

15 April 2021

PROMOTION FoodDrinkEurope contribution to the 2022 work programme

1. Background

a. The economic importance of the food and drink industry

The food and drink industry is the largest manufacturing sector and leading employer in the EU with 291,000 companies (99% SMEs) and 4.8 million workers. The EU is moreover the world's largest exporter of food and drinks in the world. In 2019, food and drink exports reached a value of €120 billion, generated by businesses of all sizes.¹

FoodDrinkEurope represents EU food and drink companies, producing both agricultural products in the sense of Annex I of the Treaty (first-stage processing) and so-called Non-Annex I or Processed Agricultural Products (second-stage processing). Our companies process 70% of EU-grown agricultural raw materials,² mostly sourced locally or close to the place of farming.

b. The impact of COVID-19 on the food and drink industry

One year after the outbreak of COVID-19, Europe remains in the grip of the pandemic. As part of the containment measures, hotels, restaurants, bars, canteens, etc. have had to close in many countries, and public events, gatherings and celebrations have been cancelled. Not only has the pandemic hit these businesses hard, but it has also led to dramatic knock-on effects on their suppliers, such as farmers and food and drinks manufacturers. In normal times, the hospitality sector accounts for 20-30% of overall food and drink consumption in the EU – and can represent far more in certain products.

Consequences have been equally dramatic in other regions of the world as a result of COVID-related closures, impacting negatively the exports of those EU products who rely extensively on on-trade sales channels (i.e., the hospitality sector). Travel restrictions have also impacted the travel retail sector, which is another important sales channel for a number of European food and drink products, such as alcoholic beverages.

The pandemic is expected to have long-lasting economic consequences, in the EU as in all export destinations, which would in turn reduce consumers' spending. In this context, the EU promotion policy is an important means to safeguard European foods and drinks as well as to support struggling businesses by strengthening the reputation of European food and drink products and by improving their position in consumer preferences.

c. Enhanced policy coherence

FoodDrinkEurope fully supports the general objective of the EU promotion policy, which is “to enhance the competitiveness of the Union agricultural sector” according to Regulation (EU) No 1144/2014, the legal framework of the current promotion policy. This objective is even more relevant during the current pandemic and in its aftermath.

¹ Source: FoodDrinkEurope, 2020. *Data and Trends report* ([link](#)).

² Source: Wageningen University, 2018. *The EU food and drink industry use of domestic raw material* ([link](#)).

At the same time, considering the urgent social and environmental challenges food systems face, the policy should enhance its contribution to sustainable production and consumption by providing incentives to food businesses and consumers to build on the existing high levels of sustainability and to improve them further.

2. FoodDrinkEurope general priorities for promotion programmes

a. Simple and multi programmes

Multi programmes provide a truly European added value to the promotion policy, through fostering the exchange of experiences between Member States and increased efficiency. However, they are more difficult to set up than simple programmes, especially for applicants who are new to the EU promotion policy.

Despite a slower start compared to simple programmes, multi programmes have now gained momentum, also thanks to the Commission efforts to increase their attractiveness. Hence, FoodDrinkEurope supports the current budget division.

b. Target markets

Key facts and figures to consider in the context of the promotion policy are:³

- The EU single market is the first outlet of EU food and drink products, especially for SMEs.
- More than two-thirds of EU food and drink exports overall are destined for the Single Market, accounting for 25% of the food and drink industry turnover.
- The EU is the world's largest exporter of food and drink products. Overseas markets are critical for some categories of products, such as those protected by Geographical Indications (GIs).
- While the EU share in global exports has declined over the past decade, it has improved in recent years and reached 19% in 2018.
- Total extra-EU agri-food exports (€184.3 billion) comprise a considerable share of products of the food and drink industry, including processed agricultural products (PAPs).⁴

We have noticed that the share of funds allocated to promotion programmes in third countries in the 2021 Annual Work Programme (AWP) is lower than in previous years. We would like to reiterate that FoodDrinkEurope supports the emphasis on third countries, where the promotion policy can help consolidate the presence of European products and open new markets. This is particularly critical for export-driven sectors and important to help companies navigate through and recover from the current economic crisis. As 85% of global growth is expected to come from outside of the EU over the next decade, these markets are only going to grow in importance. Besides, by promoting the high EU standards on climate and environment in third countries, the promotion policy sends a strong signal to other countries to follow suit.

We strongly encourage the Commission to continue its market analysis and trade growth prospects and to conduct a similar analysis of the projected EU internal consumption and market opportunities. This assessment, together with an analysis of the countries targeted by previous promotion programmes and a stock-taking of the Commission's trade agreements, should help to guide and improve the allocation of funding.

c. Product/Sector coverage

Europe is renowned for its rich and diverse food culture, also thanks to famous GI products, combining tradition and innovation, and for its high production standards in terms of food safety and environment. The extended product coverage of the promotion policy was a major

³ Source: FoodDrinkEurope, 2020. *Data and Trends report* ([link](#)).

⁴ Source: DG AGRI. *EU27 Agri-Food Trade: January - December 2020* ([link](#)).

achievement of the reform and greatly supported by FoodDrinkEurope. Hence, the Annual Work Programme must be defined in a way that allows all eligible products, including processed food and drinks, to equally apply and qualify for the promotion funding. This implies that earmarking specific sectors or products should be done cautiously.

When it comes to the effects on climate, biodiversity or environment, the AWP 2022 should recognise that there are no sustainable or unsustainable sectors. Furthermore, all EU agri-food products must comply with EU Regulations and Directives in the field of climate, environment protection and animal welfare. Besides, there are various sustainable business practices, either regulated at EU level or private initiatives going beyond EU legislation. Hence the AWP 2022 should focus on production methods, not on products or sectors.

Likewise, when it comes to healthy eating, the AWP 2022 should focus on diets and not on single nutrients, ingredients or foods: a healthy, balanced diet means eating a wide variety of foods in the right proportions. For instance, in previous programmes a budget line was reserved for fresh fruit and vegetables in the context of balanced diets. The future policy should avoid discriminating certain products over others when promoting their consumption and should not leave any product behind. Every food and drink product, included processed products, has a role in a balanced diet when consumed in moderation.

A balanced budget allocation between actions on GIs or organic, and generic promotion is needed, because economic, environmental and social sustainability is much wider than local products or organic farming alone. Besides, the promotion policy should remain demand-driven and operators should be able to respond to the opportunities offered by the market.⁵

3. FoodDrinkEurope specific priorities for promotion programmes targeting third-country markets

a. Traditional markets

- **USA**

USA is the 2nd export market for the European food and drink industry (€19.6 billion in 2020). The promotion policy could further help to strengthen the position of EU food and drinks on this market.

- **China and Hong Kong**

China is the European food and drink industry's 3rd largest export market (€16 billion in 2020). EU export growth to China is largely driven by China's growing middle class, changing consumption patterns, and appreciation for high-quality European food and drink products.

- **Japan**

Japan is the European food and drink industry's 5th largest export market (€5.1 billion in 2020) and a market where high added value products are particularly appreciated. The EU-Japan Economic Partnership Agreement (EPA), which entered into force on 1 February 2019, provides preferential market access conditions which should enable industry to better respond to Japanese consumer demand. Promotion efforts could further assist EU manufacturers in entering the Japanese market and raise awareness about the quality attributes of EU food and drinks.

⁵ GIs and TSGs represent 7% of the overall sales of EU food and drinks and organic 8% of the EU agricultural area. Source: FoodDrinkEurope, 2020. *Data and Trends report* ([link](#)).

- **Canada**

Canada is the European food and drink industry's 8th largest export market (€3.4 billion in 2020). The EU-Canada CETA agreement, which entered into force provisionally in September 2017, is expected to further enhance trade in agri-food products, including PAPs. With its market size of 37 million people, a relatively strong purchasing power, its historical ties with Europe, the appreciation of European culture and cuisine are promising factors to further market EU products. Promotional activities could complement the opportunities created by the EU-Canada CETA agreement, particularly for new market entrants.

- **South Korea**

South Korea is one of the largest food importing countries in the world. In 2020, South Korea ranked as 10th export market for EU food and drink products (€2.8 billion in 2020). Its population of 51 million people, high and growing purchasing power, and strong and evolving consumer demand for high-quality imported foods create the conditions for continued growth and market potential for imported food and drink products from the EU. EU promotional efforts targeted at South Korea can play a complementary role to the preferential market access enjoyed under the EU-Korea FTA and help create greater awareness in South Korea about the quality attributes of EU food and drink products.

- **Russia**

Russia is the European food and drink industry's 6th largest export market (€4.8 billion in 2020) and remains a key market, due to its size and proximity. However, exports still remain down by about 30% compared to levels pre-dating the introduction of Russia's ban on certain imports of agri-food products in place since 2014. The diversification of promotional activities and exports towards other third country markets remain therefore essential. Yet, if there were a return to more stable trade relations including an end to the Russian ban on imports, promotional activities may well be able to help restore the presence of EU agri-food products in Russia.

b. Other & emerging high potential markets

Furthermore, the promotional efforts should also help EU manufacturers take full advantage of the market potential of high-value segments in other third countries / regions such as:

- ASEAN,
- India,
- Euromed region,
- Latin America,
- Sub-Saharan Africa,
- Australia.

The more limited availability of market data for certain emerging countries compared to traditional export destinations should be considered when evaluating the market analysis of the project proposals.