

DG GROW
Teleconference with FoodDrinkEurope [REDACTED]
Brussels, 27.04.2020, 14:00
(CAB BRETON/106)

BRIEFING NOTE <i>(Commission Internal)</i>

Scene setter/Context of the meeting:

On 27 April you will have a phone call with the [REDACTED] of FoodDrinkEurope (FDE): [REDACTED], [REDACTED] and [REDACTED] - the European Food and Drink Industry Association. [REDACTED] will also have a phone call with VP Timmermans on sustainable food chains on the same day.

The food and drink industry is the biggest manufacturing sector in Europe in terms of employment and added value, including 290 000 companies, 99% of which are SMEs.

Food processors have been impacted by the COVID-19 crisis in different ways: issues at border crossings, availability of workers in factories (including cross-border and seasonal workforce), need for PPE in factories, increased costs (transport, logistics, hygiene, etc.) and (in many cases) reduced demand (depending on the outlet of their products). Producers of drinks, products destined mostly to HORECA and speciality foods have seen a sharp drop in demand. As big exporters, food operators have also seen changes related to external trade. They would like all Member States to provide priority treatment for food production, recognizing the sector as 'essential'.

In the meantime, FDE has also been active in providing input to the Farm to Fork Strategy about their industry's contribution and concerns.

Objective of the meeting:

The objective of the meeting is to exchange views on the most pressing problems of the food sector today.

The main issues expected to be raised by FDE are: the impact of COVID-19 on the functioning of the food supply chain and related requests for support by the food industry; the contribution of the sector to the Farm to Fork strategy; trade issues as well as research and innovation in food.

KEY messages

For all items at the agenda

- Welcoming the food industry's resilience during the COVID-19 crisis and thanking for their contribution to maintaining food supply for EU citizens. You could refer to the outcome of the Video call of 16 April with the food sector ecosystem where representatives of several Members of FDE [REDACTED] participated.
- Enquiring about the main issues the sector is facing in these exceptional circumstances and outlining the EU measures and support.
- Welcoming the contribution of the food industry to a more sustainable food system, and enquiring about their role in the sustainability transition.
- Farm to Fork Strategy: it needs to be transformational, ambitious and see sustainability performance with a link to competitiveness. The Commission will offer support, to ensure that (especially) small food businesses are supported in the transition.

Line to take

On COVID 19:

- I would like to thank your sector for the resilience and efforts to adapt and ensure supply of food in these exceptional circumstances: avoiding shortages and hence panic among citizens.
- We need to ensure that food production and distribution function smoothly.
- I understand some of the issues the food processors are facing, including ensuring the availability and mobility of workers and the free flow of goods.
- The functioning of the Internal Market is under pressure, due also to different responses to the crisis by Member States. We are alert to any signals of disruption of the free circulation of food. The Commission has responded by stepping up co-ordination efforts with Member States and issuing common Guidelines to facilitate movement of goods and workers and the effort.
- I am aware of the difficulties experienced by some food SMEs. The Commission provides financial support for the EU industry and especially SMEs via the Corona Response Investment Initiative and ensuring even easier access to finance, including for food SMEs. A presentation of the financial situation of your sector would be useful to help us target aid.

Possible questions to the interlocutor:

- *How has the crisis affected your production activity?*
- *Do you see a shortage of inputs/raw materials for production?*
- *Have you experienced issues with other supply chain actors, i.e. retail?*
- *Do you see a need for further national policy coordination and in what direction?*
- *Given the cross border nature of the EU food supply chain, what are your recommendations*

for the facilitation of circulation of goods, services and persons (e.g. service providers) across EU countries?

- *How do you expect your sector to change and adapt in a post-COVID world? What would be your 'exit strategy'?*

On sustainable food supply chains and the up-coming Farm to Fork Strategy:

- I welcome the commitment of your sector to shift to more sustainable production practices, including sustainable sourcing of raw materials, recycling and reuse of packaging. This is in line with the objectives of the Farm to Fork Strategy, under preparation. All actors in the food chain need to sustainable production also as a competitiveness opportunity.
- The strategy will of course be in line with other Commission initiatives – the new Industrial and SME strategies, the Circular Economy Action Plan etc.
- We will make sure that the strategy is comprehensive and fair, that it is transformational but also empowering for producers and especially that SMEs get the necessary support in the transition.

Possible questions to the interlocutor:

- *What main actions under the Farm to Fork Strategy (including regulatory or not) would be supportive for the sustainability objectives of your sector?*
- *What are the top three issues for you when it comes to sustainability of food processing?*

Defensives / Q&A

Question: Can the Commission help in ensuring that Member States recognize all food products and inputs for their production (including packaging) as 'essential' during the corona crisis?

Answer: The food industry is considered as essential by the Member States, even if the practicalities may vary. We support actions to provide childcare services for food industry workers. When it comes to the cross-border movement of goods, the Green Lanes have been recommended for all goods, especially (but not limited to) the essential ones. We remain eager to receive information on problems in free movement to evaluate further the situation.

Question: We appreciate the COM Guidelines on free movement of workers. It would be useful if the Commission could suggest a common certificate to facilitate the free movement of workers, including in the food sector. Is the Commission considering this?

Answer: My services have informed the Directorate General for Employment on this option.

Question: Will the EIB also provide a financial support to operators in the food supply chain? How will SMEs be supported?

Answer: The EIB Group will rapidly mobilise up to EUR 40 billion to fight the crisis caused by Covid-19. Amongst them, EUR 10 billion will be dedicated liquidity lines to banks to ensure additional working capital support for SMEs and mid-caps. I know that there are many SMEs in the food sector; thank you for providing them with the necessary information on EU support.

Question: What long-term measures are planned by the Commission to support economic recovery after the end of the crisis?

Answer: The Commission work on economic support measures is on-going. Several measures are under reflection but have to be confirmed. The Commission has put forward a European roadmap to phase-out the containment measures due to the coronavirus outbreak, to find the economic and social balance, towards a post-COVID world. A coherent and co-ordinated response would be key.

Question: Will the Commission adjust regulatory deadlines for the acts that will be applicable or will enter into force in the coming months?

Answer: I have instructed my services to analyse all the upcoming regulatory deadlines and of their adequacy under the current circumstances, based on Commission competence. Your input is of course appreciated in this respect.

Question: When will the Farm to Fork strategy be adopted, given the circumstances?

Answer: All I can say for now is that the adoption is planned in the second quarter of 2020 and my services are following the process with the Directorates for Health, Agriculture etc. We are living in exceptional circumstances; yet the need for the COVID-19 emergency response should, in no way, put aside other Commission priorities such as the Green Deal.

The Green Deal mentions that the Farm to Fork Strategy will cover all the stages of the food value chain. What action does the Commission foresee for operators 'between the farm and the fork': the food and drink industry, retail etc.?

Answer: The Commission is in the process of designing the set of actions to achieve the objective of the Farm to Fork Strategy. The food and drink industry has a key role in shaping the footprint of the whole value chain and we will work in this direction – collaboration in the chain will be vital. The Commission will work closely with stakeholders in designing and implementing the actions under the strategy. We will consider the impact, particularly on small companies.

Question: How will the Commission support SMEs in the food sector in the transition?

Answer: Actions to support SMEs will be vital (as 99% of food processors are SMEs). Advisory services on sustainability (as part of the Enterprise Europe Network) and creating SME guidance will be one element. This and other supporting actions are proposed under the new SME strategy, including improved access to finance. Another important aspect is to streamline digital solutions that accompany sustainability performance, which can be specific for the food sector. The Sustainable Europe Investment Plan and Just Transition Mechanisms will provide sustainability incentives, including for SMEs.

Question: Will there be space for industry-led initiatives with all the new Commission strategies (Farm to Fork, Industrial strategy etc.)?

Answer: The new strategies are meant to create a viable framework, predictability and a harmonised approach where needed – to meet the double challenge of a digital and sustainability transition. Clearly, industry-led initiatives will continue to play a very important role in advancing on environmental or health-related issues, including on food. Of course, they need to be credible, ambitious and in line with the objectives, that Europe has set. The Farm to Fork Strategy will build on both regulatory and non-regulatory measures.

Question: How about research and innovation in the food sector?

Answer: Research and innovation are indeed a key driver for sustainable food production and I see a lot of potential there. The food area will be duly covered under the Horizon Europe programme, which will follow a food system approach. Food companies also have a lot to contribute to the innovation effort.

Question: Our sector is exporting worldwide, thanks to the reputation of European food for quality and safety. How will the Commission ensure that actions under the Farm to Fork are aligned with other policies such as trade, in order not to jeopardise our competitiveness?

Answer: I will work with my fellow Commissioners on external action and trade on the issue of a level-playing field. The EU has an unmatched experience in promoting sustainable standards, including in food, in international fora. We are open to a partnership approach with partner countries to ensure that the European transition leads also to a global shift towards more sustainable food production. I already mentioned the need to turn European products into the global standard for sustainability and make this our comparative advantage, even if it may not be an easy road.

Question: What are the European Commission plans on harmonizing front-of-pack nutrition labelling? While we can benefit from harmonization, making front-of-pack nutritional labels obligatory can cause unnecessary costs, overwhelming information and may not necessarily meet the sustainability objective.

Answer: The Commission will work towards a harmonized solution that meets consumer expectations on nutritional information and avoids barriers in the Single Market, without imposing unnecessary burden, especially for SMEs. Healthy diet is important for the sustainable food system.

Background information

Name of Cabinet Member: tbc

Name of the Director who has cleared the briefing: Carlo Pettinelli

BASIS ID: request Basis CAB Breton 106

Room, time: 14:00

Participants:

Name of main contact person: (DG GROW/)

Telephone number:

Directorate/Unit: GROW Dir

About FoodDrinkEurope

FoodDrinkEurope represents the EU food and drinks industry. Members include companies, national food federations, and sectoral associations. The EU food and drink industry is Europe's largest manufacturing sector (in terms of added value) and biggest employer. Europe is the number one food and drink exporter in the world. The sector comprises over 290 000 enterprises, 99% of which are Small and Medium size (SMEs). It uses 70% of EU agricultural raw materials. The association has set a target to increase value added growth in the sector by 2.5-3.5% annually to 2025. They have made commitments to contribute to the food waste reduction target of SDG12.3 (halve pro capita food waste at consumer and retail level by 2030) and the EU objective of climate neutrality by 2050. They are represented in several EU stakeholder groups and are part of the Circular Plastics Alliance.

Issues for the EU food industry related to COVID-19:

- Demand and supply – reduced demand mainly affecting producers supplying to HORECA and producing speciality or luxury food products. Increased supply requests from retailers (mostly for long-shelf-life products at the beginning of the crisis). Some bottlenecks noted when delivering to retail outlets (partly due to new hygiene rules, social distancing, etc.). Some cancellations of retail orders reported, e.g. 'gourmet products' decline in demand.
- Risk of labour shortages in food factories – some operators have signalled the risk of labour shortages, disruptions with people sick or in self-quarantine, need to take care of children. Some signals of lack of masks, PPE in factories of some countries. In some cases, specialised staff (incl. external engineers, packaging materials service specialists) can no longer finalise factory related projects
- Disruptions linked to border measures – long waiting times at several borders over the last 3 weeks, some borders temporarily closed; border checks for drivers, critical situation in some ports, where vessels are put in 'quarantine' for 14 days. Following the COM Guidelines on border measures, the situation has improved on this aspect, but needs to be closely monitored; issues have recently come up mostly in CEE (Central and Eastern Europe).
- Issues with drivers of food trucks – during the out-break of the crisis (March) many issues were signalled with drivers unavailable, difficult to find as sick or unwilling to take risks.

MS safety measures (HU, RO, BG) forcing drivers to enter into 14 days quarantine caused disruption.

- Issues with frontier and seasonal workers – quarantine rules and restrictions have had a serious impact on cross-border workers in the food industry. Restrictions on agricultural seasonal workers are problematic for farming and have a potential impact for raw material supply for the food industry: e.g. CZ has banned "cross-border commuting", ignoring the guidelines for border management and reportedly affecting 50.000 Czech workers commuting daily to neighbouring countries.
- Restrictive measures taken by MS – RO announced that the export of the wheat, barley, oats, maize, soybeans, flour, seed oil, sugar, biscuits, cakes and everything related to bakery is suspended (yet, intra-EU acquisition of agricultural products can be done only if a member country proves that the purchased products are intended for own or community consumption, and not for export). HR is considering measures to limit exports or set prices in case of need; BG favouring local products; PL intervention with local producers.
- Impossibility to meet some new regulatory requirements – e.g. Due to the impact of the current crisis, some companies are reporting difficulties in being able to meet the date of 1 April, date of application of the Regulation (EU) 2018/775 regarding the rules for indicating the country of origin or place of provenance of the primary ingredient of a food.
- Other impact on business – impacts on reduced business development, sales and slow deliveries, requests for providing (virus free) certifications.
- Impact on business and trade with countries outside the EU – Disruption of supply of raw materials from outside the EU. Issues to supply raw materials from Asia, TR; difficulties and delays in getting shipping containers; the prices of containers have risen; some reports of excessive increases in freight costs and a maximum validity of 2 weeks for quotation.

The main requests of the food industry, in relation to the COVID-19 response

- Recognise the entire food chain as essential:
Define the notion of “essential goods such as food supplies” to include all food and drink products, food ingredients, packaging and packaging material, animal feed and pet food.
The food industry is largely considered as essential/vital across most EU Member States, but the meaning may vary in practical terms and by national context.
- Unblock transport bottlenecks:
 - ✓ Ensure that the guidelines are effectively implemented by the Member States.
 - ✓ Implement priority green lanes for food lorries and wave weekend bans
 - ✓ Harmonise border-crossing protocols
 - ✓ Consider measures to re-distribute food that cannot reach its market
 - ✓ set up a ‘hot-desk’ which operators could contact in the event barriers arise
- Support the food sector workforce:
 - ✓ Harmonized protocols for food sector workers to work safely
 - ✓ Advise MS to provide childcare for critical professions within the food industry
- Ensure free movement of workers for retail and food production:
 - ✓ Proper implementation of the EU Guidelines on mobility of workers, including for retail and wholesale workers as well as seasonal workers.

- ✓ Design an EU model of certificate for essential cross-border workers, such as in the food sector (some MS have their own)
- ✓ Support struggling businesses
- ✓ Develop emergency measures for the food sector (esp. where demand has gone down, to meet new costs to continue functioning)
- Facilitate global trade:
 - ✓ Hold bi-lateral talks with trade partners.

The Farm to Fork Strategy

The 'Farm to Fork' Strategy (part of the Green Deal) aims to foster the green and fair transition of the food system and making European food a global standard for sustainability. Besides objectives for primary food production, it notes the importance of circularity and reducing the impact of processors, retailers and all stages of the food supply chain. The strategy is to be adopted by the Commission in the second quarter of 2020 (planned 29th of April, date not confirmed) and will be accompanied by a broad stakeholder debate. The draft Outline Paper (narrative) of the strategy and an Action plan with concrete objectives have now undergone an inter-service consultation. The lead DGs are SANTE, AGRI and MARE (SG as co-ordinator). GROW, ENV, CLIMA, JRC and others provide regular input. A public consultation was held 17 February 2020 - 16 March 2020 with over 80 responses.

The Commission plans (as part of the strategy) to work with businesses in the supply chain and co-design a Code for responsible business and marketing practices in the food supply chain (building on existing work of the Commission, international guidelines and accounting for the specificities of the food sector). In the long term, rules on sustainable corporate governance can be considered.

Other (possible) actions in the draft Action plan relevant for food processing are: promoting and scaling circular business models, revising marketing standards, looking into the legislation on geographical indications to assess their environmental impact, reducing plastics packaging (including single use plastics in food service), revise the food contact materials legislation etc.

Actions to support SMEs will be vital (99% of food processors and many retailers are SMEs). Advisory services on sustainability as part of the Enterprise Europe Network (proposed under the new SME strategy) are a good starting point. Another key idea is to streamline digital solutions that accompany sustainability performance, specific for the food sector. There is a draft proposal to explore an EU sustainability label. The initiatives on labelling (in particular the sustainable food logo) need to bear in mind the costs for SMEs.

The final list of actions is to be finalised following the Inter-Service Consultation

Main requests of FoodDrinkEurope in relation to Farm to Fork (F2F)

- Coherence - align objectives, targets and timelines between various initiatives; a common understanding about what sustainable food systems are
- A Strong Single Market - Ex ante Single Market test for F2F proposals
- Co-ordination with Member States - set up a high level dialogue Platform
- Co-ownership - all actors to 'co-own' and identify co-benefits; A positive narrative to ensure 'buy-in' from operators
- Assess the impact of Retail Alliances on food systems transformation (to be done by competition authorities) as the lowest price does not allow for innovation
- Science and evidence based targets; Evaluation and holistic impact assessments
- No compromise on food safety (e.g. in relation to packaging)
- Concrete incentives for innovation - R&I funding for sustainable food systems
- Create sustainable and inclusive growths and jobs (competitiveness)
- Help SMEs to achieve transition through an enabling framework.
- Support the quest for alternatives to chemical pesticides and fertilisers – without jeopardising yields.
- Sustainable sourcing: supported by Sustainable EU trade policy, harmonised due diligence requirements and better reliability of forest-related certification schemes
- Necessity for a consistent approach throughout the Green Deal on Sustainable packaging
- Harmonise the policy framework for standardised product environmental information
- Provision of info to consumers: voluntary with harmonised mandatory conditions
- On Consumer information - Avoid fragmentation of Single Market; Push back against unjustified/harmful national initiatives; Digital consumer information;
- On public procurement (Review methodology -> Green Public Procurement criteria for food)
- New ambitious trade policy (Coherence: EU trade policy/CAP/ /regulatory requirements)

Front-of-pack nutritional labelling

Nutritional labelling of food falls under the primary responsibility of Commissioner Kyriakides. EU law allows voluntary front-of-pack nutritional information using graphical forms or symbols in addition to words or numbers. Such additional information should not create obstacles to the free movement of goods.

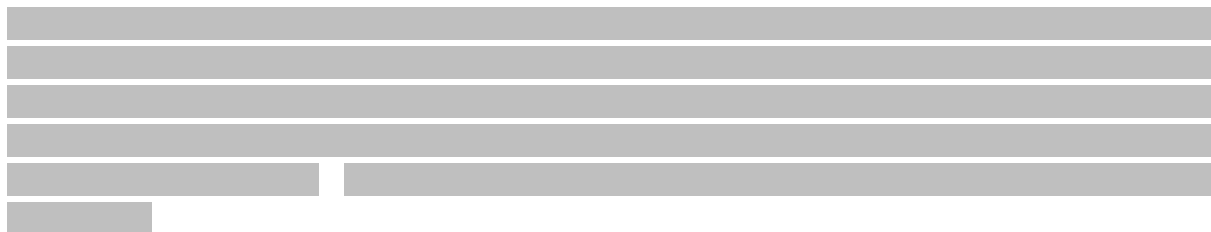
The Commission had to adopt, by 2017, a Report on the use of front-of-pack nutritional labelling. The adoption was first delayed then suspended in the summer of 2019 (in preparation of the appointment of the new Commission). One of the actions [REDACTED] in the draft, Farm to Fork Strategy under the section on empowering consumers is to 'harmonise front-of-pack nutrition labelling and explore the options to make it obligatory'. This is however still a draft proposal to be discussed among services. [REDACTED]

[REDACTED]

[REDACTED]

From a Single Market point of view, the proliferation of different initiatives on front-of-pack labelling in different Member States risks causing fragmentation. In 2017, France developed 'Nutri-score' as a voluntary front-of-pack nutrition logo to be displayed on food products.

Belgium, Spain and Germany later recommended Nutri-Score to food business operators; other member States e.g. the Netherlands and Portugal are also supporting this position. Other voluntary schemes in use around Europe include the Nordic Keyhole, the UK Traffic Lights labels and the “Nutrinform battery” recently notified by Italy.



CVs of the interlocutors

[REDACTED]

[REDACTED]

[REDACTED]