dedicated to avocado production globally in 2019 with an average expansion of 7% per year since 2009. This striking growth was mainly driven by the strong import demand in developed countries, in particular from the US and the EU. Mexico led production of avocado, followed by the Dominican Republic, Peru and Colombia. Indonesia remained the sole South East Asian country in the top 10 of avocado production (fifth place) with growth driven by increased domestic consumption. China whilst expanding its planting of avocado continues to rely heavily on imports from Chile, Mexico and Peru. Hass remains the most commonly produced variety, accounting up to 85% of avocados produced globally.

Touching on sustainability constraints for avocados, Dr. Rankin extended that a key cross cutting issue affecting the industry is climate change, with this posing as a challenge for avocados which are highly sensitive to temperature changes. The study also found deforestation to be a frequently raised major environmental concern give the rapid expansion in avocado production worldwide. In some countries, the significant success in avocado business attracted opportunistic behavior, leading to great economic losses and threatening the security of actors within the chain. To some extent, the avocado industry lacks traceability on environmental and social issues, as well as consumer awareness and willingness to pay a premium for sustainably sourced fruit. She ended her presentation by stating the importance of these initial findings in forming a strong baseline for the project.

Mr. Michael Riggs, the Technical Advisor presented the next steps and ways for companies to be involved. He stressed that initially the global project will seek primarily to engage with the private sector including companies, producer organizations, trade associations and industry initiatives in pineapple and avocado supply chains. As the project develops this will expand to include the retail sector and other stakeholders.

Among the immediate implementation initiatives will be the introduction of a business survey to ascertain and collect baseline data on the industry's understanding, and prioritization of sustainability concerns. He further added that this could include the types of due diligence methods currently in use, and factors contributing to the resilience of these two supply chains.

The survey intends to also gather responses on facing and coping with crises such as Covid-19, natural disasters such as earthquakes etc. in order to keep supplies moving. These findings are expected to help FAO identify topics for peer learning, especially on pre-competitive topics which are topics where the industry works together to solve complex problems such as climate change and non-proprietary business issues. Branching out from the survey findings and the initial value chain analysis will be short webinars addressing some of these sustainability-related themes that will engage experts to discuss and share their experiences. Additionally, a study will analyze the policy environment covering the legislation and regulations affecting companies in the trade. An analysis of investment incentives is also expected to take place sometime into 2022.

A discussion with participants then took place. There was interest from participants on the OECD-FAO Guidance for Responsible Agricultural Supply Chains, to which Mr. Karlsson elaborated on its objectives and how it serves as a model policy document and framework for due diligence.

A question was raised on the modality of the group to which Mr. Riggs clarified that at present it's a 'loose' group with no commitments required, with the primary interest to engage with individuals and entities in the private sector working on the two commodities. He also highlighted confidentiality in participation.

A participant from Indonesia expressed concern on the market opportunity for avocados. Dr. Rankin explained that the current demand is driven by developed countries, with the main markets mainly in Europe

and US. She also briefly described the existing trends in the region. She pointed the variety in demand such as 'Hass' and the target market as important criteria for expanding the avocado market – citing greater difficulty in penetrating the European markets given the greater traceability requirements by importers, while suggesting that regional markets may pose greater opportunities.

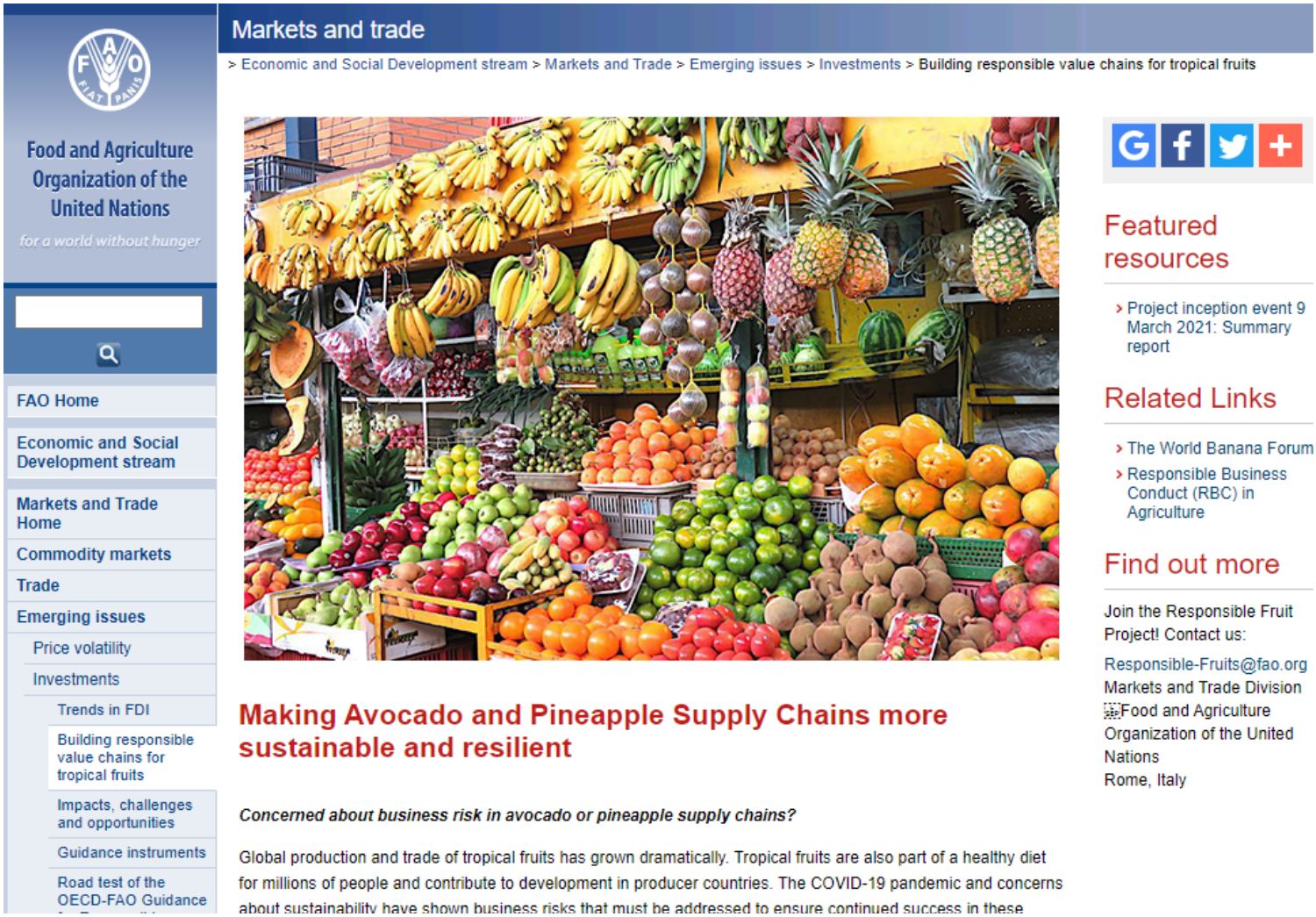
A few participants brought up issues such as marketing of avocados and tight pricing margins for pineapples as some key challenges often encountered when seeking to expand market. These challenges were country and region-specific, and Dr. Rankin expressed the need to further study the specificities of the Asian region.

A recommendation was also forwarded by participants to focus on regional trade, rather than exporting across continents, to reduce carbon footprint and minimize costs, and this was agreed by participants as a practical and logical way forward.

In his closing remarks, Mr. Karlsson encouraged all present to continue the dialogue and to remain engaged to keep abreast with project outcomes as they emerge.

Participants were reminded that a climate change webinar on responsible tropical fruit project will be held on 2nd June 2021.

For more details on this global project, kindly email: Responsible-Fruits@fao.org.



Food and Agriculture Organization of the United Nations

APPENDIX: PROJECT FLYER

BUILDING RESPONSIBLE GLOBAL VALUE CHAINS **FOR SUSTAINABLE TROPICAL FRUITS**

# Concerned about business risk and sustainability in avocado or pineapple supply chains?

## FAO can help businesses be more sustainable and resilient to external shocks

### CONTEXT

In recent decades, global production and trade of tropical fruits have grown dramatically. Today they are a part of a healthy diet for millions of people and contribute to rural and economic development. The COVID-19 pandemic and concerns about sustainability (including environmental and social as well as economic aspects) have highlighted business risks that must be addressed to ensure continued success in these value chains.

As companies struggle with business risk, responding quickly to immediate concerns can take precedence over dealing with longer-term sustainability issues. However, addressing these issues, including adopting a due diligence approach, can improve the operational and financial viability of businesses in the short-term, while also building long-term value for producers, customers and consumers.

Many companies are taking steps to **address sustainability risk** in their operations. However, value chains are vulnerable to risks and shocks beyond the control of any single actor. Thus, concerted actions can benefit all industry stakeholders. With this in mind, FAO is leading the project **Building responsible global value chains for the sustainable production and trade of tropical fruits**.

### OPPORTUNITY

The "Responsible Fruits" project helps companies operating in avocado and pineapple supply chains to strengthen or establish risk-based due diligence systems that will make their operations more sustainable and resilient to shocks such as COVID-19. The project will animate a confidential environment for peer learning on pre-competitive issues. It will develop a series of demand-driven guides on specific technical challenges to be determined by project participants (e.g., water footprint, climate change, traceability, labor issues, etc.) and identify measures and good practices to overcome these challenges. It will analyze the policy environment and incentives, aiming to identify opportunities to accelerate sustainable investment in these supply chains.

The project builds on more than a decade of FAO experience working with the private sector on tropical fruits. This includes animating the **World Banana Forum**, which enables industry players to discuss, seek technical support, share good practice and access innovative research on sustainability in the banana sector. It also builds on work with over 30 leading enterprises and industry associations to apply risk-based due diligence recommendations in the **OECD-FAO Guidance for Responsible Agricultural Supply Chains**.

### INVITATION

The project needs the engagement of companies, trade associations and producer organizations involved in the avocado and pineapple value chains. Participants will guide FAO to identify priorities and good practices to reduce risk and enhance sustainability and provide input to where the project should focus its resources. A key input is the identification of priority topics for the technical guides.

**There is no cost to participate. Confidentiality will be strictly protected**.

**Interested in joining the project or learning more?**
**Please contact us:**
Responsible-Fruits@fao.org

**Markets and Trade Division**
Food and Agriculture Organization of the United Nations
Rome, Italy