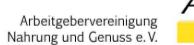Position paper | European policy 2019-2024

11 demands by the food and drink industry to the EU institutions

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THE 11 DEMANDS BY THE FOOD AND DRINK INDUSTRY AT A GLANCE

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2) Greater fairness, less bureaucracy – for food producers too

3) Maintain shared responsibility in implementing the EU Single-Use Plastics Directive and prevent conflicts of interest

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Completion of the single market for food and sustainable food production

The German food and drink industry is the largest food producer in the EU and earns one in every four euros in other EU countries. Here the industry depends on fair and transparent market conditions for the purchase of quality agricultural commodities and for the sale of its own processed products. To date, the potential of the EU single market for food has not been fully exploited. Trade barriers still exist. Completion of the single market for food is therefore one of the industry's key demands. In both the new European Commission and the newly elected European Parliament, there should be independent responsibilities for food that are not limited only to agriculture. This should be accompanied by a more targeted European industrial policy that focuses on strengthening competitiveness and Europe as a business location for the food industry too. Furthermore, to continue strengthening regional supply chains, the Common Agricultural Policy (CAP) needs a stronger market orientation. At the same time, it is necessary to preserve inside the EU the same competition conditions for the agricultural production of commodities. Within the framework of the CAP there have to be defined clear common guidelines for the support of single commodities, which consequently exclude a discrimination of producers from different member states.

Given the global challenges of sustainably supplying the world's growing population with safe food, the food industry calls on the EU institutions to take further steps to implement the sustainable development goals of Agenda 2030 and to comply with the Paris Climate Agreement. The food and drink industry in Germany and Europe is leading the global move to sustainable patterns of food consumption and production, and towards a closed circular economy. In an ongoing process, businesses are integrating sustainable procurement into their corporate strategy, product design and business policy. They are making significant investments to improve their energy balance and cut greenhouse gas emissions.

The industry should be supported in these efforts by means of a coherent and coordinated EU sustainability policy that encourages voluntary corporate citizenship and aims for proportionate, fact-based regulation. No compromises should be made on food safety, quality, nutrition or health, and similarly any unjustified discriminatory or consumption-distorting policies should be avoided.

Greater fairness, less bureaucracy – for food producers too

Competitive European food supply chains are a fundamental interest of the German food and drink industry. While many thousands of small and medium-sized enterprises compete with each other at the producer and processing level, often the only path to the consumer is via the highly concentrated food retail trade – in Germany, for example, via just five large

retail companies. Because of this unequal bargaining power, suppliers have to just accept the retail companies' terms and conditions, or else risk losing their listing and hence their contact with customers. Price adjustments due to rising production costs and customer demands usually have to be met by the enterprises themselves, which puts them under significant strain.

The food and drink industry therefore supports the EU institutions in their ambitions to promote competitive European food supply chains and fair business practices. The EU Directive to combat unfair commercial practices in the food supply chain was a step in the right direction and should now be implemented. Independently of this, however, further measures are needed to bring about greater fairness and less bureaucracy for food producers. In contrast, the industry rejects initiatives that place an additional burden on the food and drink industry, for example the European Commission's planned implementing regulation for improved price transparency in the food supply chain.

Here the European Commission proposes to extend publicly available price reporting to all stages of the value chains of key sub-sectors. Yet market transparency is not an end in itself, it is a necessary means so that market participants can decide to act based on sound information, and so that there is functioning competition. It is the food and drink industry's view that there is no data whose additional mandatory disclosure would entail an improvement in the information necessary for market participants to engage in market-compliant behaviour. On the contrary, additional information of the kind the Commission proposes could even result in producers and manufacturers being weakened against buyers on the food retailer side. Thus the Commission's current proposal offers no benefit to small and medium-sized enterprises at the producer and processing level. Indeed, it is feared that it would disadvantage them against market partners with greater bargaining power, and mean unreasonably high statistical reporting requirements. It must be guaranteed that businesses remain able to determine their pricing policy independently, and do not come under unfair negotiating pressure.

Maintain shared responsibility in implementing the EU Single-Use Plastics Directive and prevent conflicts of interest

The global impact of plastic waste on the environment is a serious problem that certainly needs to be addressed. For economic reasons, food producers already try to minimise packaging, since this directly influences procurement and disposal costs. The EU Single-Use Plastics Directive is an important element of the Commission's Circular Economy Action Plan, which can help to reduce the environmental impact of plastic waste. However, in the context of the forthcoming implementation of the Directive, conflicts of aims should be avoided and, with regard to the cause-and-effect relationships, fact-based, carefully

considered and proportionate measures should be taken. In particular, sufficient consideration should be given to the important functions and properties of plastic packaging in food processing.

The food and drink industry demands that policymakers always prioritise the safety and quality of packaged food and drink products, maintain shared responsibility between all parties involved in waste generation, and increase funding for packaging research. In addition, the European Commission should issue clear guidelines on the definitions, standards, responsibilities, labelling requirements and calculation methods of the Directive in cooperation with the stakeholders concerned.

Effective measures against food waste

Every day, the German food and drink industry produces high-quality food with low use of resources for around 123 million people – this achievement deserves recognition and appreciation. Despite this, in Europe too much of this valuable food is still thrown away instead of being consumed. In view of the world's limited production resources and continuing world hunger problem, this avoidable waste of food is simply unacceptable. The food and drink industry calls on the EU institutions to take the Agenda 2030 goals of preventing and reducing food waste seriously, and to implement effective measures where food waste can be prevented.

By contrast, the industry rejects additional cost-intensive statistical and reporting requirements for producers with regard to waste measurement. Therefore, particularly in the implementation of the Delegated Act laying down a common food waste measurement methodology (C (2019) 3211 final), the information on production and consumption statistics that is already available from the food and drink industry should be used. The food and drink industry already strives to keep waste to a minimum, for cost reasons alone. In many German factories, avoidable food waste occurring in the production process is already significantly below one percent. Food waste resulting from deterioration or quality defects is undesirable, but unavoidable given the legal situation in force and for the well-being of consumers.

Sustainably strengthen human rights protection and due diligence obligations

Business enterprises in the food and drink industry are aware of their responsibility to respect human rights in accordance with the Guiding Principles of the United Nations at their production locations and in their direct supply relationships in Germany and other countries, and they meet their human rights due diligence obligations. Food manufacturers are increasingly striving to implement the associated high product and process standards beyond the immediate supplier level as well. Although the United Nations endorsed the joint Guiding Principles on Business and Human Rights back in 2011, human rights violations repeatedly come to light in developing and emerging countries that supply European industry. The food and drink industry, too, relies on procurement from these countries for selected raw materials. Supply chains with these countries are becoming increasingly complex due to a large number of independent actors involved, which poses a major challenge to the food and drink industry in enforcing its human rights due diligence.

Businesses therefore increasingly require support – including from European policymakers – in order to identify human rights risks at an early stage and be able to prevent them. The industry calls on the EU institutions to promote the EU-wide implementation of the UN Guiding Principles on Business and Human Rights, and to work to ensure that states worldwide meet their obligation to protect human rights. However, the food and drink industry is opposed to statutory human rights due diligence obligations such as those proposed by the European Parliament's Responsible Business Conduct working group in their Shadow EU Action Plan. The UN Guiding Principles do not prescribe a duty for states to introduce statutory due diligence obligations, or to regulate the extraterritorial activities of businesses established in their territory. In particular, statutory regulations should be rejected since they could lead to businesses being liable for their supply chains. The direct or indirect introduction of supply chain liability stands in clear contradiction to the UN Guiding Principles, which preclude the transfer of risk to businesses. A statutory due diligence regime would have negative repercussions for development policy, especially if businesses pull out of countries that have a challenging human rights situation. Furthermore, developing and emerging countries would find it more difficult to access global supply chains, and a process of concentration would take place in the supply chains.

Instead of statutory provisions and the associated disproportionate bureaucratic costs, businesses should be encouraged in their voluntary commitment to the implementation of the UN Guiding Principles and the many sustainable industry and supply chain initiatives. For example, the voluntary commitment of business enterprises to strengthen contract farming, or to multi-stakeholder platforms for sustainable supply chain standards (e.g. the German Initiative on Sustainable Cocoa or the Forum for Sustainable Palm Oil). In addition,

EU policymakers should provide more official information on the human rights situation in the target countries.

Boost the global competitiveness of the food and drink industry through EU trade agreements

The German food and drink industry is closely integrated into global agricultural trade. In 2018, the industry exported high-quality food worth EUR 59.5 billion to markets with high purchasing power; 22 percent of these exports went to third countries. In addition, German food producers imported agricultural and food products for processing worth EUR 85.9 billion. Here too, 30 percent of trading partners were third countries. International trade policy, which falls within the EU's remit, provides the framework for businesses' import and export activities. The food and drink industry calls upon the EU institutions to implement trade policy rules that improve market access for the German food and drink industry and simplify cross-border movements of goods and sustainable procurement of raw materials. EU trade agreements have to preserve the high European standards, for instance in the consumer, environmental, animal and health protection, to avoid global distortions of competition. To open up strategically important markets and keep them open, multilateral and bilateral trade agreements, bilateral agreements and veterinary and phytosanitary certificates are necessary, as is targeted export promotion.

The largest sales market for the German food and drink industry outside Europe is China. It is the industry's opinion that EU trade talks with China should focus on removing and preventing barriers to trade. Notably, China's plans to introduce a general import certificate for foodstuffs could significantly impede bilateral trade. The food and drink industry is opposed to the introduction of any such certificates that restrict trade – especially for low-risk products. We call on the European Commission to find a binding and EU-wide solution with China that maintains trade with China without disproportionately high bureaucratic hurdles. The approach of a joint declaration concerning the fundamental discussion of the definition of low-risk products at the level of the Codex Alimentarius is welcomed, but there must be greater insistence that China also officially notifies the WTO of the suspension of the planned import certificates.

The most important transatlantic trading partner for the food and drink industry is the United States. Since talks on a Transatlantic Free Trade Agreement with the EU have stalled and several trade disputes involving punitive and retaliatory tariffs are ongoing between the two trading partners, the industry fears an escalation of tensions in trade relations. In particular, the food and drink industry rejects European retaliatory tariffs on U.S. agricultural and food imports in trade disputes originating outside the sector, which adversely affect the industry's supply relationships and sales channels. Retaliatory tariff hikes on U.S. imports and

potentially resulting retaliatory measures on European food exports hit the German food and drink industry hard by increasing raw material prices and weakening its competitive position on the U.S. market. Despite all of this, in BVE's view top priority must be given to long-term ambitions to reduce and prevent non-tariff and regulatory barriers to trade. In particular, the orientation to international standards and a precautionary and risk-oriented approach in the respective systems to ensure food safety should be retained, as should the risk management systems of both trading partners. But given the importance of the U.S. market for the food and drink industry's exports, bilateral relations should be improved even more comprehensively and, in particular, export facilitation for the German food and drink industry should be discussed in the context of improved regulatory cooperation.

Ensure reliable trade with the United Kingdom even after Brexit

With an annual sales volume of EUR 4.3 billion, the United Kingdom is the German food and drink industry's fourth-largest export market. The upcoming Brexit will have a noticeable impact on the industry and will impair trade relations whatever happens. An uncontrolled Brexit would probably result in the greatest trade barriers. The extent to which the food and drink industry would be affected by an uncontrolled Brexit can only be estimated so far. Scientific studies[1] suggest that the industry could face an additional customs burden of EUR 382.5 million per year.

The food and drink industry calls on the European negotiators to take all necessary steps to prevent negative consequences for the German food and drink industry after the United Kingdom exits the EU, and to eliminate all legal uncertainties. In particular, that includes a sufficiently long transitional phase after Brexit. For the future relationships between the United Kingdom and the remaining 27 EU states, only a customs union with common external tariffs and mutual market access for agricultural products and foodstuffs can ensure that bilateral supply relationships and hence barrier-free trade are maintained. In addition, regulatory alignment and cooperation should be ensured via a suitable institutional framework. For the food and drink industry, this also includes continuation of cooperation between the EU-27 and the UK in the context of the European Food Safety Authority (EFSA).

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[1] German Economic Institute (Institut der deutschen Wirtschaft), Cologne

EU social policy should respect the competences of the EU Member States

A Social Europe draws its strength from the fact that different traditions and customs exist and are practised side by side. The EU's motto – "united in diversity" – makes this clear. This is particularly the case for labour market and social policy, which is historically very different among the Member States. The goal of strong labour markets and social protection unites Europe – but the paths that lead there must not be defined centrally. Each Member State should be allowed to continue to shape its labour markets and social systems independently. In this regard, the EU "supports and complements" only in clearly defined areas. With more than 60 Directives and Regulations, there is already a lot of European social regulation.

The food and drink industry opposes EU intervention in EU Member States' competences in social policy, such as the discussed extension of majority voting in the Council to the area of social policy. European financial transfers to the social security funds would also lead to the communitisation of costs and disproportionately interfere with national systems. Furthermore, the industry takes a critical view of the planned EU-wide common redefinition of the concept of the "worker", as this would entail considerable legal uncertainties for businesses. Demands such as that for a European minimum wage also have a sizeable impact on the labour markets and welfare systems of the Member States. The EU Member States should retain the ability to take independent decisions regarding minimum wage regulations based on the capacity of their welfare systems.

The food and drink industry therefore calls for a correction of course in EU social policy. Specific proposals for sustainable, solidly financed social systems should be put forward within the framework of the European Semester.

Maintain freedom of movement of labour in the European Single Market

With Europe, the food and drink industry has been able to provide sustainable employment opportunities for around 610,000 employees in Germany and also further afield. Today, one in every thirteen employees in the food and drink industry works for their employer at a location in another EU country. And one in every four euros of sales and hence one in four jobs in the German food and drink industry depend on EU business. The Single Market and freedom of movement of labour are therefore not only the pillars of the European Union, but also the basis for the industry's business activities.

The food and drink industry calls on the EU institutions to maintain the freedom of movement for workers and to eliminate unnecessary bureaucratic costs. In future, the requirement to apply for a social security certificate – the so-called A1 certificate – for simple

business trips to other EU countries, should be scrapped. The amount of red tape involved for something as simple as a German employee visiting a trade fair in another EU country is unacceptable. A swift change in the new legislative period is therefore essential.

Promote social partnership and social dialogue across Europe

Social partnership is now established across Europe. Specifically for the German food and drink industry, a strong social partnership means the opportunity to respond appropriately to the many industry and region-specific needs of food producers. Trade unions and employers can best deal with work-related issues and find practical solutions together. At the same time, the European social dialogue in particular can identify wider future issues and challenges facing the food and drink industry, and contribute to discussions of possible solutions. The food and drink industry has demonstrated this with its EU-funded social partner project on jobs and career paths in the industry in view of digitisation. We therefore call on the EU institutions to continue supporting social partnership and social dialogue at European level.

Encourage investment in research and innovation in the food and drink industry

The predominantly medium-sized owner-managed companies in the food and drink industry can only survive against global competition if they succeed in establishing themselves on the market with innovative products, processes, and services. That also includes transferring innovations in digitisation into industry-specific applications. The policy goal should therefore be to put the necessary conditions in place to give greater support to the research activities of medium-sized enterprises.

In particular, this includes a European legal framework that supports research and innovation in the food and drink industry. The application of innovations in the food and drink industry should therefore be encouraged by means of a swift and appropriate adjustment of the legal framework to take into account the new needs of all stakeholders. An innovation friendly European legal framework has to take into account scientific principles and the newest market developments, for example in the plant breeding and protection to secure a regional commodity supply. The EU has to be an innovation pioneer instead of a worryguts. This is the only way to strengthen consumer confidence in product and process innovations in the industry. The EU is additionally called upon to support research and innovation in the food and drink industry by making adequate financial resources available. Indirect support measures with an open theme that benefit multiple industries have proven to be the most

broadly effective instruments of technology policy, with great leverage, and should also be increasingly supported by the EU.

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