Global Coalition of Fresh Produce

Producecoalition.net

THE GLOBAL COALITION WAS ESTABLISHED TO ADDRESS THE INCREASING COSTS WITHIN THE FRESH PRODUCE INDUSTRY AND ITS IMPACT ON THE WHOLE VALUE CHAIN AND END CONSUMER.

The Global Coalition of Fresh Produce brings together fresh produce associations from around the world, based on their joint vision to create resilient global value chains for fruits and vegetables that bring a myriad of economic, environmental, and societal benefits. The Coalition's mission is to voice solutions to address disruptions in global supply chains for fresh produce, including – but not limited to – rising costs, and share and promote best practices.

This global survey was developed to understand the current impact of production costs within our supply chain, as we continue to address the challenges of supply chain disruptions and food inflation.

> *"Together for resilient global fruit and vegetable value chains which enables economic, environmental and societal benefits.*

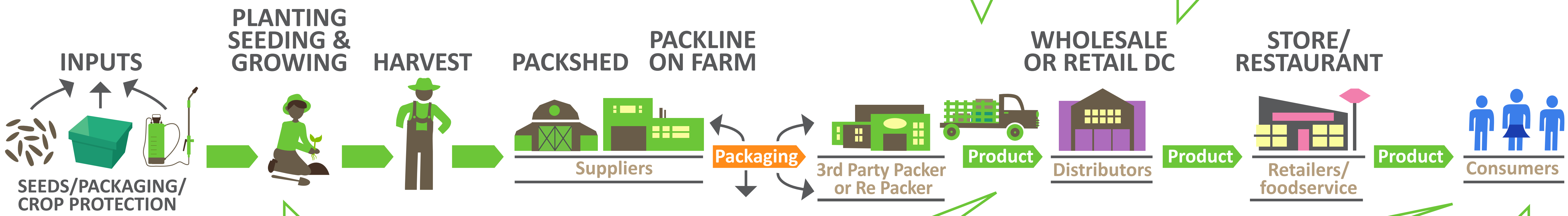
Supply Chain Strain...

Rising prices for everything from fertilizer and crop protection tools to packaging and greenhouse building materials have added huge input costs

Labour shortages that existed pre-COVID have been exacerbated by the pandemic and have spread across the supply chain, from farm to retail.

Due to driver shortages and logistical challenges, trucking services have become increasingly expensive and difficult to find.

Congestion and delays at ports continues to cause further delays in receiving highly perishable products.



The conflict in Ukraine has destabilized markets by disrupting product flows and further threatens availability of critical inputs like fertilizer.

Shipping container costs have seen massive increases, with international shipping companies reporting record profits.

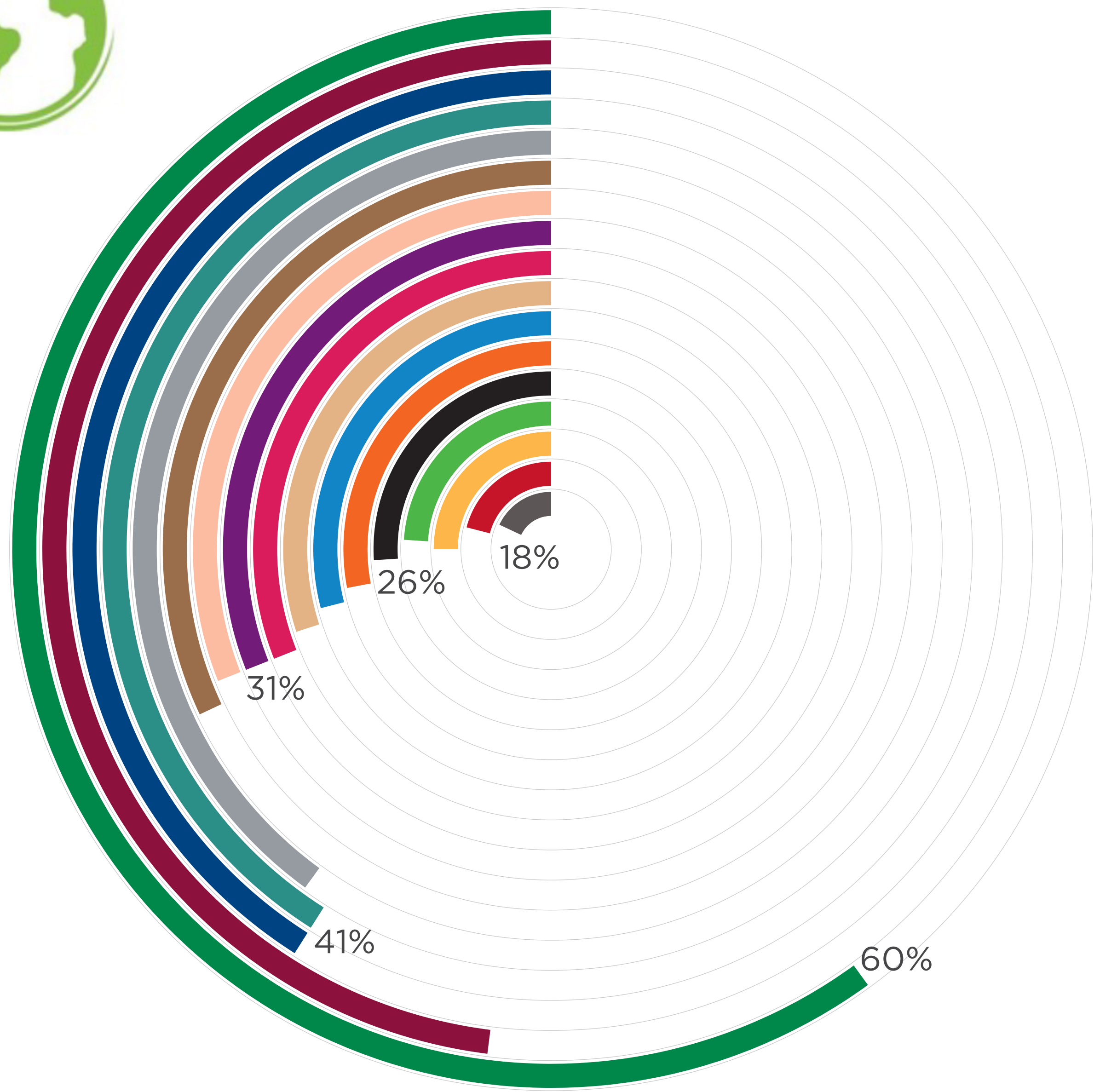
Rising energy costs adding to the impact of food inflation.

WHAT THIS MEANS FOR CONSUMERS.

The substantial increase in costs along the supply chain is being reflected in higher prices at the grocery store. More consumers are having to make difficult choices about whether to buy our fresh and healthy products for their families.

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



Global Perspective

(North America, South America, Europe, Africa, and Oceania)

The following narrative is based on a Global Coalition of Fresh Produce Survey of industry members which presents preliminary conclusions impacting our supply chain over the past two years and potentially into 2024. Industry respondents (165) included Vegetable Producers, Fruit Producers, Shippers, Packers, Wholesalers and other supply chain partners.

On a global level, organizations within the supply side of the fresh produce industry experienced unprecedented increases in costs during the COVID-19 pandemic regardless of the region of their operation. The increases were led by fertilizer, construction, fuel, shipping, and electricity. While most were able to increase their selling prices, it was not enough to overcome the increases in production and operating costs leaving approximately 57% of the global industry selling at a loss or breaking even.

Eighty percent of the industry respondents noted they are delaying or forgoing investments in their businesses. For the most part, the produce industry has not received any governmental support during this time of high production and operating costs.

The industry is split as to whether they believe that operating and production costs will subside by the end of 2023.

Utilities
18 percent

Audits
21 percent

Storage
25 percent

Plant material
24 percent

Machinery & Equipment
26 percent

Labour
28 percent

Water
29 percent

Land/Building
30 percent

Crop protection
31 percent

Packaging
31 percent

Seeds
31 percent

Palettes
32 percent

Electricity
40 percent

Fuel/gas
41 percent

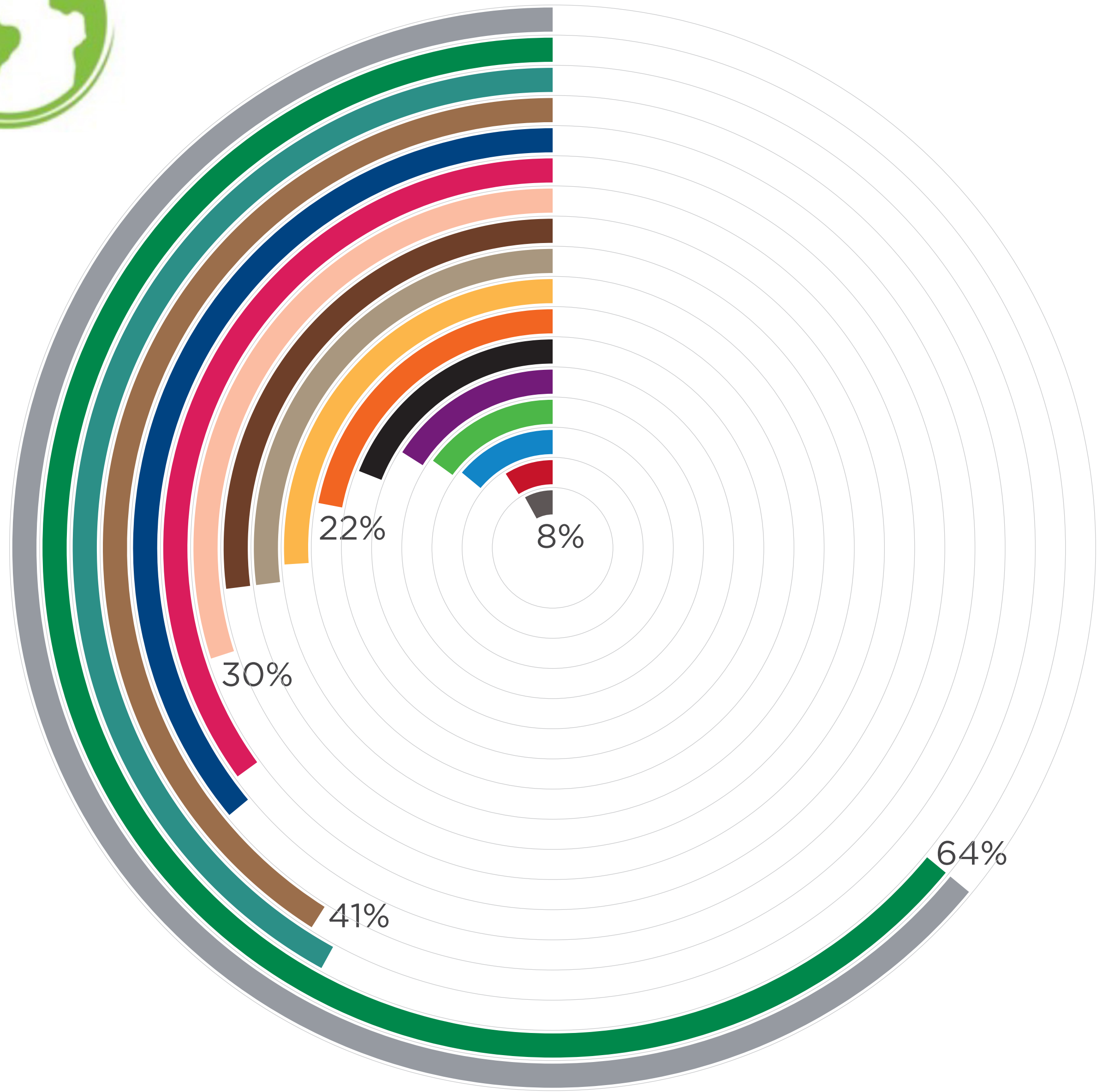
Shipping
41 percent

Construction
48 percent

Fertilizer
60 percent

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



Europe

Overall, significant increase in costs of production (*average rise*)

The majority of respondents indicates that their selling price has gone up over the past two years (by 11 percent on average); for those who saw their selling price decrease (mostly in Germany), the average fall was 19 percent. However, the large majority of European respondents indicate that their selling prices, even if risen, have not kept pace with rising operating costs. Operators have been unable command higher prices for various reasons, including oversupply, decreasing consumption and lack of bargaining power. 56 percent of respondents are mostly breaking even, 16 percent are largely selling at a loss, and 28 percent generally make a profit on their transactions. Nearly all respondents state that their sales margins have declined compared to 2019 (by 12 percent on average); only a handful of respondents indicate that their margins have increased (by 8 percent on average).

A significant majority of respondents state that rising production and operating costs have impacted their investments, not only in capital and equipment but also in innovation and expansion. Operators are cautious to invest in their operations; some have even reduced their production capacity and output. In most cases, rising costs have affected strategic and operational choices: some producers have reduced their use of inputs (e.g. gas), while traders may have reduced their export activities or choose produce with lower shipping costs.

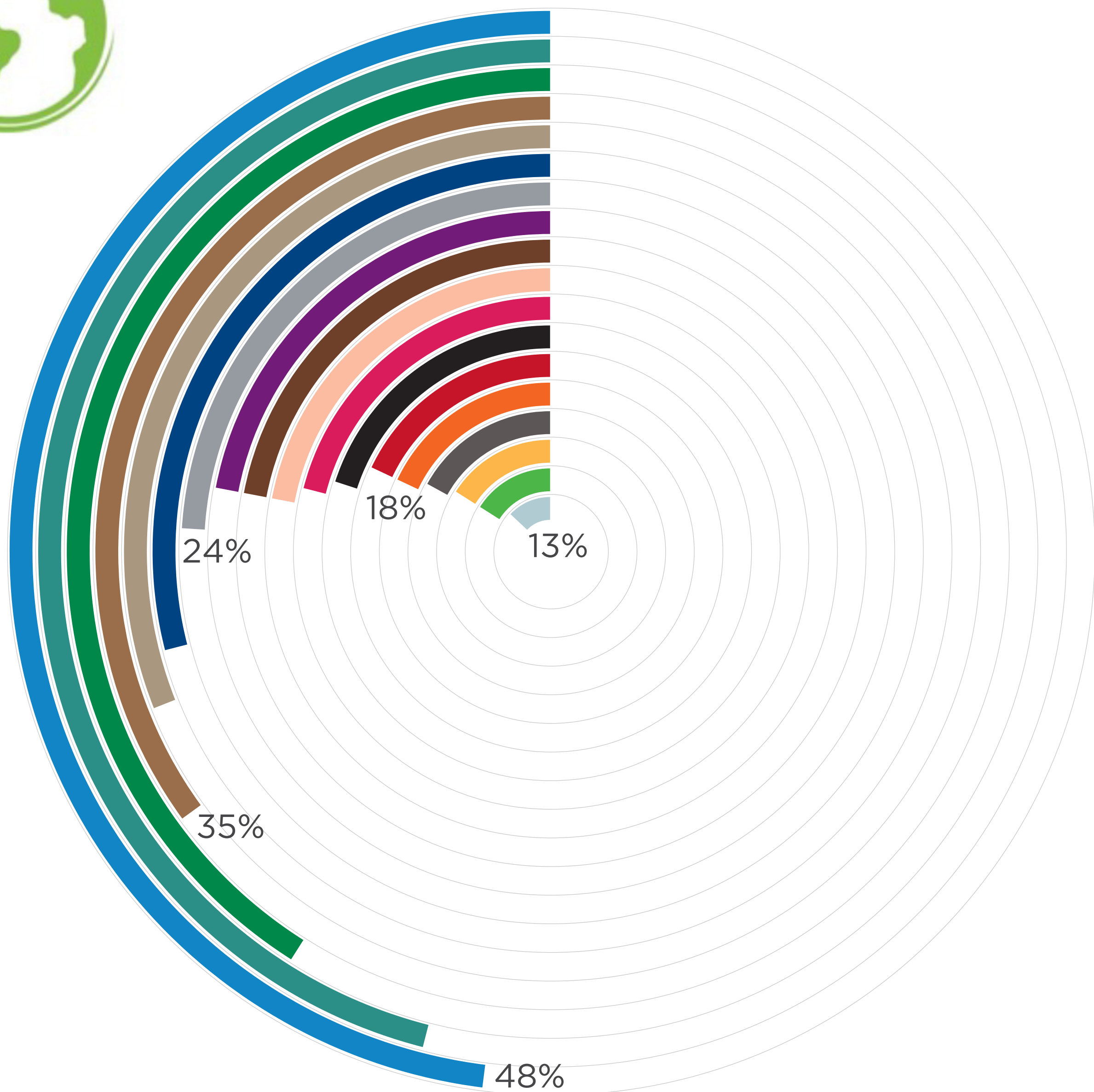
A very small minority of operators have received support from their governments to compensate rising production and operating costs.

Around one third of respondents believe that the effects of rising costs will lessen by the end of 2023; two thirds of respondents, however, do not believe that the impact will soften soon. While certain costs are going down (e.g. shipping and freight costs, packaging material), other costs are unlikely to decrease in the near future (e.g. labour costs, raw materials).

- **Utilities (telephone, internet)** 8 percent
- **Audits/ accounting/ management costs** 9 percent
- **Water** 14 percent
- **Plant material** 15 percent
- **Rents (land/ buildings)** 16 percent
- **Machinery and equipment** 19 percent
- **Labour** 22 percent
- **Storage** 26 percent
- **Cardboard** 27 percent
- **Building costs** 27 percent
- **Seeds** 30 percent
- **Crop protection products** 35 percent
- **Shipping** 36 percent
- **Pallets** 41 percent
- **Fuel/gas** 42 percent
- **Fertilizers** 64 percent (peak of 300 percent)
- **Electricity** 64 percent

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



Canada

Overall, there is a significant increase in the costs of production and operating costs

(average rise)

All respondents state that their selling price has gone up over the past two years (by 14 percent on average). However, for the large majority of respondents, the rise in selling prices has not kept pace with the rise in production and operating costs; only one fifth of respondents have been able to raise their selling price in line with rising costs. Operators have been unable to command higher prices for various reasons. The most cited reason is their lack of bargaining power vis-à-vis retailers, who reject price increases and in some cases even cancel purchasing orders if another supplier offers lower prices. Other growers state that they face stiff competition from cheaper imported produce grown under different policy and tax frameworks. A vegetable grower in BC states that growers are burdened with carbon taxes, and health and sick day costs; in addition, BC has the highest minimum wage in all of Canada.

Slightly more operators are making a profit than breaking even; no respondents indicate that they are mostly selling at a loss. As many respondents have seen their sales margin increase (by an average 7 percent) as decrease (by an average 4 percent) compared to 2019.

Note: contradiction: “the rise in selling prices has not kept pace with the rise in production and operating costs” and “no respondents indicate that they are mostly selling at a loss”?

A significant majority of respondents state that rising production and operating costs have impacted their investments, not only in capital and equipment but also in innovation and expansion. Operators are very cautious to invest and generally consider investing risky, citing high interest rates and inflation. One respondent states that the costs of investments may rise even after purchasing; another indicates that it is not clear whether their will continue operating. One fruit producer asks who has any money for construction.

In most cases, rising costs have also affected strategic and operational choices, with operators looking for efficiencies and ways to save. One trader states that they are favouring one country as a source of imports, not because of better quality but because of lower shipping costs.

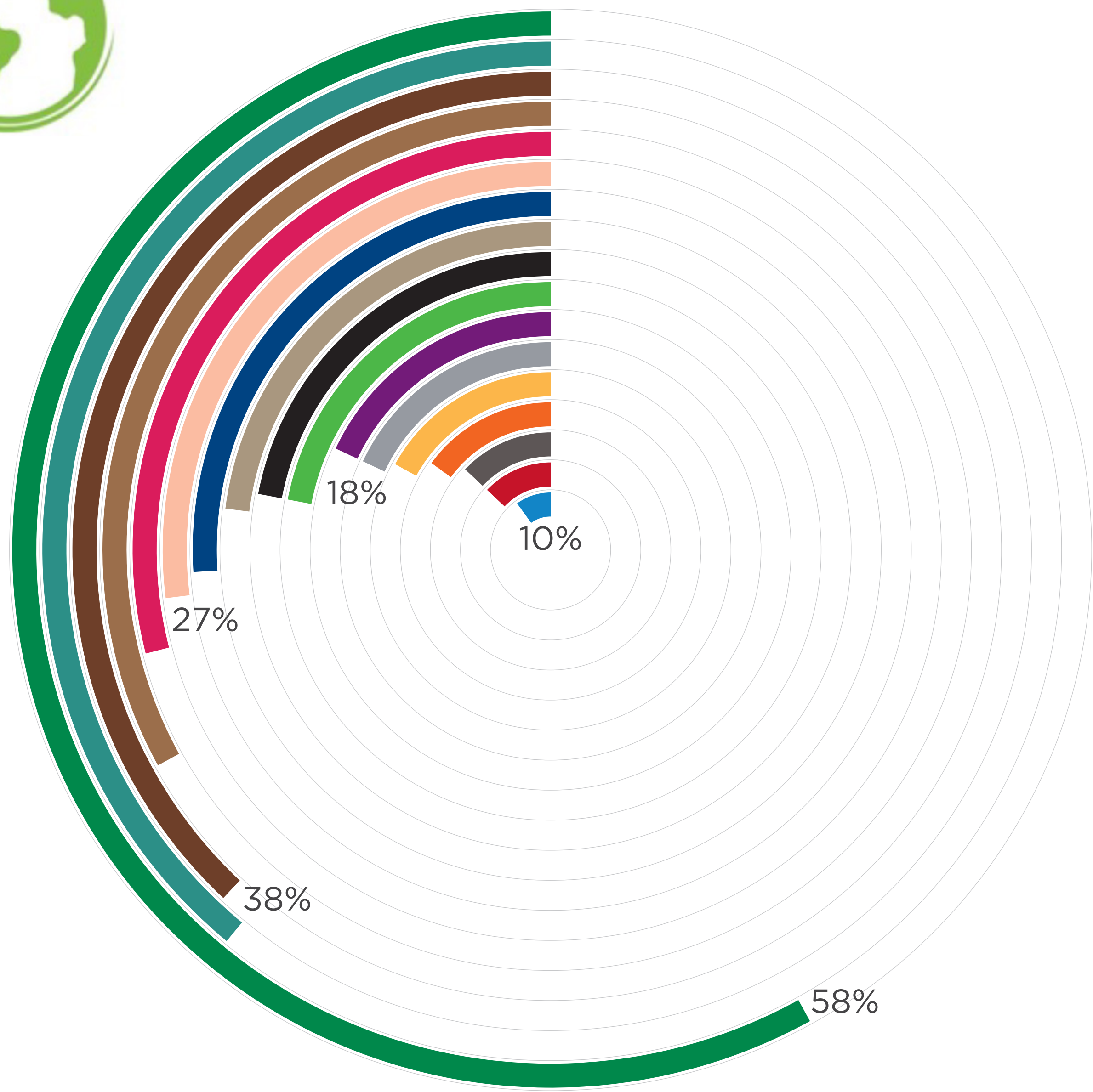
None of the respondents have received support from the Canadian Government to compensate rising production and operating costs.

Around two fifths of respondents believe that the effects of rising costs will lessen by the end of 2023; three fifths of respondents, however, do not believe that the impacts will soften soon. While some operators indicate that certain costs are going down (e.g. the costs of fuel and fertilizers), others argue that costs are not decreasing (and especially labour costs, carbon taxes).

- **Packaging** 13 percent
- **Plant material** 16 percent
- **Storage** 16 percent
- **Utilities (telephone, internet)** 17 percent
- **Labour** 18 percent
- **Audits/ accounting/ management costs** 18 percent
- **Machinery and equipment** 20 percent
- **Crop protection products** 21 percent
- **Seeds** 22 percent
- **Building costs** 22 percent
- **Rents (land/ buildings)** 22 percent
- **Electricity** 24 percent
- **Shipping** 29 percent
- **Cardboard** 31 percent
- **Pallets** 35 percent
- **Fertilizers** 41 percent
- **Fuel/gas** 46 percent
- **Water** 48 percent

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



United States of America

Respondents unanimously agree that there has been a significant increase in production and operating costs over the past two years *(by 24 percent on average, across all cost categories)*

Rising labour costs are cited as one of the most pressing challenges. Nearly all respondents state that their selling price has gone up over the past two years (by 19 percent on average). However, for the majority of respondents (60 percent), the rise in selling prices has not kept pace with the rise in production and operating costs; only one fifth of respondents have been able to raise their selling price in line with rising costs. Operators have been unable to command higher prices for various reasons. The most prominent reason seems to be competitive pressure from imported produce, which is not subject to the same food safety scrutiny as domestic produce and does not face the same cost pressure (inflation). This is coupled with operators' lack of bargaining power vis-à-vis retailers who refuse to increase prices in line with rising operating costs. Another reason cited is dampening consumer demand for fruits and vegetables.

Fourteen percent of operators indicate that most sales are made at a loss; half are mostly breaking even and 36 percent are mostly sell at a profit. Two thirds of all respondents state that their sales margin has gone up in comparison to 2019 (by 14 percent on average); one third indicate that their sales margin has gone down (by 9 percent on average).

Three quarters of respondents state that rising production and operating costs have impacted their investments, of all types: mostly capital investments and investments in equipment, but also in innovation and expansion. Operators are reluctant to invest considering the current business environment; one vegetable producer indicates that the rise in costs has led to a dramatic reduction in capacity and output, and may lead to the closure of one or more production facilities. Eighty-three percent of respondents indicate that rising costs have impacted strategic and operational choices, while only 17 percent state that these have not been affected. The impact is felt as a reduction in business choices, the need to develop new business approaches, and pressure to reduce output and capacity and limit exports.

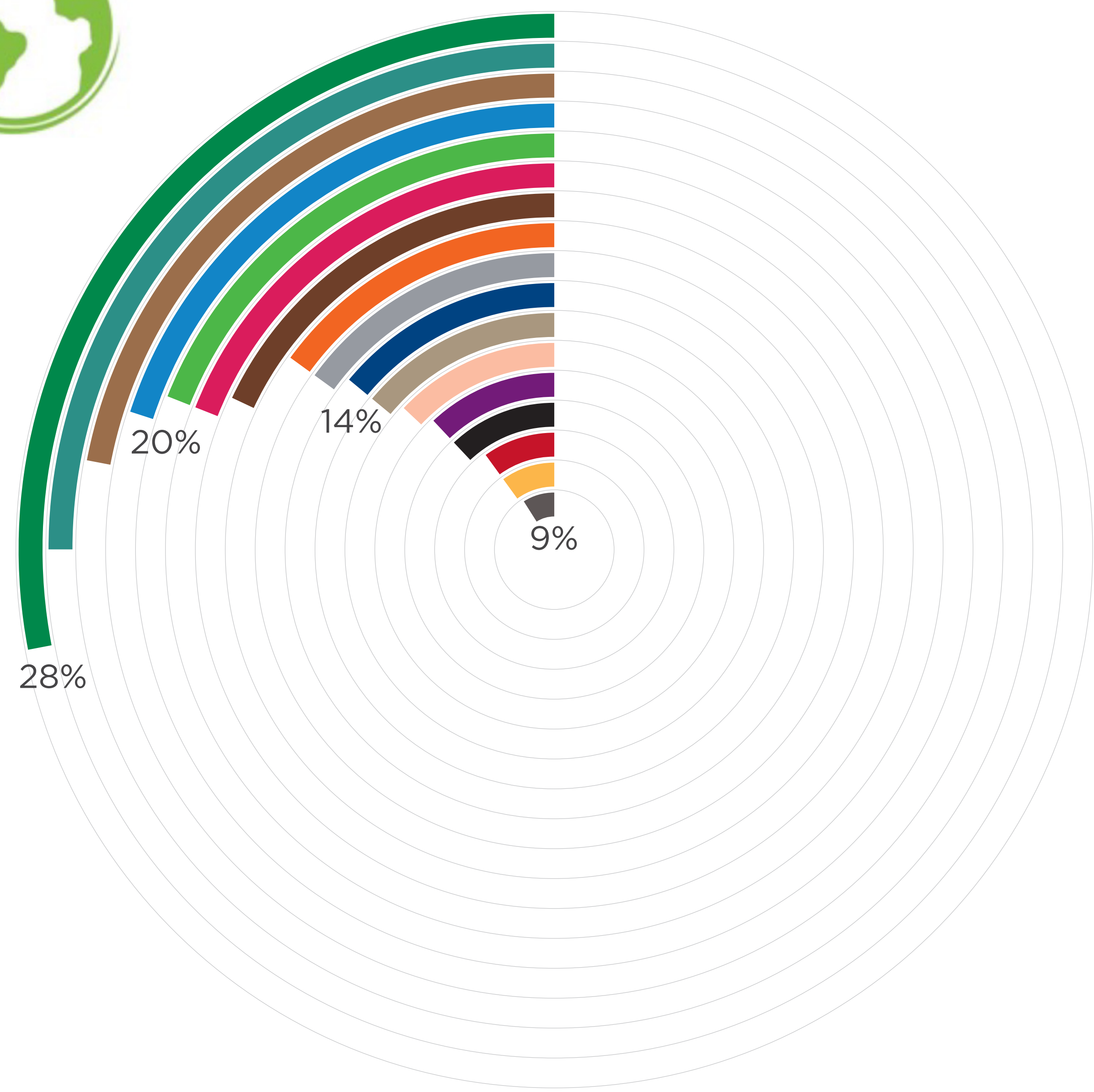
Eighty-five percent of all respondents indicate that they have not received any support from the US Government. The two respondents who have received public support (one fruit producer, one vegetable producer) indicate that they are mostly breaking even.

Half of all operators believe that production and operating costs will go down by the end of 2023, mostly for packaging (fibre board) and ocean freight. The other half believes that costs will continue to rise (by up to 10 percent across the board), and especially the costs of labour, utilities and raw materials.

- **Water** 10 percent
- **Audits/accounting/management costs** 13 percent
- **Utilities (telephone, internet)** 13 percent
- **Labour** 15 percent
- **Storage** 17 percent
- **Electricity** 18 percent
- **Rents (land/buildings)** 18 percent
- **Plant material** 22 percent
- **Machinery and equipment** 22 percent
- **Cardboard** 23 percent
- **Shipping** 26 percent
- **Seeds** 27 percent
- **Crop protection products** 29 percent
- **Pallets** 33 percent
- **Building costs** 38 percent
- **Fuel/gas** 39 percent
- **Fertilizers** 58 percent

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



Mexico

Respondents unanimously agree that all production and operating costs have gone up, by 16 percent on average

A large majority of respondents indicate that their average selling price has gone up over the past two years (by 7.6 percent on average); however, for half of all respondents, this rise has not been sufficient to compensate rising production and operating costs. Among the reasons cited is pressure from the market.

A large majority of operators is selling at break-even point or at a loss; the only respondent who mostly operates with a profit is a shipping company. Half of the respondents have seen their sales margin fall in comparison to 2019 (by 10 percent on average), while the other half has seen their sales margin increase (by an average 8 percent).

The respondents unanimously agree that rising production and operating costs have impacted their investments, of all types: mostly capital investments, but also investments in equipment, innovation and expansion. The impact is felt as a reduction in business choices, pressure to dramatically reduce output and capacity and the need to find ways to reduce shipping costs (e.g. by consolidating shipments or sharing space with other companies).

None of the respondents have received support from the Mexican Government to compensate rising production and operating costs.

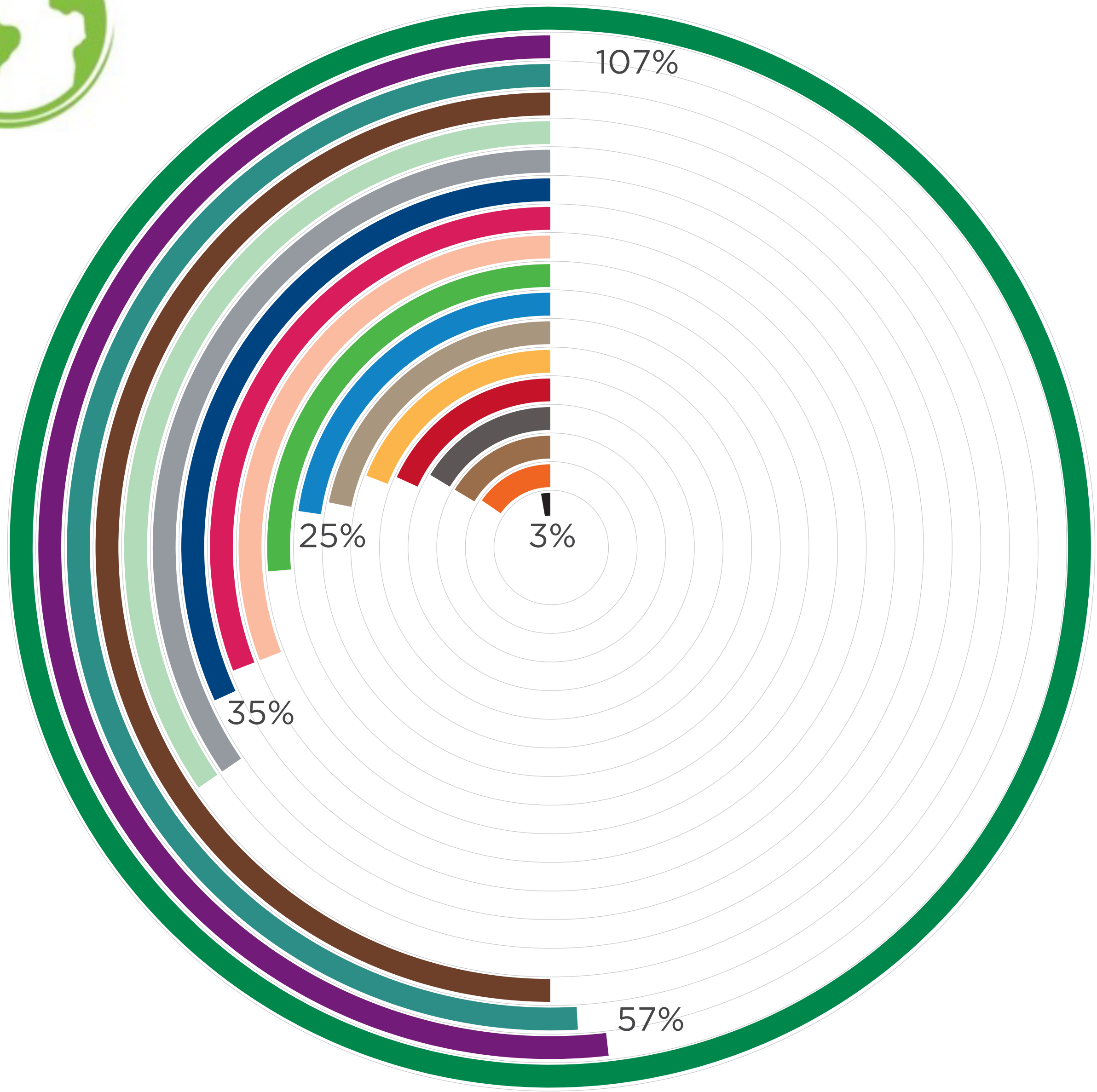
Sixty percent of operators believe that production and operating costs will go down by the end of 2023, mostly for packaging (fibre board) and ocean freight. The other respondents believes that costs will continue to rise, and especially the costs of labour, utilities and raw materials.

- **Utilities (telephone, internet)** 9 percent
- **Storage** 10 percent
- **Audits/ accounting/ management costs** 10 percent
- **Machinery and equipment** 12 percent
- **Rents (land/ buildings)** 12 percent
- **Seeds** 13 percent
- **Cardboard** 14 percent
- **Shipping** 14 percent
- **Electricity** 15 percent
- **Labour** 15 percent
- **Building costs** 18 percent
- **Crop protection products** 19 percent
- **Plant material** 19 percent
- **Water** 20 percent
- **Pallets** 22 percent
- **Fuel/gas** 25 percent
- **Fertilizers** 28 percent

AEBE Afruibana AUSVEG COLEAD CPMA INTERNATIONAL FRESH PRODUCE ASSOCIATION freshfel FRUIT & VEGETABLE GROWERS OF CANADA SHAFFE United Fresh New Zealand Incorporated

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



Australia

Respondents unanimously agree that nearly all production and operating costs have gone up, by 37 percent on average

Over 70 percent of respondents indicate that their average selling price has gone up over the past two years (by 12 percent on average); about one third of respondents state that their average selling price has gone up (by 25 percent on average). However, all respondents argue any rises in selling prices have not been sufficient to compensate rising production and operating costs. Operators have been unable to command higher prices for various reasons. The most cited reason is lack of bargaining power vis-à-vis retailers, who are unwilling to pay more and expect growers to increase the efficiency of their production. Variable, and sometimes extreme weather conditions across the country, have resulted in dramatic fluctuations in price and availability over the past 12 months.

Fourteen percent of operators indicate that most sales are made at a loss; 43 percent are mostly breaking even and 43 percent are mostly selling at a profit. Half of all respondents state that their sales margin has gone up in comparison to 2019 (by 10 percent on average); the other half indicate that their sales margin has gone down (by 14 percent on average).

A large majority of respondents (83 percent) agree that rising production and operating costs have impacted their investments, of all types: mostly capital investments, but also investments in equipment, innovation and expansion. Operators have been forced to adopt more efficient production methods, find cheaper suppliers or find ways to reduce shipping costs (e.g. by rearranging pallets).

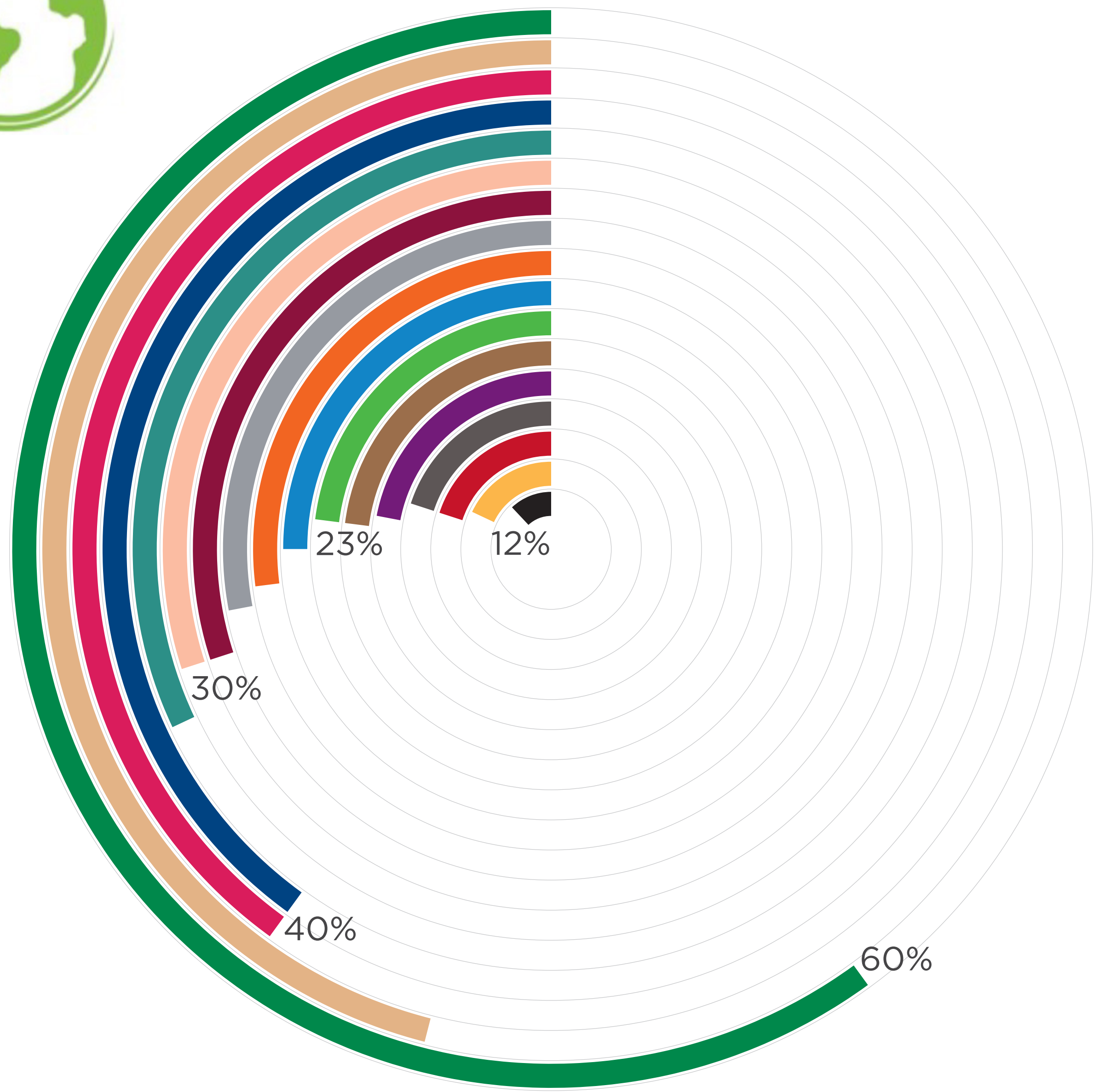
None of the respondents have received support from the Australian Government to compensate rising production and operating costs.

Nearly all respondents (87 percent) do not expect production and operating costs to go down before the end of 2023, largely due to inflation. However, respondents do indicate that certain costs (of sea- and airfreight, and fertilizers) are slowly coming down from record highs due to the Covid crisis.

- **Machinery and equipment** 3 percent
- **Labour** 17 percent
- **Pallets** 18 percent
- **Utilities (telephone, internet)** 18 percent
- **Audits/ accounting/ management costs** 20 percent
- **Storage** 21 percent
- **Cardboard** 24 percent
- **Water** 25 percent
- **Plant material** 29 percent
- **Seeds** 34 percent
- **Crop protection products** 34 percent
- **Shipping** 35 percent
- **Electricity** 38 percent
- **Other (e.g. insurance, small items)** 38 percent
- **Building costs** 55 percent
- **Fuel/gas** 56 percent
- **Packaging** 57 percent
- **Fertilizers** 107 percent

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

PRELIMINARY CONCLUSIONS



New Zealand

Fifty percent of respondents in New Zealand indicated that they are breaking even with twenty-five precent selling at a lose. This driven by a challenge to pass on the full impact of cost within their operations. Respondents reported their selling price increased by 13%. Operators have been unable to command higher prices due to lack of bargaining power.

Respondents reported that their profit margin is down by 1% on average in New Zealand.

It was reported that rising production and operating costs impacted their investments. Most respondents reported that equipment investments were affected most while capital investments, innovation and expansion plans were also impacted.

Seventy five percent of respondents in New Zealand do not expect production and operating costs to go down before the end of 2023 due to inflation. However, respondents indicate that certain costs (of sea- and airfreight, and fertilizers) are slowly coming down from record highs due to the Covid crisis.

Machinery & Equipment
12 percent

Storage
18 percent

Audits
20 percent

Utilities
20 percent

Packaging
22 percent

Palettes
23 percent

Plant material
23 percent

Water
25 percent

Labour
27 percent

Electricity
28 percent

Construction
30 percent

Seeds
30 percent

Fuel/gas
32 percent

Shipping
40 percent

Crop protection
40 percent

Land/Building
46 percent

Fertilizer
60 percent

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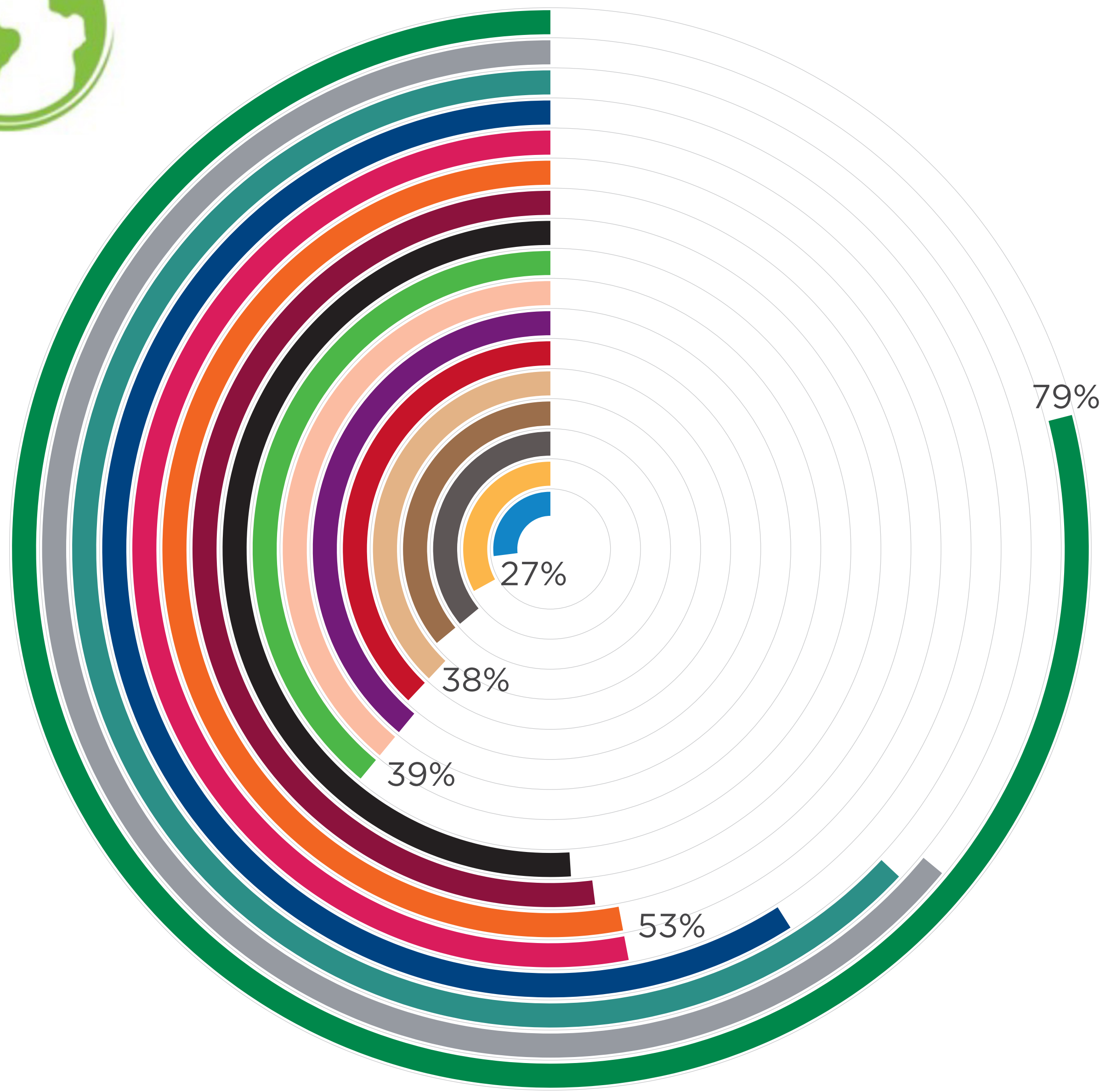
PRELIMINARY CONCLUSIONS



Africa Perspective

(Ghana, Kenya, Nigeria, South Africa, Tanzania, Togo, Zimbabwe, Uganda)

A modest majority of respondents indicate that the average selling price increased 27% in Africa. Those who reported a decrease in selling price indicated it declined by 22%. However, almost two-thirds of African respondents indicate that their selling prices have not kept pace with rising operating costs. It appears producers are unable command higher prices due to a lack of bargaining power. 75% of the industry is selling either at a loss or at break even.

While producers in Nigeria, Kenya, and Tanzania increased profit margins by an average of 11%, producers in Ghana, Nigeria, South Africa, Togo, Zimbabwe and Uganda decreased profit margins by an average of 11%.

Reduced spending due to cashflow issues caused most respondents to post pone expansion and operational investments. Investment in equipment was impacted for 42% of respondents. Innovation remains a priority with only 25% of respondents indicating a reduction in investment in this area.

There has been no government support in the region.

Approximately 20% of respondents believe the effects of rising costs will lessen the buy end of 2023. Some producers have noted that costs are beginning to slightly decline however most are pessimistic due to inflation, prices don't usually go down, and events such as the Russian War in the Ukraine.

- **Water** 27 percent
- **Storage** 33 percent
- **Utilities** 36 percent
- **Palettes** 36 percent
- **Land/Building** 38 percent
- **Audits** 38 percent
- **Packaging** 39 percent
- **Seeds** 39 percent
- **Plant material** 39 percent
- **Machinery & Equipment** 51 percent
- **Construction** 52 percent
- **Labour** 53 percent
- **Crop protection** 53 percent
- **Shipping** 59 percent
- **Fuel/gas** 63 percent
- **Electricity** 64 percent
- **Fertilizer** 79 percent

AEBE Afruibana AUSVEG COLEAD CPMA International Fresh Produce Association freshfel Fruit & Vegetable Growers of Canada SHAFFE United Fresh New Zealand Incorporated

SURVEY INTO COSTS AND PRICES FOR FRESH PRODUCE OPERATORS

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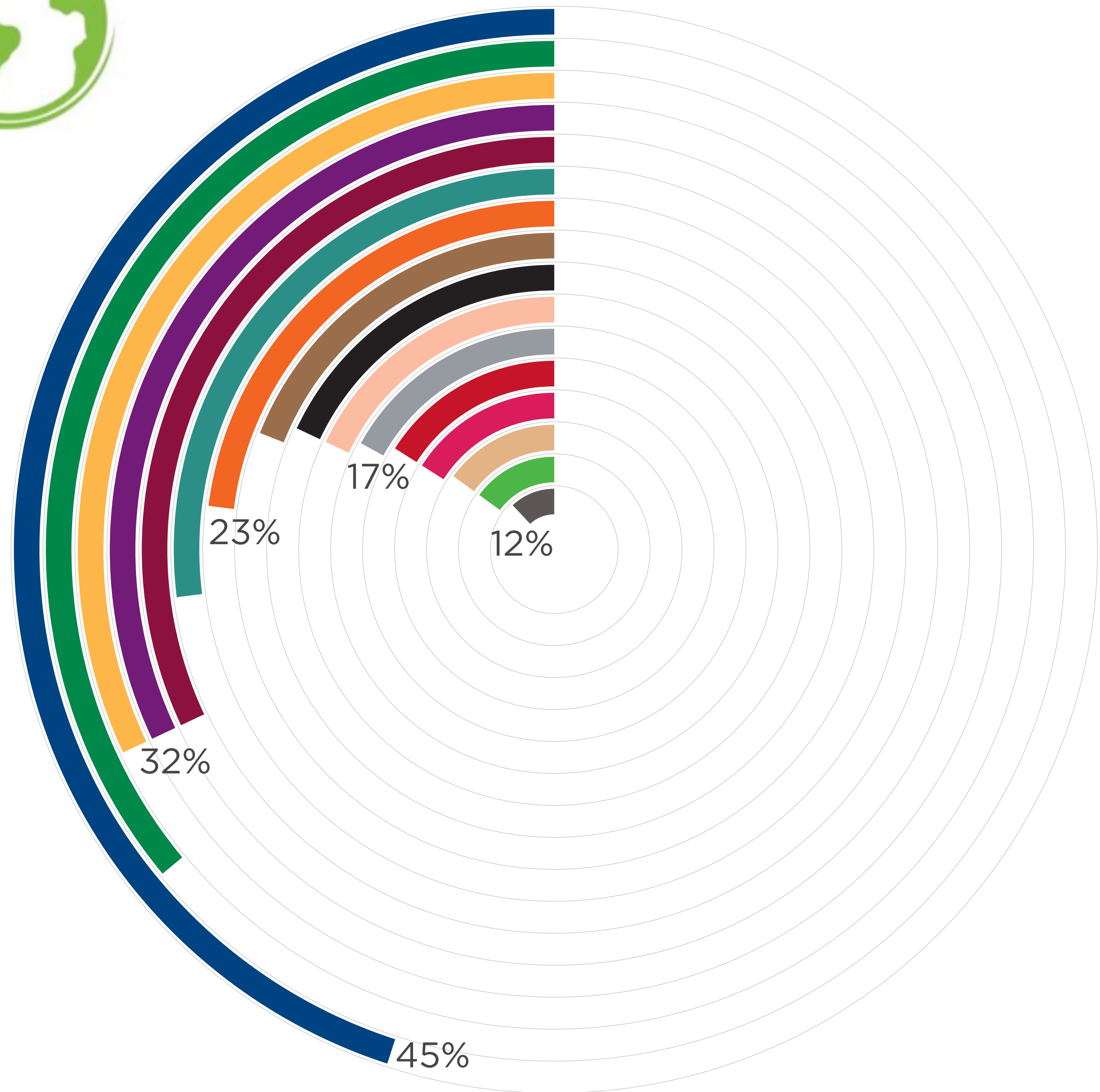

South America

Eighty five percent of respondents in South America indicated their average selling prices went up by 13%. However, 70% of respondents reported that the rise in selling prices did not keep pace with the rise in production and operating costs. Producers cite a lack of bargaining power with retailers. Forty-four percent of South American producers are selling at a loss or breaking even which is a smaller percentage than other regions in the world.

Thirty percent of producers in South America are investing in their businesses while 70% report that rising production and operating costs impacted their ability to invest in their business. Over 40% report reduced investments in equipment and expansion. About 30% report reductions in capital investments and innovation. 75% of respondents are changing their strategies due to higher costs. Producers are looking for efficiencies and re-examining markets and suppliers.

Only one producer in the Colombia reported receiving assistance from the government.

Eighty percent of the South American industry appears to believe the effects of rising costs will lessen by the end of 2023. The industry is citing lower shipping costs.

- **Utilities** 12 percent
- **Plant material** 15 percent
- **Land/Building** 15 percent
- **Crop protection** 16 percent
- **Audits** 16 percent
- **Electricity** 17 percent
- **Seeds** 18 percent
- **Machinery & Equipment** 18 percent
- **Palettes** 19 percent
- **Labour** 23 percent
- **Fuel/gas** 27 percent
- **Construction** 32 percent
- **Packaging** 32 percent
- **Storage** 32 percent
- **Fertilizer** 36 percent
- **Shipping** 45 percent

** On average producers are reporting a 3% profit margin, with Chile reporting a -10% profit margin and Peru reporting an -3% profit margin.*