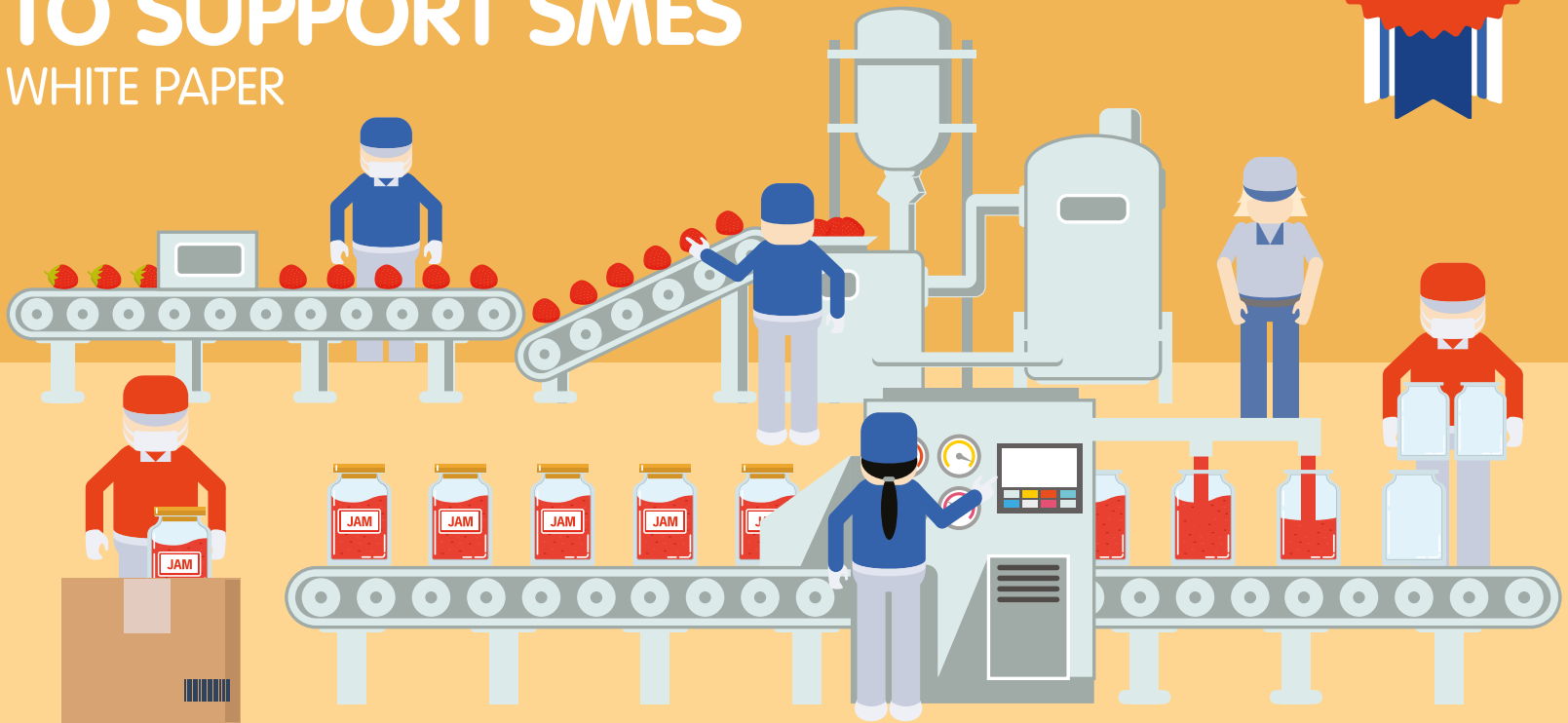


PRIORITIES FOR A POLICY FRAMEWORK TO SUPPORT SMES

WHITE PAPER





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A word from the Commissioner

I had the pleasure and privilege to launch the “Small Scale, Big Impact” project last year.

This ambitious project aims to promote the role of Small & Medium-sized Enterprises (SMEs) in Europe’s food and drink sector and to make sure they are taken into consideration in our related policy-making initiatives.

All over Europe, we all know local food and drink companies, of various sizes, producing a very large variety of goods, and for whom the European Single Market is an opportunity. They generally support not only local sourcing, ie local agriculture, but also local jobs and growth. They play an essential part in our economy, in our culture and in our traditions.

Our shared Common Agricultural Policy is the foundation stone for this success story. Thanks to the CAP, our farmers and food producers are subject to some of the most stringent health and safety rules anywhere in the world.

While this certainly places high demands on our agri-food SMEs, it also guarantees that they have an extremely marketable product. And the good news is that demand is growing for these products both at home and abroad.

I am therefore delighted to see the “Small Scale, Big Impact” project building on its original impetus by reaching out to Members of the European Parliament who have been

keen to promote food and drink enterprises from their constituencies, notably by showcasing their know-how and talent.

The list of SMEs involved in Small Scale, Big Impact is increasing, thus allowing us to have an ever broader view of their needs, wishes and accomplishments and help us develop relevant policies to support what is still the backbone of our European economy.

By publishing this White Paper, FoodDrinkEurope gives us a useful snapshot of the situation for EU SMEs and helps us look forward to further cooperation with this crucial sector and its key actors.



Phil Hogan
European Commissioner for
Agriculture & Rural Development

An introduction to Europe's Small and Medium-sized food and drink companies

There are 289,000 food and drink companies in Europe; 9 in 10 are Small and Medium-sized Enterprises (SMEs). They are present in every region and stand for both tradition and innovation in our industry. These companies produce a vast range of food and drink products, satisfying the diverse and constantly changing needs of Europe's 500 million consumers and a multitude of other customers worldwide.

Food and drink SMEs employ local workforces – 2.8 million workers in total, which would be enough jobs to employ the entire population of Lithuania. They source their raw materials mostly from Europe. This makes them essential actors in our economy and a key component of Europe's food and drink sector, which is the EU's largest manufacturing industry and globally ranks as the largest exporter of food and drink products.

These companies may be small in scale, but they are big in impact.

With this in mind, FoodDrinkEurope wishes to use this White Paper to make a few concrete policy suggestions to help these SMEs keep their essential role and remain the anchor of our economy and traditions.

Each of them has a story to tell...



1. The Single Market

Facts and challenges

Every year 500 million European consumers spend €1 trillion on food and drink products. The European Single Market is the EU food and drink industry's main market, with around 90% of turnover generated within the EU.



Exporting to other Member States is an important source of growth for SMEs. Exports account, on average, for more than 25% of the turnover: this share reaches more than 50% in Member States where the domestic market is small (e.g. Belgium, the Netherlands).



The EU as it exists is a fantastic platform because you have open borders. Every region can create its identity, and then, thanks to free cross-border trade, we can bring regional food to other regions.

BE Delicious, quality Belgian products, Belgium



We run on the basis of doing our business in Europe and also all over the world, because we have such a small home market. We invest in growing our brand, in the UK and in the US for example, but are we able to feel secure with this investment and not have competitiveness suddenly snatched from us by political risk.

Kyrö Distillery, gin & rye-based spirits, Finland

For the past 25 years, the Single Market has been one of the EU's greatest achievements. It is of vital importance for SMEs that it functions correctly, creating an environment with harmonised rules to ensure high quality products across the board, which is beneficial for companies and consumers alike.

Policy recommendations



The Single Market has created great opportunities for SMEs to grow. Nevertheless, SMEs still struggle with obstacles that cross-border business can face, including having to adapt products to local technical rules, which creates unnecessary administrative burdens. For an SME, the cost generated in compliance can hamper the company from extending its activity.



With the accession to the EU, we got access to new markets (today 50% of the production is exported to France, Germany, Belgium, Switzerland, the UK) and to other ways of doing things (access to knowledge).

However, the excess of legislation and red tape are a burden, in particular for small new businesses. It only benefits big companies that have the means to deal with all the administrative work. Simplification is needed, in particular if the objective is to incentivise small companies.

Bodegas Abel Mendoza Monge, wine & spirits, Spain



It is important to highlight that when EU regulation is not clear, businesses are left under national rules which are not uniform and it is difficult and time-consuming to manage these issues for an SME.

It is difficult to understand different interpretations between Member States and it prevents us from accessing markets.

Micronutris, edible insects, France

Re-nationalisation of policies, different interpretations of EU rules and gold-plating of EU directives often create unnecessary barriers for food and drink companies within the Single Market. In the context of an ambitious and comprehensive Single Market strategy, FoodDrinkEurope asks EU policy-makers to:

- Prevent the proliferation of national initiatives that counter an EU-wide approach.
- Ensure properly harmonised application and enforcement of EU legislation.
- Simplify and clarify the functioning of Mutual Recognition.

2. Innovation for growth

Facts and challenges

Food and drink SMEs are highly diversified when it comes to the products they make, the regions and countries in which they're located and where they sell beloved brands and products. They are equally diverse when it comes to how they approach innovation. Indeed, across the sector, innovation can take different forms: using technology to better assess consumer preferences, improving production efficiency, making business practices more environmentally sustainable, etc.



79%
of food and drink SMEs
are micro-companies



Innovation is everything!

Lightfood OÜ / Pureline Product OÜ, ayran & ice-cream, Estonia

Micro-companies (i.e. up to nine employees) account for 79% of the food and drink SMEs. With such limited human resources, some SMEs struggle to make innovation a core part of their businesses, and less than 1/3 of them have innovation activities in place. While their small scale and diversity enables them to develop and test novel solutions, they also face challenges because SME presence is often limited to local and regional markets, where they can lack personnel with a strong scientific or technology background. SMEs face particular challenges in relation to accessing funding to support innovation and collaboration with other entities.



In a way, being an SME makes us better positioned to respond to new trends and evolving consumer tastes, as we are more flexible to launch new products and to adapt and react to market changes.

Distillerie de Biercée, liqueur & spirits, Belgium

Policy recommendations

Food and drink SMEs are exposed to the same global trends and challenges as any other member of the food value chain. However, their business may struggle to meet innovation demands due to limited resources in particular. SMEs need support to encourage and foster their innovation activities, hence it is important that they are brought into the research and innovation (R&I) cycle in a manner tailored to their needs, as highlighted in the chapter on Implementation Actions for the SMEs of the food and drink sector published by the European Technology Platform Food for Life¹.



SMEs need support to encourage and foster their innovation activities



The strength of our brewery is that tradition is combined with creativity, innovation and an open mind.

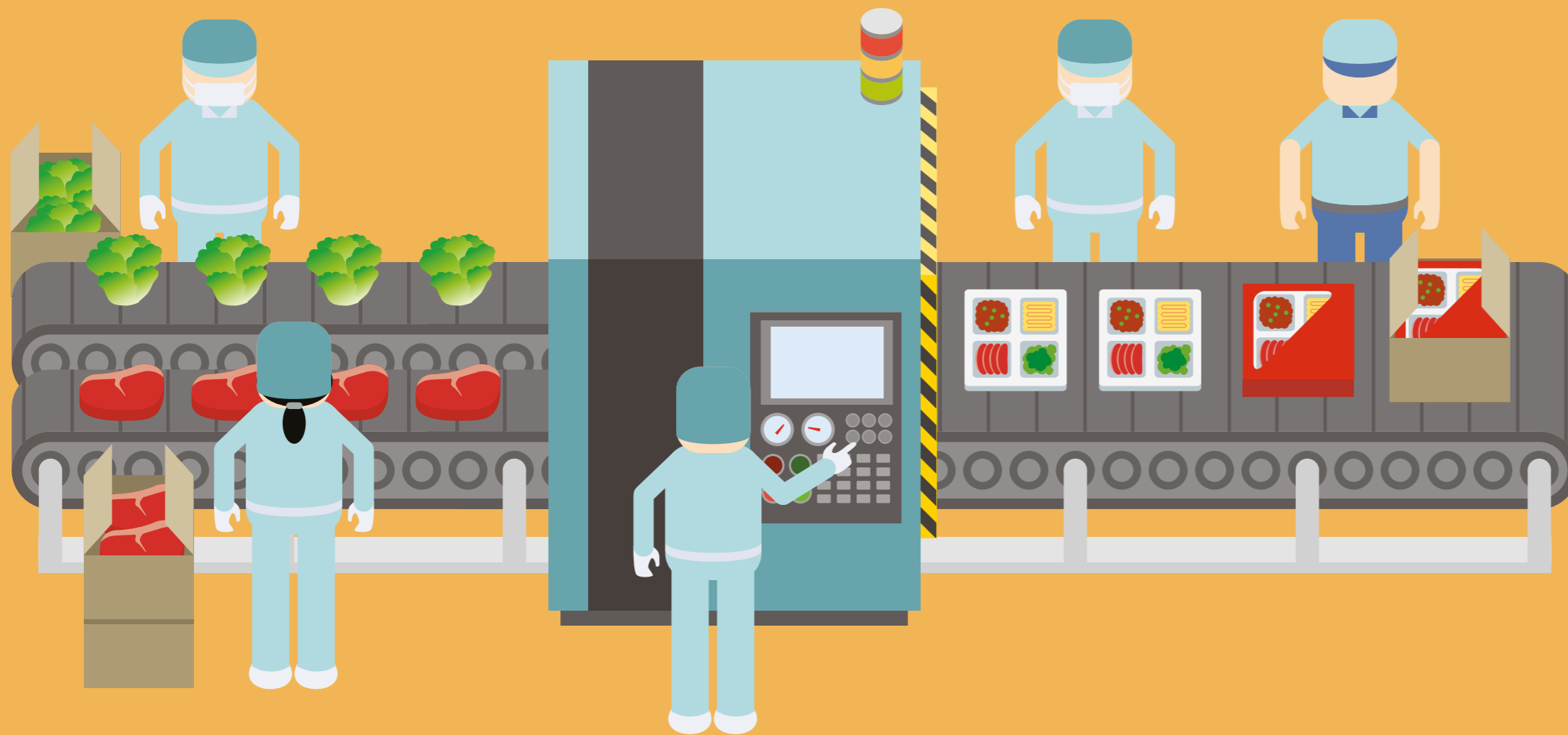
Antwerpse Brouw Company, beer, Belgium

FoodDrinkEurope supports these recommendations and thus asks EU policy makers to:

- Make consumer, social and business sciences accessible to SMEs.
- Provide funding and financial tools tailored to SMEs.
- Create synergies between start-ups and SMEs.
- Exploit complementarities with other disciplines.
- Accelerate the diffusion of solutions to SMEs, and create access to enabling facilities, tools and services.
- Develop human resources through enhanced knowledge transfer and training programs for SMEs.

Further reading (www.fooddrinkurope.eu and etp.fooddrinkurope.eu)

1. Making Research and Innovation work for SMEs in the Food and Drink Sector', Joint chapter of European Technology Platform 'Food for Life', the European collaboration of the National Food Technology Platforms and the European Federation of Food Science and Technology (2017) <http://etp.fooddrinkurope.eu/news-and-publications/publications/21-implementation-actions-for-the-smes-of-the-food-and-drink-sector.html>



We innovate at all levels, especially as regards the products that are put on the market, the production processes, management strategies and packaging and branding.

Acesur, olive oil & condiments, Spain



3. International markets

Facts and challenges

EU food and drink SMEs are actively engaged in international markets across the world. In 2014, almost 19,000 food and drink SMEs exported to markets outside the EU, generating 25% of the total value of food and drink exports.



In 2014, almost 19,000 food and drink SMEs exported to markets outside the EU

However, SME participation in international trade could be improved. Studies suggest that an SME's decision to internationalise can lead to better performance in terms of profitability, productivity, innovation and growth. It is important for food and drink SMEs to benefit from the EU's strong international reputation for safe, high-quality and innovative products, not to mention the growing international demand.



We export 60% of our production to non-EU countries. It was therefore of vital importance that the barrier to export to Brazil was tackled rapidly. Thanks to the EU Market Access instrument, it was removed and it opened opportunities for us.

Pavlidis, fruit preserves, Greece

At the same time, the financial and human resources constraints that many SMEs face are very real. Such things can make it challenging to explore new markets and take advantage of overseas business opportunities. Access to finance, information and expertise on third country markets, geographical and cultural considerations, and complex import/export regulations are often limiting factors to SMEs' participation in international trade. Divergent product requirements and technical regulations may also result in burdensome trade barriers and higher market entry costs to which SMEs are particularly sensitive.



20% of our exports go to countries outside the EU, in particular USA, Canada, Japan and Australia. The EU has made it easier to break into new markets in terms of customs papers and authorizations.

Bayernwald Fruchteverwertung, fruit preserves, Germany

Policy recommendations

Facilitate SMEs' access to new markets would require policy makers to:

At global level, promote coherence of international food and drink related regulations and standards to facilitate international trade and a strong, rules-based multilateral trading system administered by the WTO.

At EU level:

- Recognise the strategic importance of promoting the SMEs' internationalisation.
- Address tariffs and non-tariff barriers to trade.
- Recognise SME specific needs in bilateral trade agreements.
- Support an efficient promotion policy which covers a large variety of EU food and drink products and activities such as the EU's high-level trade missions.
- Facilitate SMEs' access to information in relation to regulatory requirements and market intelligence, and strengthen business support services at EU and Member State levels.



In the international market we are focusing our positioning on high quality standards and expertise but also on the highest hygiene and safety standards accompanying our products. So customers can be sure to get best quality and safety when buying our products.

Croc'In / Rolph & Rolph, gourmet products & desserts, Belgium



We attended two high-level visits organised by the European Commission. Thanks to the Vietnam visit we were able to start working with Vietnamese importers. Unfortunately we did not have similar results when we visited South Korea.

Fromagerie Arvaniti, dairy, Greece

4. Employment and skills

Facts and challenges

4.2 million people are employed by the food and drink industry in the EU, with 2 out of every 3 jobs being generated by SMEs.



2.8 million people are employed by food and drink SMEs in the EU

Compared to other manufacturing sectors, the EU food and drink industry is a key job provider, in particular when it comes to rural areas, across the EU: it is the biggest employer in half of the Member States.



It is not easy to find candidates who know about our sector and about the EU compliance requirements. Indeed, there is a low level of knowledge of spirits produced in this wine-making region. With the aim of tackling the skills gap we collaborate with sommeliers and bartenders' professional schools.

Mascaró, spirits, Spain

Because of their reliance on local communities for both employees and raw materials, many SMEs run apprenticeship programmes with local vocational schools and universities, in order to ensure recent graduates have the right skills. However, identifying and recruiting new employees can be difficult, especially if the candidates don't have the educational background and skills necessary to fit the industry's changing needs.

This can have an impact on the industry's labour productivity and, therefore, on SMEs' future growth.



One of our main challenges was to quickly recruit a team of engineers and PhD graduates able to implement our concepts. We had to find people with the appropriate skills for our emerging company.

ALGAMA, spirulina based water, France

Policy recommendations



Competitiveness, growth and employment go hand in hand, particularly when SMEs are concerned. Workforce training and development are essential factors to improve business performance and local economic development and the EU needs to support these efforts, where possible.



In our dairy production plant Mlekarna Planika we have every year between 5 to 10 apprentices from different schools and faculties. Apprentices are from faculties of food technology, zootechnics, microbiology, santyrene engineering and others. Their practices usually last from 14 days to a few months.

Mlekarna Planika, dairy, Slovenia



I'm quite open and spend time with students and start-ups. I work with universities in order to create new recipes/products.

At the moment I'm working with two universities (usually on a project basis); one to create new recipes and one to create added value for our breakfast cereals.

Milzu!, breakfast cereals, Latvia

National and European authorities should explore the following activities:

- Future private and public initiatives aimed at addressing misconceptions about the food and drink sector should encourage more SMEs to attract young talent.
- Sharing of best practice examples of the labour market should be facilitated at national and EU level.
- The full potential of apprenticeship programmes needs to be harnessed across all EU countries, with specific support to SMEs.
- More effort should be made to support food and drink businesses, especially SMEs, to better anticipate the need for skills in specific sectors. This will contribute to the achievement of a better match between skills and the labour market, as it is encouraged through the European Sector Skills Councils and highlighted in EU's Agenda for New Skills and Jobs.

5. Upstream and downstream relationships in the food chain

Facts and challenges



The food supply chain, including farmers, food and drink companies, wholesalers and retailers, is highly intertwined in Europe's social, cultural and economic fabric. The food supply chain is a major source of jobs and growth, especially in rural areas; it accounts for 6% of the EU gross value added and employs 24 million people across the EU.



Since 2007, in keeping with our philosophy of providing total transparency and maximum information, Terra Creta has offered customers the ability to trace the route of every one of our products, from the olive grove to the point of sale, through the innovative 'Traceability Tree'. With this platform the quality can be guaranteed at every step of the production.

Terra Creta, olive oil & condiments, Greece



Modern distribution networks are also a challenge. Large retailers have a huge negotiation power which makes the barriers to entry for new products from smaller processors extremely high.

Licor Beirão, liquer & spirits, Portugal

Closely linked to places of agricultural production, food and drink SMEs are the cornerstone of the food supply chain. These 285,000 SMEs count on:

- The availability of agricultural raw materials of the appropriate quality, quantity which are also competitively priced;
- Good business relations with upstream and downstream partners, in particular with retailers.

Policy recommendations

In order for SMEs to benefit from the whole spectrum of the Single Market and develop opportunities in non-EU countries, well-functioning and balanced supply chains are essential.

Right at the centre of the food supply chain, SMEs need policy-makers to:

- Address unfair trading practices which affect SMEs' ability to innovate and invest.
- Promote an efficient, sustainable and diverse agriculture supported by a market-oriented CAP.
- Support the development of rural areas with public investment in infrastructure and services via the European structural and investment funds for the benefit of the competitiveness of the supply chain.
- Further support a circular economy approach, in particular through food waste prevention and management.
- Promote dialogue in the food chain, through the High Level Forum for a better functioning food supply chain.



The food supply chain is a major source of jobs and growth, it accounts for 6% of the EU gross value added and employs 24 million people across the EU



My grandfather started a partnership with Tesco in the 70s which is still ongoing. Our cooperation with retailers is constantly growing. Our main concern lies on long payment terms. We encounter significant differences from country to country, even among retailers belonging in the same group. It is obvious that long payment terms are a main "barrier to entry" for SMEs.

Kalamata Papadimitriou, condiments, Greece

6. Conclusion

When European Commission President Juncker took office in 2014, he committed to the EU being bigger and more ambitious on big things, and smaller and more modest on small things. However, the challenge of achieving big things for small companies still remains.

At its heart, the **Small Scale, Big Impact** initiative aims to make the voice of food and drink SMEs more distinct in Brussels and in the EU in general. We want to promote their importance to European policy-makers in particular.

Each and every European citizen knows one or more food or drink SME in his/her region, was brought up enjoying their products and likes the idea of promoting local delicacies or traditional recipes. For the food and drink sector, while these companies stand for cultural heritage and regional traditions, they also represent future youth employers, growth opportunities and innovation.

With the support of the Commission, a new **policy framework** can be put in place, which will help Europe's SMEs grow by cutting red tape, facilitating access to finance, improving access to third country markets, supporting skills acquisition, encouraging R&D investment and improving supply chain relationships across the food and drink sector.

For all the above to happen, a well-functioning Single Market is needed which will continue making a wider variety of food and drink products accessible to all consumers across EU Member States. This White Paper is the first step FoodDrinkEurope is taking towards reinforcing the Single Market for its industry, with concrete proposals and policy suggestions.

On the 25th anniversary of the **Single Market**, it is essential to acknowledge achievements and make a fresh start of solving remaining challenges. We therefore call on the Commission to make SMEs and their role in the Single Market a priority going forward.



Participating SMEs in the project:

Peter Affenzeller, Austria

Antwerpse Brouw Company, Belgium

BE Delicious, Belgium

Croc'In / Rolph & Rolph, Belgium

Distillerie de Biercée, Belgium

La Confiance, Belgium

OPEN UP Farm Distillery, Belgium

Bayernwald Früchterewertung, Germany

KATLENBURGER Kellerei, Germany

MORITZ FIEGE, Germany

Balsnack, Estonia

Lightfood OÜ / Pureline Product OÜ, Estonia

Kyrö Distillery Company, Finland

ALGAMA, France

Ici&Là, France

Joseph Cartron, France

Micronutris, France

Arvaniti, Greece

B.G. Spiliopoulos, Greece

EPSA, Greece

Kalamata Papadimitriou, Greece

Loux - Marlafekas, Greece

Pavlidis, Greece

Terra Creta, Greece

Brand Exotic Pannonia, Hungary

Glenisk Organic Dairy, Ireland

Birra del Borgo, Italy

Fattorie Garofalo, Italy

Pastificio dei Campi, Italy

ZANETTI, Italy

Ieva's Siers, Latvia

Milzu!, Latvia

Henri van de Bilt, the Netherlands

Proti-Farm, the Netherlands

Scelta Mushrooms, the Netherlands

Licor Beirão, Portugal

Klet Brda, Slovenia

Mlekarna Krepko, Slovenia

Mlekarna Planika, Slovenia

Pelicon Brewery, Slovenia

Acesur, Spain

Bodegas Abel Mendoza Monge, Spain

Mascaró, Spain

Merry Miner Brewery, United Kingdom

Nairn's Oatcakes, United Kingdom

Woodlands Dairy, United Kingdom

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Published in November 2017