

2012 IPA CONFERENCE IN DAVIS, CA, USA

FRANCE

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The French industry is crossing the world prune crisis with many difficulties, but also with the ambition to get strengthened by the crisis. While relying on the marked differentiation of its principal product, the "Agen Prune" Protected Geographical Indication, it succeeds in selling at higher prices on the whole of the markets. However, this difference is not currently sufficient to cover costs of production which are still too high.

The Agen prune is living a crisis on three levels: on exports and on the French market, with in same time need for adapting to a new orientation of the European agricultural policy.

On the Export Market

Increasing pressure of the world offer related to the Chilean offer increase, and the lasting undervaluation of the dollar compared to the euro for four to five years have been creating a very unfavorable context for the French exports. After having taken advantage from the deficit of the Californian offer between 2004 and 2006, the export volume came back to the previous level of 12 to 15,000 tons, but for lower prices since the world economic crisis of 2008.

On the French Domestic Market

After a better period at the beginning of the years 2000, the French market experienced a slow decrease tendency which fortunately has been stopped for four years now. However, the fall of profitability of the export activity pushed the French packers to concentrate their offers on the domestic market. This involved an excess of pressure which exploded at 2010 fall with a general decrease of prices in France. The packers' accounts are weakened and some of them are now in very precarious situation. The difficulties now flash back on grower prices and payment terms, creating a conflict situation.

This situation is in the process of rebalancing soon, possibly with some company reorganizations.

At the European level

Since the beginning of the years 1960 one of the main objectives of the European agricultural policy was to preserve an as-large-as-possible number of farms by securing their income. For prunes, since 1978 it consisted in a support system ensuring a minimum price for the grower, in order to compensate for the costs imposed by the legislation in Europe, for example a definitely higher labor cost than in other competing countries. By advance on its commitment promises within the framework of the Doha Round, Europe decided in 2007 to call this product-related system into question. It was temporarily replaced by a new system based on the prune tree area, with a project for new reform starting from 2014 whose modalities are not decided yet.

The future legal framework being not yet clear is a concern for growers in their investment decisions, which creates a bad psychological situation in addition to the market difficulties.

Outlook

The Agen area has been producing prunes for more than eight centuries. This production with high level quality requirements is well-known by consumers under the name of Agen prunes; it forms part of the identity of the local population and the farming population.

The very strong cultural attachment in this product, the capacity of solidarity of the producers and a strong tradition of collective action make us trustful on the production redeveloping after the crisis.

The Committee Economic and the BIP are preparing ambitious projects to quickly renew the orchard and gain competitiveness. These projects will be concretized starting from the next few years so that in the long term the French production no longer require government aids, and that the Industry goes on contributing to the development of the prune worldwide consumption.

2011 Crop

The June 2011 crop estimate was good, about 50,000 tons of prunes. However, after an extremely dry and sunny spring, a three-week period of cool and wet weather came in July (the temperature on some days was as low as 13°C) which stopped the fruit maturation process. Then came a few days with high temperatures at the beginning of August; suddenly a lot of fruits dropped sharply from the trees, whereas maturation was not correctly completed.

The harvest of the fruits remaining on the trees was made in about one week. Losses are considerable. The final crop reaches 27,000 tons of prunes. The average quality of what could be harvested is good, but the growers underwent heavy economic losses this year. However existing stocks make it possible to maintain the sale volumes.

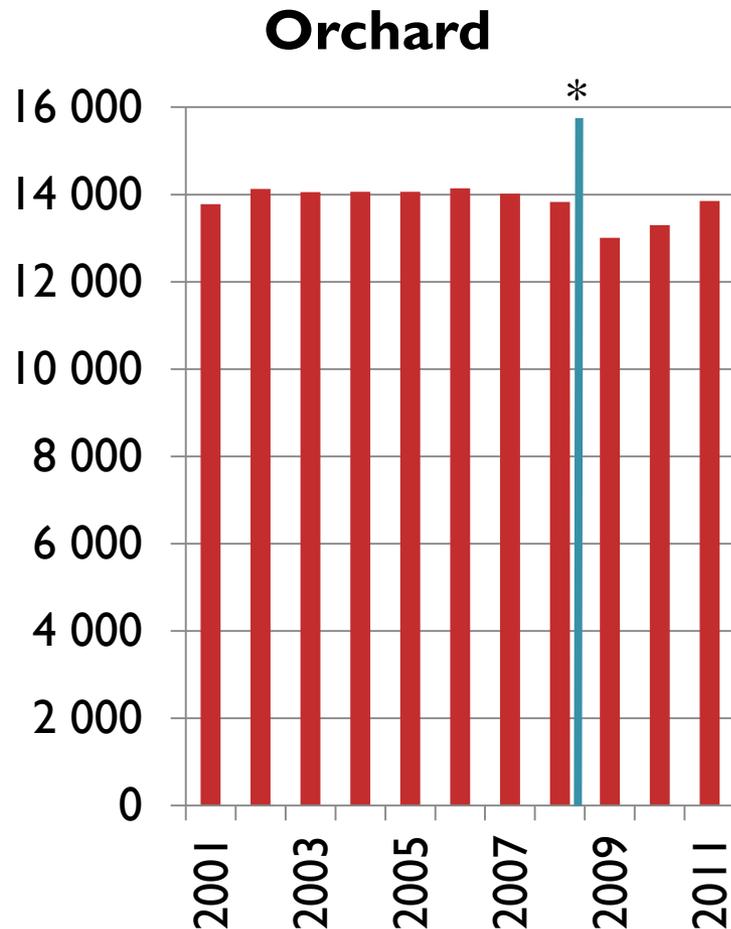


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French Orchard

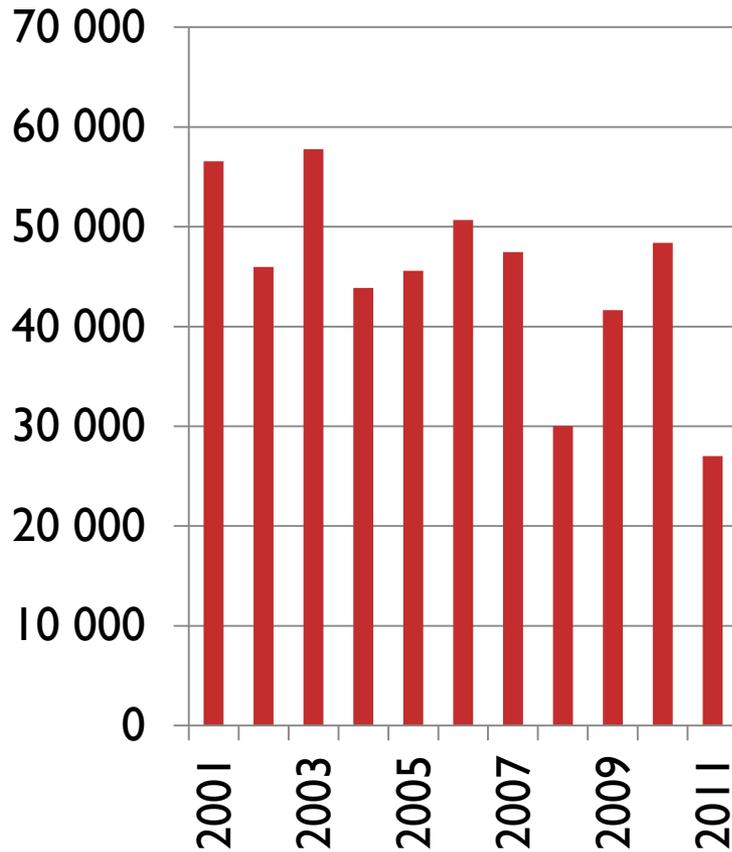


- The prune orchard is growing again, but its average age is still getting older
- Plantings dating back to years 1980-1996 still represent 55% of the existing area
- 20% of the orchards are older than 30

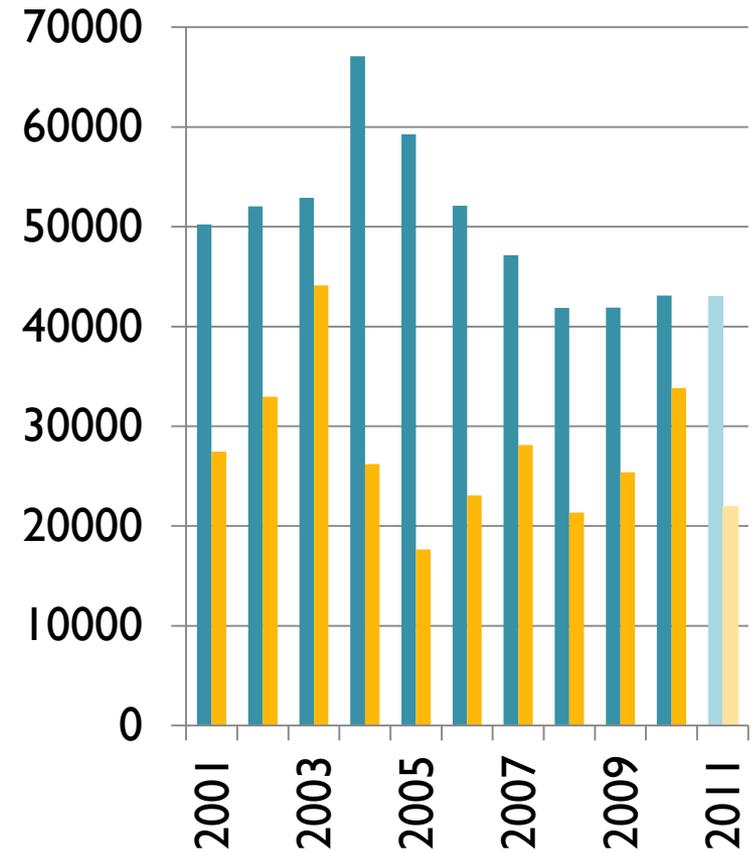
* Measurement system changed from land area to tree-covered area in 2008

French Production and Sales

Production

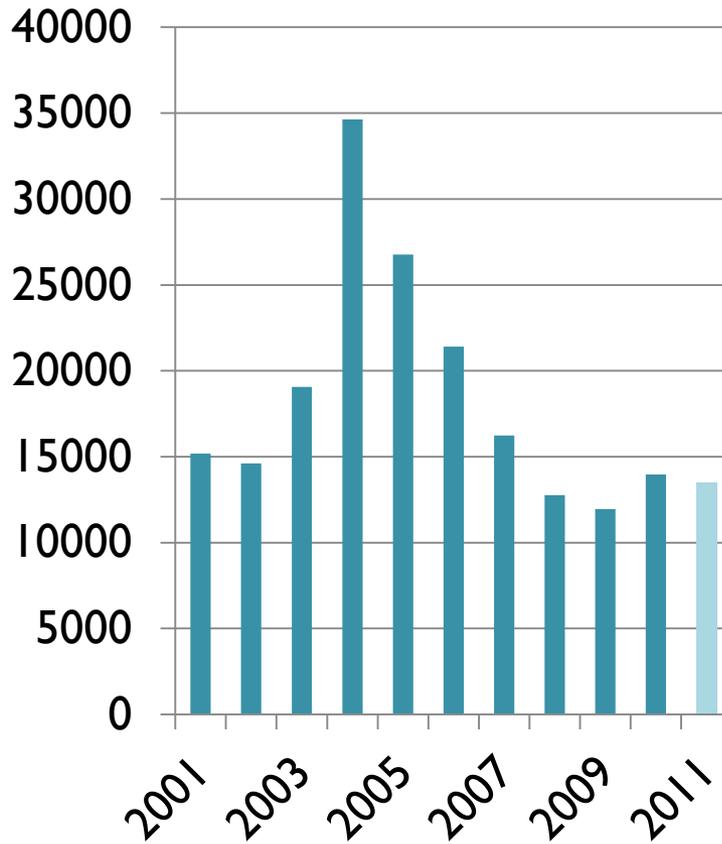


Sales & carry-over



French Sales per Destination

Export



Domestic

