

High Level Group on the Competitiveness of the Agro-Food Industry

Report on the Competitiveness of the European Agro-Food Industry

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**European Commission
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1. Introduction

As a follow-up to the study: "**Competitiveness of the European Food Industry. An economic and legal assessment**"¹ and the conference: "**Promoting the leadership of the Agro-Food Industry**" held in November 2007, the **High Level Group (HLG) on the Competitiveness of the Agro-Food Industry** was set up by Commission Decision of 28 April 2008 (2008/359/EC) and launched officially on the 12 June 2008 by Vice-President Verheugen. The scope of the High Level Group, and consequently of the current Report is the whole agro-food industry². The formal objective of the exercise was to **identify** the factors, future challenges and trends that can influence the competitive position of the European Agro-Food Industry as well as **to formulate recommendations for actions over the short, medium and long term in public policy and the regulatory framework which would enhance the sustainable development and competitive position of the sector**. In this respect, the following areas of interest were addressed during the HLG discussions:

- **Agricultural and Environmental Policy**
- **The Internal Market for Food**
- **The Operation of the Food Chain**
- **Research and Innovation**
- **Trade and Exports**

The HLG Members sought to establish an **integrated approach** to their task that would encompass all relevant existing policy areas having an impact on either the supply or demand side of the industry (from farm to fork), taking into account the vision of the respective HLG members for the future of the sector. In the course of their work, the Group has examined ways to reduce costs, where possible, and to enhance the growth and efficiency of the whole food supply chain, from the primary sector to the retail sector, whilst securing sustainable, safe and diversified products at affordable prices for the consumer. The Group's recommendations are consistent with ensuring the enforcement of the better regulation principle; the need for fair participation in world markets; social and economic cohesion concerns; and the need for technology transfer to stimulate innovation. Small and medium

¹ http://ec.europa.eu/enterprise/food/competitiveness_study.pdf

² Any reference to 'food industry' in this Report should be read as the 'whole industry – from farm to fork'. Any reference in this Report to 'agro-food' industry concerns the manufacturing/processing of raw agricultural products. Any reference in this Report to 'retail sector' concerns only the retail services linked to food products.

sized enterprises were placed at the heart of the discussions at all stages of the deliberation process.

The result of the work so far is a **roadmap** that identifies the measures and the actions to be taken in the coming years by the European institutions, the Member States and the relevant stakeholders. Although primary responsibility for the competitiveness and sustainable development of the industry lies with the food and drink companies operating in the sector, the HLG hopes that the recommendations provided in the context of this exercise will be translated into **concrete actions** which can help companies to achieve their objectives and further increase public-private cooperation.

The creation of the **HLG** symbolises the European Commission's commitment to setting out a "forward looking" approach for the industry while addressing the challenges and opportunities that it currently faces. The aim of the HLG is to promote the competitive position of this key EU industry in global markets whilst ensuring that its recommendations are in line with the Lisbon strategy in facilitating job creation and securing sustainable economic growth. It is an attempt to follow an **holistic approach** across all the policy and regulatory areas that impinge on the industry.

The initiative was launched at the moment in 2008 when Europe and indeed the entire developed world was hit by the global financial crisis which brought with it the credit squeeze, a fall in house prices and tumbling stock markets which together produced a slump in consumer confidence, consumption and investment. The European agro-food industry has not escaped the shock: economic growth has slowed sharply and unemployment has increased in many countries for the first time in several years. Even if the effects of the financial crisis did not have as significant an impact on the agro-food industry, as it has in other industries such as the automotive and financial services industries, this sector is also impacted by this economic crisis.

Indeed the European food industry is now facing a fundamentally different "playing field" than it faced a decade ago. In this context, the achievement of the EU internal market and the evolution of EU food legislation are also relevant. In addition, increased international trade in food and beverages, and cross-border mobility of investment have resulted in significant changes to traditional markets and trading patterns.

It has become clear that an essential prerequisite for future growth and competitiveness in the European agro-food industry is the preparedness of the authorities and industry to **address the impact of globalisation** and to face these challenges and take advantage of the opportunities offered by globalisation. European policies and regulations, in relation to the food supply chain, should acknowledge that the European agro-food industry operates within a global network of commodities, distribution channels and mobile investment.

The agro-food industry currently represents 2% of Europe's GDP and 13.5% of total employment in the EU's manufacturing sector. It consists of approximately 310.000 enterprises (some of which are global leaders), and contributes greatly to providing consumers with a diversity of safe and healthy products which meet their needs. However, at this point in time, **the entire European food supply chain has entered a period of structural adjustment**. Consumer preferences are changing as a result of income and lifestyles developments as well as shifts in population structures and lifestyles. Customer concerns about prices, food safety and health have also imposed stringent though understandable, requirements on companies operating in the sector. Moreover low levels of labour productivity, reflecting an underlying problem of insufficient investment in research and innovation, poses a particular challenge for the sector. At the same time on-going consolidation in the food supply chain in favour of retailers has shifted the power relationships between the different players. In the global context, the liberalisation of trade, as well as the growing prosperity of a number of emerging economies, have provided new market opportunities. On the other hand, the financial crisis and rapid fluctuations in the price of raw materials create significant trading uncertainties for many food and drink companies, in particular SMEs. In addition there is the wider context in which an evolving market situation, driven by exciting new technological developments in areas such as Information and Communication Technologies (ICT) and biotechnology, presents new challenges and opportunities.

It is also clear that the completion of the **Internal Market** has brought with it huge opportunities for the food supply chain. Since its creation, it has enabled the food industry to develop considerably by providing access to 500 million consumers who enjoy a wide range of products at affordable prices originating in all Member States. It continues to play a fundamental role in satisfying the needs of consumers and contributes an annual production of more than €600 billion to the EU economy.

Furthermore, harmonised EU food legislation continues to contribute to food safety, consumer confidence, and indeed to the competitiveness of the food industry across the European Union.

Given the need to protect and nourish the future competitiveness of the sector, a **targeted initiative** was deemed essential in order to address the many challenges that the industry clearly faces, particularly in view of the large proportion of SMEs in the sector. This is the background against which the work of the **HLG on the Competitiveness of the Agro-Food Industry** should be seen.

2. Key Facts of the Food Supply Chain

The food supply chain is complex. It is composed of a diverse range of companies operating in different markets and selling varied food products to meet the tastes and demands of different customers. The food supply chain connects three economically important sectors namely the agricultural sector, the food processing industry and the distribution sector (wholesale and retail).

The European food supply chain plays a substantial role in the European economy. It operates in a highly competitive environment and its overall production value is higher than in benchmark countries, such as US, Australia or Canada.

§ **A changing primary sector:** The first sector considered in the food supply chain is the now changing agricultural sector, whose activities include crop production and the raising of livestock. In contrast to the past, some farms are gradually developing into larger entities taking-on the characteristics of small companies. Agricultural holdings are in fact an important socio-economic reality in the EU countries. There are 15 million holdings (of which 2.5 million account for more than 80% of the production in EU-27), accounting for 6% of employment and having a turnover of more than €327 million. The majority of these agricultural holdings are small units, which tend to strengthen their position through mergers, acquisitions and cooperation agreements in order to compete on global markets now characterised by rapid changes in technology and consumer habits, as well as by increasing levels of consolidation in the retail sector.

§ **An diverse food processing sector:** The food industry comprises numerous, varied activities, which include refining (sugar), milling (cereals), cleaning, cutting or drying (fruits and vegetables) and butchering (livestock). It consists of approximately 310.000 companies not only operating at local and regional level but also on the world market. A wide range of products is thus offered by a large number of small and medium sized enterprises, and by a limited number of famous world leading companies, many of which are EU based. The former exploit the economies of scope that arise from the cultural differences among the regions to generate 48.5% of the total turnover and 63% of the employment of the food and beverages industry. On the other hand, larger companies account for only 0.9% of all food and drink companies, but they provide 51.5% of the turnover, 52.9% of the added value and contribute to 37% of the employment. Therefore, large companies account by far for the largest share of turnover and employment.³

Agricultural cooperatives are an important socio-economic reality in the EU countries. There exist 26.000 cooperative companies which employ almost 700.000 workers and have a turnover of more than 250 billion Euros, a figure that equates to more than 50% of the production, transformation and commercialisation of agrarian products. The majority members of these cooperatives are small companies, and therefore aim at strengthening their position through fusions, acquisitions and cooperation agreements to be able to compete in the global markets characterised by rapid changes in technology and consumer habits, as well as by increasing consolidation in the distribution channels.

To have an overall image of the sector, it is important to mention that the European Agro-Food industry consists of several food processing subsectors, each possessing particular characteristics. A list of these subsectors along with their percentage of total turnover can be found in the following table:

Subsector	% of total turnover
Meat	22%
Fish and Seafood	3%
Processed Fruits and Vegetables	7%
Oils and Fats	5%
Dairy Products	15%

³ Competitiveness of the European Food Industry: An economic and legal assessment. LEI, 2007.

Grain based, Starch and further processed products	16%
Beverage Industry	16%
Sugar and sugar based products	8%
Balance	8%

Table 1: % of subsector on the overall turnover

§ **A major contributor to added value:** The three main sectors making up the food supply chain jointly account for 6% of EU added value⁴. The food and beverages industry makes up 1.7%, while the wholesale and retail sectors account for 3.8% and 4.5% respectively of EU added value. The food supply chain interacts with other parts of the European economy while its importance is further enhanced by linkages within domestic and international markets.

§ **A diverse distribution sector focused more on the needs of the consumer than on the needs of industry:** The distribution sector, in particular retail, is the principal outlet for food products, and being the final link in the supply chain, interacts directly with the final consumers.

Consumption plays an increasing role in European economic growth. In order to bring the right product to the right place at the right time, companies have developed efficient distribution systems. This requires the free movement of goods and services across borders, stimulates innovation by connecting customers faster and more directly with producers and gives consumers access to an unprecedented range of products. Nevertheless, when offering the best possible value to consumers competition is fierce. This, in turn, helps to keep inflation low, in spite of price pressures on raw materials and energy products. On the other hand, however it also creates considerable pressure for food suppliers.

Retailers are an important link between the agro-food industry and consumers. Developments in the distribution sector define the business environment for the food supply chain providing both opportunities and threats. Two different developments can be observed: the number of wholesalers has increased while the number of agro-food industry enterprises and retailers has decreased.

⁴ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, "Food prices in Europe", COM (2008) 821/4.

The retail sector is increasingly characterised by large food retailers and cross-border retail chains. Following a period of consolidation, the current degree of concentration in the EU food retail sector seems relatively high: in most Member States the five largest retailers' chains account for over 50% of the market⁵. The degree of concentration is higher in the old Member States, but the consolidation is more pronounced in the new Member States. In many of the old Member States this consolidation has been accompanied by a switch from smaller to larger store formats and an overall reduction in the number of stores. In contrast the number of individual stores in most new Member States has increased. In all Member States with the exception of Sweden food retail space has increased as has the number of large retail stores (i.e. hypermarkets, supermarkets and discounters).

There are trends towards concentration in both the food processing and retail sectors, although consolidation in the retail sector is outpacing that of food processors.⁶

§ **A leading employer:** The food supply chain accounts for 12% of EU employment. The European agro-food and beverages industry employs around 4.3 million persons, accounting for 1.7% of total employment in the EU in 2007. The European distribution sectors employ over 26 million people or 13% of total EU employment, with the wholesale trade sector accounting for 4.4% and the retail sector 8.5% of total employment. More than a third of them (3% of all employees) are active in the food retail sector. Nevertheless, labour productivity in the whole sector is considerably lower than in other EU industries.

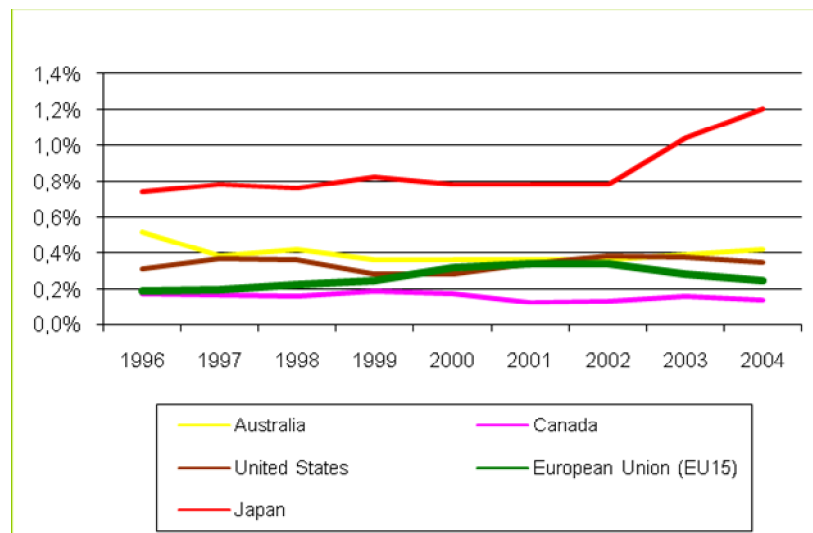
§ **A significant contributor to trade:** Europe is the largest exporter as well as importer of food and drink products, with a positive trade balance (€3.7 billion in 2006⁷) excluding intra-community trade. France and the Netherlands are the largest EU exporters, while the UK, Germany, Italy and Spain are the largest importers. As regards the export prices, EU and selected Member States have prices above the world average, a fact that may indicate a relatively high added value, as well as possibly more expensive raw materials in some cases. The USA remains the main market for EU products.

⁵ "The functioning of the food supply chain and its effects on food prices", SEC(2008)2972.

⁶ Competitiveness of the European Food Industry: An economic and legal assessment. LEI, 2007.

⁷ Data & Trends of the European Food and Drink Industry 2007, CIAA

§ **A need to improve R&D efforts:** The research and development of innovative products and production processes are important for the entire food supply chain and aim at satisfying the ongoing changes in consumer preferences while ensuring product diversification. Furthermore R&D also increases both the efficiency and productivity of the sector through technological progress. Nevertheless the level of R&D investments at 0.24% of the total output of EU15 in 2003⁸, is considered to be low and there are clearly further opportunities to be exploited.



Source: OECD main Science and Technology Indicators, 2005

**Figure 1: Business expenditure on R&D by food and drink companies in various countries
(% of industry output)**

3. Major Concerns, Trends and Vision for the future

Major Trends-Major Concerns

In the European Union, the food industry is an important economic sector and is characterised by a considerable diversity of firms and products. Small and medium-sized enterprise (SMEs) play an important role in addition to a relatively small number of very large, often globally operating, companies. On the one hand, the food sector is relatively traditional, while on the other hand it implements advanced technologies. The competitive strength of the food industry is affected by intensifying **trends** of globalisation, a broad spectrum of EU regulations and policies and international trade negotiations. Consumer concerns regarding food safety and health have set high standards for the industry, whereas Lisbon and Göteborg

⁸ Ibid.

Agendas call for a highly dynamic, competitive and environmentally sustainable European economy.

Moreover, the food sector is experiencing a period of structural adjustment. Consumer preferences are having an increasing impact on the industry as a result of income developments, shifts in the population structure and new lifestyles. Globalisation, liberalisation of world trade and agricultural markets and new emerging markets (from central and eastern Europe to India and China) are also impacting on the industry. Last but not least, major developments in technology, including information technology and biotechnology have led to new products and new methods of organising the supply chain.

It should be also noted that in the last number of decades, the food sector has contributed greatly to the health and welfare of the European citizens. This has been achieved through increased attention on food safety and on the other hand, based on efficiencies of scale, cheaper transportation and growing international trade. Global supermarket chains have not only responded to new consumer demands, but also have consequently reacted to concentration processes in the processing industry and the development of global brands. Furthermore, over time, farms have developed themselves into larger operations, in some cases even spread over different locations giving them the characteristics of small companies. Thus a transition from local to mass production took place gradually. Nevertheless, the relative balance of market concentration of primary producers, manufacturers, distributors and retailers and the corresponding interests of the consumers continue to be a sensitive and contentious issue.

One of the most important trends is **globalisation** and **structural change**. Globalisation is a very strong phenomenon as it is based on cheap transport, as a result of the fourth industrial revolution, and very cheap information transport and low transaction costs. Mass production and economies of scale are still very strong drivers behind the structural change in the European food supply chain. This helps to catch up with the US industry: the USA has economies of scale in large companies that operate in a large common market. On the other hand, the EU's common market project and the introduction of the Euro helped to bring some of these benefits of economies of scale to Europe, but this also implies structural change.

Another developing trend is **the change in trade patterns**. The European agro-food industry is confronted with an overall decrease of its share in the world market. Emerging economies

and large agricultural exporters, such as Brazil have triggered this by increasingly adding value to their own agricultural raw materials at the expense of food product imports. Moreover, EU exporters face a number of barriers when trying to access third country markets with their products, such as tariffs and non-tariff barriers. Finally, customs procedures often create an extra burden for both exporters and importers who spend a lot of their time coping with administrative requirements, managing paperwork and procedures. A key issue for the European agro-food industry, as expressed by the stakeholders, is the ability to access good quality and competitively priced agricultural raw materials. This is vital not only for the manufacturing industry but also for the consumers they serve. In this context, the **competitiveness of the sector** has recently been questioned.

A further important trend is the change in **consumer preferences**. Food is essential for human survival and at present in a demand driven economy and with increasing consumer awareness, customers are imposing additional requirements on the food industry. The modern **consumer** not only looks for diversified, high-quality and healthy food products at affordable prices but also demands sustainable and ethical production systems. At the same time, food safety alerts challenge consumer trust in the current food system, while increased levels of obesity represent a major public health concern both today and for future generations especially in the absence of a coherent policy framework that ensures sufficient enforcement of legislation and the provision of consumer education. That said, European food legislation has developed tremendously over the recent years in order to be able to respond to these growing concerns with regard to food safety and diet-related non-communicable diseases. Nonetheless, the legislative environment is considered as complex by the agro-food operators and its cumulative burdens negatively affect the competitive position of companies.

Another trend is the increasing importance of bioscience, resulting in **new biotechnologies**. On the one hand, this starts to link agricultural and food products with health. Cheaper methods for gene mapping and more know-how in the relationship between food and health have the potential to change the way we think about eating and drinking. On the other hand, many of these new technologies are not automatically accepted by the public. Europeans favour a high level of environmental services and food safety and are risk averse concerning new technologies. Public acceptance of new technologies is first of all a responsibility of regulatory bodies, and an integral part of the innovation process for those who develop them should be cooperation with such bodies. It requires educated and informed consumers. **Education** on the science underlying food should start in school. Furthermore, appropriate

labelling could contribute to better informing consumers and reduce confusion on healthy food choices.

However, at this stage a number of major **concerns** in relation to the development of the agro-food industry are evident.

The competitiveness of the entire food supply chain depends on efficient coordination in the **relations along the food chain and on the full and proper implementation of the internal market**. Due to changes in consumer demand, technology and the opening of markets, relations in the food chain, especially between retailers and the agro-food industry, as well as between the agro-food industry and farming, are changing. A highly fragmented agro-food and retail sectors have been highlighted as having serious downsides. In a market economy, the search for efficiency results in negotiations and exercise of market power by all operators along the supply chain, resulting in best price to the final benefit of consumers. Moreover, pressure on industry actors, especially on the agro-food **SMEs**, is considerable. It has been generally highlighted that SMEs across the supply chain have a persistent lack of resources as regards financial capital, workforce and time, a fact that weakens their competitiveness. In addition, a level playing field for the different actors in the supply chain is sometimes lacking.

The effect food production has on the environment is a further concern. Although food production contributes greatly to the wellbeing of citizens, it can create some negative impacts on the environment. The sizable contribution of the animal sector to climate change and the emissions of various contaminants and effluents are examples. In addition, the sector is very dependent on energy and water, two of the potentially scarcest resources for the future. Industrialisation also raises societal concerns on e.g. animal welfare and food safety, especially in relation to the introduction of new technologies. In this framework, stakeholders point out that the industry is constantly under pressure due to increasingly stringent EU legislation required in order to assure a healthy natural environment for the supply of high quality agricultural raw materials. With a growing demand for food, increasing European production on a cost effective and environmentally sustainable basis while increasing high quality production and maintaining European diversity and tradition represent a challenge.

Furthermore, while the introduction of modern **ICT** (Information and Communication Technologies) in the supply chain has already contributed to enhanced productivity and competitiveness as well as to shifts in the power relations along the chain technological

developments can also be a cause for concern. Overall, technology holds further promise in smart metering and precision farming to deal with environmental aspects and agrologistics. RFID (Radio Frequency Identification) and micro-machinery technology can increase the attractiveness of products. ICT also contributes to better risk management in farming.

These **technological trends** will bring change in the agro-food domain that demands an adequate response by public authorities, business and the consumers. Such a transition provides many **opportunities**: to prevent and clean up environmental problems; to introduce new products to a European market that meet the changing needs of consumers; to cope better with shortages in labour markets, to produce abundant food at affordable prices; to reduce transport and even to simplify administrative procedures.

But technological advancements also bring **challenges**. The continued need for innovation is one of the most important. The level of investment in R&D in the European food industry is too low, although there are exceptions in some world-class companies. Investments in the public research sector should be increased and there is scope for European coordination to improve efficiency. Innovation not only requires better collaboration between the public and private sector but also more open innovation between different business sectors, including transport, packaging, retail, the health sector and business services. Finally, SMEs have very little R&D capability of their own and seldom possess the resources necessary in research and innovation projects.

A further major concern is the **availability of appropriate and qualified personnel** responding to the industry requirements, is of paramount importance for any industrial sector. Stakeholders stress that there is a lack of skilled personnel in the food supply chain sector, such as food scientists, technologists and engineers. With the expected demographic trends, the attraction of young workers into industrial production becomes a challenge for many industries. This is also the case for the food and drink sector which needs to improve its image and its attractiveness to young workers and students.

To conclude with, in general, all operators in the food industry are being challenged to become more entrepreneurial and to use energy trends to create new products and services. International standards to govern the markets are needed to help entrepreneurs reap the benefits of their innovations in the single market, and preferably also in the global market place.

Many of the major concerns and trends outlined above have the characteristics of ‘wicked problems’: they cannot be easily solved in normal business decisions or through the policy process. Intractable problems have incomplete, contradictory, and changing requirements; and solutions to them are often difficult to recognize due to complex interdependencies. By definition they cannot be solved by one of the decision making units on its own, be it the European Union, the national member state or the food industry itself. Accordingly, the European Commission has set up a **High Level Group on the Competitiveness of the Food Industry** to address these very relevant issues and to try to redefine the problems and suggest the solutions.

Vision

To solve complex problems a **vision** for the future, shared among the various players is vital. Central to the vision of the HLG, is the creation of a highly competitive European food industry that is a world leader in providing consumers with a wide variety of **sustainable, safe, nutritious** and **high-quality** food commodities at affordable prices. Public authorities should ensure that conditions to create a competitive environment are in place so that all market operators can fully benefit from the internal market. This industry must be characterised by an increased level of efficiency in providing products that meet the needs of customers and taking advantage of Europe’s cultural heritage, as well as by innovative products that cater for new demands.

As a first step, this vision requires a common European approach to the industry which is characterised by a holistic and coherent policy framework. Consequently, EU law affecting the food industry should be clear in reinforcing the development of enterprises, while simultaneously protecting consumers and maintaining trust in the food sector. Aspects of good practice in regulation, including **proportionality, subsidiarity, consistency, harmonisation, transparency and consolidation, combined with compliance assistance, robust use of impact assessments** and cutting red tape should govern the regulatory process. Furthermore, consumers should be provided with **clear consumer labelling and information**.

The competitiveness of the food industry and the requirement for freer trade, require a **level playing field in markets for feed, food and fuel**, with price levels comparable, as much as

possible, to those elsewhere. Thus the vision of the HLG is to enhance export activity, calling for access unhindered by artificial trade barriers to third country markets in order to place European high added value products under the umbrella of high **international standards**, as well as to purchase the raw material needed for their production under the best market conditions.

In this context, the European food industry needs access to sustainable sources of agricultural raw material along the whole production process in sufficient quantities and at an appropriate level of quality and price. The HLG therefore, encourages further discussions on the future of the Common Agriculture and Fisheries Policies based on a vision of increased market orientation. **Sustainability** is a critical objective for the food industry. The Group seeks a balanced approach regarding the economic, environmental and social pillars and effective environmental policy at international, European, national and regional level.

Competition as well as efficient and balanced relationships along the supply chain will result in equitable returns for all the players, while ensuring that prices to consumers are affordable. Farms can develop into larger operations, whilst **SMEs** are placed in the centre of economic activity. In a competitive environment, the ability of businesses to respond to consumer demand is essential.

Moreover, efficient and **flexible labour markets** are essential. In addition, in order to ensure that an adequate skills base is maintained a high level of on-going training programmes are required, as are social safety nets in the context of restructuring processes. Today this is more important than ever as the demographic transition means that the working age population is declining over the coming decades. The mobility of qualifications and recognition of training across Europe will hence be a key to future sourcing of labour.

Last but not least, **innovation** has also a primary role. Thus targeted research and innovation initiatives, specific to the sector will enhance the productivity and hence the growth of the sector. In this respect an increased use of ICT and the emergence of innovative business-to-business services can help achieve this objective.

4. Recommendations for Actions

The High Level Group (HLG) on the competitiveness of the European Agro-Food Industry, with the objective of, setting out a “**forward looking and holistic**” approach, has examined a number of major policy areas that have an impact on the operation of the sector. In this context, the Group has found it worthwhile to give particular attention to the following areas due to their importance and specific relevance to the competitive position of the European food industry:

§ **Agricultural and Environmental Policy**

§ **Internal Market for Food**

§ **Operation of the Food Chain**

§ **Research and Innovation**

§ **Trade and Exports**

While discussing the above mentioned domains, the Members of the HLG stressed that, in order to avoid adverse cumulative effects of the policy measures taken at EU level, there is a need for increased coherence of all policies and regulatory activities aimed at the sector.

Recommendation n°1

*The HLG strongly endorses a **holistic approach** with respect to European Union and national policies in order to ensure that the specificities of the European food chain from the supply and demand side are duly taken into account, thus enhancing the overall sustainable competitiveness of the food industry, from farm to fork whilst maintaining high food safety standards. This approach should ensure **coherence** among the different policy objectives and increase the efficiency and **consistency** of agreed measures.*

4.1. Agricultural and Environmental Policy

High-quality raw materials are essential for achieving high-quality products. In this respect, food manufacturers depend greatly on the competitiveness of the farming sector and the sustainability of its production methods for the ingredients that they need for their products. Hence environmental sustainability has been a long standing priority of the European food industry.

4.1.1 Common Agricultural Policy

The Common Agricultural Policy (CAP) has been, for over 50 years, the cornerstone of EU policy for the development of the agricultural sector, rural economies and the European food supply chain in general. With the aim to support the competitiveness and sustainable development of agriculture and rural areas in the EU, it sets a harmonized framework for the operation of the primary sector. Over time, agricultural priorities and society's needs and expectations have shifted leading as expected to several reforms of the CAP. The reform process has shown an increasing reduction of price support to production in favour of non – or minimal trade distorting forms of income support. Thus CAP has moved to a more market-oriented system where financial support to farmers is decoupled or partly decoupled from production as well as conditioned on producers' respect of food safety, environmental, plant health, animal health and welfare standards as well as on the requirement to keep all farmland in good agricultural and environmental condition. As a consequence the HLG members acknowledge that the entire supply chain is more capable to adapt to the challenges of globalization and international competition.

By agreeing the Health Check of the CAP, the European Union has recently taken further decisive steps in modernising and streamlining the CAP, notably with the abolition of arable set-aside, the gradual phasing out of milk quotas and the conversion of market intervention into a genuine safety net. This will help agricultural producers to respond better to market signals and to benefit from new opportunities while protecting them for erratic short term prices evolution. The HLG members welcome the CAP reforms and indicate that Europe needs a sustainable CAP in the future as well. Nevertheless, taking into consideration the recent price fluctuations of raw materials as well as that the ratio between current European prices for agricultural products and world prices varies greatly per product, they believe that further improvements are necessary to enhance the long-term competitiveness of the European food industry. In fact, significant price differences between raw materials paid by EU companies and those paid by some of their competitors still remain in a number of cases, creating competitiveness problems for certain food and drink products on world markets.

Recommendation n°2

The HLG endorses the development of the Common Agricultural Policy that will enable European farmers to better respond to market signals. The European Commission should apply, in a balanced way, when necessary, the established market management instruments taking into account producers, consumers, processors and taxpayers. Equally it should address prices volatility and availability of raw materials. Moreover considering that more frequent price fluctuations are likely to occur in the future, some Members of the HLG suggested that the European Commission should consider whether new policy instruments at EU level are the most efficient for the management of production and market risks.

As regards the instruments that regulate production, the EU institutions should continue to adapt them, when appropriate, so as to allow the farming sector to respond more effectively to trends of supply and demand, whilst maintaining diversity of production. A transitional period must be foreseen when necessary, in order to avoid disturbances of the farming sector as well as reducing the consequences of price volatility of raw material.

In cases of risks of supply shortages of the basic agricultural products of the appropriate quality, the European Commission should be empowered to suspend temporally its customs tariff conditions⁹ so as to facilitate quick response to the crisis.

§ Rural Development

With over 56% of the population in the 27 Member States of the European Union living in rural areas, covering 91% of the territory, rural development is a vitally important policy area. Farming and forestry remain crucial for land use and the management of natural resources in the EU's rural areas, providing a platform for economic diversification in rural communities. It is equally important that these rural areas and their inhabitants are provided with the support needed to overcome challenges such as a lack of funding, lack of training/skills development, inadequate services and infrastructure and also challenges posed by weather fluctuations and climate change.

As part of the fundamental reform of the CAP rural development policy has also been reviewed. The new **Rural Development Policy 2007-2013** is streamlined as the answer to the challenges faced by the rural areas and is characterised by "continuity and change". It is built on: one single rural development fund, one single programming system, one set of financial rules and one single control system. It aims – by providing Community financial support - to

⁹ As in the case of tariff suspension for cereals that took place in 2008.

improve the competitiveness of the agricultural and forestry sector; the environment; the countryside (specifically, supporting land management); the quality of life in rural areas and the diversification of the rural economy. Besides the measures specially targeted at improving the competitiveness of the agricultural sector, which represent a significant share of the overall rural development support, some measures are related to the development of knowledge transfer and innovation in the food chain; adding value to agricultural processed products and to quality schemes. These measures should all contribute to a strong and dynamic European Agro-food chain. However, given their relatively low importance in the Member States programmes, a stronger focus on these measures within a strengthened rural development policy should constitute an overall EU priority. Some members of the HLG are also of the opinion that the eligibility of a given enterprise to rural development funding (based on size) is too rigid for some measures as it does not take into account the development in the size of many enterprises, especially cooperatives.

§ Geographical Indications (GI)

Geographical indications refer to agricultural products or foodstuffs that possess particular characteristics due to the geographical area from which they originate. They serve as a source of income for the farmers and processors, especially for SMEs and simultaneously as a guarantee of the quality characteristics and attributes of the product to consumers. Nevertheless, some Members of the HLG note that the existing EU-scheme has led to a high demand for Protected Designations of Origin (PDO) and Protected Geographical Indications (PGI) which are being applied for without first evaluating whether the products will have the ability to exploit the advantages of such registration. This in turn may have been a hurdle in international negotiations where 3rd countries are not ready to acknowledge all PDO and PGI certificates put forward by the EU. Therefore, some HLG Members have suggested that an economic criterion be inserted as a prerequisite for obtaining a PDO or PGI so as to ensure that the product can at least incorporate the costs of the controls as required by Regulation 510/2006/EC. In contrast, other Members warn that such a criterion will have severe consequences on SMEs, especially as PDO and PGI certificates are a source of income for SMEs and relate mainly to locally produced goods which are closely linked with the development of the rural territories. At the moment there are on-going discussions in the context of the Green Paper on Agricultural Product Quality that the European Commission adopted recently. The HLG welcomes this initiative and expects that the results of the current discussions and consultations will ultimately ensure appropriate GI protection. In particular, HLG members considered that, as a means for enhancing enforcement, national organizations

should be set up in Member States with the task of reporting PDO and PGI counterfeited products. HLG members also wish that the debate initiated with the Green Paper will give consideration to changes that could allow a better promotion of the protection of European GIs at international level.

4.1.2 Access to Raw material

Raw materials represent a significant part of the production cost of food products. Thus access to raw materials at competitive prices is vital for the European food industry in order to provide foodstuffs at affordable prices to consumers. In the second half of 2007 the prices of many agricultural commodities increased dramatically on the global market reaching record levels. In Europe the prices for wheat and barley increased respectively by 120% and 103% between July 2006 and March 2008. The European Commission, in its communication, “Tackling the challenge of rising food prices – Directions for EU Action” adopted in May 2008, has reflected on the causes of this phenomenon. Among the causes identified are: the increasing demand for food from emerging economies and new markets outlets, high energy prices, low world stock levels, trade restrictions and damage to crops due to severe weather conditions.

Commodity prices have sharply declined over recent months (September 2008 to January 2009) and have reverted to levels similar to, or even below, those before the price spikes owing to more favourable weather conditions, declining energy prices, and in particular a swift and strong supply response at global level (stimulated by a more supportive policy environment). Overall, however, these price developments trigger increased uncertainty on the future state of the global markets and indicate that price fluctuations are likely to occur more frequently in the future.

The HLG members believe that it is important to have an EU- policy framework that facilitates sufficient supply of competitively priced raw-materials as a way to limit price volatility and achieve sustainable growth of the sector. In this respect, the improvement of the functioning of price transmission along the food supply chain is of crucial importance.

Concerning the regulatory framework, there is a series of EU initiatives that restrain access to raw material for the food and drinks processing industry. These regulations are often linked to health and safety concerns and *inter alia* include genetically modified crops for food and feed purposes and the use of plant protection products within the EU. The Members of the HLG

recognize that these issues are of paramount sensitivity for European consumers and that responsible policy design at EU level is necessary to ensure that these concerns as well as the need for a sustainable and competitive agriculture are addressed. The EU has been legislating on GMOs since the early 1990s. These rules and regulations cover the release into the environment, the use, traceability and labelling of GMOs or products and feedstuffs produced from GMOs and are designed to protect both the health of citizens and the environment. Nevertheless, in the light of increased production and use of GMOs in non EU countries, many participants warn that as the existing procedures limit the use of such crops within the EU and their import, there will be consequences on the competitiveness of the European food industry. These constraints, as regards the low-level presence of GMOs in food and feed, authorized in third countries, but not yet in the EU, limit the availability of raw material, imposing thus higher operational costs to companies.

As regards animal feedstuffs, some stakeholders claim that the current “feed ban” has negative consequences for the competitiveness of their businesses as it results in higher management and raw materials costs, as well as in challenges related to the quality of the meat products. Therefore, they support the view that the EU legislation needs to be reviewed and developed further where necessary. This is in line with the Roadmap of the Commission on BSE; the opinion of EFSA adopted on the 17th of October 2007 and the opinion of the European Economic and Social Committee that propose a review of the current ban. The starting point, when revising the current feed ban provisions, should be risk-based but at the same time taking into account the control tools in place to evaluate and ensure the proper implementation of this feed ban. The availability of species specific detection methods to differentiate between ruminant and non-ruminant is a key element for any review. An EU funded research project "SAFEED-PAP" is ongoing to elaborate and validate such methods. The final conclusions are expected end 2009.

Overall, the HLG Members agree that it is crucial that the authorization procedures in all the above mentioned domains are based on sound scientific opinions, without prejudicing at any cost the health and safety of the European consumer.

Recommendation n°3

The HLG members believe that it is important to have an EU- policy framework that facilitates sufficient supply of competitively priced raw materials as a way to limit price volatility with the view to achieve sustainable growth of the sector.

The European Commission and Member States in cooperation with European Food Safety Authority should improve the efficiency and transparency of the authorization procedures for Genetically Modified Organisms in order to enhance the confidence of stakeholders, while taking into consideration society's growing awareness. In addition they should continue analyzing the overall impact of GMOs and the long-term future of the EU GMO policies.

The European Commission should work towards tackling the issues of asynchronous authorization of GMOs already authorized in third countries and not yet authorized in the EU.

4.1.3 Environmental Policy

The growing demand for food has given rise to the challenge of increasing European production thereby securing long-term competitiveness of the food industry while ensuring sustainability, in the sense of balance between economic, social and environmental elements. Sustainable development seeks to "meet the needs of the present without compromising the ability of future generations to meet their own needs"¹⁰.

In this respect, three elements can be identified in the food chain context:

- i. the need to **ensure adequate supplies of food for human requirements**;
- ii. the need to ensure that human activities in the food processing industry and in the primary sector are consistent with the **requirement of protecting the environment**;
- iii. the need **to maintain a vibrant economy and more employment** designed to give a good standard of living and working conditions, notably by facilitating the generation of added value through economic activity.

For the purposes of this chapter emphasis will be placed upon the second consideration, namely environmental sustainability. In this context and bearing in mind the need to avoid compromising the competitiveness of the food industry, the HLG has made recommendations.

¹⁰ United Nations 1987 "Report of the World Commission on Environment and Development."General Assembly Resolution 42/187.

As already noted, achieving sustainability is a key challenge for the future. Therefore, as a follow up to a public consultation, the European Commission has tabled an **Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy (SCP/SIP)**¹¹. This Plan represents the Commission's strategy to support an integrated approach not only within the European Union but also at international level aimed at meeting the environmental challenges while enabling industry to seize the resultant opportunities and reinforce its competitiveness.

The core of the Action Plan is a dynamic framework to improve the energy and environmental performance of products and foster their uptake by consumers. To this end, the Action Plan proposes to extend the product scope of the Ecodesign and Energy Labelling Directive as well as to simplify and extend the Ecolabel Regulation by linking them with financial incentives and green public procurement¹². The relevant legislative proposals have already been adopted by the Commission and are now subject to the "co-decision procedure" by Council and Parliament.

As regards the production processes, a regulatory framework has been established at European level. This includes regulatory provisions such as those concerning environmental emissions from industries (**Integrated Prevention Pollution Control - IPPC Directive**)¹³ and the **Emissions Trading Scheme for GHG**¹⁴.

Directive 96/61/EC on **Integrated Pollution Prevention and Control (IPPC)** aims at minimising pollution from industrial sources throughout the EU by laying down rules relating to the environmental permit of industrial installations by national authorities¹⁵. A transitional period (30 October 1999 - 30 October 2007) was provided, during which existing installations were to be brought into conformity with the requirements of the Directive. In December 2007, the European Commission tabled a legislative proposal for a recast of the IPPC Directive¹⁶

¹¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan, COM (2008) 397 final.

¹² Ibid.

¹³ Proposal for a Directive of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) - COM(2007) 844, 21.12.2007.

¹⁴ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (OJ L 275, 25.10.2003, p. 32).

¹⁵ Council Directive 96/61/EC of 24 September 1996.

¹⁶ Proposal for a Directive of the European Parliament and of the Council on industrial emissions (integrated

which is now subject to the "co-decision procedure" by Council and European Parliament. Recently this Directive has been codified (Directive 2008/1/EC).

The **European Union Emissions Trading Scheme** (EU-ETS)¹⁷ encompasses a system for greenhouse gas emission allowance trading within the Community¹⁸. It was established by the EU Directive 2003/87/EC and entered into force on 1 January 2005. In December 2008, the Council and the European Parliament approved a revision of the scheme, applicable from January 2013 onwards, that introduces auctioning as the main allocation method for the future, while installing flexibilities for both small emitters and energy-intensive industries subject to international competition which may also be relevant for the food and drink industry. The revised scheme provides for a higher level of harmonisation (e.g. harmonised and clear definition of combustion installations, Community-wide rules for new entrants, installation closures and allowance transfers), which was considered to be of great significance during the High Level Group discussions. Furthermore the members of the High Level Group stressed the importance of promoting co-generation through free allocation for combined heat and power installations.

The European Commission and Member States shall work together under comitology procedure – in consultation with the food industry – with a view to:

- developing a suitable benchmarking scheme for transitional free allocation to the food industry installations. In the food industry, product specific benchmarking systems would only be a feasible option if the very high diversity of different food products and corresponding CO₂/t product output would be taken into account through the establishment of a set of differentiated product-specific benchmarks within the various food industry sub-sectors. A uniform CO₂/t product benchmark in the food industry would lead to massive over- or under- allocation. Alternatively, combustion related benchmarking systems could be considered as a possible option for the food sector.
- ensuring that food sub-sectors with a higher energy-intensity and subject to international competition receive free allowances based on common EU-wide rules on carbon leakage.

pollution prevention and control) [COM(2007) 843 final].

¹⁷ The revision of the EU ETS Directive is expected to have completed its passage through co-decision by the time the HLG Report is published.

¹⁸ Official Journal L 275, 25/10/2003 P. 0032 – 0046.

In this respect, the High Level Group paid full attention to **Eco-innovation** and **sustainable Energy**. During the discussions, stakeholders underlined that investments in environmental R&D should be increased along the food chain in order to tackle major future environmental challenges, including climate change, water scarcity and resource depletion. At the same time the dissemination of existing environmental technologies and best practices across the sector should be enhanced, in order to ensure that all companies, including SMEs, are informed about the latest developments in environmentally friendly techniques.

As regards sustainable energy, while the agro-food industry – if viewed on an aggregate level – is characterised by relatively low energy-intensity, some sub-sectors show energy-intensities comparable to that of other manufacturing sectors. Energy prices have become an important cost factor in those sectors. In the light of EU climate change policies agro-food companies should be supported in cutting energy consumption and costs and moving towards low -carbon and renewable energy sources.

Recommendation n°4

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| <p>§ <i>The HLG members acknowledge the launch of the Retail Forum within the Sustainable Consumption and Production (SCP) and Sustainable Industrial Policy (SIP) Action Plans.</i></p> <p>§ <i>In parallel, industry recommends to the European Commission the setting up of a Roundtable involving all operators in the food supply chain which will follow a holistic approach while avoiding duplication. This roundtable will be co-chaired with the European Commission to devise, with the view to favour best practices, an “EU Code of Conduct on Environmental Product Assessment and Voluntary Communication to Consumers” providing a set of harmonised reference methodologies¹⁹ for food and drink products .</i></p> <p>§ <i>The European Commission along with the Member States should guarantee a uniform implementation of the scope of the Integrated Pollution Prevention and Control (IPPC) Directive across Member States and maintain an "integrated approach" as one of its key principles (considering the emissions from an</i></p> |
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¹⁹ The Commission recalls that the SCP/SIP Action Plan foresees the creation of a Retail forum with the view to discuss the reduction of the environmental footprint of the retail sector and its supply chain, promote more sustainable products and better inform consumers.

installation into the different environmental media: air, water and land). However, the use of Best Available Techniques should remain flexible and not become mandatory in order to allow sufficient adaptability, in particular for SMEs.

§ *Moreover, the European Commission along with Member States should work under comitology procedure – and in consultation with industry - to establish a suitable EU Emissions Trading Scheme (ETS) benchmarking system for the food industry, taking into account the immense variety of food products and corresponding CO₂-intensities. Food sub-sectors which meet the relevant criteria of the adopted ETS directive as far as the risk of carbon leakage is concerned should receive free allowances at 100% in accordance with the rules of the adopted Directive including EU-wide harmonised benchmarks.*

Recommendation n°5

Member States should facilitate the transfer of knowledge and technology regarding eco-innovation from research centres and large corporations towards Small and Medium-sized Enterprises (SMEs). At the same time, in combination with energy agencies where it is relevant, they should encourage agro-food industry, especially SMEs to improve their energy efficiency (e.g. provision of free energy audits and other relevant expertise)

The European Commission in cooperation with Member States should identify and remove barriers to investment in eco-efficient technology. Where this is not feasible, the Commission should establish financial support schemes at EU level in order to overcome these barriers.

4.2. Internal Market for Food

Creating a genuinely integrated market is an ongoing process, requiring constant effort, vigilance and updating. Thus, to respond to the exigencies of this process as well as to the growing concerns as regards food safety and consumer information, EU Food legislation has developed significantly over the last 15 years. The high level of consumer protection guaranteed by compliance with EU food law may well contribute to the reputation of EU food products both on the EU and on the world market, and thus directly supports the market position of the European food industry. However, improvements could be achieved with regard to administrative burdens and lengthy authorization procedures. This is particularly relevant for SMEs.

Better Regulation

In a rapidly changing reality, it is essential to review regulations, streamline and remove cumulative burdens as a means to continuously improve the quality and coherence of EU legislation without prejudice to consumer interests. The EU has progressively developed a **broad strategy** to improve the regulatory environment of all EU policies and thereby provide a **more stable, efficient and transparent regulatory system** to both benefit European citizens and reinforce general competitiveness, growth and sustainable development. In this context, the **Better Regulation** initiative underlines the belief that a co-ordinated, predictable and continuous policy framework can only be based on a policy-making culture that relies on continuous dialogue and consultation. The **Better Regulation strategy** is therefore based on three key action lines:

§ **Application of better regulation tools at EU level** (simplification, reduction of administrative burdens and impact assessments)

§ **Close cooperation with Member States to ensure that better regulation** principles are applied consistently throughout the EU by all regulators.

§ **Reinforcement of the dialogue** between stakeholders and all regulators at EU and national levels.

In this context, policy and regulatory proposals are systematically assessed, and a wide range of options - regulatory and non-regulatory - are examined for each initiative. The **quality** of these assessments is overseen by an independent Impact Assessment Board. Existing laws are being **simplified and codified**, and a concerted effort is being made to reduce the administrative costs of EU laws. Pending proposals are being screened and withdrawn if they are no longer relevant or consistent with Commission priorities. In partnership with the Member States, a more effective approach is being developed to handle difficulties in implementing and ensuring conformity with Community law.

In the framework of legislation affecting food and/or food supply chain, it is of great importance to combine a **high level of consumer protection with a high level of competitiveness in the Agro-food industry**. With the aim therefore to enhance competitiveness, it is necessary to reinforce the predictability and stability of the regulatory framework, achieving an appropriate balance between legislative certainty and the precision of future requirements. In order to identify opportunities for EU legislators to create a

science-based, proportionate regulatory environment and to reduce regulatory burdens in order to achieve a high level of competitiveness in the EU, the HLG made recommendations in the following areas of interest:

§ Impact Assessment

The principal objective of the Lisbon strategy is to make Europe the most competitive and dynamic knowledge based economy in the world by 2010. At the very heart of this objective lies the EU Better Regulation strategy. This strategy is aimed at cutting red tape, simplifying the regulatory environment and achieving the right balance between the costs and benefits of regulation in order to increase productivity, growth and employment throughout EU. In aiming for the above-mentioned goals, the European Commission has utilised an ambitious integrated impact assessment model as a tool for improving the quality and coherence of its policy development process.

In more detail, impact assessment is the process of systematic analysis of the possible consequences of intervention by public authorities. This process is implemented for the preparation of Commission proposals and should be applied throughout the entire legislative process and when necessary repeated when major changes to the proposal are discussed. This should ensure that the final regulatory act respects the Better Regulation principles. Moreover it is also an effective and valuable consultation and communication tool. When carrying out an impact assessment, the Commission seeks a broad range of views and hence the process can be said to be open and transparent, as set out in the Communication on the general principles and minimum standards for consultation²⁰.

The inter-institutional agreement stipulates that all Community institutions should be obliged to carry out comprehensive impact assessments, taking into account both consumers and industry interests.

Recommendation n°6

High quality and comprehensive impact assessments that also take into account the effects on the chain and especially SMEs should be undertaken by the European Community Institutions at an early stage of policy development and should accompany all legislative proposals. Impact assessments should be updated when major changes to the proposals

²⁰ Communication from the Commission on Impact Assessment. COM(2002) 276 final.

are being discussed, thus forming a key part of the policy debate in the European Parliament and Council, and enabling clearer, evidenced-based, decision making²¹.

§ Enforcement of Legislation

It is inherent in the EU ethos that Member States have rights and obligations arising under the Treaty. This implies a mandatory commitment for them to implement properly and effectively EC Law including the free movement of goods. Consistent transposition and proper implementation is crucial to ensure the proper functioning of the internal market. Efforts should therefore concentrate on finding new mechanisms and ways of cooperation between all the actors involved in enforcement activities to ensure full and efficient implementation of the legislation in place, both at Community and at national level. Enforcement concerns should also be taken into account in the design of new legislation, so as to maximise the effectiveness of regulation.

The members of the HLG agree that divergent implementation of EC legislation must be avoided, therefore interpretation and implementation of EC law in Member States should be harmonised to the greatest extent possible. As regards official controls, feed and food chain business operators should develop, implement and maintain management systems in order to achieve the objectives and meet the requirements laid down in feed and food law. These systems may take account of standards developed at international level, e.g. ISO 22000 standards developed on a voluntary basis. In turn, the authorities in the Member States should recognise these standards in the implementation of their official controls, thus contributing to the best use of resources and the reduction of administrative costs.

The costs of enforcement and national control should be similar for operators throughout the European Union. The national control bodies should guide the companies and where necessary explain the legislation and focus on compliance assistance. The members of the HLG agree that recalls as an enforcement tool should be proportionate to the level of risk.

Recommendation n°7

The European Commission should introduce additional, and reinforce existing, harmonized guidelines and best practices for the proper implementation of food legislation by Member States. This should be particularly, but not only, applicable for official controls with the view that management systems based on international standards

²¹ Further details are provided in the SMEs chapter.

(e.g. the International Organization for Standardization) may contribute to making the implementation of feed and food legislation more efficient and proportionate.

§ Pre-market authorization of innovative products linked to the applicant

Pre-marketing authorisation procedures are based on independent, sound and transparent scientific assessment. Nevertheless, the regulatory procedures are sometimes too long to ensure a quick access to the market for innovative products. Therefore, the overall situation in relation to premarket approval schemes, whilst necessary for consumer protection, does not always contribute to fostering innovation in the European food industry.

Recommendation n°8

The European Commission and European Food Safety Authority should reinforce their action to ensure timely and efficient authorisation of products while continuing to guarantee the high scientific quality of the risk assessment process and the high level of protection of health required in food legislation.

As regards novel food, the European Commission should use, when applicable, a simplified authorization procedure, without prejudice to the primary focus on safety to enhance the efficiency of the Novel Foods Regulation and provide a more proportionate system for risk management.

§ Incident Management

It is essential to have in place well functioning systems to detect, control and address food safety risks in an effective and transparent manner. This ensures that risks to consumers are reduced to a minimum, market disruption is avoided and market stability is maintained. The European Commission already has a range of measures in place, with their basis in Food Law, to achieve this objective. These measures need to be implemented in a coherent and transparent manner and should encompass the following:

- Monitoring of scientific trends and market developments that could lead to a food safety incident;
- Cooperation among scientists, risk assessors and managers, industry and other stakeholders having an insight into new developments which have the potential to create risks or cause consumer concerns.

- Risk assessors to react quickly to requests for scientific risk assessments in case of emerging incidents with a view to enable risk managers to respond.
- Effective crisis management, including rapid alert systems;
- Clear risk communication measures including scientific advice and risk management measures.

In this context, the Rapid Alert System for Food and Feed (RASFF) plays a particularly important role in the management of food safety incidents. The purpose of this system is to provide the control authorities with an effective tool for the exchange of information on measures being taken to ensure food safety. Harmonised guidance should be offered to enforcement actors in the Member States in order to minimise discrepancies in the interpretation and implementation of relevant Community rules. Global trade and consequently food safety-related concerns are a further reason to develop a systematic distribution of the RASFF notifications not only to the EU member states but also to third countries. This exchange of information allows the competent authorities in third countries to take appropriate and coordinated corrective measures.

Some members of the HLG highlighted the incentive to set up a European “insurance system” or alternative form of economic or financial cover to compensate European food industries penalised by food safety crisis when the raw material, implicated in the crisis, destined for processing is purchased according to national and European regulations.

Recommendation n°9

The European Commission should strengthen and further improve coordination with all the relevant stakeholders in order to better anticipate new and emerging risks.

The European Commission should adopt harmonised guidance for a higher level of coordination among enforcement actors to achieve an even more efficient and proportionate implementation of the Rapid Alert System for Food and Feed (RASFF).

§ The European Food and Safety Authority (EFSA)

The White Paper on food safety²² recognized that the establishment of a European food safety authority would provide a basis for improvements in the risk assessment processes and also strengthen confidence in the European food supply. The EFSA was established by the Council and European Parliament in 2002 in the wake of a series of food safety concerns which highlighted the need for a comprehensive review of the European system for the development of food law. Its main competences are to deliver, in an integrated manner, independent, high quality and timely scientific advice on risks regarding food supply and at the same time to inform in an open manner all interested parties and the public at large with regard to those risks.

The HLG Members welcome the existence of this Food Safety Authority as a source of scientific-based advice to the European Commission. Nevertheless as the EFSA is a relatively new body in the EU's regulatory landscape, it has therefore been experiencing difficulties in gaining sufficient recognition by consumers and industry as well as in delivering opinions within a strict timeline. Thus the European Commission, in collaboration with EFSA, should take action to create awareness as to its role and competencies as prescribed in the EU's food law legislation with the aim to strengthen public and business confidence on the opinions it delivers. In parallel, improving cooperation between EFSA and the Member States is of paramount importance to fully exploit the network of experts they can provide.

4.3 Operation of the Food Chain

The food supply chain is complex. It is composed of a wide diversity of enterprises that operate in different markets selling products to the various purchasers. In this respect, several interactions occur on the farm-to-fork supply side - where basic agricultural commodities are transformed into final products. This applies also in the opposite direction, from fork to farm-demand side - as it is of paramount importance that the supply process takes into account consumers needs, concerns and expectations. A schematic representation of the food supply chain can be found below:

²² White Paper on Food Safety, European Commission, January 2000, see http://ec.europa.eu/food/food/intro/white_paper_en.htm

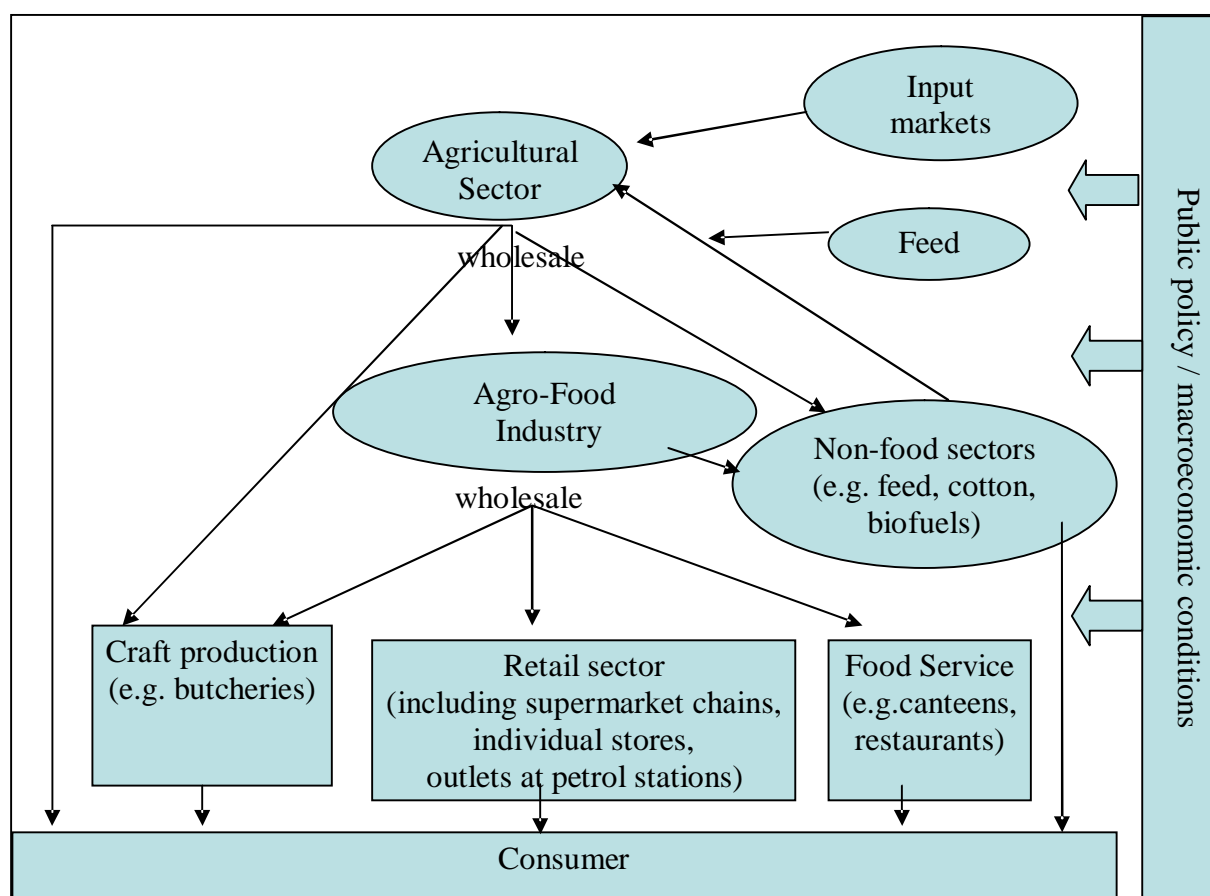


Figure 1

The food supply chain connects three main levels: the agricultural sector, the processing industry and finally the retail sector that are in direct contact with the consumer. In all these sectors there are small and big players, and therefore cross-sector and potential competition problems are present. The activities of the agricultural sector include, *inter alia*, crop production and the raising of livestock, aiming to provide both products directly for consumption and as ingredients for the processing industry and alternative markets such as biofuels. Moving downstream along the chain, the agro-food processing industry consists of varied activities, such as production of animal products; cleaning cutting and drying vegetables; refining sugar, etc. and thus can be characterized as very heterogeneous. The different inputs are processed in successive stages and to different degrees, packaged and dispatched to consumers. On the whole, the processing industry accounts for 2.3%²³ of total EU employment. As far as the retailers are concerned, they form the principal link to supply the consumers with the final products and are responsible for 13% of the total EU employment. Last but not least it is the consumer, who asks for affordable and healthy

²³ In 2005.

options, safe and tasty foodstuffs. The economic importance of the food supply chain can be gauged by its share in household expenditure. This is on average 16% and falls as per capita GDP increases and vice versa. A proper-functioning supply chain is therefore essential for the well-being of all economic actors in the food chain and consumers. Furthermore, as the various players interact also actively with other non-food sectors, any malfunctioning can have consequences on the whole EU economy.

Recent Price Developments

In the second half of 2007 prices of many agricultural commodities increased rapidly to reach a peak level in early 2008. This price development had been mainly driven by a structural imbalance between the supply and demand side and has also resulted in increased prices at consumer level and in the share of household expenditure. At the same time the price increase was experienced differently among the Member States, with the largest increases reported in the new Member States. In response, the European Commission²⁴ proposed to better monitor developments in agricultural commodity and food prices; analyse the impact of speculation on agricultural commodity prices; and investigate the functioning of the supply chain. The June 2008 European Council asked the Commission to report back on these issues at the December Council and the result was the Communication "Food prices in Europe"²⁵. This Communication contains also the results of a taskforce who analysed the functioning of the food supply chain, its objective being to achieve a better understanding of the impact of speculation and how the degree of competition and the existing regulations in the food chain and the retail channels may have affected the aforementioned price developments as well as to identify best regulatory practices and formulate recommendations.

Market Monitoring Mechanism

The Communication "Food prices in Europe" proposed a roadmap to improve the functioning of the food supply chain. One of the main components to achieve this objective is the setting up of **permanent European monitoring of food prices and the food supply chain** which would provide better information to consumers, public authorities and market operators.

This monitoring tool should address the lack of transparency of prices and improve knowledge concerning the impact of regulation along the food supply chain.

²⁴ Communication from the Commission on "Tackling the challenge of rising food prices - Directions for EU action", COM (2008) 321.

²⁵ COM (2008) 821/4.

The continued monitoring of producer and consumer prices of a set of selected and comparable consumer goods would reveal price differentials across Europe and help identify cases of market fragmentation. There appears to be a lack of sufficient comparable price and quality information that would empower consumers to make better-informed choices. In this context, the pilot project currently run by Eurostat and the National Statistical Offices to collect detailed consumer prices data should be evaluated and developed.

Within the framework of its market monitoring exercise the Commission is reviewing regulations impacting the functioning of the retail markets. The issues identified above are likely to affect retail sub-sectors other than food and will thus be treated in more general terms. Details on the implementation and functioning of this monitoring tool will be developed in the follow-up of the current exercise in 2009. In developing this tool consideration should be given to services and information offered by existing public and private price monitoring resources, either national or international ones.

Administrative Burden

Administrative requirements are an important determinant of the business environment and specifically the total cost imposed on EU companies in general to fulfil these requirements is estimated at approximately 3.5% of the EU GDP. In this respect, unnecessary administrative burdens can hamper the efficiency as well as the growth of the various actors along the food supply chain. In addition, they can inhibit innovation. During the HLG discussions, particular attention was given to the disproportionate burden that SMEs are facing as compared to larger companies. In some cases, the cost of administrative procedures can be up to 10 times larger for an SME than for a bigger company. Reducing red tape is therefore a major objective of the Growth and Jobs strategy so as to allow companies to dedicate more time to their core business activity and thus enhance their productivity and reduce production costs.

• Cutting Red Tape

To this end, in January 2007 the European Commission presented an ambitious Action Plan with the objective of cutting red tape by 25% before 2012. This Action Program demonstrates in concrete terms the way that the Commission intends to work in collaboration with the Member States and stakeholders towards the 2012 milestone. It consists of a large scale measurement of administrative costs incurred by businesses in meeting legal obligations to provide information both at Community and at national level. Specifically it focuses on thirteen selected priority areas considered as the most burdensome, among which are:

1. Food safety;

2. Agriculture and agricultural subsidies;
3. Fisheries;
4. Environment;
5. Working environment/ employment relations;
6. Financial services;
7. Tax law (VAT);
8. Transport.

This Action Plan was endorsed by the Spring 2007 European Council, which agreed on the joint reduction target and invited the Member States to contribute to this ambitious objective, which is to improve the efficiency of legislation without jeopardizing its primary purpose.

In this context, there is a general agreement among the HLG Members that reducing the administrative burden can play a crucial role in enhancing the competitiveness of the food supply chain. Furthermore, they recognize that further efforts need to be made to improve the productivity and efficiency of the various actors at all stages of production as well as the linkages with the consumer. In particular they have focused on the following areas considered of particular importance for the European food industry:

- § **Small and medium sized enterprises;**
- § **Relationships along the food chain;**
- § **Consumer Issues;**
- § **Workforce and Skills;**
- § **Business Services to the food chain.**

The Commission pointed to the review exercise underway which includes a range of initiatives aimed at reducing the administrative burden of Community measures in the food safety sector. These should be complemented in due course by initiatives from the Member States. In addition, the Commission highlighted the other important reforms in the Community Better Regulation agenda aimed at improving the quality of Community legislation. These include measures aimed at improved impact assessment, wider stakeholder consultation and simplification of existing measures. A progress report will be presented to the meeting of the European Council in Spring 2009 which can be expected to maintain pressure for continued efforts. Already a number of current legislative initiatives in the area of food safety, including on additives, food labelling and novel foods, have been presented with the priority of better regulation and reduction of administrative burden firmly in mind.

4.3.1 Small and medium-sized enterprises (SMEs)

SMEs represent approximately 99% of all the enterprises active in the supply chain, a fact that indicates the extreme fragmentation of the industry. This implies that they are in a weak position *vis-à-vis* the larger players regarding market power in horizontal markets and bargaining power in vertical markets. Nevertheless, creating almost 48.5% of the total value added in the sector, they play a crucial role in promoting growth and diversity of food and drink products as well as in providing job positions, namely 63% of the employment in this sector.

However, despite the significant progress achieved in EU SME policy designing, SMEs are still facing obstacles to exploiting their full potential. Over the past few years the European Commission has implemented a specific policy in favour of such enterprises and has committed itself to improving the business environment in which they operate by applying the “Think Small First” principle. As a major contribution to this objective, the Small Business Act for Europe (SBA) was established on the 25th of June 2008 which sets out principles and concrete measures aiming to improve the framework conditions so as to create a more SME-friendly market environment.

Moreover, on 1st December 2008 the Competitiveness Council adopted a set of conclusions on the Small Business Act, including an Action plan which was later endorsed by the Heads of State at the European Council on 12th December 2008 as part of the European Economic Recovery Plan. These conclusions give a positive signal for European SMEs as the Member States showed a clear commitment to implementing SBA principles and measures, giving particular emphasis to three priority areas: access to finance, reducing administrative burdens and improving SMEs' access to the internal market.

- **Small Business Act for Europe (SBA)²⁶:**

The Small Business Act for Europe reflects the Commission's political will to recognise the central role of SMEs in the EU economy. For the first time a comprehensive policy framework for the EU and its Member States has been established aimed at improving the overall approach to entrepreneurship, to irreversibly anchor the "Think Small first" principle in policy making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development. In more detail, the SBA provides:

- Ø A set of principles which should guide the conception and implementation of policies both at EU and national level with the objective of creating a level playing field for SMEs throughout the EU and improve the administrative and legal environment to allow these enterprises to reach their full potential to spur growth and create jobs;
- Ø A package of concrete and far reaching new policy measures, including the SME test, to translate these principles into action both at EU and Member State level, and a reference to 5 specific legislative proposals, with a strong SME interest and guided by the "Think Small First" principle, which have been agreed or are forthcoming.

As far as the **disproportionate burden** that SMEs are facing regarding legislation and administrative requirements, it is significant to mention that one of the aforementioned principles, according to the SBA, is that the Commission and Member States will design rules according to the "Think Small Principle". Measures include ensuring that all new legislative proposals are subjected to rigorous scrutiny of their potential impact on SMEs through an SME test in Commission, and where appropriate, Member State Impact Assessment processes. At the same time, special measures such as derogations, transition periods or exemptions will be considered for small and micro-enterprises. The operational elements of the SME test have been integrated in the revised Impact Assessment Guidelines adopted on 28th January 2009 by the European Commission.

§ SMEs Access to Information Resources

SMEs face difficulties in accessing **information** that is crucial for their development. For this reason they are not always aware of possible funding opportunities, changes in regulations,

²⁶ http://ec.europa.eu/enterprise/entrepreneurship/sba_en.htm

specific SME-designed programs etc. This can have significant impact on their competitive position. At the same time there are difficulties and costs involved in setting up a new enterprise. Addressing these difficulties and delays, the 2006 Spring European Council concluded that “one-stop shops” had to be established by 2007 in all Member States targeted to support the start-up of business in a quick and simple way. Today such “one-stop shops” exist in 17 out of 27 Member States. Moreover the European Enterprise Network became operational at the beginning of 2008 with the aim of providing information for issues such as administrative procedures, legislation, funding, finding business partners etc. This initiative was recently²⁷ enhanced by its linkage with the US-EU Match network. Further information is also provided through the SME portal. In this context, the HLG has identified that there is a need to target efforts to spread awareness to Agro-Food SMEs about the existence of such programs.

Recommendation n°10

Within existing “one-stop shops” established in the Member States and targeted to support the start-up of business and to provide appropriate and easily accessible sector specific information, the European Commission in cooperation with the Member States should establish a focal point for the agro-food SMEs subsector.

Instruments used to support the operation of the SMEs should be better communicated to specifically agro-food SMEs through e.g. the European Enterprise Network, with the aim of promoting and enhancing their entrepreneurship.

Another issue that the Group considers of great importance for the competitiveness of the Agro-Food SMEs is the obstacles they face in accessing **financial capital**. One reason is that banks and more generally investors are not always forthcoming in providing funding to SMEs due to the risks involved, especially with regard to start-up of businesses. This is particularly evident today and will be even more so in the coming years due to the sharp deterioration in the global economy precipitated by the current credit crunch. A broad policy response is therefore needed to secure growth and stabilize the markets. On the other hand entrepreneurs are not always aware of how to find the financial backing they need. Raising the right kind of finance can pose a major difficulty for SMEs and is second only to the administrative burden in their list of concerns.

²⁷ 10 September 2008.

The European Commission has, in general, developed and funded financial instruments specific for SMEs, including guarantees to enable them to acquire easier loans from banks. In addition, it facilitates venture capital investment in SMEs. As far as the Commission's Competitiveness and Innovation Framework Program for 2007-2013(CIP) is concerned, over €1 billion is earmarked for such initiatives. Moreover the European Investment Bank (EIB) is in the context of the SBA, broadening the way it supports SMEs, by making its funding mechanisms simpler, more transparent and more targeted to the individual needs of small businesses across Europe. Additional funds and general instruments of financial support – including mezzanine finance, guarantees and microcredit – will be made available to SMEs, tailored more specifically to local conditions and to particular companies' needs. The EIB is also moving into new financing areas, such as intangible assets like research and development, building up distribution networks or ensuring that a business continues after the current owners retire. Last but not least, there is the European Regional Development Fund scheme used by Member States for the financing of the SMEs among others according to the national incentives laws.

Following the current recession and the instability of the financial markets, the aforementioned instruments are of critical importance to strengthen the operation and development of the European Agro-Food SMEs. There is also a necessity for further improving the current policies and instruments both at national and Community level to facilitate additional support for SMEs, particularly for the start-up procedure and development of innovative products.

In this context of economic recession, the European Commission has launched on 26th November 2008 the Communication "A European Economic Recovery Plan"²⁸ which contains specific measures for the SMEs. The plan aims to enhance access to financing for SMEs. In this respect the European Investment Bank (EIB) has put together an overall package of loans to SMEs which will now reach 30 billion euros for the period 2008-2011. In addition, an additional 1 billion euros will be conferred by the EIB to the European Investment Fund (EIF) for a mezzanine finance facility. The EIF will also accelerate the implementation of the financial instruments under the EU's Competitiveness and Innovation Programme.

²⁸ Communication from the Commission to the European Council "A European Economic Recovery Plan", COM (2008) 800 final.

Meanwhile, Member States are expected to make full use of the recently reformed rules for granting state aid²⁹, particularly for SMEs. To assist them, the Commission will put in place a simplification package, notably to speed up its state aid decision making. In addition to this, the Commission will make it temporarily easier for Member States to grant certain kinds of aid to SMEs (e.g. loans for investments in the manufacture of products complying early with, or going beyond, new Community standards which increase the level of environmental protection). The Plan also contains very concrete, specific measures to reduce administrative burdens on business, promote their cash flow and help more people to become entrepreneurs. These measures build on the proposed Small Business Act and they include:

- § Ensuring that starting up a business can be done within three days at zero cost;
- § Removing the requirement on micro-enterprises to prepare annual accounts (with estimated savings of 7 billion euros per year for companies);
- § Ensuring that public authorities pay invoices for supplies and services within one month.

Recommendation n°11

The European Investment Bank (EIB), Member States and the European Commission should promote additional credit financing, including through the EIB facility for SME lending. Raising awareness amongst lending institutions and agro-food SMEs should be encouraged- including through national and European agro-food industry organisations- to take advantage of the additional funding. In parallel, the European Commission, in collaboration with the Member States and relevant stakeholders, should promote linkages between agro-food SMEs and “business angels”, to provide them with equity capital for starting up and developing enterprises.

As regards **innovation**, even though a number of SMEs contribute greatly along with the larger companies to the research and development of innovative products and technologies, it has been noticed that SMEs in general tend to avoid being involved in innovative procedures. This is justified by their limited capability to deal with the uncertainties and risks inferred in such projects. In parallel, the returns on investments are not immediate as consumers need

²⁹ Handbook on Community State Aid Rules for SMEs – Including temporary state aid measures to support access to finance in the current financial and economic crisis, published on 25th of February 2009.

time to familiarize themselves with the innovative products, a fact that creates further obstacles for SMEs to invest on innovative developments.

Besides these, access of SMEs to both R&D projects and funding is deemed to be difficult due to burdensome procedures, demanding reporting requirements, etc. National technology platforms or other instruments, such as techno-scientific mediators, are not adequately exploited to disseminate information concerning financial instruments and procedures while joint research projects aimed at facilitating technology transfer, knowledge and training are not adequately promoted to create awareness of their existence to SMEs. At the same time, the Group notices that there is no unique funding instrument that provides systematic support along the whole innovation process: from the development of the concept to its commercialisation and market introduction.

Recommendation n°12

³⁰ *The European Commission and Member States in cooperation with the stakeholders should simplify the administrative procedures required for participation to the funding programs. At the same time they should not only spread awareness of existing projects aimed at facilitating the technology transfer to SMEs but also establish additional ones. For example, the European Commission should encourage research programmes such as Truefood which allows food federations to facilitate technology transfer towards SMEs based on training and dissemination activities. National technology platforms and the techno-scientific mediators should be better utilized to disseminate information between the relevant national authorities and SMEs.*

Entering new **foreign markets** is a challenge for companies to expand their operations. However this requires considerable investments on information and financial capital. As a result SMEs, due to lack of resources, often remain focused on national markets rather than exploiting the advantages of internationalization. Currently 63% of European SMEs, in general, are active only in their home country, 8% export while only 12% of the inputs of an

³⁰ This is in line with the 8th principle of the SBA: “The EU and Member States should promote the upgrading of skills in SMEs and all forms of innovation. They should encourage investment in research by SMEs and their participation in R&D support programmes, transnational research, clustering and active intellectual property management by SMEs”

average SME are purchased abroad. Several initiatives taken by the European Commission to support SMEs in this regard take advantage of globalization. “Business support centres” are being set up in China and India to enable SMEs to open trade and take advantage of these emerging markets. Similarly, a new executive training programme has been set up in China to provide young managers with the skills needed. Last but not least, the Commission’s new proposal on lower VAT rates for labour intensive services will lead to a positive effect on SMEs offering services such as catering.

Thus, EU export promotion programs already exist; nevertheless they are considered to be complex. With this in mind, some members of the Group agree that additional export promotion schemes are necessary to complement this general lack of resources and to encourage European Agro-Food SMEs to develop and sustain long-term investments on export activities.

Recommendation n°13

The European Commission in association with the Member States and the various food industry associations should establish export networks and export intelligence instruments to facilitate easier access for Agro-Food SMEs to global markets.

Retailers should continue to promote the Agro-Food SMEs products in response to consumer demand.

§ SMEs in the agro-food sector

The new Common Agricultural Policy radically modified the manner in which the community’s agricultural sector is supported. The removal of the link between subsidy and production allows the Union’s agro-food sector to be more competitive and more market oriented, while it should meet the EU standards reflecting citizen’s growing demand for diverse and healthy products. In fact, with an agricultural policy which is increasingly moving away from a pure product-oriented policy, it will become more and more important to the policy makers to monitor Agro-food enterprises and take the necessary measures that can contribute to enhancing their competitiveness.

In this framework, it should be taken into account that the European food sector is dominated by SMEs which need to be supported in order to meet new challenges and therefore,

contribute to creating sustainable economic growth. This support at European level should cover activities aimed at monitoring the economic performances of the European Agro-food enterprises, analyzing the international market trends in trade and technological process, and facilitating the adoption of innovation. At present, many agro-food SMEs being included in the scope of the SME definition have access to State aid to agriculture. Nevertheless due to their lack of information and the complicated procedures needed to receive such support, they are only marginally benefitting from the existing support instruments.

§ Agro-food SMEs and retailers

One key determinant of the functioning of price transmission along the food supply chain is linked to the bargaining power of the various agents along the chain. In particular, the effectiveness of the strategies adopted by agricultural producers in an increasingly free market in order to rebalance the asymmetry of the bargaining power in the food supply chain, including the creation of producer groups and cooperatives, and the development of contractual arrangements with processors and retailers, needs to be further investigated.

While, as a general rule, all retailers sell the products of the large food manufacturers, collaboration with SMEs has a different pattern. As far as these are concerned, distributors tend to collaborate with them at local level so as to strengthen their local image but also to ensure product range for the consumer. Likewise, they also seek to avoid dependence on a limited number of large manufacturers. As a consequence, one of the factors that differentiate the various distribution chains is the different SMEs products they supply. Retailers also provide local SMEs producers with opportunities to expand to new markets at home and abroad. To this end, various retailers among Member States have established SME-specific support programs for better market access. This is also consistent with the last recommendation³¹ of the SBA based on which the Member States are invited to encourage the coaching of SMEs by large companies in order to bring them to international markets. Such schemes that tend to be national or local should be promoted and extended so as to give SMEs their full export potential.

³¹ “The EU and Member States should support and encourage SMEs to benefit from the growth of markets outside the EU, in particular through market-specific support and business training activities.”

Retailers welcome and need the possibility to work with local manufacturing SMEs. To ensure consumer choice, retain their individuality and strengthen their local image, retailers require access to a wide range of suppliers. They seek to optimise their product ranges in order to position themselves well vis-à-vis their competitors and to provide their customers with wider choice, through a wide network of suppliers including SMEs and local suppliers.

Recommendation n°14

Farmers and agro-food SMEs in the upstream markets should integrate effectively in the food chain in order to reinforce their bargaining power and secure fair returns on their products. To this effect, improving the understanding and knowledge of price transmission as well as of contractual arrangements along the food supply chain is of crucial importance and should be a priority action of existing national “Markets and Price Observatories”. The outcome of these actions would contribute to improving the effectiveness of market positioning strategies by agricultural producers through the setting up of producer groups and agro-food cooperatives.

4.3.2 Relationships along the food supply chain

Along the food supply chain as well as between the agro-food subsectors intermediate goods are transferred between enterprises. The more intense the competition between the players, the lower the price of such goods is likely to be. In recent years, an on-going consolidation has been observed throughout the food supply chain. The food supply chain is characterised by big, as well as very small players in all three sectors: agricultural, agro-food processing and retail. While production in some food processing sectors, such as processed fruits and vegetables, remains highly dispersed, in other sectors, such as starch, sugar and dairy products, it is more concentrated. The retail sector is increasingly dominated by large food retailers and cross-border retail chains. This consolidation has been seen as a positive development as it can lead to efficiency gains resulting from economies of scope and scale, hence attaining better prices as well as wider choice for the consumers.

Nevertheless, given the large heterogeneous nature of both products and manufacturers, the food supply chain remains fragmented overall. This can potentially provoke adverse effects on the degree of competition in national retail markets, as well as leading to imbalances in the transactions between producers, processors and distributors. In other words, market shares may have an effect on the bargaining power in the vertical chain and if competition is weak,

anti-competitive practices can lead to price increases affecting the consumers directly. Therefore, the Commission's competition department has investigated a variety of cases involving various products in this sector, under Article 81 EC (restrictive business practices) and Article 82 EC (abuse of dominant position).

The recent Commission's Communication "Food Prices in Europe"³² acknowledged on examination of the competitive environment, that the degree of bargaining power held by the firms in the different sectors along the food supply chain varied by product category. Food producers with strong brands tend to have a stronger bargaining position vis-à-vis retailers. On the contrary, producers of non-differentiated products, for which brand awareness is not high, are likely to be in a much weaker position.

Due to the increasing concentration in the retail distribution sector and the alleged imbalance between this sector and the suppliers, both the European Commission and the national competition authorities constantly monitor the retail sector for potential anti-competitive effects.

In this respect, the European Commission has pointed out that the contractual relationships between retailers and suppliers (regarding the access of suppliers to the market or the fixation of the selling price for example) is governed by the laws of the Member States. Those laws have distinctive features and vary from one Member State to another. Some of those national rules (for example, prohibiting sales below costs, limiting the possibility to invoice the services provided to the suppliers and to reduce the price for consumers) may have the effect of reducing the bargaining power of retailers vis-à-vis manufactured brands.

The public authorities have their role in making sure that the on-going consolidation process does not worsen upstream and downstream competition conditions at the local level, to the detriment of businesses and consumers. European and national competition authorities³³ have looked into cases brought to their attention and although abuse of dominant position has been

³² Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, "Food prices in Europe", COM (2008) 821/4.

³³ The UK Competition Commission's provisional findings in its market investigation are available at: <http://www.competition-commission.org.uk/inquiries/ref2006/grocery/index.htm>
Moreover, the Austrian Federal Competition Authority's findings are available at: http://www.bwb.gv.at/BWB/English/groceries_sector_inquiry.htm

very difficult to establish, it highlights the existence of the tensions in the food supply chain; the result has been that all players in the food supply chain continue to hold the opinion that national authorities as well as the European Commission should continue to monitor closely the situation.

There is a clear interest in an efficient food industry which delivers safe food at competitive prices to consumers. This requires that market participants do not exploit size and concentration for anti-competitive purposes and that there is equilibrium along the supply chain, especially between producers and retailers. This equilibrium also needs to ensure that smaller operators are not disadvantaged vis-à-vis their larger counterparts.

In conclusion, an appropriate balance between the relative concentration of producer and retailing sector can contribute to the proper functioning of the market and the avoidance of competitive abuses and an appropriate level of innovation. This balance would take as well account of the interests of SMEs which may be vulnerable to any abuses. Moreover, it might be the case that there are issues in the food supply chain which have an impact on the competitiveness but which do not fall under competition law.

In this framework, while the consolidation of sectors along the food chain continues, a joint effort at Community, national and local level, in collaboration with the relevant stakeholders, is essential in order to address the contractual relationships that ensure fair returns for all actors in the chain and result in high-quality products at affordable prices for the consumer.

Recommendation n°15³⁴

The European Commission in collaboration with the Members States and stakeholders should establish a European forum that will address the relationships among the players in the food chain, and in particular between producers/processors/distributors and will identify various parameters of importance for the good functioning of the food chain with the aim to adopt an EU wide code of conduct.

§ Late Payment Directive

Despite the current content of the directive, many payments in commercial transactions among enterprises or between industry and public authorities are issued later than agreed in

³⁴ ERRT and METRO (Eurocommerce) do not support this recommendation.

the contract or laid down in the general commercial conditions. Such practices impinge on creditors' liquid assets and complicate the financial management of enterprises. Especially in the case of creditors, such as SMEs, which are forced under such condition to obtain external financing, there may be a negative effect on their competitiveness and profitability.

The European Commission, being aware of the importance of this issue, is tabling a proposal to amend Directive 2000/35 as a matter of urgency, with a view to ensuring that benefits can be delivered to SMEs as quickly as possible. It is one of the initiatives announced in the context of the Small Business Act and will be a priority item in the Commission's Legislative Work Programme 2009 as well as included in the 2009 Simplification Rolling Programme. In this context, the Commission launched a public consultation of stakeholders to seek their views on the current problems as well as on possible measures to ensure prompt payments. This consultation showed a high incidence of late payments by public authorities. In addition, the European Business Test Panel was consulted on this issue from 13 May 2008 until 20 June 2008.

The HLG welcomes the Commission's intention to amend this Directive, which should bring an increased level of simplification and better coherency, as well as a reinforcement of the existing mechanisms on late payments.

§ Agro-Food Processors Own-Brand Products and Retailers Own-Brand Products (Private labels)

Private label products encompass all products made by third parties upstream in the food supply chain and sold under retailers' brand. That brand can be the retailer's own name or a name created exclusively by that retailer or the wholesale group.

The introduction of private label products by retailers is a growing trend in the retail sector. The market share of such products varies by country, product-category and store format. In some Member States they now account for more than 40% of products sold. For many store formats – in particular discounters – private labels represent the quasi-totality of listed products. While they widen the range of available products and thus represent an additional source of competition, they may lead to foreclosure effects as supplier of branded products become a direct competitor to the retailer. Similarly, while private label products provide opportunities for their producers to have access to a large customer base, they may also reinforce their dependency towards a particular retailer. Nonetheless the effect of private label

products on buyer power and on innovation in the agro-food industry will continue to deserve attention.

In general private label products are often produced by SMEs. This practice therefore provides the opportunity to small suppliers to enlarge their market and exploit the benefits of internationalization. Moreover, the collaboration between retailers and suppliers of private label products can lead to benefits in terms of innovation and quality standards. Consumers may benefit from private label products which provide an increased choice.

Producers of homogeneous products, for which brand awareness is not high, are likely to be in a much weaker position. A stronger brand image results from product differentiation through investment in product innovation, quality and advertising. Ultimately strong brands may constitute entry barriers, as new entrants would be faced with high levels of upfront costs they could not recover subsequently (endogenous sunk costs).

This being said, some Members have brought to the attention of the HLG the fact that given the proliferation of the retailers' private labels, retailers have become direct competitors to the agro-food processing industry, with detailed insights into production trends, innovation activity, cost-structures and marketing strategy. This situation provides them with a clear advantage over their suppliers and raises serious questions of competition, namely, the possible foreclosure of existing and potential competing suppliers. This could easily reduce the number of product items on the shelves, thereby limiting consumer choice.

Furthermore, some members of the High Level Group highlighted that the absence of the producer's name on the package leads to negative effects both for the consumer and the industry. They argue that, as regards the consumer, this results in a lack of transparency and thus influences the purchase decisions and the scope of choice. At the same time, as far as the agro-food industry is concerned, there is a negative impact for SMEs which manufacture private labels and benefit from the resulting innovation, transfers of technology and access to external markets. Private labels may reduce drastically their market power and the possibility to recover the cost of their investments both on product's development and safety. But on the other hand sometimes, producing private label may be an opportunity for SMEs to grow their business.

Different solutions were proposed during the HLG discussions. Some participants recommended allowing the producers, when desirable, to incorporate their brand company's name along with that of the distributor. This proposal did not gain unanimous support in the Group. Overall, it appears that the Group lacked adequate data and information to draw conclusions on the impact of the own-brand products on agro-food companies' competitiveness.

Recommendation n°16³⁵

The European Commission should study the effect of private labels on the competitiveness of the agro-food industry, in particular on SMEs, and examine ways to reduce if appropriate, the imbalances of power in the food supply chain.

4.3.3 Workforce and Skills

Today Europe is experiencing changes at a scale comparable with that of the Industrial Revolution. These rapid economic and social changes and the transition to a knowledge-based society imply that all Europeans need to continually update their skills and professional competences. A highly qualified workforce is greatly complementary to technological capital and fundamental for the overall competitiveness of enterprises. The Lisbon Strategy, therefore, aims at Europe “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.

The European agro-food industry, nonetheless, still encounters difficulties regarding **workforce availability**. Stakeholders indicate that there is a shortage of qualified and competent employees in the sector, since it does not appear to be perceived as an attractive career choice. As far as young workers are concerned, given the demographic challenge increasingly present, their attraction into industrial production has turned out to be a challenge for many industries and this is the case also for the food sector. At undergraduate level, students are tending to choose directions other than food and drink related degrees. In the light of this situation there is an agreement among the HLG members that the image of the European food industry has to be improved in order to trigger the interest of individuals to develop food-specific scientific qualifications.

³⁵ ERRT and METRO (Eurocommerce) do not support this recommendation.

At the same time, future **industry specific skills** needed are not sufficiently identified so as to be able to follow market evolutions and secure the competitive position of companies. The content in appropriate university and research degrees must correspond to the needs of the industry. However, it has been noted that public authorities and industry are not adequately involved in the identification of essential skills for the sector as well as in the adjustment of the qualifications to the requirements of companies. Human resources management it is crucial for the agro-food processing industry so as to guarantee that the workforce employed in the production of certain food and drink products possess the necessary competences and skills required by manufacturing industries.

As far as innovation is concerned, high-level research is essential to keep the industry ahead of its competitors. In addition, possessing an **entrepreneurial spirit** is required in order to be able to create additional value for purchasers though designing new products and procedures and exploiting new market opportunities. This highlights the societal need to always provide young people with the essential skills, such as ICT, management, languages, etc. to enable them be creative. Education at school and university level is fundamental to create a risk-taking culture that encourages innovation.

Finally, **social dialogue**³⁶ is one of the pillars of the European social policy and is recognised as a tool of "good governance". The main objectives for European social dialogue are: a better understanding to facilitate consensus, a better capacity to promote the sectoral interests and a capacity to act together. Even though such a dialogue has already been successfully achieved in the sugar sector, it has not yet been achieved for the entire food industry.³⁷

Recommendation n°17

As a means of attracting highly qualified personnel and strengthening innovation in the sector, the European Commission and Member States, in cooperation with the stakeholders should develop educational programmes that raise awareness of the importance of the food industry and its operation and encourage entrepreneurship. Moreover they should promote practical experience through placements for students and young graduates as well as

³⁶ Article 138 EC Treaty.

³⁷ The European Commission decision of 20 May 1998 – 98/500/EC lays down precise provisions concerning the establishment, representativeness and operation of new sectoral committees, intended as central bodies for consultation, initiatives and negotiation.

apprenticeship schemes and develop food specific qualifications. At the same time, to enhance the employability of people, they should reinforce access of personnel to life-long training programmes. Sector-specific prizes³⁸ should be set up as an incentive to reward innovative developments and create best practices for other players.

Recommendation n°18³⁹

The High Level Group members recommend the European sectoral social dialogue as a tool of good governance.

Upon joint request of the European social partners, the European Commission could examine their representativeness with a view to assess the feasibility of creating a Social dialogue committee in the agro-food industry.

4.3.4 Business services to the food supply chain

Nowadays, in the context of globalization and the development of the common market there is a growing distance between primary producers and consumers. At the same time, due to the shift towards more fresh products as well as out of home market, new challenges arise in logistics in terms of quality maintenance and safety. Moreover, the increasing diversity of products on offer requires more diverse logistic channels. Consequently, the number of kilometres that food products are travelling is increasing, a fact that leads to additional congestion in cities and on the motorways. Therefore, in order to secure the competitive position of the food and drink industry, the improvement of transport efficiency is essential. This implies a more rapid delivery of fresh and perishable products and hence transport, cost and energy consumption reductions, a fact that will lead to a more climate neutral transport system. **Agricultural Logistics** can contribute to this direction. The system currently implemented in the Netherlands is an example of successful application of Agrolistics. Entrepreneurs, logistics companies and knowledge providers cooperate closely and have, with

³⁸ An example would be Trophelia, which is a European-wide competition that encourages the creation, implementation and development of new grocery products by teams of students from commercial or scientific establishments of higher education. Moreover, **Erasmus for young entrepreneurs** is a new mobility scheme launched by the European Commission for recently established and budding entrepreneurs in order to support their cross-border mobility.

³⁹ CIAA does not have a mandate for social issues and therefore cannot endorse this recommendation.

the support of the national government, set up a Platform “Agrologistics” based on the model of "clustering, connectivity, orchestrating"⁴⁰ .

As regards **information and communication technologies (ICTs)**, these have developed tremendously over recent decades to contribute to the simplification of procedures. Examples of applications of such technologies to the benefit of the agro-food industry are:

- **E-government** at EU level provides simplified access for enterprises to public services. Nevertheless, it is not adequately exploited, particularly by SMEs.
- **E-invoicing**⁴¹ compared to paper invoices offers enormous advantages for the competitiveness of the agro-food industry: it is easier to process, reaches the customer rapidly and is storable centrally at a low cost. Nonetheless, there are still obstacles that prevent its full uptake in the EU: e-Invoicing standards in the EU and worldwide are fragmented; the validity and acceptance of e-Invoices for legal, financial and administrative purposes still follow national rules, making cross-border transactions difficult; security, authenticity and integrity considerations lead to an operational risk and thus to a lack of trust. In this respect, the European Commission adopted, on 31st October 2007, a Decision to set up a group of experts. This Group will assist the Commission in establishing, during 2009, the European e-Invoicing Framework which will provide a basis for achieving the interoperability of e-Invoicing solutions in the public and private sectors across Europe by means of legal and best practices guidelines, commercial and operational rules for e-invoicing systems and technical standards.
- **E-business** supply chain systems contribute to increasing efficiency in precision farming, tracing and tracking and logistics.

⁴⁰ “Clustering” refers to the combination of activities with the objective of preventing the spatial scattering of primary production, processing and distribution of agricultural foodstuffs. “Connectivity” implies combining the transport links used for the supply of raw materials between clusters and those used for the removal of products and by-products while directing the managing and organization of the agricultural products flows. “Orchestrating” involves the management and the organisation of agricultural product flows, by means of modern information and communication technologies.

Source: http://www.agrologistiek.nl/upl_docs/Agro_folder_UK_06_web.pdf

⁴¹ It refers to the electronic transfer of invoicing information (billing and payment) via the Internet or other electronic means between the parties (business partners, the public sector, consumers) involved in commercial transactions.

- **E-commerce** provides agro-food companies with opportunities for one-on-one marketing to increase sales, attract new customers and communicate in person with purchasers.
- **Radio Frequency Identification technology (RFID)** is seen as an important technological development that will, in the coming years, contribute to enhancing the efficiency of traceability systems, combating counterfeiting, facilitating easier management of returns and warranties.

Recommendation n°19

The European Commission with the cooperation of the Member States and stakeholders should establish a forum to collect and disseminate best practices aimed at a more efficient and sustainable logistics as well as a more active implementation of Information Communication Technologies (ICTs) in this particular sector.

4.3.5 Consumer Issues

Consumers want food that it is safe, **tasty, healthy, nutritious, convenient and pleasant**. **In addition consumers are increasingly interested in sustainability**. At present, in an increasingly demand-driven economy and given a number of economic and technological developments, there is an ongoing concern about the origin, quality and safety of food products. At the same time lifestyle-related issues such as obesity and excessive alcohol consumption harm the health of individuals. Consumers want to be informed on the nutritional composition of foodstuffs and have, in recent years, been therefore more enthusiastic in seeking information about the quality and origin of their food as well as on its effect on health. This reflects their **growing awareness** of the role of food and diet on healthy living, well-being and longevity. There also exists a growing trend of consumers who are increasingly willing to pay more to purchase ethically produced products.

Food and drink processors, placing consumers at the centre of their economic activity to drive growth and prosperity, have to fulfil the need for **clear information** on the nutritional content and ingredients of their products in order to enhance purchasers' trust and loyalty to their brands and ability to make an informed choice. Consequently, the legal framework of

European food **labelling provisions** consists of horizontal labelling requirements⁴² that are complemented by an important number of rules of a specific nature which are applicable to certain foodstuffs and are included in the so-called "vertical legislation". Nevertheless, this piece-meal approach in the delivery of the entire spectrum of Community labelling legislation, which in addition is increasingly originating from EU policy areas other than food, makes it difficult for food processing operators to identify and understand the applicable legal requirements. The accumulation of too many mandatory and voluntary labelling standards on the same packaging might create confusion and mislead the consumer. For this reason, the proposed EU regulation on the provision of food information to consumers represents an opportunity to harmonise and clarify the provision of nutritional information across the EU. Stakeholders claim that requirements are not only complex and multifaceted but also subject to regular changes. Most of the general provisions date back to 1978, therefore they do not seem to correspond any longer to market and consumers' expectations. In addition, the lack of coordination of implementation dates adds to the complexity of the situation, as food operators are required to adapt food labels frequently. This is partly why available information is becoming more varied and complex, while the quality of food labels varies greatly per product and Member State.

Consequently, even though it is undoubtedly crucial, legislation is not sufficient on its own. It is essential to complement legislation with consumer education to develop the skills, attitudes and knowledge to look for and understand diverse consumer information provisions. In this respect, public authorities play an active role in establishing appropriate strategies for **better education** for consumers. In this way, actions have been implemented by members of the Platform for Action on Diet, Physical Activity and Health. In addition, the European Commission has already developed, in cooperation with institutions of higher education, the initiative "Education online" (Dolceta Programme) that provides certain web-based consumer education tools for the citizens in the Member States.

⁴²The European Commission undertook consultations, including a discussion document entitled "Labelling: competitiveness, consumer information and better regulation for the EU". The consultations resulted in a Proposal for a regulation on the provision of food information to consumers. This proposal is currently under discussion in the European Council and Parliament - Proposal for a Regulation of the European Parliament and of The Council on the provision of food information to consumers COM(2008) 40 final, 30.1.2008

To enhance the **confidence** of consumers, traceability appears as one of the tools that is utilised by operators and competent authorities to ensure effective control along the entire food supply chain. It principally aims at contributing to the protection of the consumers from food-borne hazards and deceptive marketing practices. In parallel it supports the facilitation of trade on the basis of accurate product description. The application of such a tool has improved the effectiveness of controls and, when problems occur, withdrawals of food products are taking place. Consequently, it actively contributes in fighting fraud and counterfeiting.

As far as **obesity** is concerned, the “Strategy for Europe on Nutrition, Overweight and Obesity related health issues” adopted by the Commission in May 2007 established a coherent framework to reduce the risks associated with poor diet nutrition and limited physical exercise, while addressing the issue of inequalities across Member States. In particular, the Strategy encompasses a range of Commission policies that are directed towards improving nutrition and preventing overweight and obesity. Furthermore, it underlines the need to pursue partnership approaches at national level, as well as supports the process launched with the European Platform for action on diet, physical activity and health. The members of this platform are required to submit commitments, and are encouraged to engage in concrete actions to fight the increasing public health threat posed by obesity across Europe. The platform, although still ongoing, can be said to be a successful process that brings together various stakeholders to foster action in key fields such as product reformulation, responsible advertising, consumer information and education as well as share best practices. Such experiences are put in place by some Member States where stakeholders (food industry, consumers, state, public health community, etc.) are brought together to:

- Increase the introduction of innovative, healthy and nutritious choices, concerning, for example, fat, sugar and salt content of processed foods;
- Develop and provide affordable, healthy and nutritious food
- Provide consumers with adequate product and nutrition information.
- Promote a healthy lifestyle and encourage physical activity.

Last but not least, consumers have concerns about the **advances in biotechnology, nanotechnologies** and their potential to deliver great improvements for public health, food safety and animal health. Such developments seem today unavoidable. To this end, it is necessary to obtain a better understanding of the European citizens' risk perceptions on new emerging technologies and scientific innovations based on a solid knowledge. The challenge in this respect is to present evidence that demonstrates the long-term safety of new

technologies and to develop policies based on coherent scientific research and reliable data in order to address the concerns of certain sectors of the society. The credibility and recognition of scientific advice in this innovative but sensitive area are still a challenge. Thus, risk assessment needs to be carried out objectively and independently in a way that is understandable for consumers

The challenge in this respect is also to improve the communication and education on these emerging technologies, by bringing enough information and clear explanations via public authorities to the European citizens and by providing them with the necessary education which will enable them to make safe and healthy choices.

Recommendation n°20

With the aim of enabling consumers to make informed and healthy choices, the European Commission and the Member States should take actions for their education from an early age and provide further comprehensive, clear, legible and coherent information on food. The European Union, Member States and other interested parties should promote initiatives that bring together various stakeholders including the agro-food processing industry, consumers and public health experts to foster action aimed at:

- Increasing the introduction of innovative, informed and healthy options and nutritious choices, concerning, for example, fat, sugar and salt content of processed foods;*
- Further developing and providing affordable, healthy and nutritious food*
- Providing consumers with pertinent product and nutrition information.*

At the same time, consumer information and especially labelling provisions specific both to food and other issues of consumer concern should take competitiveness and the integrity of the internal market into account.

As regards new innovative technologies, public authorities in cooperation with the relevant stakeholders should provide information regarding their benefits and risks that is easily accessible and understandable by the average EU citizen.

4.4 Research and Innovation

Research and Development (R&D) are among the main engines of innovation, productivity growth and structural change and hence are essential to guarantee continued competitiveness of the European food industry. To this end, the development of a European R&D strategy is

crucial to be able to respond to new challenges such as globalisation, environmental sustainability, public health and consumer demand for quality, healthy, convenient and sustainable food. The EU objective, as agreed by the Member States, is to increase by 2010 the level of investment in research to 3% of GDP⁴³. Largely, this increase is expected to be driven by private enterprises and is seen as one of the central tools in the process of supporting the European Union in becoming the "most competitive and dynamic knowledge-based economy in the world".

Nevertheless, compared to other leading industry branches, the agro-food processing industry is generally not considered as being very innovative. Recent surveys show that the European food industry is targeting 50% less of its investment in R&D than the non-food industry⁴⁴. Indeed, the return on investment and margins of profit are generally low and can contribute to a lack of incentives to commit to R&D projects. Companies find it difficult to seek authorization for novel food products, because of the lengthy procedures and the uncertainty of the outcome. The cost factor or inappropriateness discourages many from patenting food products or new processing techniques. Moreover, the European agro-food industry is dominated by SMEs that often lack resources and qualified personnel to invest on research and innovation.

To enhance competitiveness, additional research and innovation efforts are required along the entire food supply chain. Development of the primary sector is a precondition for growth and competitiveness of the whole industry as it provides the raw material for further processing. Similarly, food processors play a vital role in terms of quality of products, food safety, environmental protection and animal welfare. At the same time, both the retailers and the food service channels (e.g. the packaging industry) are contributing greatly to the development and promotion of innovation. Finally it is the consumers who demand high-quality and nutritious products, preferences that have by all means to be taken into consideration. Hence, research and innovation have to be directed in a way to cover the entire chain from farm to fork.

§ The 7th Framework Programme for Research and Technological Development (FP7)

⁴³ Communication from the Commission, Investing in research: an action plan for Europe, COM (2003) 226 final, 4 June 2003.

⁴⁴ The report on "Competitiveness of the European Food Industry" (LEI, 2007) indicates that the food industry is performing below average in nine out of 12 innovation indicators and is ranked 15th out of 19 sectors for innovation.

Access to funding is closely intertwined with the success and continuity of the research and development efforts, as well as the innovative performance of the food industry. In this respect a major tool currently available for the stakeholders is the 7th Framework Programme for Research and Technological Development for 2007 – 2013, which involves a budget of over € 50 billion. This funding is directed for grants to researchers all over Europe and beyond, in order to co-finance research, technological development and demonstration projects. It is well oriented towards priority initiatives in food and health, food quality and manufacturing, food and consumer, food safety, sustainable food production and food chain management. In this context, one of the key thematic areas within the FP7 Cooperation programme is theme 2 "Food, Agriculture and Fisheries, and Biotechnology" whose primary aim is to build a European Knowledge Based Bio-Economy (KBBE) around three major activities:

- sustainable production and management of biological resources from land, forest and aquatic environments;
- fork to farm : food (including seafood), health and well-being;
- life sciences, biotechnology and biochemistry for sustainable non-food products and processes.

The EU Member States have earmarked more than €1.9 billion for this theme over the entire duration of the FP7. Despite this, the members of the High Level Group consider that the funding currently available is not enough to respond to industry needs.

Specifically for SMEs, whose participation in the Framework Programmes is important in the sense that they represent a major part of the agro-food industry, it has been noted that often the administrative procedures are quite burdensome and therefore create a lack of incentive for them.

Recommendation n°21

The European Commission as well as the Member States should bring together all relevant stakeholders in the food supply chain in order to ensure that there is a farm to fork policy regarding research and development of innovative products as well as regarding the development of sustainable production and processing methods.

The European Commission should keep the orientation of the 7th Framework Programme for Research and Technological Development (FP7) towards food-related initiatives. In addition,

the agro-food industry, in cooperation with the European Commission and the Member States, should target additional funding in research and innovation. Finally, specifically for the SMEs the European Commission should simplify the procedures in order to facilitate their access to this funding scheme.

§ Joint Research and Technology Initiatives

Although Europe has already excellent education and research institutions, they are often isolated from the business world and therefore companies do not always get the necessary information for existing innovative development. Currently research and technology initiatives exist but these are not exploited to their maximum capacity, such as the European Institute of Innovation and Technology, the European Technology Platform "Food for Life" as well as other individual technology platforms, and the ERA-NET scheme.

The European Institute of Innovation and Technology (EIT) is a new initiative which aims to become a flagship for excellence in innovation at European level, in order to face the challenges of globalisation. This Institute fully integrates the three sides of the "Knowledge Triangle" (Higher Education, Research, and Business-Innovation) and seeks to stand out as a world-class innovation-orientated reference model, inspiring and driving changes in existing education and research institutions. By boosting the EU's capacity to transform education and research results into tangible commercial innovative opportunities, the EIT will further bridge the innovation gap between the EU and its major international competitors. The cornerstone of the initiative is the direct involvement of business stakeholders, including SMEs, in all strategic, operational and financial aspects of the Institute.

Other important research and technology initiatives currently being developed are European technology platforms such as: Farm Animal Breeding and Reproduction Technology Platform (FABRE TP); Global Animal Health (GAH); Plants for the Future (Plants TP); Sustainable Chemistry (SusChem TP); Water Supply and Sanitation Technology Platform (WSSTP) and finally, the European Technology Platform "Food for Life" (ETP)⁴⁵.

These Platforms were set up by stakeholders and led by industry, with the objective of defining medium to long-term research and technological objectives and laying down markers for achieving them. Technology Platforms play a key role in better aligning EU research priorities to industry's needs through public-private partnerships. They cover the whole

⁴⁵ <http://etp.ciaa.be/asp/home/welcome.asp>

economic value chain, ensuring that knowledge generated through research is transformed into technologies and processes, and ultimately into marketable products and services.

In particular, the ETP Platform Food for Life was highlighted during the HLG discussions as having a major importance for the agro-food industry. An Implementation Action Plan for this platform has been recently launched by pointing towards a number of strategic research areas with expected high returns, such as the development of new processes, products and tools that improve health, well-being and longevity with the vision to deliver innovative, new and improved foodstuff to national, regional and global markets in line with consumer needs and expectations. This is hoped to be achieved effectively by bringing together research in nutrition, food and consumer sciences, sustainable production and food chain management.

As regards the ERA-NET scheme, it was set up as the principal means for the Sixth Framework Programme (FP6) to support the cooperation and coordination of research activities carried out at national and regional level, through the networking of the research activities and through the mutual opening of national and regional research programmes. The scheme was meant to make the European Research Area a reality by improving coherence and coordination across Europe. The Safefood-Era-Net has been developed under FP6 in order to better coordinate Member States and other European food safety research programmes to develop key elements of a European strategic food safety research agenda for national/regional research funders. The network has already launched two transnational calls. Currently, the ERA-NET is used in relation to FP7 as a tool for systematic exchange of information and best practices, as a means of implementation of joint activities and as a source for funding of transnational research. The two specific actions of this scheme are: ERA-NET actions⁴⁶ and ERA-NET Plus actions⁴⁷.

Recommendation n°22

The Member States and the food supply chain stakeholders should fully support the initiative of the European Institute of Innovation and Technology (EIT). At the same time, the HLG

⁴⁶ 'ERA-NET actions' provide a framework for actors implementing public research programmes to coordinate their activities e.g. by developing joint activities or by mutually supporting joint calls for trans-national proposals.

⁴⁷ 'ERA-NET Plus actions' provide, in a limited number of cases with high European added value, additional EU financial support to facilitate joint calls for proposals between national and/or regional programmes.

invites the EIT to set up specific research programs within its organization related to the agro-food industry. Finally, a network between the EIT and national clusters should be created as a means to improve relationships between food producers, education and public research.

The European Commission should continue to offer public recognition to all relevant European Technology Platforms (ETPs). More consideration should be given to the conclusions issued by the ETPs when designing science and innovation based policies. In addition, the European Commission in cooperation with the Member States should continue its Competitiveness and Innovation Programme through, inter alia, dissemination of innovation in the agro-food sector, particularly towards SMEs.

The stakeholders and the Member States should take advantage to a greater extent of other research funding initiatives, such as the European Research Area Net (ERA-NET).

§ New technologies in the food industry: GMOs, biotechnology, nanotechnologies

Today's Europe is experiencing changes brought about by new technologies such as GMOs, biotechnology and nanotechnologies. These technologies pose challenges and offer opportunities, and will inevitably change people's lives. More specifically, application-oriented research and technology plays a crucial role in strengthening competitiveness while ensuring sustainable production. Where appropriate, the longer-term food safety and environmental impact of new technologies and new products need to be addressed.

The EU's vision is of a "knowledge-based economy" and as part of this, it plans to maximise the potentials of **biotechnology** to the benefit of the economy, society and environment. There are new challenges in this sector including a growing demand for healthy, safe food; newly emerging risks; and threats to agricultural and fishery production from changing weather patterns. However, creating a bio economy is a challenging and complex process involving the convergence of different branches of science.

Industry considers biotechnology to be one of the most promising drivers for innovation and growth, but in Europe, past uncertainty over the regulatory framework and insufficient public acceptance have driven many research and development investors away from biotechnology

projects for agricultural applications. As a result, the gap between Europe and other world regions, where this technology continued to develop, is steadily increasing.

Moreover, despite the potential advantages brought by biotechnology in the food industry, and **genetically modified organisms (GMOs)** in particular, there is a widespread public concern about the possible impact of GMOs on human health and the environment. The sensitivity of this issue highlights the need for responsible policies at EU and international level to ensure that these concerns are addressed and that the protection of the environment and human health remains a priority at all times.

Discoveries in **nanotechnologies** may affect several aspects of the agro-food industry, from food safety to the molecular synthesis of new products and ingredients. Nanotechnology, which deals with controlling matter at near-atomic scales to produce unique or enhanced materials, products and devices, is considered one of the new technologies which has a potential to bring new benefits to food products such as: food quality, packaging and transport; taste and sensory properties of food; functional foods; seed production; plant protection products. The food industry considers that in order to deliver new innovations in the food industry in Europe, nanotechnology has to be given the opportunity and the legal environment to be explored and safely utilised.

Finally, **consumers** play an important role in the acceptance of these new technologies in the processes of the food industry, as they represent the end of the food chain. There is a general sceptical approach towards these new technologies. The challenge in this respect is to develop a risk assessment approach for these new technologies applicable to the food industry and improve communication on these emerging technologies, by bringing information and clear explanations to the European citizens including from independent regulatory bodies and by providing them with the necessary education which will enable them to make safe and healthy choices.

Recommendation n°23

The European Commission along with the Member States should strive to facilitate the development of new food processing technologies, biotechnology, converging and environmental-friendly technologies that have been scientifically proven as safe for

consumers by ensuring the necessary public research funds and public research programmes in the field of new technologies.

Where necessary the Member States and the stakeholders encourage the European Commission to propose and ensure adequate and efficient authorisation procedures for new technologies, such as nanotechnology. Moreover, the same actors should strive further to develop communication with consumers in order to build confidence towards these new technologies.

4.5. Exports and Trade

Globalization, taking place at an unprecedented pace, has in the last decades brought an enormous amount of new opportunities regarding markets and investment possibilities. Supply chains are becoming increasingly global and consequently, progressively opening trade can lead to significant increases in growth and productivity for the sector. On the other hand, as the EU market is mature, the growth in domestic consumption is lower than in the past. Consequently, the development of the European Agro-food companies becomes more and more dependent on the external dimension and access to foreign markets both for exporting and importing goods. To this end, EU trade and commercial policy is vital for them to achieve sustainable development and operate under fair trade conditions.

Currently, trade statistics indicate that the European agro-food industry is maintaining its export performance and is a major player at the world markets in different kinds of processed foodstuff. It possesses a number of strengths in the rapidly changing economic scene. Nevertheless, its share appears to be decreasing overall in the long-run, to the benefit of emerging economies, such as China and Brazil. Significant challenges remain, therefore, which if not addressed, may compromise the industry's global competitive position. EU-exporters face a number of barriers such as tariff and non-tariff barriers, diverging regulations, administrative procedures, etc. Hence, to maintain competitiveness of European manufacturing it is of primary importance to improve market access by removing all unjustified obstacles to trade and also to achieve legal certainty and combat counterfeiting. In this framework the Group believes that specific attention should be given to the following areas:

§ Multilateral Approach

A multilateral agreement may lead to several benefits for some parts of the European agro-food industry, such as a better and well-defined trade framework where an increased number of trade opportunities could be exploited. Therefore, despite the fact that at the time of drafting this document no multilateral WTO agreement has been signed, the Group agrees that further trade liberalization should be pursued and thus it is essential that the multilateral approach remains the key objective.

Recommendation n°24

Reaching a comprehensive, ambitious and balanced WTO agreement should remain a trade policy priority for the European Union so as to improve the international trade framework and achieve a level playing field with third countries.

§ Bilateral Approach

The Communication “Global Europe: competing in the world”,⁴⁸ sets out a series of linked trade policy initiatives to complement efforts under WTO which includes the generation of Free Trade Agreements (FTAs). In this context, bilateral trade agreements have become an integrated part of EU trade policy and generate new opportunities for growth by opening new markets for further trade and investment. The EU is approaching these agreements with a high level of ambition. Regarding the agro-food industry, the Members of the High Level Group view bilateral trade agreements as a significant means of complementing the multilateral approach so as to ensure access to new markets and avoid placing the EU at a disadvantage, especially now that the Doha Round has not yet produced any results. The bilateral approach is an important instrument for opening new export markets for European food and drink products to enjoy the opportunities that these offer for further growth and for improving trade relations with Europe’s key trade partners. These bilateral agreements are easier to implement and can serve to address problems that are not determined in a multilateral framework. Specifically, reducing existing trade barriers which the European Agro-food companies face in their efforts to expand activities in non-EU markets remains of great importance. The Group notices that as tariff barriers are being removed, non-tariff ones (e.g. sanitary and phytosanitary provisions, regulatory constraints, etc) may still exist - or are being developed - and are related to the various domestic policies in third countries. Sanitary and phytosanitary provisions have to meet the requirements under the Sanitary and Phytosanitary Agreement (SPS) within the WTO and the relevant international specific conventions or agreements (i.e.

⁴⁸ http://ec.europa.eu/trade/issues/sectoral/competitiveness/global_europe_en.htm

IPPC, OIE, Codex Alimentarius) as well. In this framework, it is noted that the trade barriers not technically justified on the basis of international standards, guidelines and recommendations developed by the relevant international organizations should be addressed actively and in a coordinated manner with the aim to secure harmonized trade patterns.

The EU has concluded in the last decades an important number of trade agreements, whose scope encompass Processed Agricultural Products. In this framework, there is a need to launch a screening of these agreements in order to further improve market access, in cases where this is not already achieved.

Recommendation n°25

The European Commission should ensure that during the bilateral negotiations the offensive interests of the European agro-food industry are equally taken into consideration as those of other industries. The uptake of European standards at international level should be promoted in the same framework so as to achieve convergence and international harmonization. At the same time, a sector-specific approach is needed to take into account particularly offensive and defensive interests.

It is necessary to conclude the currently on-going Free Trade Agreement (FTA) negotiations with South Korea, India, Ukraine, ANDEAN countries, ASEAN countries and Central American countries with the objective of reaching a favourable conclusion that enhances the development and competitiveness of the European agro-food industry where the WTO did not already make it possible.

The European Commission should explore opportunities and address trade issues bilaterally with other important trade partners, such as China, Russia, Mercosur, Canada, Japan and Norway as well as Mediterranean countries especially where those would deliver better market access improvements than the on-going multilateral negotiations.

The European Commission should address tariff- and non-tariff barriers actively and in a coordinated manner in the framework of the bilateral negotiations with the aim to prevent protectionism and secure increased market access and transparency.

The European Commission should promote the uptake of international standards, such as CODEX Alimentarius Standards (CODEX), the International Plant Protection Convention (IPPC), the World Organization for Animal Health (OIE) in bilateral relations and negotiations and should whenever possible negotiate further convergence of standards.

§ International Standards

European agro-food companies that also compete in third markets are subject to different constraints for production standards, environmental provisions, regulatory requirements and welfare rules. This can have a negative impact on their competitive position in global markets. To prevent such repercussions and with the objective of accomplishing a level-playing field, the High Level Group members stress the need to support the respect and adoption of international trade standards. As a result new market opportunities may arise for companies to exploit under both fair and safe trade conditions.

Recommendation n°26

The European Commission, in cooperation with the Member States, should promote the legal framework for harmonized international standards (sanitary and phytosanitary provisions) which address issues such as food safety (e.g. CODEX) or fair practice in the food trade at a global level. In the same context, it should encourage European legislative requirements such as those for animal welfare, food safety and environmental protection at international level so as to achieve a level playing field while taking into account growing societal expectations. Where problems of implementing or legislating on standards are acknowledged due to lack of resources within the third countries public administrations, the European Commission should provide a higher degree of assistance through capacity building.

The European Commission should further support the respect of international standards during the bilateral negotiations so as to overcome unjustified technical barriers to trade.

§ Counterfeiting

The Group expresses its concern about counterfeiting as being one of the most serious problems that European Agro-Food enterprises are facing. In 2006 specifically, custom authorities have seized 1.2 million counterfeited foodstuff and beverages pointing out that intense violation of the intellectual property rights takes place. Thus as the success and also

the profits of food companies are highly connected with the image that the consumer has for their brands and geographical indications, counterfeiting results in a severe threat for the brands' and geographical indications' reputation. At the same time, the Group warns that such products endanger consumers' health, since they do not usually comply with high sanitary and quality standards.

Recommendation n°27

The European Commission should establish a market surveillance mechanism to ensure that third countries adhere to brand registration and protection regulation so that the existing intellectual property rights are effectively implemented. In addition, national organisations representing producers could be set up in Member States where they do not currently exist, with the task of confirming and reporting protected designation of origin (PDO) and protected geographical indications (PGI) counterfeiting both in the country of pertinence and in other Member States.

In the WTO- negotiations the European Commission should seek to reinforce the existing TRIPS agreement. At the same time provisions regarding counterfeiting should be established in the bilateral trade agreements. Moreover, it should also consider promoting the bilateral dialogue between EU and those non-EU countries that are large importers of economically significant PDO/PGI products in order to secure better protection for PDO/PGI.

§ Export Promotion Schemes

The European Agro-Food industry is indeed well-known for the traditional, high-quality products it provides, which fulfil the diversified and demanding expectations of the consumer. Some members of the Group agree that the core of the European export promotion policy needs to be targeted in supporting stakeholders to promote this image of the goods they produce in the global market. In parallel, export promotion schemes are also valuable instruments to support the competitiveness of SMEs⁴⁹, which as already noted, are characterized by lack of resources. Consequently, several High Level Group members stress that to make export promotion programs more attractive and easier to implement, especially

⁴⁹ Specific SME export promotion schemes are discussed in the relevant chapter above.

for SMEs, it is necessary to extend the export promotion schemes to all processed products.

Recommendation n°28

The launching of a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis would be welcomed as it will help defining the position of the European agro-food industry in the global market with the objective to target export promotion strategies and international negotiations based on the specific opportunities.

According to the result of the abovementioned analysis and whenever it is appropriate, the European Commission should consider improving the support given to exporting companies under the EU agro-trade policy, in particular, with respect to promotion to consumers in third countries:

- In view of the fact that most goods exported are branded products, review the regulatory conditions so as to introduce the possibility of showing branded products in trade fairs and exhibitions during public/private trade mission.*
- Simplify the procedures required, such as the amendment of the initial program, the monitoring of payments, etc.*
- Facilitate cross-country programmes' management.*

§ Customs

From the foundation of the European Community, the customs union has been a principle of European policy and has since developed to become an essential element that guarantees the common implementation of a set of rules at external borders to ensure the proper functioning of the common market. In this context, the EU custom authorities contribute greatly to the promotion of fair trade, while ensuring both the security and safety of Community residents.

Modernized Customs Code

The Modernized Customs Code has been recently published (Regulation 450/2008 published in the Official Journal of the EU, L145 of 4 June 2008) following the Commission Communication on a simple and paperless environment, that involved a complete overhaul of the Customs Code which dated back to 1992. The aim of the exercise is to simplify legislation so as to reduce costs and create a level playing field for economic operators throughout Europe, as well as increasing legal certainty for citizens. In this respect, traders are encouraged to use the various benefits of information technology (IT) procedures on offer. At the moment the draft implementing provisions for the Code are under discussion.

The Group welcomes the initiative to establish the electronic transfer of import and export documents as launched by the aforementioned Modernized Customs Code and the Decision on a paperless environment for customs and trade. Nevertheless, in spite of these benefits, the High Level Group members point out that customs' administrative procedures are, in general, complicated and time-consuming. Hence they often create burdens for both exporters and importers.

Customs regimes, such as the inward processing regime (IPR), are some of the instruments, used by EU manufacturers to comply with requests from third country clients or to overcome a specific supply issue. HLG members agree that these regimes need review, as part of the modernised customs code. There is a common view of the industry that there is a need to ensure the competitiveness of exporters of processed goods in cases where a fundamental and gap between world market prices and internal market prices remain and when there are no export refunds available to bridge this gap. A harmonised implementation of the rules of the Inward Processing Relief among the Member States could be a part of the solution.

Recommendation n°29

Member States in cooperation with the European Commission should create a “single window” for all types of customs communication, including where applicable sanitary and phytosanitary aspects, with the aim of eliminating possible costs and barriers to trade arising from multiple procedures that have to be independently undertaken. This must be accompanied by measures to allow for an open exchange between all concerned national

regulatory bodies so that the information submitted by traders is transferred from the “single window” to all administrations concerned.

Both the European Commission and the Member States should promote a common implementation framework to ensure harmonized interpretation of the Customs Code across the 27 Member States and to improve the functioning of the Inward Processing Regime (IPR), while taking into account users’ and producers’ interests.

§ Rules of Origin

The rules of origin serve to establish the link between products and beneficiary countries and are useful in so far as they reflect the actual conditions of production and trade.

The current system of European preferential rules of origin is under discussion. Nevertheless, stakeholders raised concerns about its on-going modifications. In 2005, following a wide-ranging debate initiated by the Green Paper on the Future of Rules of Origin in preferential trade arrangements of 18 December 2003⁵⁰, the European Commission adopted a Communication (COM(2005)100)⁵¹ on the future of rules of origin in all preferential trade arrangements involving the Community. However, it is envisaged that the first concrete application should be within the Generalised System of Preferences (GSP). Concerning the GSP rules of origin, a draft Regulation amending Commission Regulation (EEC) N° 2454/93, based on the underlying principles of simplification and development-friendliness, is approaching the final stage of adoption. In this proposal it is foreseen that the statement of origin will be made by the (registered) exporter and not by the authorities of the beneficiary (exporting) country as it was before. The food supply chain estimates that this creates a lot more uncertainty because the responsibility for incorrect declared origin proof is for the importer. The industry fears that the proposals may lead to further burdens rather than improvement and simplification of the administrative procedures. In particular, the members of the High Level Group which are directly concerned consider that the system should not be changed to hold EU importers responsible for the declaration. An important issue in this respect is ensuring that the responsibility is placed on the third country authorities issuing the document on the origin of the goods and that Community interests are protected against fraudulent declarations of origin.

The agro-food industry also opposes the use of a single rule for all processed agricultural products based on added value to the products and prefers an approach based on

⁵⁰ http://eur-lex.europa.eu/LexUriServ/site/en/com/2003/com2003_0787en01.pdf

transformation and processing of the products which need to carry out a deeper examination for categories of products in order to set up a specific rule for each product.

Recommendation n°30

The European Commission should introduce a sector-specific approach for the rules of origin of the agro-food sector by creating specific rules at chapter or heading level, or even more specific level, when appropriate, of the Common Customs Tariff Classification based on sufficient transformation and processing, which includes different criteria taking into consideration the economic situation.

⁵¹ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, COM (2005) 100 final of 16 March 2005 : [http://ec.europa.eu/taxation_customs/resources/documents/COM\(2005\)100_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/COM(2005)100_en.pdf)

5. Annexes

ANNEX 1

TERMS OF REFERENCE OF THE HIGH LEVEL GROUP ON THE COMPETITIVENESS OF THE AGRO-FOOD INDUSTRY
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Objectives

The main role of the High Level Group is to provide advice to the European Commission with a view to enhance and promote the leadership of the European agro-food industry. It is designed to provide a political momentum for the process and a platform for discussion on sector-specific recommendations.

Delivrables

The group is expected to **deliver** a Final Report that will **address** issues that determine and will determine in the future the competitiveness of the European Community agro-food industry. This Report should **identify** the factors that influence the competitive position and sustainability of the Community agro-food industry, including future challenges and trends, for industry and society at large, and should **formulate** recommendations addressed to policy makers on a European and national level, the wider food industry community, civil society organisations and the public at large.

Working arrangements

The Group shall discuss on the basis of a **short, focused agenda**. The group may choose to issue a progress Report, outlining the progress made.

All preparatory work will be done in a **Sherpa sub-group** in close cooperation between the Commission services and the personal representatives nominated to that effect by the other participants of the group. The Sherpa sub-group will discuss subjects of main concern and prepare proposals for concrete actions/policy measures which serve as a basis for decisions to be taken by the group. The Sherpa sub-group may decide to set up **working groups** on specific issues.

The Commission may invite external experts to the meetings of the Group or the Sherpa sub-group.

The method of working for the High Level Group will require a **consensus** to be pursued. Where this consensus can not be obtained, the work undertaken and the conclusions reached will reflect the views of the majority, and dissenting opinions will also be reported.

A **secretariat** will be provided by the European Commission, DG Enterprise and Industry, Unit F/4: Food Industry.

The services of all Commissioners involved will actively contribute to the work. All participants will be encouraged to maintain close communications with one another through the CIRCA application.

Transparency

The Commission will publish or place on the internet on a dedicated website accessible to the general public, in the original language of the document concerned, any approved summary, conclusion, part of a conclusion or working document of the group, together with proceedings and reports.

Membership

The Group aims to bring together **key stakeholders** in the food industry. Representation will be at the highest level. The Group will be chaired by Vice-President Günter Verheugen with the participation of Commissioners Mariann Fischer Boel, Meglena Kuneva and Androulla Vassiliou.

Indicative Timetable

It is proposed that the High Level Group meets in **June 2008**, **March 2009** and **June 2009**. If considered necessary, a fourth meeting will be organised. The group will prepare a report with its recommendation before the end of March 2009 which will be adopted and presented to the Commission. Before each meeting of the Group one or more meetings of the Sherpa subgroup will take place.

<p align="center">Membership of the High Level Group on the Competitiveness of the Agro-Food Industry</p>
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European Commission

§ Günter VERHEUGEN, Chairman	Vice President, responsible for Enterprise and Industry
§ Mariann FISCHER BOEL	Commissioner for Agriculture and Rural Development
§ Meglana KUNEVA	Commissioner for Consumer Protection
§ Androulla VASSILIOU	Commissioner for Health

Member States

§ Valeri MITKOV TSVETANOV	Minister of Agriculture and Food, BULGARIA
§ Eva KJER HANSEN	Minister of Food, Agriculture and Fisheries, DENMARK
§ Michel BARNIER	Minister of Agriculture and Fisheries, FRANCE
§ Ilse AIGNER	Federal Minister of Food, Agriculture and Consumer Protection, GERMANY
§ Claudio SCAJOLA	Minister of Economic Development, ITALY
§ Marek SAWICKI	Minister of Agriculture and Rural Development, POLAND
§ Elena ESPINOSA MANGANA	Minister of Environment, Rural and Marine Affairs, SPAIN
§ Jane KENNEDY MP	Minister for Farming and the Environment, UNITED KINGDOM

Industry

§ Francesco PIZZAGALLI	President, ASS.I.CA.
§ Chris van STEENBERGEN	President Europe, CADBURY

§ Philippe-Loic JACOB	Corporate Secretary, Member of the Executive Committee of Groupe DANONE
§ Antonio HERNANDEZ CALLEJAS	President, EBRO PULEVA
§ Ev Eder WIDMANN	CEO, EDER & HEYLANDS
§ Paolo BRUNI	President, FEDAGRI Confcooperative
§ Eckhard CORDES	CEO, METRO
§ Laurent FREIXE	Executive Vice-President, NESTLÉ
§ Pierre COPPERE	President, Director General PERNOD
§ Theo SPETTMANN	CEO, SÜDZUCKER
§ Jesper MØLLER	CEO, TOMS CONFECTIONERY GROUP
§ Doug BAILLIE	President Western Europe, UNILEVER
§ Pekka LAAKSONEN	President and CEO, VALIO

Associations

§ Jean MARTIN	President, CIAA
§ Monique GOYENS	Director General, BEUC
§ Pekka PESONEN	Secretary General, COPA-COGECA
§ Harald WIEDENHOFER	Secretary General, EFFAT
§ Monika KOSINSKA	Secretary General, EPHA
§ Eric BASCLE	Member of the Board, Carrefour, representing EERT

Members with "observer" status

§ Roel BOL	Director , Ministry of Agriculture, Nature and Food Quality, the NETHERLANDS
§ Rolf ERIKSSON	State Secretary , Ministry for Agriculture, SWEDEN