



Associazione Industriali delle Carni - ASS.I.CA.

Milanofiori
Strada 4 - Palazzo Q8
20089 Rozzano (MI)
Tel. (02) 892590.1 - Fax (02) 57510607
Web: www.assica.it - E-Mail: assica@assica.it

Tome Office
Viale Pasteur, 10
00144 Roma
Tel. (06) 5915041 - Fax (06) 5915044

Brussels Office
Avenue de la Joyeuse Entrée, 1
B-1040 Bruxelles
Tel +32 2 28 61 223 - Fax +32 2 230 63 36
assica.bruxelles@skynet.be

The Director

Dott.ssa Georgette LALIS
European Commission – DG ENT
Director “Consumer goods”
Rue de la Loi, 200
B – 1049 Bruxelles

Dott. Michel COOMANS
European Commission – DG ENT
Head of Unit “Food industry”
Rue de la Loi, 200
B – 1049 Bruxelles

Prot. 230/GG/ar

Brussels, 8th May 2008

Re: PRIORITIES for the re-launch of the competitiveness of the European agrofood industry.

Dear Ms. Lalis,

Following the SHERPA Group’s first meeting in Brussels on 21st April 2008 and in line with the Enterprise and Industry Directorate General’s “*Issues paper – SH.004*”, our Association wishes to draw your attention to a short list of its priorities:

ROLE OF SUPPLIERS AND THE RETAIL SECTOR AND RELATIONS WITH CONSUMERS

One of the external factors affecting the competitiveness of the European food industry, and in particular SMEs, is the relationship with large-scale retail. As is well known, the great unbalance in the ratio of forces between the small number of buyers and the galaxy of producing companies makes the industry economically dependent on retail. The key issues relate to:

☞ **The dominant position of large-scale retail.** In recent years there has been a gradual downstream shift of the **value chain**: retail currently withholds about 50% of the value of a food good. This takes place without large-scale retail passing on to consumers the huge advantages acquired from its suppliers, as is clearly demonstrated by the production and consumption price patterns that characterised Italy’s foods industry between 1995 and 2007, i.e. the period in which large-scale retail developed: production price (net)=+19.9%, consumption price =+25.2%, inflation=+30.0%.

We therefore believe that it is essential to adopt **European framework regulations** on the **contractual relationships between industry and retail** as, given the ratios of force between the producing companies and the large-scale retail sector, it is improbable that trading unbalance will find a suitable solution through free negotiations between the parties.

☞ **Private labels and their commercial development.** Private Labels are an **extremely strategic problem** that undermines the very existence of agrofoods companies.

The absence of the producing company’s name on foodstuff packaging is effectively **extremely negative both for the consumer and for the productive system**, because it entails:



Associazione Industriali delle Carni - ASS.I.CA.

- a lack of transparency for the consumer;
- reduced scope of choice for the consumer;
- a belittling and marginalisation of the brands of producing companies;
- the likelihood that producing companies become very easy to replace.

In the case of private labels, large-scale retail is both customer and competitor to industrial companies. Private labels **therefore severely alter competition**: retail sets the final prices of products and the various items, favouring private labels through shelf positioning and by imposing lower prices on suppliers.

We therefore believe it essential for the European Commission to introduce standards that – without prohibiting the sale of goods bearing the retailer’s brand – guarantee the transparency of private label products by **making it compulsory to identify the producer/packer in a clear and visible way**.

- ☞ **Directive 2000/35**. The Directive on late payment has undoubtedly yielded a number of important benefits. However, it would be useful, in the current review process, to seek greater forecast effectiveness and influence, to guarantee the important objectives established by European regulations.

COMMERCIAL POLICY, EXPORTS AND ACCESS TO RAW MATERIALS

- **Veterinary equivalence agreements and EU animal welfare strategies (2007-2013)**. Veterinary equivalence agreements are a technical-healthcare-related issue of great commercial importance. The governments of non-member states are increasingly making instrumental use of veterinary standards. Intervention is required to ensure that the adoption of measures that are disproportionate to the legitimate aim of asset protection **does not become a pretext for introducing trade barriers**.

In order to dampen the negative impact of livestock diseases on the hortative capacity of the European agrofoods industry, it would appear essential to adopt **animal welfare policies that make it possible to overcome any obstacle** – however contrived – **to the penetration of animal products** in non-EU countries.

- **Intellectual property**. The success of a food product generates the economic interest of making it the target of agro-piracy both inside the EU and on an international scale. It is therefore **strategically important to be able to defend such products from phenomena of counterfeit and fraud**, protecting the respective legitimate interests of both consumers and producers.

As regards **geographic designations** in particular, it is important to support the Commission’s initiative of demanding that as regards TRIPS agreements (WTO), EU DOP/IGP acknowledgements be attributed at least the same international protection as enjoyed by wines and alcoholic beverages.

In this sense, for certain DOP and IGP products, it would also be appropriate to **promote the bilateral agreements between the EU and those non-Member States that are the largest importers of DOP/IGP products** (USA, Japan, South America, Switzerland, etc.) and consequently, where the risks of fraud are also highest.

- ☞ **Access to raw materials**.

For small and medium-sized enterprises, which have less access to marketing instruments and have smaller economies of scale, quality productions represent one of the factors of their success. This quality depends on both processing and raw materials. Consequently, the procurement problems they experience, connected also to the production of energy from biofuels, are a key factor for guaranteeing the competitiveness of the food industry.



Associazione Industriali delle Carni - ASS.I.CA.

It is therefore essential that European agrofoods enterprises can access **agricultural raw materials at competitive prices**, for the production of both processed food and animal feed.

Moreover, for those raw materials that are not adequately available on the domestic market (in both a qualitative and quantitative sense), there is the problem of importation tariff barriers, which are likely to generate inefficient agricultural sectors with the consequence, in a global market, of causing a general loss in competitiveness of European Industry over its international competitors, with both economic and employment repercussions.

PROMOTION; INNOVATION AND EDUCATION

We are convinced that the promotion of the qualitative characteristics and the consumption of the typical products of the European agrofoods industry must always be taken into consideration by the competent EU Institutions, through a **unitary policy that prevents resource wasting and initiative fragmentation**. This need for investments in advertising is particularly essential in those sectors whose production is quality-oriented and that therefore have to invest in promotion to diffuse the awareness and image of their products both on the domestic and external markets. This is all the more important when the productive fabric is constituted by small and medium-sized enterprises, which have greater economic and organisational difficulties, as well as weaker corporate brands.

Moreover, under the influence of policies connected to the prevention of disease through the promotion of healthy lifestyles, consumers are becoming increasingly sensitive to dietary issues: in order to be competitive, agrofoods SMEs consequently need their products to be both tasty and wholesome as well as having a nutritional profile suited to the requirements of modern consumers. To obtain this objective, given the SMEs' difficulties in investing the sums needed to innovate products and processes, it is essential to promote **precompetitive research** through public and consortium institutions that are able to transfer the results of research to the greatest number of companies. At the same time, it is fundamental to favour the **education of entrepreneurs**, to allow them to understand the scale of the changes in progress and the consequent need for innovation and to take advantage of the opportunities offered by research results.

FOOD LEGISLATION

☞ **Origin labelling.**

The European Commission has always held that the **origin of a processed product is the site in which production/processing primarily takes place** before it is released on the market, rather than the place of origin of the raw material used.

It goes without say that if the product's origin is the same as that of the agricultural raw material, all the added value that the industry, through its recipes, tradition and innovative capacity brings to the processed product is eliminated.

However, pressure is mounting for compulsory specification of the origin of the raw material used on food product labelling, **in an attempt to focus consumer choices on the geographical origin of the raw material** (which can be national or even regional).

This architected contrivance is an attempt to get around the principle that links the origin to the place of processing, **trying to obtain improper competitive advantages** by undermining the basic principles of the Common Market.



Associazione Industriali delle Carni - ASS.I.CA.

☞ **Principle of coregulation between the EU and member states**

There is great concern over the EU Institutions' tendency to increase the intervention of **national regulations**, including through the **introduction of the concept of coregulation between the EU and member states**. This is taking place in the review of the labelling directive, in some health-related regulations and in the amendment of the regulations that govern the designation of origin.

Intervention regarding important sectors such as the common market, free circulation of goods and equal competitive conditions between players in the various EU member states cannot be effectively realised by the same rather, precisely on account of the dimensions and effects of the action, which on a national level can be influenced by social and political motivations rather than more general considerations, **EU Institutions must play a compulsory role**.

☞ **Livestock feed: Processed animal proteins.**

Although we recognise that food safety is a fundamental and unavoidable matter, in that it is a prerequisite for access to the market, we are convinced that EU legislation on livestock feed needs to evolve **to allow full, correct use of processed animal proteins**¹.

The aim is to review – **according to the concordant opinions of the European Economic and Social Committee**² (2006) **and of the EFSA**³, - the ban on feeding livestock with transformed proteins⁴.

The 'feedban' greatly penalises the industry on account of

- **higher management costs** (disposal costs). In the past, by-products of animal origin had a commercial value, whereas producers now incur costs for their disposal;
- **increase in raw material costs**: The animal proteins forming the subject of the ban have to be replaced with other more expensive materials;
- **problems connected to the quality of the meat/products**: as is known, in order to obtain good quality products, livestock must be fed the right combination of animal and plant proteins. Altering this balance affects the quality of the end product.

☞ **Management of the economic effects of health scares through insurance systems.**

End product safety is the responsibility of all supply chain players, however, all too often, **the processing industry is penalised by problems occurring upstream of the food chain**: in all the various recent scares, processing companies have been victims as having purchased raw materials intended for processing in full respect of national and European health regulations.

In the events of a scare, whereas the raw materials have been paid for, the products are unsold.

For those producers effectively involved, this takes place on account of the precautionary measures implemented by the same companies and health authorities.

However, the experience of recent years has shown that those manufacturers who are not directly involved, suffer hefty losses due to excessive media exposure that creates psychoses even when, as in the case of the recent bird 'flu scare, there is no real risk. These losses are particularly severe for those companies that produce goods with a lengthy processing and/or seasoning process, such as raw ham, as the losses can involve the whole production.

¹ This issue is governed by Regulation 1774/2002/CE

² Opinion of the European Economic and Social Committee on the issue of Disposal of animal carcasses and use of animal by-products (2006/C 318/18).

³ Opinion of the group of scientific experts on biological hazards – Aspects concerning the administration of animal proteins to livestock - EFSA-Q-2007-084 17 October 2007

⁴ The feedban is still in force in the EU, pursuant to Regulation 999/2001/Ce containing provisions for the prevention, control and eradication of contagious spongiform encephalopathies. As no expiry has been established for this ban, it formally has an indefinite duration yet at the same time it is transient and subject to constant review.



Associazione Industriali delle Carni - ASS.I.CA.

In any case, the value of the production is greatly reduced. **This kind of situation can lead processing companies into bankruptcy.**

Therefore, given the surprising reoccurrence of this kind of incident, we do not consider the serious and efficacious livestock feed reform currently being implemented by the European Commission, with the declared aim of guaranteeing both the subsequent stages of the supply chain and the consumer, to be adequate. We are convinced that it is necessary or, at the very least would be **appropriate to establish an insurance system in favour of the players penalised by problems that are not the consequence of their actions.**

Thank you in advance for your kind attention. Should you require any further information or clarification, please do not hesitate to contact us.

Yours sincerely,

The Director
Mr. Gianni Gorreri