POSITION PAPER

FOOD DRINK
E U R O P E

FoodDrinkEurope recommendations for building resilience and sustainability for Europe's food and drink systems

Brussels, 29 September 2022

EXECUTIVE SUMMARY

This position paper puts forward a set of recommendations to EU and national policymakers with critical levers deemed necessary for building resilience of European food systems, global food security and future crisis preparedness.

These preconditions are not only essential to accelerate actions by all actors towards meeting the objectives such as those of the UN SDGs, the Paris Agreement, the European Green Deal and the EU Code of Conduct; they are critical to guarantee, *de minimis*, that Europe's agri-food sector is able to fulfil its critical role in supplying safe, affordable, quality food and drink products, including in crisis times.

The food and drink industries of the European Union would like to underline their **unwavering support for the swift implementation of the European Green Deal and the Farm to Fork Strategy** agenda in the current volatile times.

While many food and drink companies are confronted with challenges today resulting from an amalgamation of external shocks, such as the Covid pandemic, war in Ukraine, inflation, labour shortages and more, **immediate crisis and emergency measures are justified** to uphold the production capacity and economic viability of the agri-food sector.

At the same time, the need to **accelerate public and private action, investment and collaboration** has never been so great to ensure that citizens in Europe and the rest of the world can rely on a guaranteed access to food – today and into the future.

Securing global food security for future generations requires food systems to transform, **uniting the concepts of food security, productivity and sustainability**.

Immediate challenges (September 2022)

Today's shortages and rising costs* of natural gas and electricity, raw materials, food ingredients and packaging materials, which have spiralled since the Covid pandemic, threaten the agri-food industry's ability to continue delivering food and drink products. Moreover, due to soaring energy prices, major EU fertiliser operators have halted production which in turn has triggered CO_2 shortages. The EU drinks value chain in particular is severely affected by the current lack of food-grade CO_2 (a by-product of fertiliser production).

High and still rising input costs are also increasing pressure on availability from other sourcing origins (agricultural raw materials, energy, packaging, transport and fertiliser), creating high financial burdens on many food and drink companies across Europe. The looming scenarios of gas and electricity shortages in Europe are a serious threat to food production. On the demand side, inflationary pressures and subdued private consumption have also intensified competition in the food chain.

* See also: FoodDrinkEurope Economic Bulletin of Input Costs to August 2022

As the largest food and drink producer in the world, Europe's food value chain has a major responsibility to contribute to global food production, and thereby food security, in the most sustainable way. **The European food and drink industry is determined to be at the forefront of the sustainability transition**, which is essential for the wellbeing, prosperity and longevity of our economies, our societies and our planet.

As a pan-European organisation of the food and drink manufacturing sector, FoodDrinkEurope is committed to playing a **transformative, supportive role** in driving the sector's ambition to help build food systems resilience. This is why FoodDrinkEurope stands behind the EU Code of Conduct for Responsible Food Business and Marketing Practices, setting out 7 major aspirational objectives towards truly sustainable food systems.

As a follow-up to the signature of the Code, FoodDrinkEurope adopted an **Action Plan for Sustainable Food Systems**, which is the organisation's guiding tool to help the European food and drink sector deliver in three critical areas of impact: climate change and the pathway to net zero, circularity and sustainable packaging, and nutrition and healthy living. Each of these impact areas must be underpinned by critical drivers of investment, innovation and partnership in order to lead to meaningful change.

In order to strengthen the resilience of European food systems and allow the European agri-food value chain to continue delivering on steady and sustainable food and drink supply, the following **recommendations** are put forward for policymakers' consideration:

1. Prioritise agri-food as an essential sector of strategic importance at EU level and across all Member States in a uniform manner

In order to guarantee continued food and feed supply in Europe and given the essential nature of food and drink for the functioning of societies, it is vital for the whole agri-food supply chain (including food, drink and pet food) and related sectors (including packaging materials such glass and paper) to be among the top sectors that have priority access to energy supply. These should be exempted from trade restrictions such as export or import bans; to benefit from dedicated cross-border flows in times of crisis (such as Green Lanes); and to obtain emergency funding and assistance for companies in need.

> ***Concrete ask:*** *Include the food and drink sector in the EU list and national lists of "critical entities", without disproportionately increasing bureaucracy and costs for businesses, and provide for the necessary modalities in case of crisis.*

2. Build in 'crisis' trigger mechanisms allowing for immediate flexibility [e.g., labelling, official controls] in case of supply chain blockages and shortages

Instead of a singular approach to addressing challenges in relation to crises in isolation, existing EU legislation should be made 'crisis-proof' to include trigger mechanisms that, through fast-track

authorisation/approval procedures, ensure continuation of supply in times of crisis through the free movement in the EU Single Market of food and drinks.

This includes the unhindered movement of agricultural raw materials, ingredients, products, packaging materials, equipment and any other related items for needed for food production, distribution and sale, as well as the undisrupted cross-border movement of food industry workers.

Structural trigger mechanisms could for instance entail fast-track provisions with regard to labelling flexibility in times of crisis, such as seen during the Covid pandemic and the war in Ukraine. Such measures must be temporary in nature, not compromise on food safety and health, and applicable in a uniform manner across the EU.

Equally, moving forward, all new EU legislation should have a crisis/emergency section *de facto* included. This anticipatory approach should set out relevant modalities including which institution leads, which actors should be involved, and which body decides.

The European Food Security Crisis Preparedness and Response Mechanism (EFSCM) should take the lead to develop a consistent approach across EU food legislation on the above.

> ***Concrete ask:*** *European Food Security Crisis Preparedness and Response Mechanism (EFSCM) to develop a list of 'urgency provisions' needed to ensure continuation of food and drink supply in times of crises, to be implemented in existing and new EU food legislation.*

3. Urgently reduce dependency on fossil fuels, fertilisers and other inputs, while proactively developing and stimulating – including through positive fiscal stimulus – a solutions toolbox for alternatives, keeping up productivity and yields

While the food and drink sector has managed to cut its energy consumption by nearly 20% between 2000 and 2015, the entire agri-food chain remains a major energy user. As major investments are being made by European food and drink companies and efforts are ongoing towards resource-efficiency and de-carbonisation of Europe's food supply chains, the transition away from fossil fuels and reduction in other agri-inputs should be further incentivised and guided by available and affordable alternatives that will help to maintain production at the levels and outputs needed. The latter must be supported and accelerated by investments in research and innovation (see point 4a below).

> ***Concrete ask:*** *Assign increased budgets for funds and/or investment in infrastructure and decarbonisation technologies (such as green electricity/hydrogen) at national and EU level. Establish financial support mechanisms for implementing a wide range of measures already by 2030 (such as Carbon Contracts for Difference – CCfD).*

4. Unlock and re-direct public and private investment towards increased sustainability in food systems (not limited to agriculture)

EU and national public funding and public and private investment streams should be aimed at speeding up the transition towards more sustainable food systems. As such, in addition to supporting farmers' incomes, they should provide the necessary levers for environmental, social and economic transition across the chain.

A solid, predictable regulatory/policy framework will provide the needed stability and predictability for long-term investments. This includes, amongst others, clear, proportionate and science-based risk management, close consultation of stakeholders, and holistic impact assessment, measurement and evaluation of food-related policies in the European Green Deal (not limited to the EU Farm to Fork Strategy only) throughout the transition. Reducing red tape and minimising administrative burdens, particularly for food and drink SMEs, are key to unlock additional investments with a longer-term horizon.

> ***Concrete ask:*** *Develop a dedicated EU plan of action for Farm to Fork investment, aimed at unlocking and (re-)directing public investment at EU and national level in support of food-related EU policies of the European Green Deal, including the EU Farm to Fork Strategy, Biodiversity Strategy, Circular Economy Action Plan and related policies and programmes, such as the Common Agricultural Policy and Horizon Europe. This plan should bring together the various sources of existing support (e.g., Recovery Funds, Temporary Crisis State Aid Framework, REPowerEU and CAP) into one single platform. Such a plan can be complemented by calls for further private investment and public-private collaboration. Continue implementation of the Better Regulation agenda in the area of food and drink.*

The following areas deserve specific attention:

a. Facilitate faster research and innovation-to-market towards sustainable food systems

Compared to other regions in the world, Europe lags behind as regards investment in research and innovation in food, whereas the latter is a fundamental prerequisite to advance and lead the transition to sustainable food systems. Furthermore, authorisation processes for novel ingredients and foods are lengthier and more burdensome in the EU than in other parts of the world, posing a hurdle for generating further private investment. Therefore, the EU must strengthen all political and legal measures to push research and innovation in food.

Technologies such as New Breeding Techniques (NBTs) have a considerable potential to support climate-adapted and sustainable agriculture and should therefore be facilitated through a clear enabling policy framework, while challenges with regard to consumer acceptance of certain new technologies or foods in the EU should be overcome. Alignment should be sought with third party countries on technologies such as New Genomic Techniques, so that import and export requirements are clear and optimised.

> ***Concrete ask:*** *Simplify novel food authorisation procedures, especially from a time and administrative point of view; develop a new legislative framework for NBTs, based on science and competitive vis-à-vis other parts of the world; set up a public-private collaboration on investment in*

research, development, technology and innovation towards sustainable food systems; improve risk-benefit communication taking a "One Health" approach.

b. Put regenerative agriculture central in EU and national agricultural strategies

The FAO and OECD estimate that, in order to achieve the Sustainable Development Goal on Zero Hunger (SDG2), average agricultural productivity must increase by 28% in the next decade. Regenerative agriculture is part of the key sustainable agricultural practices to uphold and improve productivity, while investing in the long-term sustainability of soils in terms of biodiversity and water retention.

Rewarding regenerative agricultural practices through the Common Agricultural Policy (CAP) eco-schemes and rural development programmes must be embedded strongly in EU and national agricultural strategies, to create further market incentives for farmers and producers. EU institutions, including the EU Member States, should maintain a high level of ambition with regard to the National Strategic Plans under the CAP. Emergency measures must be reflected upon carefully so as to not slow down the transition to regenerative agriculture.

Concrete ask: *Recognise and reward regenerative agriculture via EU rules for the certification of carbon removals, in the upcoming EU Soil Health Law and in National Strategic Plans under the CAP.*

c. Enable a true circular economy for food and drink packaging

Public investment in – and planning and development of – high quality infrastructure for packaging waste management (collection, sorting and recycling) and recycling technologies at national level should be increased and be consistent across all EU Member States. This is key to enable actors across the packaging value chain to accelerate actions towards the objectives of the Green Deal and the Circular Economy Action Plan. It is particularly relevant to allow food and drink manufacturers to achieve their own commitments on packaging recycled content as well as their legal obligations from the EU's legislation on single-use plastics and the future packaging and packaging waste legislation.

Concrete ask: *Increase EU and national investment in waste management infrastructure and recycling technologies, such as chemical recycling, including through the NextGenerationEU and the Multi-annual Financial Framework. Create incentives for a recycling-oriented product design of packaging and to help food and drink manufacturers increase the use of recycled content in their food packaging.*

5. Speed up the full integration of the Single Market in food and drink and prevent steps backwards

The currently incomplete Single Market for food and drink is a major barrier to the green transition, which ought to make Europe's food systems more sustainable. We call on the EU institutions to prioritise, as a matter of principle, the use of Regulations over Directives for legislative initiatives, where appropriate. This would avoid 'green plating' and pre-empts uneven implementation across the EU, which creates inefficiencies in productivity, sustainability, and loss of competitiveness of European companies in the global marketplace.

Attempts by Member States to introduce national, regional or local initiatives that go against the spirit of EU policy and Single Market principles, or attempts to provide diverging national interpretations to EU rules, should be avoided at the earliest stage. The European Commission should be provided with further tools and powers beyond the current mechanisms to act swiftly against such initiatives – both in 'normal' times and in times of crisis. Equally, the Commission has a duty to avoid introducing EU rules itself that will *de facto* lead to segregated supply chains within the Single Market, such as mandatory origin indication of certain foods at Member State/country level.

Protectionist moves in- and outside the EU, such as undue trade restrictions on agri-food products, export bans or unfounded unilateral closure of borders/markets, should be met with a direct response from the EU as well as through multilateral organisations such as the WTO and FAO.

Excessive bureaucracy is a heavy burden on businesses; the much-promised reduction in bureaucracy must be implemented consistently. The one-time compliance burden for business in new legislation must be significantly reduced. Companies should only have to submit specific data once; accordingly, inter-authority data management must be ensured. Reporting procedures must be simplified (avoid multiple reports, simplify access). A uniform EU regulation of the SME definition must also be maintained and the assessment basis regularly reviewed in order to reduce the audit burden for SMEs and to create legal certainty.

> ***Concrete asks***:
> *- Create an EU level-playing field for food and drink products and for packaging circularity, prioritising Regulations instead of Directives where appropriate.*
> *- Strengthen the procedures to hold Member States accountable for attempts to introduce national legislation and actions which would obstruct the functioning and principles of the Single Market.*

6. Facilitate the digital transition and increase the attractiveness of work in the agri-food sector

In a connected world, digitisation is becoming essential for the continuity of businesses, as it offers increased efficiency, traceability, product customisation, and sustainable production, while maintaining affordable prices for the consumer. In comparison to other economic sectors, the digital transformation in the food and drink sector is lagging behind. The opportunities for digital are not fully exploited today at EU level, partly due to the absence of a strong, supportive policy approach for the food and drink sector. Furthermore, the current regulatory framework for food and drinks does not provide sufficient base for optimising the use of digital means of communication, for example as an alternative, especially in crisis times, to information solely provided through food labels.

Equally, labour shortages in the food and drink chain are placing additional burdens on food systems. Following the Covid pandemic, businesses are struggling to fill vacancies. In order to guarantee continued production from farm to fork, ensuring unhindered labour mobility across the EU as well as promoting the attractiveness of the food and drink sector for job seekers should be prioritised by policymakers. Additional targeted investment in skills and jobs programmes and support will be needed to reskill and upskill workers.

> ***Concrete ask:*** *Develop a comprehensive plan to facilitate and stimulate the digital transition of the European food and drink sector, including unblocking regulatory barriers. Actively support the Pact for Skills for the agri-food sector and other initiatives and measures to support skills and jobs in the EU.*

7. Closely monitor Unfair Trading Practices (UTPs) across the food supply chain and extend the scope of the UTP Directive

The continued existence of Unfair Trading Practices (UTPs) due to power imbalances in the food chain is posing a significant hurdle to additional investments in food sustainability and stimulates a 'race to the bottom' instead of a 'race to the top', which is especially apparent in crisis times. Unfair commercial relations have an impact not just on sustainability investments, but also on innovation and competitiveness.

While the EU Directive on UTPs in business-to-business relationships in the agri-food supply chain is partly addressing this, adequate monitoring of its implementation at national level remains pertinent. The Directive should be extended to include all companies in the sector regardless of their size.

> ***Concrete ask:*** *Closely monitor the implementation of the Directive at national level; ensure an efficient cooperation among enforcement authorities in view of the first evaluation of the Directive by 1 November 2025.*

8. Promote the concept of diversification and diversity in EU food and related policies

Whether it concerns food systems, diets, business models, or sustainable farming practices, a one-size-fits-all approach is exposing vulnerabilities in access to safe, sustainably-produced, healthy balanced diets.

Policymakers are advised to promote diversification rather than 'single bullet' solutions, such as an overemphasis on one single production method, and to ensure that the concept of diversity is universally integrated throughout EU food and related policies, without undermining the Single Market. Specific diversification strategies may be designed at EU level, on raw material sourcing, for example.

> ***Concrete ask:*** *Recognise the concept of diversification and diversity in EU food and related policies.*

9. Show political and economic leadership at the global stage, creating opportunities for trade, business and aid

With its economic and political leverage at the highest levels, the EU is uniquely placed to ensure that Europe's food and drink value chain has continuous access to international markets, for exports and imports, and is able to help deliver on global food security.

A proactive EU trade and international partnerships agenda in agri-food will further strengthen the quality, affordability and sustainability of food and drinks in Europe and worldwide. This could range from bringing the food sector along in the reconstruction of Ukraine post-war to further proactive engagement to drive the sustainable food systems agenda at the multilateral level (e.g., COP27, WTO, FAO), dialogue with producing countries (e.g., on due diligence and deforestation) as well as speeding up the conclusion of bilateral Free Trade Agreements and providing promotion support.

> ***Concrete ask:*** *Support a proactive EU agri-food trade and international partnerships agenda, with close involvement of the food and drink sector, securing the international competitiveness of European food producers.*

The above points should be part of an **integrated EU approach to improve the valorisation of the European agri-food chain**, thereby strengthening its resilience and strength to continue producing sustainably for future generations. Equally, it should be complemented by public measures to improve global food security, particularly in relation to vulnerable food-importing countries.

FoodDrinkEurope stands ready to support policymakers and international partners in aligning public and private action and investment.

> *FoodDrinkEurope is the organisation of Europe's food and drink industry, a leading manufacturing sector, the largest manufacturing employer in the EU and a key contributor to the economy (289,000 companies, 99% SMEs, 4.5 million employees).*