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 17th 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
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
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 applies 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 handing, 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