



# PANEL 2

12:15-13:30

**OPPORTUNITIES IN THE  
HORTICULTURE SECTOR:  
THE FRESH AND THE PROCESSED**





# Introduction

- Fruit and vegetables have long been key for the agricultural economy
- Tomatoes generate USD 3 billion net product value, twice that of rice
- Grape sales were USD 0.9 billion in 2016, a 12% increase in 2 years
- Exports exceeded USD 2 billion in 2015 & 2016, 40% of agri-food exports:
  - creating rural employment;
  - generating foreign currency;
  - reducing Egypt's agri-food deficit; and
  - contributing to food security, including resilience to food price shocks

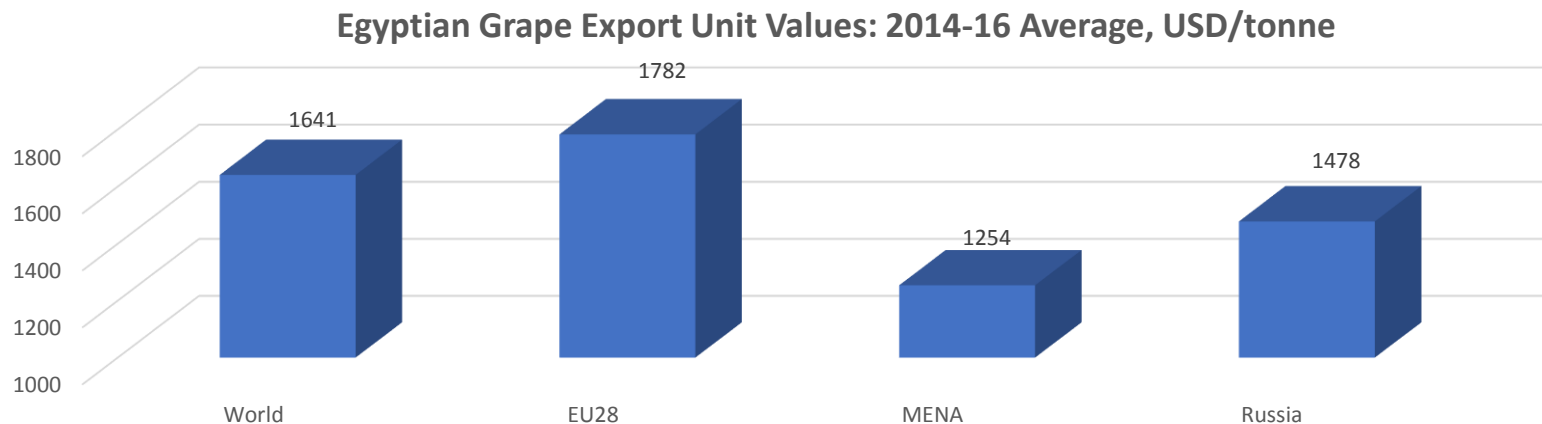


# Can horticulture help Egypt's food security?

1. Demand – rising demand creates opportunities
2. Supply – meeting market requirements and standards
3. Challenges
4. Investment opportunities

# 1. Demand

- There is rising demand for horticultural produce:
  - Domestic demand is rising and the rapid development of the retail sector creates opportunities for higher quality, timely and reliable produce
  - Demand is rising in regional markets such as Saudi Arabia and Iraq
  - Over USD 1 billion fruit & vegetables exported to MENA countries in 2016
  - The EU imported USD 630 million Egyptian fruit and vegetables in 2016
  - Large growth potential in Asia, China ranked as 17<sup>th</sup> market for Egyptian fruit



# Demand – the United Kingdom

- The UK is the third largest export market for Egyptian fruit, USD 133m
- The UK is Egypt's # 1 market for grapes, USD 82m (2016), 40% of total
- The UK is a premium quality, demanding market with buyers seeking greater quality and availability, with minimal tolerance allowed
- In return, suppliers report that the UK market is more profitable, but only for those suppliers who manage to pass the strict quality requirements

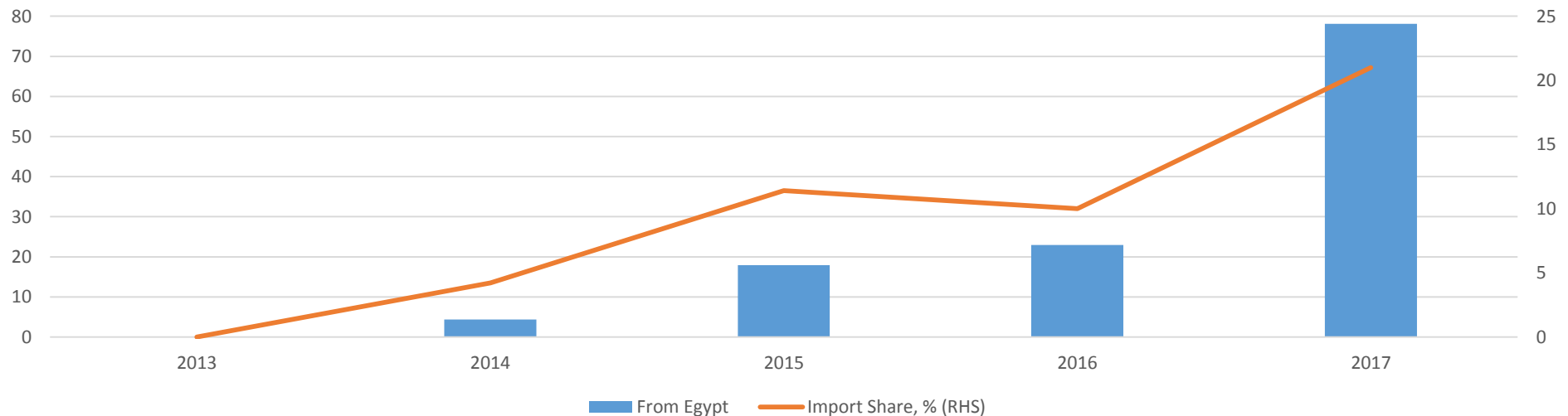


# Demand - China

- In 2016, China agreed to import Egyptian oranges
- In 2017, Egypt has exported USD 78m oranges, 4 x more than 2015
- In 2017, China agreed to import Egyptian grapes. Chinese total grape imports have doubled in 5 years to USD 600m/year



Egyptian orange exports to China, USD millions, Jan-Oct 2013 - 2017 and share of Chinese imports, %





## 2. Supply – meeting market requirements

- Can the sector produce to market needs?
- Modern export oriented firms have improved the quality and quantity of output
- Investments in production technology, packhouses, cold chain and logistics infrastructure
- Supported by research into varieties, HEIA have a team of extension agronomists, access to laboratories, and help with certification and traceability
- Ability to compete requires access to technology and innovation – from packaging, varieties, logistics, irrigation; as well as finance and a conducive policy environment
- A demand driven approach also needs stakeholders to be able to respond to market signals, cooperation among private stakeholders and political will to support the sector in the future



# Challenges

Adding value – processing?

Quality and food safety standards

Integrating smaller farmers into modern value chains

Sustainability, resource use and climate change



# Challenges – added value

- Exports levels are high, however, domestic value addition is low
- In 2016, Egypt exported USD 188m potatoes and USD 43m frozen French fries

Unit values of Egyptian exports of frozen French fries and potatoes, USD/tonne, 2016



# Challenges – Food safety

- In recent years, Egyptian exports have been affected by phytosanitary issues in the U.S., UAE, EU and Russia
- UAE requires Egyptian peppers to be certified free from pesticide residues due to concerns over derivatives of chlorinated pesticides
- EU customs reinforced sampling procedures for some Egyptian produce: 20% of all Egyptian grapes are being tested at ports
- China also applies strict protocols
- Egypt is in the bottom group of countries able to meet EU food safety rules  
=> Government and HEIA are working on protocols – every grower, exporter and packhouse must be approved for export to ensure export quality



# Challenges – Integrating smaller farmers

- Export oriented horticulture operations are generally sophisticated, large, modern, well managed and often vertically integrated
- Smaller farmers lack access to knowledge, technology, varieties, packhouses and logistics do not have the same levels of quality control, cold chain infrastructure
- Integrating small farmers into modern value chains, using innovation to raise productivity leads ultimately to lower prices, higher wages (via higher labour productivity) and increase rural inclusivity
- From an economics' perspective, there is a need to reduce the transaction costs of integrating small farmers and SMEs into modern value chains – innovation and technology has a key role to play here – the challenge for everyone is to isolate the appropriate technologies and delivery mechanisms, overcome knowledge and finance gaps, connect participants with new sources of innovation and demonstrate the practical benefits



# Challenges – Sustainability and food losses

- There is scope to reduce food losses along the value chain in many horticultural operations:
  - Field level – Appropriate harvest time; avoiding long delays with storage of fruit in the field before transport to the packinghouse
  - Packinghouse – improved handling, avoiding overpacking punnets and packing infected/weak fruit
  - Cold chain and transport – lack of pre-cooling, no cold chain, optimising temperature and humidity during transport, avoiding transport on open pick-ups without cooling and broken cold chains, for example, at wholesale, market and retail levels
  - Packaging – avoid inappropriate packing including plastic crates for local markets, overpacking and improved access shelf-life improving technology such as sulphur treatment and liners