

14 May 2020

## **PROMOTION FoodDrinkEurope's contribution to the 2021 work programme**

Europe's food and drink industry is committed to generating sustainable growth by increasing value added by 2.5-3.5% per year by 2025. To this end, the industry has prepared an ambitious roadmap, which includes making a wide variety of products accessible to consumers in the EU and worldwide. Up to now, the industry was firmly on track with its ambition, but it is being seriously impacted by the COVID-19 pandemic.

Together with the EU coronavirus economic response, the promotion policy, with its expanded product coverage to processed products, enhanced budget and simplified administrative procedures, can help support struggling businesses who are facing a significant fall in demand along with higher costs and disruptions in production.

The annual work programme is an important tool, which allows the promotion policy to be consistent with and complementary to other Commission initiatives in the field of agriculture and on a broader level, such as international trade.<sup>1</sup> This comprehensive set of policies will play an essential role in re-building the economic sustainability of the sector over the long term.

### **1. FoodDrinkEurope's preliminary priorities for the 2021 work programme**

#### **a. The impact of COVID-19 on promotion activities**

FoodDrinkEurope thanks the Commission for the opportunity to provide its preliminary inputs on next year's work programme. However, flexibility will be key as long as measures to contain the coronavirus outbreak continue to affect the smooth movement of people and goods. New, creative ways to continue promotion activities will be needed.

One major immediate impact on food and drink manufacturers has been the closure of large segments of the food service sector – including restaurants, hotels, bars and cafeterias – and the cancellation of events and travels. The sector is also likely to suffer, in the EU as in all export destinations, from a struggling economy and a declining GDP which would in turn reduce consumers' spending.

Strengthening promotion in times of health and economic crisis seems relevant in order to position European products and maintain a place of choice in the consumer basket.

#### **b. 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. Nevertheless, statistics on past calls seem to indicate that the increase in the budget for multi programmes has not been accompanied by an increase in the number of proposals submitted.

In order to increase the attractiveness of multi programmes, the Commission could expand its valuable activities (e.g. "get connected", match-making session at the info days) by further

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<sup>1</sup> Please see also FoodDrinkEurope, [Why international trade matters to the EU food and drink industry](#).

facilitating platforms, meetings, networking opportunities and contacts between potential project partners from different Member States, and possibly include a dedicated budget for such activities.

Besides, we invite the Commission to investigate whether the creation of sector- or theme-specific actions might have limited applications for multi calls, either because of the restrictive definition of the action or because the allocated budget did not correspond to the market demand.<sup>2</sup>

### c. Target markets

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

- The EU is the world's largest exporter of food and drink products.<sup>3</sup>
- While the EU share in global exports has declined over the past decade, it has improved in recent years and reached 19% in 2017.<sup>4</sup>
- Total extra-EU agri-food exports (€151.2 billion) comprise a considerable share of products of the food and drink industry, including processed agricultural products (PAPs).<sup>5</sup>

FoodDrinkEurope supports the emphasis on **third countries** and considers that the promotion policy can help to restore the export opportunities of European operators and raise awareness in third countries about the high quality and excellent food safety standards of EU products.

We welcome the more limited number of actions and the broader geographical areas applied since 2017 for simple programmes in third countries. We also appreciate that sufficient funding is made available for programmes targeting "other regions". These changes should give more flexibility to applicants and contribute to reward the best proposals.

The promotion policy is also an important tool in the context of the **EU single market**, which is the first outlet of EU food and drink products especially for SMEs. EU household expenditure on food and drink products exceeds €1 trillion and about ¾ of EU food and drink products exported by Member States are destined for the single market, accounting for 25% of the food and drink industry turnover.<sup>6</sup>

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 own initiatives, should help to guide and improve the allocation of funding.

### d. Product/Sector coverage

The annual work programme should be demand-driven and operators should be able to respond to the opportunities offered by the markets. Hence, FoodDrinkEurope agrees that preference should be given to the geographical approach and that earmarking specific sectors or products should be done cautiously.

While the extended product coverage of the promotion policy was a major achievement of the reform and greatly supported by FoodDrinkEurope, we wish to reiterate that the calls must be

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<sup>2</sup> Please see also point "d. Product/Sector coverage" below.

<sup>3</sup> In 2019, extra-EU exports amounted to €120.4 billion and extra-EU imports to €75.7 billion, resulting in a positive trade balance of €44.7 billion. Food and drink industry is defined by NACE rev.2 nomenclature, codes C10 (manufacture of food) and C11 (manufacture of drinks). Source: FoodDrinkEurope, [Trade Bulletin Q4 of 2020](#).

<sup>4</sup> Source: FoodDrinkEurope, [Data & Trends 2019](#).

<sup>5</sup> Source: DG AGRI, [Monitoring EU agri-food Trade: Developments in 2019](#).

<sup>6</sup> Source: FoodDrinkEurope, [Data & Trends 2019](#).

defined in a manner that allows all eligible agri-food products, including processed food and drinks, to apply and qualify for such programmes.<sup>7</sup>

We have taken note that “Campaigns to promote healthy dietary practices and increasing the consumption of fruit and vegetables should be a focal point in the CAP promotion activities”.<sup>8</sup> A healthy, balanced diet means eating a wide variety of foods in the right proportions. Every food and drink product has a role in a balanced diet when consumed in moderation. Therefore, should you have such type of action in the 2021 work programme, we invite you to focus on diets and not on single nutrients/ingredients or foods and to allow both eligible agricultural products and processed products to apply for such programmes.<sup>9</sup>

We welcome the balance you have achieved in the budget allocation between actions promoting EU quality schemes and generic promotion.

#### **e. Commission’s own initiatives**

FoodDrinkEurope wishes to express its strong support for the Commission’s own initiatives including the High-Level Missions to third countries and looks forward to the continuation of these missions in the future. In the meantime, FoodDrinkEurope would be pleased to further amplify and disseminate the Commission’s communication campaigns, and other initiatives held via digital means, on its own platforms (newsletter, website, social media).

## **2. FoodDrinkEurope’s specific priorities for promotion programmes targeting third-country markets**

### **a. Traditional markets<sup>10</sup>**

#### **▪ USA**

USA is the 1<sup>st</sup> export market for the European food and drink industry (€20.4 billion in 2018). The EU 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 2<sup>nd</sup> largest export market (€10 billion in 2018; -6% compared to 2017). EU export growth to China is largely driven by China’s growing middle class, changing consumption patterns, and appreciation for high-quality and safe European food and drink products.

Consideration should also be given to Hong Kong, the 7<sup>th</sup> largest export market for EU food and drinks (€3.4 billion exports in 2018) and a major transit hub for China.

#### **▪ Japan**

Japan is the European food and drink industry’s 4<sup>th</sup> largest export market (€5.5 billion in 2018) 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

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<sup>7</sup> For instance, in previous programmes a budget line was reserved for fresh fruit and vegetables, thus excluding processed fruit and vegetables. Preserved fruit and vegetables can make an important contribution in improving dietary practices. Scientific studies confirm that frozen and canned fruit and vegetables contribute in a significant manner to the European consumption of fruit and vegetables, and to the intake of essential nutrients in the daily diet. On this basis, Public Health Authorities at international (WHO/FAO), European and national level have included these products in nutritional programs to stimulate vegetable and fruit consumption.

<sup>8</sup> Source: European Commission, [The future of food and farming](#), COM/2017/0713.

<sup>9</sup> See also footnote 7 above.

<sup>10</sup> Source: FoodDrinkEurope, [Data & Trends 2019](#).

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.

- **Canada**

Canada is the European food and drink industry's 8<sup>th</sup> largest export market (€3.3 billion in 2018). 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. Despite Canada's relatively small market size of 35 million people, the population's strong purchasing power, its historical ties with Europe, the appreciation of European culture and cuisine are promising factors when it comes to further expanding EU exports. Promotional activities could indeed 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 2018, South Korea ranked as 10<sup>th</sup> export market for EU food and drink products. 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 could 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.

- b. Other 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**
- **Euromed region (e.g. Morocco)**
- **Middle East (e.g. UAE, Saudi Arabia)**
- **Latin America (e.g. Brazil, Colombia)**
- **Sub-Saharan Africa (e.g. South 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.