GLOBAL FOOD FORUM

A common vision

for the future of EU food systems

Foreword

As Europeans citizens, we all share the common responsibility to play an active role in shaping and promoting the European project, going beyond daily priorities and individual interests. This is the key belief at the core of the Farm Europe's DNA and each one of the Think Tank's initiatives.

If we want to build a solid future for the European Union and its agri-food systems, we all need to mobilise our efforts to understand the current challenges taking into account the full picture, devising the right tools to address them and finally adapting our actions and policies in concrete, efficient and practical ways.

The Global Food Forum is an opportunity to engage in a proactive dialogue with a wide range of economic, political and civil society representatives. As it was during the first edition in 2016, also this year more than 600 political and economic leaders from 18 EU Member States have been involved in this participatory working process focusing on building together a new ambition for the EU agri-food systems, and channelling this ambition into coherent EU policies.

Before gathering a new, fresh, thinking process in 2018, this report takes stock of the most pressing topics that were at the core of the debate in 2017, by detailing the main outcomes and recommendations.

It draws lines on how to build a common ambition for resilient economic and environmental value chains, how to close the gap between societal demands and economic reality, tackling also the non-food dimension of agriculture, how to build resilience and strengthen the whole EU food chain by building stronger relations, how the EU can mobilize each of its farmers to play the key role of being builders of this ambitious. It launches a debate on how to tackle the lack of coherence surrounding science, health & nutrition challenges and sets the ground with a deeper understanding of the new budgetary and trade landscape within the context of Brexit.

The **full versions** of the notes, background papers
and policy briefs are available online on our website:

www.farm-europe.eu

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Which vision for our Agriculture?

by Massimiliano Giansanti – President of the Global Food Forum 2017 and of Confagricoltura

First of all, I want to thank all those who have contributed with thoughts and reflections to shape the future of our European agriculture and our Common Agricultural Policy, during all the events that marked the 2017 edition of the Global Food Forum, and in particular European Commissioner Phil Hogan, MEPs Herbert Dorfmann, Pilar Auyso, Paolo de Castro, Michel Dantin, Jean Arthuis, and Italian Ministers Gianluca Galletti and Maurizio Martina.

Europe needs a vision for the future of its agriculture.

It is our ambition to contribute to shaping the way that will allow public policy to support this vision, enable it concretely, helping the actors to pave a promising path for Europe, in a world where agriculture is an activity *more and more* strategic but also *more and more* unknown by Citizens.

The objective of the Global Food Forum reflection process is very concrete and operational. It is also deeply European. We must work together on a common vision, precisely to preserve this diversity of our European food systems. The CAP is our common leverage to shape the future. **More than ever, the European institutions must be and remain the guardians of our collective ambition.**

We have seen it in 2017: Europe, when it knows what it wants, it moves in the right direction. The **Financial Omnibus** allowed to truly reform the CAP on two absolutely fundamental points: crisis management and competition law. It provides a solid basis for thinking about the reform of tomorrow that must, first of all, preserve and deepen this dynamic.

For the future, establish the right diagnosis is key to build a sound CAP. Just to make an example: it has been said that it is scandalous that 80% of CAP funds go to 20% of farmers. Do those who report this figure know that the 20% of farmers they talk about, account for 88% of the food produced in Europe? In this 20% figure, ALL the European farms of more than 19 hectares are included, that is to say practically all the Europeans who make agriculture their daily business, all those who serve the society to guarantee its food security and taking care of its territories on a daily basis.

It is fundamental to build *good* public policies and not to stick to or to take superficial approaches. **We need policies that are simple, smart, coherent, well targeted and truly common.** Common policies which say clearly what is expected from every European farmers ; policies that strengthen the European single market ; policies driving the competitiveness of our food systems. Agricultural and environmental value chains belong one to the other. Because it's straightforward: farmers, work with living matter every single day!

We must therefore find the path of a true agricultural ambition, with a strong and coherent economic approach, with a high sense of our collective environmental responsability. This calls, first of all, for relying even more on the current technological revolution in our sector. But beyond the digital revolution. More than ever, we know the interactions within and between ecosystems. In the animal and plant sectors, knowledge in genetics have been enhanced by the sequencing of the genome, and the development of new breeding selection techniques.

If Europe wishes to remain a pole of food excellence, it must grasp the nettle, trust in science and progress. All milestones are there to boost the dual agricultural and societal performance of our food systems for all sectors! This requires a very strong coherence of the policy framework developed by public authorities.

It is about environmental progress, economic progress and progress for the sovereignty of our continent. European agriculture can and must contribute to the food and non-food expectations of our fellow citizens, and all sectors can contribute without divisions!

Finally, a few words on Brexit. We did not want this Brexit. But we must delineate all the consequences. As we speak of the future of the CAP, the future of its budget, how can we not integrate this major change for the continent as a whole?

We hope that the commercial trade flows between the EU and the UK are the least disturbed. Internally, the shock on the budget must again be accurately assessed and compensate as much as possible. Let us not forget that the CAP is one of the policies with a very high return rate for the UK, and that the UK rebate was negotiated specifically in relation to the CAP. The reduction of the Community budget cannot therefore be linear for all policies, and the CAP must be preserved.

In 2017, the Global Food Forum contributed to building a global and coherent path for a common future, tracing the lines of a new European agricultural and food ambition. Let's continue in 2018 on our European dynamic!

Content

Farm Europe takes this opportunity to thank and express its deep sense of gratitude to its partner **Confagricoltura**, for the invaluable support in developing and organising the Global Food Forum 2017.
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EU food systems: for a new common ambition

The EU food sector is at a crossroads. The sector endures a string of crisis, a decade long stagnation of incomes, an unbalanced value chain, whilst the society expects always more to be done on environmental protection, and on providing nutritional and healthy food. **Europe must build a vision for the future if it wishes to overcome present hardships, respond to societal expectations and seize the opportunities ahead.**

Agriculture in the EU has in the last half-century been moulded and supported by a Common Agriculture Policy. The destiny of the sector is intertwined with the direction and strength of the CAP.

The debate on the future of the CAP should therefore be closely tied to the debate on what future we want for the sector. That is the right way to give guidance to the discussion on the future of the CAP, looking at present achievements and shortcomings and setting a path forward.

Pursuing the status-quo would make farming less attractive for future generations, and thus less farm renewal, and a lower level of entrepreneurship. Dim future prospects would also bring less investment, less exports, lower growth and fewer jobs. Environmental degradation would rise, with the abandonment of rural areas, and a lower capacity of farmers to invest in both agricultural productions and climate change responses. This negative scenario *can and should* be avoided. **A modernized CAP *can and should have* the means to build a better future.**

Society wants more jobs and growth, a better protection of the environment, healthy and nutritional food, and a territorial balance that leaves no regions behind – which is a great opportunity for EU food systems.

We need to create more jobs and bring growth but the dilemma in the agri-food sector is that in particular agriculture is losing jobs and facing stagnating incomes. It is not a fate that is not reversible. It is possible, indeed necessary, to get the agricultural sector back to a growth path. In order to get there, we need the right policy mix.

We need to do an even better job at protecting the environment. The current CAP marks a paradigm shift with regard to previous policies as it puts environment at the core with the greening requirements in the first pillar. But greening comes with a prescriptive and cumbersome set of regulations, and a much lesser focus on results and on the ability of farmers to achieve those results.

We need less water pollution from nutrients and pesticides, to stop soil degradation, to have less negative effects of pesticides in biodiversity, and less unsustainable practices.
The sector needs to respond, and adapt, to the milestones decided in Paris on climate change and the related EU own goals.
The EU is also committed to the Sustainable Development Goals, many of which are directly related to agriculture.
Farmers can and will respond if the right incentives are put in place. New technologies can play a major role to transform farming in a more environmental sustainable activity.
It should be well understood by all that there is a shared interest between the agri-food sector and society at large to have a vibrant farming community, with a future as an economic sector, as entrepreneurs, a farming community who is able to invest, adapt, and do a better job to protect the environment.
We need to continue providing healthy and nutritional food. The EU is on top of the world on producing safe and quality food. The EU enjoys the highest standards, and there is no coming back on these achievements.
We need territorial balance. The society does not accept that the more fragile and intermediate regions fall to the fate of decline and abandonment.
The rural development policies in the second pillar of the CAP have contributed to reverse those negative trends, but more should be done to revitalize regions that are less endowed or far away from the big economic centres.
The time is ripe for the sector to take its future on its hands, and shake out accommodation to the present policies for the sake of stability.

What should be done? This paper presents, the key recommendations developed during the Global Food Forum held in October 2017. They do not seek to turn the CAP upside down, or revolutionize its principles and objectives, but rather to modernize its tool box to adapt it to current and future needs.

In short, <u>the main CAP priorities should be</u>:

- **An ambitious EU program to focus on double performance: Environmental sustainability and Economic sustainability.** A revised CAP should invest massively in innovation and propose an ambitious program for a double (economic and environmental) performance of the European agriculture, with a view to make precision & smart farming the new norm in the future. High-tech farm practices are able to provide clear positive results in better managing farms and optimize the use of inputs, thus reducing the environmental impact of the agricultural sector and increasing competitiveness. Within the next six years, the European Union should encourage its farmers to shift to a precision and digitalised agriculture.

- **A more resilient EU farming sector.** For the benefit of the whole EU food chain, the CAP should make available a set of efficient risk management tools to enhance the resilience of the wide range of EU agriculture models. This will not be obtained through a single instrument at European level, rather through a coherent and well-defined choice of complementary tools, placing farmers at the core of the decisions-making process and an European policy that assume fully its responsability to protect its food systems in case of, indeed, rare but major crises.

- **Territorial balance and economic sustainability, focus and invest on sectorial integrated strategy.** The European policy framework should focus on launching dynamic and targeted economic strategies to revive investment all across the EU food chain. The economic dimension of the Common Agricultural Policy should be renewed.

- **A balanced food chain** The lack of cooperation within the EU food chain is undermining the capacity of the sector to cope with the challenges posed by globalisation and investment. If Europe wants a strong and balanced food chain, able to share all the value added generated across it under fair conditions, able to reinforce the position of producers as the most vulnerable link, and generate wealth up to the consumer, a common framework with a minimum set of issues is needed.

#Key actions

A six-years action plan for economic & environmental performance

A coherent set of complementarity tools to strengthen the resilience of EU farms

A territorial balance of agriculture secured by sectorial integrated strategies

A cooperation spirit within the food chain via proper competition law

A fair, simple & direct relation between the CAP and farmers

1

How to deepen the environmental response of the CAP?

How to deepen the **environmental response** of the CAP?

EU food systems represent not only a cornerstone, but also unique lever to protect the environment and increase quality of life. Sustainability has become a major feature of the CAP from both economic and environmental dimensions. In the future, **public policies will have to be simpler and more efficient while avoiding diverging approaches on the single market for the main green orientations.**

Agriculture is key to overcome the challenges of: (i) healthy and quality diets, and reliable food security (ii) an economic growth all across Europe's rural areas, with a clear commitment to a balanced economic development even in less competitive areas and (iii) a sustainable environmental management of more than 70% of the European territory. These three components go hand in hand with a clear, balanced strategy taking all these components into account, leaving aside any populist pathway, which would give preference on one of its components to the detriment of another.

The 2013 CAP reform made the choice of a new environmental approach of the CAP, notably through the greening. This change was introduced to recognize, overall, that these challenges require a commitment of all European farmers and not just a small local fraction, voluntarily opting for agro-environmental measures of the II Pillar of the CAP. By linking 30% of direct aids (around € 12 billion per year) of the CAP to basic agronomic practices, the principle underneath was that an effort, both modest or more important, (depending on "the starting point") carried out by all farmers, led to substantial environmental benefits generated by farmers throughout the European Union. This action was conceived to be supplemented if necessary, by voluntary measures, more ambitious locally.

From an economic point of view, it is clear that European agriculture has not found yet the path to renewed competitiveness. During the last 10 years, productivity growth in agriculture has halved in the EU15, the EU13 farm income catch up effect following the enlargement process is slowing down, while capital productivity has become negative.

On the environmental aspect, and specifically concerning the issue of climate change, agriculture has the dual position: on one side, it brings solution by carbon sequestration and, on the other side, it produces GHG emission.

In 2014, agriculture accounted for 10.2% of CO_2 emissions within the European Union. However, it is also **an economic sector which has definitely contributed to emissions reductions over the past 15 years**, with a decrease of 9.3%.

In terms of **soil quality**, 13% of arable land is estimated to have being affected by modest to strong erosion. The rate of organic carbon

content tends to improve with current agricultural practices, while 45% of soils still have rates of between 0 and 2%.
With regard to **water**, the use of irrigation is an important topic of debate, particularly in the southern part of the European Union. In total, agriculture uses around 24% of the waters in the European Union (mainly irrigation), being clearly behind the energy sector (44%). Significant progress in the management of water use have been recorded over the past 15 years, with a saving of 20% of agricultural water usage.
In order to encourage pragmatic changes in agricultural practices throughout the European Union, and thus providing a comprehensive basic response to the environmental challenges mentioned previously, the co-legislators adopted the "greening" measures within the first pillar of the CAP.
These greening measures were aimed at the adoption in all the Member States as "generalized", non-contractual and annual measures, and with simple objectives (before the use of subsidiarity principle widely adopted by some Member States).
European agriculture represents an integral part of international commitments on the new measures taken in the fight against climate change (COP21) and towards the achievement of Sustainable Development Goals (UN). In the current context, necessary and renewed efforts are needed to tackle climate change.
A renewed CAP has first to embark on **a change of paradigm and mindset in addressing the challenge of consolidating the environmental component of the CAP.**

We need to change our attitude, to live in our time and consider what science tells us, and not what some say that science could tell.
This is true when it comes to precision and smart farming and how policies can incentivize the move of the EU agriculture to a modern, a more eco-environmentally efficient agriculture. This is true as well when it comes to genetics.
Precision agriculture and the use of digital technology offer a unique path to achieve more competitiveness and more environmental safeguard at the same time.
What seems very straightforward, is that within the next 7 years there can be a major shift of the EU farming sector to a EU *smart* farming sector.
The most important environmental benefit of precision and smart farming is the precise estimation of the inputs which are needed and the controlled application of this precise amount of agricultural inputs, which leads to the minimization of agrochemical residues (e.g. fertilizers and pesticides) as well as irrigation water conservation.
Their results both on environment and on competitiveness are explicit and can be quantified in an objective way. Therefore, it is the role of the economic actors, supported by political decision-makers, to ensure that a relevant part of European agricultural production is realized in this framework within a period of 5 to 10 years. In this context, **a reformed, results-based CAP (both environmentally and economically) would imply a definition of a clear CAP focus on *smart* investments, and on related efforts on training.**

Today, tackling environmental challenges ahead implies necessarily to define a CAP with renewed eco-environmental efficiency, a CAP able to determine:

- A defined **number of clear and effective requirements at EU level (EU baseline)** to engage the EU agricultural sector in terms of environmental outcomes all across the EU (<u>explicit requirements of results to any EU farmer with set of proposed actions with environmental benefits clearly defined and quantified for each of them</u>);

- An **alternative path based on equivalent measures** to this EU baseline that farmers not wishing to pursue this path would be entrusted to propose – both Member States and group of farmers should be able to propose such equivalence measures to the European Commission;

- **Precision and smart farming techniques as fully equivalent** to the EU baseline, full equivalence based on identified benefits of the implementation of these techniques on farms compared to current conventional techniques and supported by ambitious **transition schemes in relation to investments plans**.

#Key actions

A result based policy keeping a strong & direct link between the EU & farmers

A list of basic requirements for all farmers at EU level to set a clear EU baseline

Flexibility for Member States <u>or</u> group of farmers to propose equivalent measures

Recognition of the capacity of precision & digital farming to offer environmental benefits, including via transition schemes

2

How to empower farmers to increase economic stability?

Resilience: how to empower farmers to increase **economic stability**

If we look back on the last decades, no single year has passed without emergency measures being raised and discussed at Council level, with the aim to help farmers to cope with drought, floods, or frost. Until now these risks are being mainly managed in the emergency way. Volatility is the new normal. **The CAP should evolve to offer farmers the capacity to protect their business while keeping its capacity to cope with major market disturbance** with efficient crisis tools, complementary to risk management tools.

The Omnibus package adopted in 2017 is a real mid-term review of the CAP. It offers the possibility to improve the EU regulation in order to develop further the risk management tools, going beyond the first pillar direct support which is and should remain the first layer of public support. Now, the next step is the creation of a European fund for the prevention of crises in agriculture but also a proper implementation by the Member states of the new tools of the CAP post Omnibus.

For more than two decades the credo of policy-makers has been to promote a closer connection between farmers and market change, a "market-oriented farming". But has the CAP itself adapted to the markets with the way they function, with their ups and downs...?

The economic premise adopted by decision-makers throughout the 2003-2013 period has been to cut the link between public support and production. The underlying logic of the reforms of 2003 and post-Health Check modifications was to put in place a form of fixed-rate annual income support based on hectares. The EU has opened its borders hoping for a greater penetration of global markets by EU agricultural and agri-food products, but without the public support to back up this strategy that leads to more volatile markets.

In seeking to link European agriculture and global markets, the EU's diverse agricultural industries have found themselves disarmed in the face of increasing market volatility, that has become established since 2007-2009 as a 'inevitable' fact of life in global agricultural and agri-food markets.

It is also a reality that, while direct support under the CAP's Pillar 1 constitutes the EU's core support for protecting farmers' revenue, it has not been conceived and can't be ask to cover risks that farmers face, such as: **a more unpredictable climate**; an **increased price volatility**; **more frequent animal/plant health incidents**; a **serious market failure when major crises occur**.

Depending on the market segment, between 10 and 40 % of European production is exported. Yet, there are some who have called for the EU to become more inwardly-focused. And others have proposed turning farmers into civil servants, effectively revoking their right to private enterprise. Both of these routes should be condemned with vigour and the proposals associated with them rejected.

The European Union needs to be more ambitious and have the courage to envision the agricultural sector as an industry, one made up of entrepreneurs who engage in business and who trade, and to state its economic importance for the EU.

The core support that ensures the development of the agricultural sector is the direct support from the CAP's Pillar 1. The Union needs to reaffirm its legitimacy, and notably in relation to: requirements made of farmers that are not remunerated by the market but which farmers are asked to comply with; the costs of meeting European quality standards, desired by both the European legislator and the European consumer; and the right of European farmers to a fair standard of living.

In light of the different risks prevalent in agriculture, the European Union needs to change tack and adopt a governance approach that sees farmers as responsible entrepreneurs operating in an industry and market and which: gives farmers a central role in the response to climate/weather hazards and market variability; acknowledges the European Union's responsibility to provide support that is tuned to the fundamental economic needs of the agricultural sector in times of acute crisis.

Ahead of the European negotiations for the Commission's Financial Omnibus proposal, the 2016 Global Food Forum looked at how the current CAP could be modified. Three types of instrument that should be put in place for farmers from 2018 by the CAP has been identified: an effective incentive to take out **insurance against weather risks**, via CAP co-financing (at 65%) of crop insurance premiums, with an index-based pay-out threshold set at a recorded loss of 20 %; the option of saving collectively within sectoral **mutual funds** that provide margin insurance (sectoral income stabilisation tools - IST); for specific agricultural industries, the ability to set up more operable **mutual funds to cover crop and livestock health risks** based on the existing Pillar 2 risk management measures.

The negotiations for the agricultural part of the Omnibus financial regulation have borne fruit. The CAP is thus moving towards a business vision in which European farmers are more equipped to take their own decisions in the market, with: core support in the form of direct support designed to enable farmers to develop their business and to plan on the basis of 'normal' market conditions and trends; agricultural industries take responsibility for the management of weather and market volatility risks, which is made possible by putting in place functional CAP incentives for farmers who choose to take out protection against such risks; **but one necessary line of action remains to be put in place**: **what public action should do in cases when the sheer scale of a crisis exceeds the level of risk protection economic agents are expected to provide?**

In exceptional crises, a public bridging measure needs to be designed and deployed. Standard risk management schemes are simply not designed to deal with 'exceptional risk'.

When a serious crisis strikes, policy action needs to be: rapid, implying real-time analysis and deployment of pre-existing resources; consistent with private risk and hazard management so as to avoid overlapping/competing provision or individual or group windfall behaviours; economically virtuous, by giving private agents an incentive to participate actively in the resolution of crises; designed for EU-scale implementation, which is the only scale at which it is possible to maximise efficiency and respect the European single market.

Another reality for the coming years will be the absence of annual financial margins in the CAP budget. It would seem perilous to rely on the European Union's ability to find 'fresh money' to alleviate future crisis in the world of agriculture. It is also incumbent on policy-makers to have in place a permanent rapid crisis response facility, with finance secured from the outset and whose administration/use should be both straightforward and tailored to the type of crisis involved.

The creation of a European fund for the prevention of crises in agriculture would appear to offer the most functional instrument for the EU. This fund would be a permanent, multiannual fund and ring-fenced for specific uses set out in its Statutes. It would have two principal tasks: **the reinsurance of insurance instruments** taken out voluntarily by agricultural industries in the European Union; **the financing ad hoc measures** that the European Commission would determine on the basis of power afforded to it by the 2013 CAP to tackle particularly serious crises.

#Key actions

Unlock the potential of risk management tools thanks to the post-Omnibus CAP

An in-depth reform of the crisis reserve to secure a budget for ad-hoc emergency measures & re-insurance

3

Unlocking the potential of EU food supply chain

Unlocking the potential of the **EU food-supply chain**

Discussions about the need to rebalance the food chain relationships are not new at the European level. All the institutions have participated in several attempts urged by different stakeholders, but in the end, no concrete action has been taken. **Action is needed to tackle Unfair Trade Practices.**

In 2013, seven European Associations motivated by the former Commissioner Verheugen launched the Supply Chain Initiative (SCI) as a voluntary, private-led action in order to increase fairness in commercial relations along the food supply chain.

Since then, some advances have been achieved in promoting cultural changes and improving business ethics, but a set of important shortcomings have also been highlighted in the analysis of its effective application. Weakness in governance, limitations in transparency, no enforcement measures or penalties, a lack of effective deterrents against UTP and not allowing individuals to make anonymous complaints by potential victims, no own–initiative investigations by an independent body and under-representation of SMEs and farmers are the most important ones.

On the other hand, a fresh look to what is happening at the national level can give us a better idea of the framework in which the European debate is taking place.

It is very clear that the primary concerns on the issue were born at the Member State level, and all of them have been - in one way or another - actively looking for remedies. If we summarize what is going on in the different Member States, several distinctions can be made: there are some MS with specific measures for the food chain (i.e. Spain, UK, Italy), and others refer directly to horizontal legislation (Germany, France). Four main types of models coexist: regulated in detail (UK, Spain, Italy), self-regulated (Belgium), mixed model (Spain, UK), horizontal regulation and countries with no specific UTP´s regulation (Denmark, Sweden, Luxembourg).

Nevertheless, considering facts and circumstances, we can reach the conclusion that despite the efforts made, self-regulation or voluntary approaches are not enough to solve the present imbalances in the food chain, and what is most worrying, **disparities between national systems in place do not help to keep a level-playing field and ensure the proper functioning of the Internal market, while at the same time the fragmented nature of the markets expose supply chain operators to different conditions, regulatory uncertainty and inefficiencies.**

If Europe wants **a strong and balanced food chain, able to share all the value added generated across it under fair conditions**, able to reinforce the position of producers as the most vulnerable link, and generate wealth up to the consumer, the

Commission has to put forward **a common framework with a minimum set of issues**:

a) A **set of guiding principles** for the commercial relationships in the food chain;
b) **Written contracts**. Modern commercial relations imply taking into account **Identification of the unfair practices to be relegated from commercial practice**. There is a vast literature about UTPs, and in general terms they can be described as all kind of practices imposed to the supplier that do not respect fairness in the contractual relation, passing on inefficiencies or risks without any compensation;
c) a set of complex issues – quality, quantity, price, discounts, logistics and transportation, terms of delivery- that cannot be left to uncertainty. In the case of agri-producers, Producers' Organizations and Interbranch Organizations could play a relevant role in this issue and negotiate on their behalf;
d) **Effective enforcement of rules**. The most effective way is the supervision and control by an independent authority, granted with public powers.

All these proposals should be part of a coherent, common European framework that needs to be covered under a legal umbrella.

#Key actions

Make full use of the new competition rules of the post-Omnibus CAP to re-balance the EU food chain

Act without any further delay in order to stop unfair trade practices with a clear EU framework

4

Improve the link between Science, innovation and food

Improve the link between Science, innovation and food

The European food chain is facing a big challenge, which is to find a **harmonious and positive relationship between diet and health**. This is mainly due to the fact that, the EU agro food model is constantly evolving and improving, and its relationship with health issues is becoming growingly important. This is a key challenge for the future of both agriculture and food industry.

The relationship between science and innovation on one hand and agriculture and food on the other and is perceived mostly in negative terms, or at least in a quite unidirectional way – nutrition issues –, putting aside other elements as important as culture and traditions, sociology, employment and economics, internal market principles, environment, genetics, lifestyles. Much of the discussions around the issue are quite polarized, sterile and more based in opinions than in science, which doesn't help any progress on what can be considered the common goal: **how to better integrate food and health for the benefit of consumers and society as a whole** as well as new agricultural practices in the fields.

It is far more than evident the key role that food and drink plays in human health. It is like a two-lane highway in which one provides life, the other can have a negative impact on health. In order to prevent this negative effect (NCD´s) public authorities try to promote different policies and actions with a dubious impact.

If we put it into a European perspective, we have to realize that we participate in **a sort of "collage" of measures**, mixing European and national initiatives, in different areas, with different aims and ways, that need to be reconsidered. Examples are: national taxes (i.e. on sugar and fats), prohibition of sales, limits to advertising, traffic lights systems (U.K.) as well as French nutriscore model. Internal market principles – the basis of European integration– have been side-lined with direct impact on business, free circulation, competition and consumer welfare.

On the prominent role of science: improvements made in terms of food safety in Europe in the last 15 years have to be acknowledged. Both EFSA and the Commission have delivered a sound set of criteria that have created a strong consensus around the best science to inform food safety – and a comprehensive system to evaluate and manage risks.

Science is critical not only because it leads the way for improving human wellbeing, but also because evidence based science orients political action – or at least should-.

First of all, we need more confidence in our institutions. EFSA must continue to be respected as the reference for excellence in science and food and at the same time, it must be able to better coordinate national Agencies in his effort to align cri-

teria and inform action.
Another issue: misinterpretation of complex information and a great deal of news and sources (social media) makes really difficult to avoid confusion and distress in the public opinion.
Finally, the way in which debate takes place is not the most constructive one. It seems that each stakeholder sticks to its own position being more interested in counter-arguments and defending specific interests that in finding ways to progress against NCDs through cooperation.
Giving the lead to the European Parliament (with the creation of an Office for Scientific Support under EP's umbrella, and the cooperation of the Commission and EFSA) might provide an opportunity to open a debate with all stakeholders and get a broad agreement on **common objectives: a better and sound healthy lifestyle in Europe, and a firm contribution from the food chain** - it is crucial to understand that this is a common issue in which all the members of the chain (farmers, industry and trade) must work together and united. The future decisions to be made on the New Breeding Techniques (NBTs) will be of a key importance in order to overcome the challenge of double performance.

#Key actions

Avoid a fragmentation of the internal market via diverging rules

Create the conditions for a renewed confidence in the EU food safety framework, and a science-based decision making process

Improve the capacity of the EU institutions to better communicate and explain a science and risk management

5

Agriculture as a provider of non-food products

Agriculture as a provider of **non-food products**

The fact that agriculture is a provider of non-food products is not new. Agriculture, including animal rearing and forestry, has traditionally been a source of fibres, fuel, construction and other materials like hides and skins. What is new is the scale and the range of products originating in basic agricultural raw materials, creating **new important outlets for farmers and for the agri-industrial sector at large** (i.e. fuel, fibres, starch, oils, solvents, dyes, resins, proteins, speciality chemicals and pharmaceuticals).

Non food products generated by agriculture present significant advantages as compared to similar products from other origins, as for instance fossil fuels: they benefit the environment by reducing greenhouse gases, they cut waste and pollution, they produce social benefits by stimulating rural communities through establishment of local industries and providing new markets for farmers; they improve the economic competitiveness of the agri-industry through development of new markets and products.

This bio-economy is also a large provider of employment outside the primary agricultural sector: **in the EU non-food bio-based products account for 2.7 million jobs**, which is a figure that by itself shows how relevant the bio-economy is nowadays.

Plants can synthesise an immense range of compounds. As 'cell factories' they contain structures which can be used by the physical, chemical and biochemical sciences to produce useful materials as fibres, starch, oils, solvents, dyes, resins, proteins, speciality chemicals and pharmaceuticals.

Some non-food crop uses such as textiles are widely known. Others may be less familiar such as plastics made from starch-based polymers. There are implications for consumer behaviour, and co-operating with waste disposal strategies to realise the benefits of biodegradable materials.

Many industrial applications of crop materials are already in use. For example, about half of the 9m tonnes of starch produced in the EU from maize, wheat and potatoes is used for non-food purposes. Just to produce starch and oleo-chemicals more than 1.2 million ha were planted in the EU.

Physical, chemical and genetic sciences can combine to produce new applications. Research in this promising field is a must, and the European Commission should be encouraged **to dedicate adequate resources to the development of new non-food uses of agriculture production**.

One of the most striking examples of non-food uses of agriculture raw material is biofuel, in particular the use of rapeseed to produce biodiesel and of maize, wheat and sugar to produce bioethanol. In 2014, 13 million tonnes of biofuels were produced in Europe. Biodiesel made up

72% of this total, while bioethanol reached 28%.
Biodiesel is a renewable fuel that can be produced from domestically cultivated and processed oilseeds. Today, biodiesel produced in the EU derives first from rapeseed. Rapeseed used for the production of biodiesel is cultivated within the EU as a break-crop. It boosts yield and reduce the need of inputs for the following crops. Indeed, **rapeseed cultivation reduces the need for fertilisers, contributing in this way to the GHG reduction target**.
However, its share in the feedstock mix has considerably decreased compared to the nearly 100% in the early stage and even around 60% in 2012. This is mostly due to higher use of imported palm oil linked to new plants using HVO (hydrogenated vegetable oil).
Recycled vegetable oil/used cooking oil (UCO), is also being produced locally, but with a growing part being imported. Its preferential use in Europe as a non-feed "waste" is thus highly questionable and appears to contradict the Waste Framework Directive's instruction.
In Europe, maize is the main feedstock used to produce renewable ethanol (5.4 million tonnes) followed by wheat and sugar, with almost all from European origin. As a practical matter, the EU ethanol industry no longer imports its feedstock from outside Europe. In addition to that the EU's ethanol bio refineries are the most advanced in the world in terms of co-products, producing an expanding array of high value bio economy products every year.
The European Commission has made a proposal in the context of a revised RED (Renewable Energy Directive) that would phase out to a large extent the production of conventional or first-generation biofuels, produced from feedstock. Nevertheless, facts are very clear: **EU sourced biofuels have no negative impacts on food availability and prices. On the contrary, they have a positive impact on agricultural land, environment and transport decarbonisation**.

#Key actions

Dedicated adequate resources to encourage the development of the non-food use of agricultural products

Build a consistent EU framework including via the RED2 that should support EU-sourced bioenergies

6

Brexit: a double challenge for the EU agri-food sector

Brexit: a double challenge for the EU agri-food sector

The political shock of Brexit has yet to be translated in actual economic and commercial terms. The uncertainty as to which will be the future model of the **trade relationships** between the EU and the UK is still paramount while the fact that an important net contributor to the European budget leaves the EU will be a challenge for setting up the **next Multi-annual Financial Framework**.

Will the negotiations succeed or fail? What will the consequences be for the EU agri-food sector? What consequences for the EU budget? At present, what we face is **an extremely difficult negotiation in a very limited time period**. On the 29th March, 2019, in 1 ½ years' time, the UK will most probably no longer be a member of the EU, and will have exited the single market on that date, or at a not so distant date after a short transitional period.

The impact on the EU agri-food sector will be huge, in particular in the scenario where negotiations fail. No other economic sector in the EU faces such a strong impact as the agri-food sector, as a result of the significance of current trade flows with the UK, and the relative high-level of the tariffs applied to trade with third-countries.

1. Brexit: the basic facts for the agri-food sector

<u>Increased competition</u>

The agriculture and food sector is by far and large the field in which the EU-UK relationship is the most integrated in political, economic and budgetary terms.

Since the UK decided to leave the EU, it has opened exploratory trade talks with 10 countries or groups of countries, including the US. The consequences of the UK position are that irrespective of the model of the future UK-EU relationship, **the UK market will be a new market for EU products as they will face much more competition from other suppliers**. These FTAs to come will have a serious impact in EU exports to the UK, and will create new challenges for the EU market.

While the EU market is already open to some FTA partners, it is likely that the UK will in the future be open to other countries than those negotiating with the EU and will agree to freer terms of trade in agriculture with the countries with which the EU is negotiating. This is a relevant point, as the EU has protected sensitive sectors in agriculture in previous deals and is expected to do so in the future with the likes of the US and Mercosur, whilst the UK will likely have a more liberal position.

Whichever the result of the EU/UK negotiations will be, both the internal policy shift in the UK and diverging trade strategies between the EU and UK will lead to medium and long terms changes for the EU agri-food sector. This should not be underestimated, even more following the clear commitment of the new British leaders to create the biggest open economy in the world. **This strategy will make it difficult a full-free trade agreement between the EU and the UK without any safeguards.**

General overview of current trade flows

60% of the agriculture and food products consumed in the UK are imported. And **nearly 75% of these are coming from the EU**. The UK is a major outlet for traditional agri-food export countries such as the Netherlands (€7.1 billion), Ireland (€4.9 billion), France (€4.8 billion) and Germany (€4.6 billion). The agri-food sector in Spain (€3.4 billion), Belgium (€2.7 billion), Poland (€1.6 billion) and Denmark (€1.6 billion) are also exposed to Brexit with certain sectors facing serious risks. Many EU countries have substantial trade interests in the UK market.

2. Sectorial overview of the EU-UK post- Brexit trade challenges

2.1 Scenario 1- negotiations are successful

Under this scenario the EU and the UK would agree on the terms of its future trade relationship.

Nearly €1 billion of **EU beef meat products** are routed to the UK every year, mostly from Ireland (more than €700 million). This is an additional sword of Damocles for the whole EU beef sector. It is clear that the real game for the future of this trade flow is not tied with the terms of the EU/UK FTA but rather more with the UK/rest of the world FTAs to come. EU exporters will in the future have to compete with the most competitive meat producers in the world. For the meat products, the cascade effect of trade agreements will have to be carefully assessed. **Serious safeguards on future UK exports will be needed**.

For more than 20 years **EU wine producers** have been working hard to stop the drain of their market share in the British market. Their efforts could be short lived as a result of the UK's opening to New World exports. The market seems to have stabilised for traditional EU wine makers at €1.8 billion. The UK will also be willing to secure a preferential access to the internal market for Scotch whiskies. This tariff line (more than €1.2 billion) represents 10% of the UK's agri-food exports.

Having the UK open to the world market will change drastically the EU sugar landscape, and the difficult balance reached between sugar beet and cane refiners. The long-standing tensions between the continental sugar beet cooperatives and the US owned cane sugar refining company are about to rebound. The challenge of Brexit for **the milk sector** is more than significant (€2.5 billion EU exports). In total, nearly €1 billion of milk products are exported or re-exported from the UK to the EU internal market. An UK FTA with New Zealand and with the US would inevitably bring added competition in the UK market. The losses in the UK market could lead to increased pressure on the EU internal market.

With about €4.9 billion of **fruits and vegetables** exported from the EU to the UK, it's clear that EU producers are exposed to the Brexit consequences. The challenge for EU exporters could come from freer access to the UK market from exporters in North Africa. Nevertheless, the proximity to the market should allow EU producers to keep strong positions.

2.2 Scenario 2 – negotiations fail

On 29th March, 2019 both sides have to apply to each other WTO tariffs. These tariffs are low in general, with the notable exception of the agri-food sector. Therefore, tariffs are definitely a barrier to trade. As the EU currently enjoys an important trade surplus with the UK, it would be **the EU agri-food sector which would face the stronger negative impact of a negotiation failure**.

More than 35 billion euros worth of exports would face a critical shortfall. The impact of that external market loss could not be cushioned by progress in exports to other markets. **In the meat, dairy and sugar sectors, trade could come to a near complete halt.** Wine exports would drop as they would face higher tariffs than New World producers benefitting from FTA conditions with the UK. Even **fruit and vegetable exports could be scaled back.**

This scenario if made true would also bring about serious disruption of the EU market conditions for so many important agriculture sectors. It would also come at a moment where the negotiations on the future of the CAP would probably be gathering steam under significant budget constraints.

The negotiations on the future of the CAP will be the most important of the last decades having regard the challenges facing the sector and the budget pressures. The question is **whether this CAP offers the sector what it needs, and in particular the right set of tools to increase resilience to market shocks such as the ones to be expected from Brexit**.

#Key actions

Secure an ambitious EU 27 budget to secure both traditional policies and a new pan-European dynamic

Put all efforts into a good EU/UK new partnership securing agri-food trade flows

FARM EUROPE

"Let's draw together the future of our agri-food systems"

Farm Europe is a multicultural think tank that aims at stimulating thinking on EU agri-food systems, and **table concrete proposals to EU decision-makers**. In a European Union with 28 Member States, we are convinced that networking and the confrontation of ideas can generate and offer ambitious, innovative, forward looking political alternatives. With our Partners and Members we share the belief that we all have a responsibility in being active player in the European project designing and promoting ambitious policy for the future of EU agri-food systems both from an economic and societal point of view.

OUR **VISION**

EU food systems are fast moving...

EU food systems and rural economies are full of opportunities. New technologies, food & non food products, growing demand and the development of the circular economy, high speed connection to the world, access to efficient educational systems are powerful levers of growth and jobs. In the meantime food systems are confronted with major challenges. Fierce competition, the need for continuous innovation, volatility of markets and consumption trends, climate change, natural resources and the risk of "brain drain" from rural areas to cities are some of the factors that jeopardise investments and future jobs.

...public policies must move forward

Farm Europe wants our Continent to keep its position as a world leader in the agri-food business. Europe needs to be ambitious and to build a coherent political framework that matches this ambition. This means both developing our capacity to look ahead some ten years or so and increasing our ability to build multidimensional strategies for key economic sectors, especially agriculture and food which are the most integrated sectors at EU level and the socio-economic background for rural economies.

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Thank you to all the speakers, participants & active contributors of the Global Food Forum

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