



POLICY BRIEFING

April 2015

The EU food chain: a key to
high, continuous and sustainable growth

Summary : this policy briefing looks at European agri-food trade and the surrounding data, policies, trends and trajectories. It also suggests numerous important key questions and discussion points.

The EU food chain: a key to high, continuous and sustainable growth



Agriculture and agri-food constitute, together, one of European Union's (EU) main economic strengths.

- This broad sector is second only to the metal industry and accounts for 16% of European industrial turnover. It has an annual turnover of €394 billion, is made up of 12 million agricultural holdings and provides full-time employment for 10 million people.
- The agricultural base in Europe is the mainstay and lifeblood for 310,000 agri-food businesses (99% of which are Small and Medium Enterprises), which generate an annual turnover of €956.2 billion and sustain 4.1 million direct jobs in Europe.
- With a total turnover of €1350 billion/year and 14 million jobs, agriculture and agri-food is not only one of Europe's leading business sectors but also one of its principal sources of employment.
- The sector generates a total of €120 billion of annual exports to the world, an increase of 54% since 2009. In terms of trade balance, it generates a surplus of €18.5 billion and was a major contributor to an all-sector surplus for the European Union of €54.6 billion in 2013.
- Global food demand is growing rapidly. Consumption trends are changing in developing and emerging countries in particular. Between now and 2050, the FAO estimates that world demand for agricultural products will increase by 50%.

This rise is forecast in a context in which natural resources have become a fragile asset. The pressure on the environment and the threat of climate change place the challenge of sustainability centre stage, both for the agriculture sector and for citizens. The European policy response will therefore need to include:

- a more efficient food chain to reduce food waste

POLICY
BRIEFING

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- bold and tangible action to promote sustainable agriculture in developing countries, which implies support for technological development and the creation of conducive economic conditions.
- the major global agricultural partners, including the European Union, and the action they must undertake to develop their agricultural sectors sustainably and in a socially responsible manner on the world markets as well as to intervene to avoid global food crises and alleviate excessive downward or upward pressure on prices. In this regard, the European Union has a particular responsibility in light of the relative stability for agricultural production made possible by the favourable soils and climate in Europe.

Policymakers need to put an ambition to foster the responsible, competitive and sustainable growth of the agri-food sector at the heart of European policy.

Today's European policy responses result from:

- EU external policies :
 - o the return of agriculture as part of the EU's development and external assistance policy. In light of the challenges facing the world's food supply, it should become a major strand of aid to developing countries with clear priorities and targeted, efficient and measurable actions ;
 - o bilateral trade agreements, including in their opportunities and concessions, the real impacts of which, on both the European sectors and industries concerned and on our developing country international partners, merits closer analysis. The growth of global agriculture and food markets offers opportunities for the European Union. Seizing these requires an objective analysis of the opportunities and risks in the areas covered by each agreement, rather than basing

**POLICY
BRIEFING**

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negotiation strategy almost exclusively on multi-sectoral macro analyses.

The EU must take the political decisions necessary to foster those sectors and industries so that they are in tune with market requirements and able to plan for and adapt to change in world markets.

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FARM EUROPE DISCUSSION POINTS:

- o The current Common Agricultural Policy (CAP), a product of previous reforms, possesses an arsenal of direct decoupled basic payment measures; decoupled greening payments; aid coupled with specific types of production, or for regions with specific difficulties, decoupled redistributive payments; agricultural aid to less-favoured areas; security nets for certain types of production that pre-date the CAP reform; possibilities for Member States (MS) to accompany initiatives with insurance facilities or mutual funds for crisis management; ability for the Commission to take action at moments of serious crisis, although it possesses no ready-made policy tools designed for such action.
- o Do the measures that, on the one hand - and for the most part - involve finance unrelated to production, and on the other are entrusted to Member States in their choice to support a type of agricultural activity they deem to be fragile, contribute in an efficient manner to the long-term development objectives for European agriculture/agri-food? Can they ensure an adequate response to market fluctuations and crises, in a context in which farmers are facing both a need to invest and

**POLICY
BRIEFING**

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increasing difficulty with securing finance due to ever greater uncertainties?

- o The goals of developing business and securing a lasting presence in and growing share of world markets, implies that business stakeholders need to be able to forecast future market trends and to be sufficiently resilient in a business environment that is notoriously unpredictable. In light of the opportunities, challenges and needs, are the incentives for agriculture to self-organise and plan for change, to respond to severe market disruption for fit for purpose? In light of the economic context, is the European Union equipped to forge ahead?
- o In a world that needs to be open, the present and future policies of the different economic blocks cannot be designed in isolation. In designing our policies we cannot afford to ignore the decisions of the world's major agricultural and food players.
- o Everything suggests that Europe's agriculture/agri-food identity is poised at a transitional moment – its markets as well as the sector itself are changing rapidly and profoundly. In this context, should Europe maintain its current policies or put forward new approaches that enable and encourage stakeholders on the ground to take bold and socially responsible initiatives – is this the prerequisite for effectively guiding the sector towards sustainable, long-lasting and responsible growth and ensuring maximum returns for Europe's public investment?