

SPEECH FOR VICE PRESIDENT GÜNTER VERHEUGEN
**HIGH LEVEL GROUP ON THE COMPETITIVENESS OF THE AGRO-
FOOD INDUSTRY**
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SPEECH

Ladies and Gentlemen, Dear colleagues,

It is my great pleasure to welcome you here in Brussels for the opening session of the works of the **High Level Group on the Competitiveness of the European Agro-Food Industry**.

- Food is without doubt of great importance for all the society. One has just to glance at the worldwide front pages to notice how the increase of food prices and access to raw material are becoming more and more critical every day. The challenge above all is to bring into the market affordable healthy food for the consumers, achieving at the same time equitable returns throughout the whole supply chain. Efforts should be directed to solving this equation keeping the European agro-food industry both viable and world leading.

- Three years ago, I made the decision to examine in depth the competitiveness of the agro-food industry. With this in mind, I undertook informal consultations and studies.
- I came to the conclusion that this huge and composite industrial and economic entity has done well at Community level and, continues to constitute a flourishing domain of which we all can be proud. The European agro-food industry consists of 280 000 companies, more than 90% of which are SMEs and contributes greatly to the sector providing jobs for 4 million people. In fact, when we speak about processed food and drinks, it is the largest exporter as well as importer with a positive trade balance. Nevertheless, in spite of its leading status in terms of manufacturing, of value added and of job creation at Community level, **the competitiveness of this sector is now a matter of concern to me.**
- Our world is changing rapidly and there are tremendous challenges that we need to face. The European agro-food industry is competitive but according to the latest indicators we might be left behind in the future with respect to our worldwide competitors. So, we have to react in order to preserve our leading position.

- The European food sector is one of the most regulated sectors in the EU and up to now the activities of the EC have been basically targeted to the protection of consumers. For this reason, it is time to make a more holistic analysis of the situation in order to achieve a more integrated and coherent approach to the several existing policies related to this industry.
- On this **regulatory side**, a mandatory regulatory framework is required to provide a stable environment for the economic actors to play and to ensure the necessary protection for the consumer. Apart from this, I believe that similarly to other sectors where the Commission has announced ambitious programs for the reduction of the administrative burden, this can also be made possible for the food industry. The challenge is to examine how this goal can be accomplished. To this direction, I propose that the Sherpa work on this objective and address any relevant issues such as possible redundancies or the existence of double tests. Imagine the benefits, if we could make it possible to reduce the administrative burden by 30%!
- Besides the regulatory issues, the agro-food industry is facing today the substantial **increase of prices** and the poor **availability of raw materials**. The agro-food market is volatile at the time being and –

- the problems regarding the supply of raw materials,
- high energy prices and
- increasing demand from emerging economies such as
China and India

are among the factors that are making food less and less affordable for people with a low-income. This is true for many of the third countries, but we should never forget that it is also true within Europe. The challenge both for the politicians and the stakeholders is to find ways to overcome this situation. The Commission is already taking a series of initiatives to that direction.

- In this context, my colleague Ms. Fischer Boel in charge of the agriculture policy proposed a set of measures such as:
 - the elimination of the set aside regime,
 - the increase of milk quotas and
 - the suspension of import duties for the cereal sector.

As for **biofuels**, we are now at the process of evaluating their impact on the availability of raw materials and on food prices. For the time-being the EU policy has had little impact on the global crisis as only 1-2% of our production is directed to their usage.

- We need to continue monitoring the situation on prices and in a long-time perspective, to look further along the supply chain,

from farm to fork. In addition, we have to examine whether there are barriers or any other obstacles to the entrance of **SMEs**. The main aim to keep in mind is to achieve **transparency**, as well as to strengthen the relationships between the different levels of this chain. In this way, it is possible to contribute to the **stabilization** of the agro-food market both for consumers and for suppliers.

- From the consumer side, there is an intensive demand not only for safe food at affordable prices but also for **high quality food**. Promoting the production of these high-quality commodities while ensuring the continuity of the industry's traditional excellence is a difficult task. But really, the reward is worth the effort! In addition, modern consumers have deep **health concerns** and are more aware of the key part played by food in achieving a healthier lifestyle. In short, food must be safe and must be seen to be safe to win consumers trust.
- Modern consumers are also seeking **tasty and diversified foods**. Therefore, the food industry has to manage a contradiction between more and more uniform and at same time traditional food and the growing appetite for diversified new products. As a consequence, to remain leader, the industry has **to innovate** and to this end, there is an urgent need to increase research and development activity. The key objective should be investment on

opening new markets, introducing new products and inventing new processes to maintain a high degree of efficiency in the processing chain. At the end of the day, the final aim is to find a place on the shelves.

- I am convinced that this industry has the right cards and very capable players. *The EU agro-food industry is a powerful sector driven by thousands of highly innovative and dynamic small enterprises. Nevertheless, it needs only to take up the challenge of adapting to the new and demanding conditions so as to ensure continuity of its traditional excellence in manufacturing food products of ever higher quality. It is our commitment to identify and highlight the areas which need work and to propose possible solutions in order to increase the competitiveness of European agro-food industry.* This is the objective of this HLG and the outcome of our work will be reflected by next spring in a report with the various recommendations.
- I wish us all a fruitful exchange which I hope will lead to the emergence of operative ideas, seeking to enhance and promote the leadership of the European agro-food industry.

Thank you.