



HIGH LEVEL FORUM

for a Better Functioning Food Supply Chain

Report 2014

**High Level Forum for a Better Functioning
Food Supply Chain**

Report

15 October 2014

Disclaimer

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LIST OF ACRONYMS

Acronyms and abbreviations

B2B	Business-to-Business
CAP	Common Agricultural Policy
CNAPA	Committee for National Alcohol Policy and Action
COSME	Programme for the Competitiveness of Enterprises and SMEs
FIC	Food Information to Consumers
FPMT	Food Price Monitoring Tool
EEN	Enterprise Europe Network
EFFAT	Federation of Food, Agriculture and Tourism Trade Unions
HLG	High Level Group on the Competitiveness of the Agro-Food Industry
ICT	Information and Communication Technologies
NGO	Non-Governmental Organisation
PAPs	Processed Agricultural Products
RASSF	Rapid Alert System for Food and Feed
REFIT	Regulatory Fitness and Performance Programme
SME	Small and Medium-Sized Enterprise
UTP	Unfair Trading Practices
WHO	World Health Organisation

EU bodies and agencies

EFSA	European Food Safety Agency
EUROPOL	European Police Office
OLAF	European Anti-Fraud Office
DG SANCO	Directorate General Health and Consumers

EXECUTIVE SUMMARY

Since its inception in 2010, the strategic mission of the High-Level Forum for a Better Functioning Food Supply Chain has been to improve the efficiency of the food supply chain and thus the competitiveness of the agri-food sector, a key segment of the EU economy. On the basis of a December 2012 report¹ registering the Forum's achievements in its first two years of activity, the Commission decided to extend its mandate for another two years, to December 2014.

The Forum comprises 47 members, representing 21 Member States, European companies involved in food production, processing or distribution, professional associations and non-governmental organisations representing citizens' interests. It is chaired by Commissioner Ferdinando Nelli Feroci, together with Vice-President Michel Barnier and fellow Commissioners Dacian Cioloş and Tonio Borg.

This report reflects the outcome of the deliberations of Forum members who met regularly in the Sherpa group, in the following areas: **business-to-business trading practices, the Internal Market for food and drink products, sustainability, social dialogue and food price monitoring**. More particularly, the Forum:

- contributed to the establishment of fairer business-to-business trading relationships and served as an incubator for the Supply Chain Initiative². The July 2014 Communication on tackling unfair trading practices in the business-to-business food supply chain³ clearly acknowledges the role of such voluntary solutions;
- steered the work of an external consultant assessing the impact on the competitiveness of the chain of national taxes on food and drink products⁴;
- promoted multi-stakeholder dialogue on several issues relating to the functioning and harmonisation of the Internal Market for food and drink products;
- hosted a dialogue on food system sustainability, which culminated in a declaration⁵ endorsed by various players in the food chain;
- encouraged interaction between social partners (food industry and trade unions) and thus the development of a structured social dialogue and the issuing of common pledges on social matters⁶; and
- supported work to improve the Food Price Monitoring Tool (FPMT) and the exchange of best practices among Member States and national food price observatories⁷.

¹ http://ec.europa.eu/enterprise/sectors/food/files/hlf-third-meeting-final-report-cover_en.pdf.

² <http://www.supplychaininitiative.eu/>.

³ COM(2014) 472 final.

⁴ http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=7668&lang=fr&title=Study-on-Food-taxes-and-their-impact-on-competitiveness-of-the-agri-food-sector.

⁵ <http://www.eurocommerce.be/media/88508/Declaration%20Sustainability%20of%20Food%20System.pdf>.

⁶ http://ec.europa.eu/education/policy/vocational-policy/doc/alliance/fooddrinkeurope-effat-pledge_en.pdf.

⁷ *The state of food prices and food price monitoring in Europe* (document accompanying the Forum's 2014 report).

Finally, the Forum contributed to identify challenges and keep informed on achievements in the framework of the Europe 2020 strategy, the latest Industrial Policy communications⁸ or the new Common Agricultural Policy. Specific input was provided by Forum members on topics such as: the fitness check of the food chain and of General Food Law principles, access to finance, innovation and new emerging technologies, health and nutrition.

The Forum highlighted that work on these key policy issues should continue, in view of the benefits for the **competitiveness of the food supply chain** (and **SMEs** in particular), but also that it was important to identify new challenges. In this report, the Forum recommends that the Commission issue it with a new mandate for the coming five years (2015-19). It lists the following eight key policy issues for continued multi-stakeholder dialogue in the food supply chain:

- **Competitiveness and SMEs:** the Commission services intend to launch a progress report on the competitiveness of the food and drink industry. Given the importance of SMEs in the agri-food sector, the new Forum would give special and systematic attention to their competitiveness and meeting their particular needs;
- **Business-to-business trading practices:** work on the elimination of unfair practices in business-to-business relations should remain a priority for Forum members. The Supply Chain Initiative set up to implement the Principles of Good Practice in the food supply chain needs to be monitored and evaluated;
- **Internal Market:** the Forum recommends that the mapping and discussion of potential barriers to the free movement of food and drink products in the EU be followed up by involving stakeholders in the search for ways of removing them;
- **Market access:** the Forum should continue to pay close attention to the EU's trade agenda as regards the negotiation and implementation of free trade agreements;
- **Sustainability:** the Forum should continue to provide a privileged platform for an exchange of views on best practices based on successful Member States' experiences and initiatives. It calls on the signatories of the Joint Declaration on the sustainability of food systems to consider committing themselves to voluntary joint initiatives;
- **Social dimension:** the Forum seeks a new mandate to continue to encourage social partners to develop joint initiatives to promote employment in, and the attractiveness of, the sector using all available instruments;
- **Innovation:** the Forum calls for following up on the fitness check on the General Food Law, so as to enhance coherence across the regulatory framework, innovation and the competitiveness of the food supply chain; and
- **Prices:** the new Forum should stimulate further progress on the FPMT and the establishing of more national price observatories.

⁸ http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm.

In the context of the rapid economic and technological developments and conscious of the likelihood of new issues emerging, the Forum, as element of an Industrial policy for a competitive and sustainable agri-food sector, affirms its intention to continue to act as the reference body for structured and constructive dialogue among European private and public stakeholders by delivering specific output and arriving at joint positions, where possible, including on controversial issues.

1 INTRODUCTION

1.1 The Forum's mandate

In 2010, the European Commission set up the High Level Forum for a Better Functioning Food Supply Chain with the aim of assisting the Commission with the development of industrial policy in the agri-food sector by:

- following the recommendations of the High Level Group on the Competitiveness of the Agro-Food Industry (HLG)⁹; and
- implementing the initiatives set out in the 2009 Communication *A better functioning food supply chain in Europe*¹⁰.

In particular, the HLG recognised the importance of a holistic approach to ensuring the competitive position of the EU's agri-food sector. It acknowledged the need for consistency between all policy areas affecting the EU food chain: agriculture, food safety, nutrition and health, environment, trade, financial markets, research and innovation, and industrial policy more generally.

In the meantime, the major factors determining the competitiveness of the whole food supply chain have been analysed extensively.

A final report¹¹ in December 2012 recorded the Forum's achievements in its first two years of activity. It concluded that the dialogue that had taken place had been effective and productive. The Commission therefore decided to extend the Forum's mandate for another two years, to December 2014.

Unlike in the first phase (2010-12), the current Forum has worked on macro-policy areas, rather than stand-alone initiatives and recommendations, in order to reinforce the holistic approach and the effectiveness of the multi-stakeholder dialogue. This orientation has been reflected in the fact that the Forum's work has been organised around a few key meetings of the Sherpa group¹², and no longer in specific platforms as it was in the past.

The Forum's 2013-14 work programme followed the December 2012 recommendations, focusing in particular on:

- implementation of the voluntary initiative on B2B relationships;
- the 'fitness check' of EU food legislation;

⁹ *Report on the competitiveness of the Agro-Food Industry*, 17.3.2009:
http://ec.europa.eu/enterprise/sectors/food/files/high_level_group_2008/documents_hlg/final_report_hlg_17_03_09_en.pdf.

¹⁰ COM(2009) 591 final, 28.10.2009

¹¹ Forum's report of 2012
http://ec.europa.eu/enterprise/sectors/food/files/hlf-third-meeting-final-report-cover_en.pdf.

¹² Article 5.2 of the Commission decision of 30.07.10 establishing the Forum, 2010/C 210/03, states: "A preparatory group, hereinafter the 'sherpa group', shall prepare the debates, position papers and opinions with a view to producing the Forum's annual report. It shall be chaired by the Commission".

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:210:0004:0005:EN:PDF>.

- implementation of the Europe 2020 Strategy in the food sector (industrial policy, in relation with other flagship initiatives; common vision on a sustainable, innovative and inclusive food sector);
- the European Food Prices Monitoring Tool (FPMT); and
- identifying current and upcoming challenges (health, nutrition, taxation, access to finance).

This report describes the Forum’s work in 2013-14 and reflects the conclusions reached by its members, who met regularly in the Sherpa group.

While the Forum’s main objective has remained the development of a sound industrial policy for the agri-food sector in line with the EU2020 approach and the flagship initiative of 2010, the Communication *An integrated industrial policy for the globalisation era*¹³, the Commission has since taken further steps in the field of industrial policy.

In its 2012 Communication *A stronger European industry for growth and economic recovery*¹⁴, the Commission set out a new industrial strategy to reverse the declining role of industry in Europe from a level of under 16 % of GDP to 20 % by 2020. A Communication adopted in January 2014, *For a European Industrial Renaissance*¹⁵, stresses the importance of, and aims to facilitate, full and effective implementation of industrial policy in the EU. On that basis, the Council highlighted that a new industrial policy addressing current and future challenges was needed and the March 2014 European Council¹⁶ affirmed the need to mainstream industrial competitiveness in all EU policies and to deepen the Single Market, as key to boosting growth and jobs in Europe¹⁷.

This is the political background against which this report should be read.

1.2 Setting the scene: the importance of the food supply chain

The food supply chain plays a crucial role in the daily life and well-being of over 500 million European consumers.

It generates added value of €800 billion and a turnover of €4 trillion. It offers employment for 46 million people¹⁸ in more than 15 million holdings or enterprises in agriculture, the food industry, and food trade and services¹⁹, the vast majority of which are small and medium-sized enterprises. Taken alone, the food and beverages industry is the Union’s biggest manufacturing sector, in terms of employment (4.25 million jobs)²⁰, turnover (€1,017 billion) and added value (€203 billion, or 12.9% of EU manufacturing)²¹. SMEs account for 99.1% of companies in the food and drink sector. A well-functioning and competitive food supply chain is essential for all concerned, including consumers.

¹³ COM (2010) 614 final, 28.10.2010.

¹⁴ COM (2012) 582 final, 10.10.2012.

¹⁵ COM (2014) 014 final, 22.01.2014.

¹⁶ European Council Conclusions, March 2014, Doc. EUCO 7/1/14 REV 1.

¹⁷ Council Conclusions on Single Market Policy, December 2013.

¹⁸ *How many people work in agriculture in the European Union?* EU Markets Brief No 4/Agricultural Economics Brief No 8; July 2013.

¹⁹ Ibid.

²⁰ FoodDrinkEurope, Competitiveness report 2013-14.

²¹ Ibid.

2 PROMOTING FAIR AND MARKET-BASED RELATIONSHIPS BETWEEN STAKEHOLDERS IN THE FOOD SUPPLY CHAIN: VERTICAL B2B TRADING RELATIONSHIPS

2.1 Political context

Since 2010, the Forum has conducted a wide-ranging debate, and regularly hosted exchanges of views between stakeholders, on possible remedies to unfair trading practices (UTPs). In January 2013, the Commission published a Green Paper²² that defined UTPs as practices that deviate grossly from good commercial conduct and are contrary to good faith and fair dealing. UTPs are typically imposed by a stronger trading party on a weaker one in a situation of economic imbalance. They can occur on either side of the B2B relationship and at any point in the supply chain. The Green Paper sought to gather stakeholders' views on the occurrence of UTPs in the food and non-food supply chain and to identify possible ways of addressing them.

The Green Paper consultation was the basis for a comprehensive assessment of the problems posed by UTPs in B2B relationships along the retail supply chain, their effects and possible remedies. 200 stakeholders from a variety of groups (e.g. farmers, suppliers, retailers, Member States) replied to the consultation.

The European Parliament²³ and the Economic and Social Committee²⁴ issued opinions on the Green Paper, acknowledging the importance of the issue at stake.

2.2 From the multi-stakeholder dialogue to the Supply Chain Initiative

In its December 2012 *Final Report*, the Forum welcomed the multi-stakeholder dialogue, which it had initiated in early 2011 to establish a common understanding of fairness in B2B relations, and the resulting Principles of Good Practice²⁵.

The Forum issued a second mandate under which the multi-stakeholder dialogue was to work on a framework for implementing and enforcing the Principles. The framework, agreed by seven organisations²⁶ in January 2013, consists of a registration system whereby economic operators, including SMEs, voluntarily undertake to implement the principles and accept various means of resolving disputes. It established a governance group whose role is to run the initiative and encourage the forming of national platforms. The dialogue continued, with meetings involving food supply chain stakeholders, including meetings convened by the Commission in March and May 2013.

²² Green Paper on Unfair trading practices in the business-to-business food and non-food supply chain in Europe (COM(2013) 37, 31.1.2013).

²³ European Parliament resolution of 11 December 2013 on the European Retail Action Plan for the benefit of all actors.

²⁴ CESE 1697/2013 — INT/683.

²⁵ *Vertical Relationships in the Food Supply Chain: Principles of Good Practice*: http://www.supplychaininitiative.eu/sites/default/files/b2b_principles_of_good_practice_in_the_food_supply_chain.pdf

²⁶ AIM, CELCAA, ERRT, EuroCommerce, Euro Coop, FoodDrinkEurope, UGAL (now Independent Retail Europe).

On 16 September 2013, the voluntary framework was officially launched as the 'Supply Chain Initiative: together for good practices'²⁷. The seven EU-level signatory organisations represent:

- the food and drink industry (FoodDrinkEurope);
- branded goods manufacturers (European Brands Association);
- the retail sector (the European Retail Round Table, EuroCommerce, EuroCoop and Independent Retail Europe); and
- agricultural traders (The European Liaison Committee for the Agricultural and Agri-Food Trade).

Two organisations, the farming organisation COPA-COGECA and the meat processing industry association CLITRAVI endorsed the Principles of Good Practice, but decided not to join the Initiative.

The purpose of the Initiative is to promote fair business practices in the food supply chain as a basis for commercial dealings. It aims to bring about a change of culture through the signatories' commitment to fair trading practices, coupled with measures to integrate the Principles of Good Practice into companies' day-to-day operations and to monitor the extent to which this is done. It also aims to ensure that companies handle disputes fairly and transparently and that complainants are not subject to retaliation.

Since its creation, the Governance Group of the Initiative has kept Forum members up to date on progress achieved, in terms both of company registrations and action to take the Initiative forward. Since September 2013, the number of signatory companies has risen to over 100, representing around 1 000 individual operating companies, and new companies are continuously signing up. The process has remained transparent and open to other interested parties. In particular, organisations that decided not to join the Initiative were given the opportunity to take part in governance group meetings and received full updates of developments during Sherpa group meetings.

The Governance Group showed real commitment to building a robust system that would bring about a culture shift in B2B trading relations in the food supply chain. It also developed a tool to assess the interaction between the voluntary EU initiative and national schemes.

The Sherpa group meetings were key opportunities to feed the dialogue between all concerned: members of the Initiative, non-signatories, and Commission and Member State representatives.

However, differences of opinion have emerged from the Forum's discussions in the past two years as to whether the Supply Chain Initiative is sufficient:

- the seven signatory organisations in the Sherpa group see the Initiative as helping to address UTPs by implementing common principles of good practice and offering a clear set of dispute resolution options and an EU-wide governance process.

²⁷ <http://www.supplychaininitiative.eu/>.

More specifically, the Initiative covers three types of dispute:

- bilateral disputes²⁸;
- breaches of process commitments (when a registered company is alleged not to have fulfilled its obligations in terms of implementing and enforcing the principles of good practice in vertical relations in the food supply chain)²⁹; and
- bilateral aggregated disputes (regarding an alleged serious breach of a principle following a complaint by several companies affected similarly)³⁰.

The Governance Group, the composition of which reflects the different interests in the chain, is in charge of coordinating action under the Initiative, including assessment, guidance, interpretation and, where necessary, revision of the principles of good practice; but

- the other two above-mentioned organisations (COPA-COGECA and CLITRAVI) consider that self-regulation alone is not sufficient and does not ensure that the weakest links in the chain (mainly SMEs) can submit complaints anonymously without fear of retaliation by their customers.

In particular, these parties point to a need for a mixed system combining voluntary codes with legislation effectively enforced by an independent public authority with powers to investigate (*ex officio* or in response to reports) and to apply dissuasive sanctions.

In December 2013, the European Parliament and the Council welcomed the establishment of the Supply Chain Initiative³¹. In its Resolution on the European Retail Action Plan³², the Parliament drew attention to weaker market players, suggesting that the Commission studies the feasibility and the need for an ombudsman or adjudicator. In parallel, the Council emphasised the importance of broad and active participation by stakeholders and called on the Commission to work with them to assess the application and effects of the principles of good practice and report to it in 2015³³.

2.3 Developments at national level

A study of national legal frameworks covering unfair B2B trading practices in the retail supply chain³⁴ revealed significant regulatory fragmentation at Member State level. Recognising the need to adopt and enforce more targeted rules on UTPs, many Member States have recently introduced, and others are currently considering, specific legislation in this area. Some have addressed the abuse of economic dependence or imbalances of bargaining power by extending national competition provisions beyond the scope of EU anti-trust law. In over a third, the general provisions of contract law, enforced by civil courts, are the only regulatory form of protection against UTPs. Several rely on a combination of public and private regulation.

²⁸ <http://www.supplychaininitiative.eu/dispute/bilateral-disputes>.

²⁹ <http://www.supplychaininitiative.eu/dispute/breaches-process-commitments>.

³⁰ <http://www.supplychaininitiative.eu/dispute/aggregated-disputes>.

³¹ European Parliament *De Jong report* (11.12.2013) and Council Conclusions of 2 December 2013.

³² European Parliament resolution on the European Retail Action Plan (2013/2093(INI), 11.12.2013).

³³ Council on Single Market Policy, 20.11.2013, 16443/13.

³⁴ http://ec.europa.eu/internal_market/retail/docs/140711-study-utp-legal-framework_en.pdf.

The Sherpa group has been kept informed about developments at national level. Relevant national self-regulatory and/or legislative initiatives were presented, with a special focus on Belgium, Slovakia, Portugal, Slovenia, Finland and Ireland.

2.4 Communication on Tackling unfair trading practices in the business-to-business food supply chain

On the basis of the findings from the Green Paper consultation and the developments described in the above two sections, the Commission adopted a Communication on *Tackling unfair trading practices in the business-to-business food supply chain*³⁵ in July 2014. The Communication is addressed to stakeholders and Member States and suggests a number of priorities to help establish an effective EU-wide framework for addressing UTPs. It does not propose regulatory action at EU level but encourages Member States to ensure they have appropriate measures against UTPs in place, taking into account their national circumstances. The Communication makes suggestions in three main areas:

- i. it supports the Supply Chain Initiative and encourages all operators in the food supply chain to join it and its national platforms. It also calls on the governance group to maximise participation by SMEs, the key beneficiaries of the initiative. At the same time, the Commission will continue to monitor the development of the Initiative closely and encourage it to work on reinforcing the dispute resolution mechanism and sanctioning systems;
- ii. in order to establish a common understanding of rules addressing UTPs, it invites Member States to assess whether their framework allows breaches of the principles of good practice to be addressed; and
- iii. it recognises that enforcement is the key to tackling UTPs effectively and therefore invites Member States to assess the effectiveness and credibility of their existing mechanisms for enforcing rules against UTPs, in particular as regards accepting individual confidential complaints and conducting investigations.

On the basis of the Communication, the Commission plans to present a report to the Council and the European Parliament at the end of 2015.

2.5 Monitoring the voluntary mechanisms for the implementation of the principles of good practice at European and national level

The COSME work programme³⁶ adopted on 22 January 2014 makes financial provision for assessing the effectiveness of voluntary frameworks set up to implement the Principles of Good Practice in vertical relationships in the food supply chain. The action to be financed³⁷ is in line with one of the major objectives of COSME, i.e. improving the framework conditions for businesses, in particular SMEs. The results will serve as an input for the Commission's report to the Council and the European Parliament on the practical impact of the Supply Chain Initiative and of similar voluntary initiatives at national level. The effectiveness of these initiatives will be evaluated *ex post* on the basis of quantitative and qualitative indicators in order to determine, *inter alia*, how many complaints about

³⁵ COM(2014) 472 final.

³⁶ Annex to the Commission Implementing Decision concerning the adoption of the work programme for 2014 and the financing for the implementation of Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (C(2014) 247 final, 22.2.2014, p. 50).

³⁷ EASME/COSME/2014/006, <https://etendering.ted.europa.eu/cft/cft-display.html?cftId=615>.

UTPs the Governance Group of the Supply Chain Initiative received and resolved effectively.

The Sherpa group was informed of the objective and scope of the action taken and acknowledged the need for independent neutral assessment of the effectiveness of the voluntary frameworks against UTPs. It also acknowledged the need to gather information on the trading experiences of companies that participate neither in the Supply Chain Initiative nor in similar national initiatives. Again, the results will be fed into the Commission's report on its Communication.

2.6 Choice and innovation in modern food retail at overall market level: trends and drivers

In recent years, the Commission received complaints about decreasing choice and innovation in the food supply chain that would be caused by trading practices of large operators in the chain, mainly retailers, to the detriment of their smaller counterparts. Due to a lack of hard evidence substantiating the claims, the Commission launched a study ("modern retail study") at the end of 2012, in order to investigate the evolution of choice and innovation in the food sector as well as their driving factors. The study investigates products available to the consumers on the shelves of 350 shops in 9 Member States over the period 2004-2012. It includes 23 product categories, covering more than 100,000 different products at a given point in time. The results were published on the 2nd of October 2014³⁸. The study made in particular the following findings.

Choice has kept increasing over the last decade, although it slowed down after the crisis. In particular, the number of products and the number of suppliers effectively present on the shop shelves have increased continuously during the period. Innovation increased until 2008 and decreased afterwards; the share of packaging innovation increased.

Econometric analysis indicates that these evolutions are mainly related to the evolution of the economic climate in the EU during the last years. In addition competition dynamics at local level would play an important role since new shop openings are associated with more choice and innovation on the shelves of competing retailers in the local area concerned.

The study also assessed the impact of concentration and imbalances between retailers and suppliers in moderately concentrated retail markets. In those markets, a relative increase in retailer concentration with respect to supplier concentration is associated with more innovation. Put otherwise, an increase of imbalances in favour of retailers would not lead to less choice and innovation in food products. The lack of data prevented the study from analysing national situations of high concentration of modern retail (such as those in Nordic and Baltic countries).

Finally the study reports that the share of private labels in the assortment on the shelves of a shop does not have a significant impact on choice and innovation until it reaches a certain level (depending on the product category) at which choice and innovation in hypermarkets and supermarkets start to decrease.

³⁸ <http://ec.europa.eu/competition/publications/KD0214955ENN.pdf>.

2.7 Forum's conclusions and recommendations

- The Forum acknowledges its members' constant dialogue and efforts on UTPs and the importance of exploring ways of improving cooperation between all players in the food supply chain.
- The Forum takes note of the launch of the Supply Chain Initiative and welcomes the regular updates on the number of signatories and the Governance Group's work to facilitate and promote companies' uptake of the system.
- The Forum calls on Member States to facilitate dialogue between stakeholders at national level.
- The Forum invites the Commission to present a solid and independent assessment of the implementation of the Principles of Good Practice under the Supply Chain Initiative and similar national initiatives, taking into account their practical impact and the trading experiences of companies that do not take part in them.
- The Forum could continue to offer a good opportunity for dialogue and exchange of good practice on national platforms.
- The Forum recognises the importance of the Commission's Communication on tackling UTPs in the B2B food supply chain. It welcomes the fact that the Communication invites Member States to assess whether their framework allows possible breaches of the Principles of Good Practice to be addressed. The Forum recognises that independent and effective enforcement is the key, through investigation (ex officio or in response to reports) and dissuasive sanctions, if appropriate.
- It also welcomes the Commission's call on Member States to apply the 'same enforcement criteria and practices to domestic and foreign market operators', since food supply chains include global operators (retailers, suppliers and farmers).
- The Forum invites the Commission to actively pursue the Forum's work to date and its specific-stakeholder dialogue in this field, with the ultimate aim of eradicating the widespread phenomenon of UTPs all along the food supply chain.

3 AN INTEGRATED, SINGLE MARKET: MAKING EUROPE A MORE ATTRACTIVE AND COMPETITIVE PLACE FOR ENTERPRISES AND PRODUCTION

3.1 The functioning of the Internal Market for food and drink products: potential obstacles and barriers

EU food legislation is highly harmonised and the sector benefits significantly from the opportunities offered by the Internal Market. Trade between Member States has grown by 72% in value over the last decade (using a constant geographical reference area) and currently accounts for about 20% of EU food and beverage production. However, businesses still report market fragmentation and inconsistent implementation of EU law in some areas. Further integration of the Internal Market would open up new opportunities for growth³⁹.

The Forum pointed out this need for further integration in 2012⁴⁰. In April 2014, following up on FoodDrinkEurope's list of barriers to the Internal Market (see Annex III to its *2012 Report*), the Forum discussed the current state of play on cross-border trade within the Union. Discussions were based on an updated list from FoodDrinkEurope highlighting Single Market issues, access to raw materials, sustainability and the functioning of the food supply chain in general (e.g. late payments and B2B relationships)⁴¹. Some food chain players considered that Commission action was needed to improve the Internal Market for food as part of a wider strategy to make the sector more competitive.

Concerns expressed in the Sherpa group related to:

- national rules enacted in a context of partly harmonised EU law, using flexibility procedures of EU law or falling under national competence;
- divergent interpretation of EU law by national authorities;
- the practical management of EU legislation or ongoing legislative procedures;
- finally some pointing out the need to legislate at EU level.

Following debates among Forum's members, it was acknowledged that, despite legal actions against unlawful measures may be the only solution to settle on the legality or illegality of certain national measures, in some cases less lengthy and burdensome measures than infringement proceedings are to be found to address Single Market barriers.

The Commission pointed out that two evaluation studies (on the Rapid Alert System for Food and Feed (RASFF) and the General Food Law) in the context of the Regulatory Fitness and Performance Programme (REFIT – see below) will probably take into account some of the issues raised in relation to Internal Market barriers, since information will be collected on specific instances of how the general principles of food law are implemented.

On a series of issues raised by some food chain players, initiatives have been already taken or are about to be developed in the framework of stakeholder consultations and involvement. For example, since the adoption of the new legislation on food information

³⁹ Commission staff working document accompanying the Communication *For a European Industrial Renaissance* (SWD(2014) 14 final): <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52014SC0014>.

⁴⁰ *2012 Report*, p. 15.

⁴¹ http://www.fooddrinkeurope.eu/uploads/static_pages_documents/HLF00914-E_%28Annex_2%29.pdf.

to consumers (FIC), the Commission has been meeting on a regular basis with Member States' experts in the FIC Working Group. A regularly updated Q&A document provides a common basis for the application of the FIC Regulation⁴². As regards health claims, EFSA has held public consultations on all additional guidance documents on several health effects, e.g. gut and immune function, physical performance.

3.2 EU food law and REFIT

In December 2012, as part of a broad effort to simplify and reduce administrative burden, the Commission initiated the Regulatory Fitness and Performance Programme (REFIT) to check the 'fitness for purpose' of EU legislation and identify gaps, overlaps, inconsistencies and potential for making EU law lighter, simpler and less costly, especially for SMEs⁴³.

In a first step between November 2011 and July 2013, the Commission carried out a fitness check of the food chain, the results of which were presented to the Sherpa group in July 2013 and fed into a staff working document *A fitness check of the food chain – first results and next steps*, published in December 2013⁴⁴. This first step served to identify the main focus areas for the subsequent phase.

As a second step and as signalled in the Commission's October 2013 Communication on *REFIT: results and next steps*, it was decided that Regulation (EC) No 178/2002 (General Food Law) should undergo a fitness check⁴⁵.

The Commission provided the Forum with regular updates on the external evaluation of the General Food Law and all stakeholders were given an opportunity to comment. The analysis, which is divided into two parts (on the RASFF and the General Food Law principles), seeks to answer the following questions:

- have the objectives of the legislation been achieved?
- are the tools provided appropriate? and
- do the rules still reflect policy trends and today's needs?

The external evaluation does not cover the European Food Safety Authority (EFSA), which has already been the subject of two external evaluations.

The Commission will feed the findings into a fitness check report, expected in mid-2015, on the basis of which it will consider the need, if any, for follow-up measures.

Although REFIT has yet to produce tangible, quantifiable results, it is already clear that it represents an important step in terms of the *ex post* assessment of EU food legislation. Also, other simplification tools are available, i.e. Commission *ex post* evaluations of EU legislation and cumulative cost assessments.

⁴² Regulation (EU) No 1169/2011 on the provision of food information to consumers, 25.10.11.

⁴³ Commission website on smart regulation and REFIT:
http://ec.europa.eu/smart-regulation/refit/index_en.htm.

⁴⁴ SWD(2013) 516 final.

⁴⁵ COM(2013) 685 final.

3.3 Industrial competitiveness and health

Many issues influence the competitiveness of the agri-food sector; the Forum gave particular attention to two.

3.3.1 Food taxes

Europe's increasing obesity problem and its detrimental effects on public health have led some Member States in recent years to impose taxes on food and drinks with a high fat, sugar or salt content. The effectiveness of such taxes in terms of discouraging consumption of the targeted foods or ingredients is not clear, however. Also, the taxes can have complex consequences, in particular as regards the competitiveness of companies in the agri-food sector. Following concerns raised by several industry representatives, therefore, the Forum recommended in its report of 5 December 2012⁴⁶ that the Commission carry out a study on food taxes in the Union and their impact on competitiveness.

This was the first specific study on this topic. Following an open and transparent process in which Commission services and relevant stakeholders were actively involved, the study arrived at some meaningful conclusions, which need to be further assessed through more extensive work over a longer time-frame:

- While food taxes in general may reduce consumption of the products in question, consumers may purchase similar non-taxed, or less heavily taxed, cheaper brands instead, thus not necessarily lowering their consumption of the targeted ingredient (salt, sugar or fat). Equally, consumers may be able to buy other products with similar (or lower) levels of sugar, salt or fat to those that are taxed;
- Food taxes create an increase in administrative burden, particularly if they apply to ingredients or if the rules determining coverage are highly differentiated and complicated. They can have a bigger impact on the competitiveness of individual firms, particularly SMEs, than that of multinationals. However, the impact varies widely according to product category (as brand loyalty may be strong enough to prevent consumers from switching) and whether similar products escape tax (which makes switching easier); and
- Taxation has a limited effect in terms of boosting cross-border shopping; other factors, in particular other food and drink taxes, are more important drivers in this respect.

In conclusion, factors such as substitution between taxed and non-taxed products, and the design, scope and duration of taxes can significantly influence their impact on consumption, competitiveness and cross-border trade. Beyond some initial conclusions, however, the study found that further research was needed to assess more thoroughly the impact of these measures on the competitiveness of the agri-food sector.

3.3.2 Childhood obesity and alcohol

In February 2014, Member States endorsed the work of DG SANCO's High Level Group on Nutrition and Physical Activity, in the form of an *Action Plan on Childhood Obesity*⁴⁷. The Action Plan compiles Member States' voluntary measures to halt the rise of childhood

⁴⁶ http://ec.europa.eu/enterprise/sectors/food/files/hlf-third-meeting-final-report-cover_en.pdf.

⁴⁷ *EU Action Plan on Childhood Obesity 2014-20*:
http://ec.europa.eu/health/nutrition_physical_activity/docs/childhoodobesity_actionplan_2014_2020_en.pdf.

obesity by 2020. It is based on the Commission's 2007 White Paper on *A strategy for Europe on nutrition, overweight and obesity-related health issues*⁴⁸ and adds to ongoing initiatives promoting balanced diets and active lifestyles. In particular, it puts forward voluntary initiatives in eight areas⁴⁹ and identifies three main types of stakeholder with important roles to play in achieving its overarching goal: the Member States, the Commission and international organisations such as the WHO, and civil society, i.e. non-governmental organisations (NGOs), industry and research institutes. Members of the EU Platform for Action on Diet, Physical Activity and Health were invited to propose measures to help achieve the objectives of the Action Plan.

Member State authorities launched a similar initiative with a document on *Youth drinking and heavy episodic (binge) drinking* issued by the Committee for national alcohol policy and action (CNAPA)⁵⁰.

The Forum was informed about these documents, which fall under Member States' competence, in view of the potential impact on the food supply chain. They were presented to stakeholders in the EU Platform for Action on Diet, Physical Activity and Health and the EU Alcohol and Health Forum.

3.4 Forum's conclusions and recommendations

- The Forum welcomes the debate on several issues relating to the functioning and harmonisation of the Internal Market. It acknowledges that these issues are already being addressed by a number of ongoing Commission initiatives and that other action will be needed in the future. It calls for obstacles to be categorised according to possible solutions (e.g. problems solvable through more effective dialogue and those requiring more formal and direct intervention at EU level). It recommends that stakeholders continue to be involved via the relevant consultative groups.
- The Forum supports the REFIT evaluation and calls for swift progress on the fitness check on the General Food Law and RASSF. It encourages the Commission to look, in particular, at the implementation of rules at national level and at the role played by the General Food Law in promoting innovation and a more integrated Internal Market.
- The Forum asks the Commission to report regularly on progress and to continue to involve stakeholders closely throughout the REFIT evaluation process. It recognises that the fitness check on the General Food Law and the RASSF will serve to improve the predictability of the current regulatory framework, thus supporting the competitiveness of the whole food supply chain.
- While recognising that the work on childhood obesity and alcohol is led by Member State authorities, the Forum calls on the Commission to keep stakeholders regularly updated.
- The Forum underlines that the continuation and recognition of stakeholders' voluntary initiatives and commitments across key areas of action are crucial for the suc-

⁴⁸ COM(2007) 279 final.

⁴⁹ Supporting a healthy start in life, promoting healthier environments (especially in schools and preschools), restricting marketing and advertising for children, informing and empowering families, encouraging physical activity, monitoring and evaluating and increasing research. For further details: http://ec.europa.eu/health/nutrition_physical_activity/docs/childhoodobesity_actionplan_2014_2020_en.pdf.

⁵⁰ http://ec.europa.eu/health/alcohol/docs/2014_2016_actionplan_youthdrinking_en.pdf.

successful implementation of the action plans on childhood obesity and on youth and heavy episodic (binge) drinking.

- The Forum welcomes the study commissioned by the Commission on the delicate issue of food taxes. It acknowledges that more research on this topic is needed; in particular, additional market data and a longer time-frame are necessary to deepen the analysis. The impact of food taxes on the competitiveness of the food industry requires further study. The Forum calls for the results of the study to be used as a basis for future research and further discussion among policy-makers.

4 AGRICULTURAL POLICY

The Common Agricultural Policy (CAP) plays a major role in ensuring a sustainable supply of agricultural products for the food supply chain. According to FoodDrinkEurope, the EU food industry uses around 70% of European agricultural production. Both consumers and the food industry rely on a competitive and sustainable European agricultural sector for the production of safe, high-quality, competitively priced agricultural raw materials and foodstuffs.

2013 was marked by the EU's co-legislators agreeing on the new CAP legal framework for the next seven years⁵¹. Several measures under the revised framework (enhanced cooperation for producer organisations and their associations in all sectors and throughout the food chain, financial support for setting up these structures, marketing through short supply chains, etc.) aim to improve the functioning of the food supply chain. Forum members supported the aspects of the reform aimed at enhancing the competitiveness of EU farmers and food manufacturers⁵². In the coming years, implementation of the new rules on producer and inter-branch organisations is expected to affect B2B relationships and create added value along the food supply chain.

In 2013 and 2014, the Commission kept the Forum informed of developments in specific areas of agricultural policy, i.e. the Commission's report on local farming and direct sales⁵³, and the reviews of the school milk and fruit schemes⁵⁴ and of the organic farming regulation⁵⁵. A presentation was given on the developments of social farming experiences⁵⁶ in some Member States. Members of the Forum were also kept informed of Commission action in response to the import ban imposed by Russia in August 2014⁵⁷.

4.1 Forum's conclusions and recommendations

- As the above initiatives have implications for their competitiveness, as well as for European consumers, farmers and food companies will have to follow future legislative and implementing processes closely.
- A multi-stakeholder exchange of experiences on new rules on producer organisations and inter-branch organisations, under an extended mandate for the Forum, could help EU institutions and national authorities to implement them more effectively.

⁵¹ Regulations (EU) Nos [1305/2013](#), [1306/2013](#), [1307/2013](#) and [1308/2013](#).

⁵² See the Forum's *2012 Report*, p. 27.

⁵³ [COM\(2013\) 866 final](#).

⁵⁴ [COM\(2014\) 32 final](#).

⁵⁵ [COM\(2014\) 180 final](#).

⁵⁶ 'Social Farming has come to the attention of an increasing range of rural stakeholders in recent years and numerous examples of social farming activities can be found around the EU-27 Member States. This interest is the result of a growing understanding of the potential role of agricultural and rural resources for enhancing the social, physical and mental well-being of people'. For further details: http://enrd.ec.europa.eu/enrd-static/themes/social-aspects/social-farming/en/social-farming_en.html.

⁵⁷ See Section 7 for further details.

5 SUSTAINABILITY OF THE FOOD SUPPLY CHAIN

In 2013 and 2014, the Forum has paid more attention to the sustainability of the food supply chain. Food production and consumption in Europe must be seen in a broader context of increasingly pressing global challenges.

With greater global demand for food, feed, fuel and fibre, and less natural capital to sustain current agriculture and yield levels⁵⁸, European growth must be decoupled from resource use and significant environmental impacts, in particular in view of the potential consequences of climate change. This has to take place against a backdrop of increasing urbanisation, an ageing population in Europe, global population growth and considerable levels of food waste. Access to safe and nutritious food as part of an adequate standard of living is a fundamental human right⁵⁹. Providing a growing world population with a healthy and balanced diet, in an equitable and sustainable manner, will be one of the major development challenges of the next decade.

Moreover, food, water and energy security are inextricably linked: action to improve one can have an effect on the others. In parallel, the economic and financial crisis has had significant social repercussions, impairing many consumers' purchasing power and driving up unemployment. These interrelated challenges may have an impact on the sustainability of the food supply chain in years to come.

Forum members have actively discussed how the EU can best respond to these challenges. In a joint declaration facilitated by the Forum⁶⁰, a number of them, together with external observers, put forward a holistic approach to safeguarding the sustainability of food systems for future generations. The proposed approach encompasses economic, social and environmental aspects, the three pillars of sustainability, and calls for ongoing multi-stakeholder dialogue on the issue.

Some Forum members were however unable to support all the suggestions put forward and stressed the need to take account of the specific situation of small companies and small-scale producers, including those overseas, and the diversity of expectations in Europe⁶¹. Some members also pointed to UTPs causing unnecessary levels of food waste upstream in the supply chain.

The Commission is considering a Communication on the sustainability of the European food system, which would explore:

- the key issues;
- what sustainability really means;
- how the Commission is tackling the problem in the short term; and
- what action will be needed to ensure sustainability in the longer term.

⁵⁸ <https://www.gov.uk/government/news/the-future-of-food-and-farming>.

⁵⁹ <http://www.fao.org/docrep/003/w3613e/w3613e00.htm>.

⁶⁰ Joint declaration on *Actions towards a more sustainable European food chain*; FoodDrinkEurope, EuroCommerce, Independent Retail Europe, WWF, EFFAT, spiritsEUROPE, COPA-COGECA, the European Retail Round Table, Sonae, ELC, CELCAA, Euro Coop and CLITRAVI; 7.3.2014.

⁶¹ UEAPME position paper on food sustainability (14 March 2014); SlowFood's contribution to the debate on the sustainability of the food system (November 2013); *EU sustainable food strategy: fair trade movement contribution* (FTAO position paper; December 2013).

In particular, the Commission is looking at food-waste prevention as a way of improving resource efficiency in the sector. On 1 July 2014, it proposed including in the Waste Framework Directive a target of cutting food waste by 30% by 2025. A number of Forum members have argued that a Communication on food sustainability should not focus exclusively on food waste. Many have also invited the Commission to ensure consistency between EU activities in that area.

5.1 Conclusions and recommendations

- The Forum sees an urgent need to make the European food supply chain more sustainable and welcomes the dedication of its members who issued the joint declaration.
- The Forum would see significant added value in maintaining multi-stakeholder dialogue to foster debate and encourage joint initiatives aimed at improving sustainability in the European food supply chain. Such initiatives should take into account all pillars of sustainable development and could aim in particular to: improve knowledge on the environmental and social impact of food production and consumption; enhance efficiency in agricultural production and in processing (including by curbing food waste); improve cooperation between food business operators; seek ways of encouraging sustainable consumption patterns; and improve policy coherence at EU and national level.

6 THE SOCIAL DIMENSION IN THE FOOD SECTOR

The European agri-food industry is the largest employer in the manufacturing sector and has proven to be largely resilient even in times of crisis. A skilled and effective work force is key to its competitiveness, which is one of the reasons why the social dimension is essential and why the Forum strongly supported the social partners in the food and drink industry when they established a sectoral European Social Dialogue Committee in 2012.

The same year, the Committee launched a study on skills and jobs, with EU financial support, to:

- raise awareness of the importance of the sector;
- encourage entrepreneurship;
- attract highly qualified staff;
- strengthen innovation;
- enhance people's employability; and
- reinforce life-long training programmes.

Following the conclusions of this study, the Committee launched a second EU-funded project in 2014, entitled *Bringing in new talents and managing an ageing workforce – two sides of the same coin: implementing good practices for a more attractive food and drinks industry in Europe*. This project will pursue two complementary objectives:

- to recruit to the sector, at all levels, young people and key groups experiencing an employment gap and improve training, apprenticeship and succession planning; and
- to retain older workers through good practice in age management and better job opportunities and working conditions.

The project will therefore seek to:

- improve traineeship and encourage apprenticeship programmes;
- develop career pathways for individuals to progress from entry level production roles into higher technical or managerial roles; and
- build skills among young people and groups with low employment rates, who represent a huge workforce potential in the EU.

By mid-2016, the project is expected to identify examples of national authorities' and food companies' good practice and to suggest ways of promoting it among key players in the sector.

In addition, the social partners FoodDrinkEurope and the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) issued a joint pledge on apprenticeships⁶².

⁶² http://ec.europa.eu/education/policy/vocational-policy/doc/alliance/fooddrinkeurope-effat-pledge_en.pdf.

6.1 Forum's conclusions and recommendations

- The Forum warmly encourages the social partners to continue their constructive co-operation to fight unemployment and build up labour supply and demand.
- It invites food and drink businesses to develop apprenticeship programmes for young skilled workers, to tap into all segments of the untapped potential workforce in the EU and to provide career opportunities so as to retain experienced workers.
- It also invites national authorities to consider carefully the outcomes of the Social Dialogue Committee's project in the design of their employment policies.

7 INTERNATIONALISATION AND MARKET ACCESS TO THIRD COUNTRIES

7.1 International trade in processed agricultural products: current trends and state of play

The EU is the world's biggest exporter and importer of agricultural, food and drink products, with exports worth € 120 billion and imports worth € 102 billion in 2013⁶³. Trade has also been a key driver for global economic recovery since the 2008-09 recession.

This is particularly true for processed agricultural products⁶⁴, where the EU's trade surplus has increased steadily since 2009 and exceeded € 30 billion in 2013. At the same time, developing countries have increased their net exports of agricultural products and foodstuffs to the EU, thanks to the EU's preferential treatment.

Through trade negotiations and regulatory dialogues, the Commission consistently seeks market opportunities and ways of addressing trade issues bilaterally. The most important trade negotiations currently are those with the United States, Japan, Canada and Vietnam. Forum members follow developments in these and other negotiations (e.g. with Mercosur and India) with great interest.

In ongoing and future negotiations, the EU stands ready to dismantle its tariffs on the vast majority of PAPs (except for a few very sensitive ones), where partner countries offer wide and effective access to their own market⁶⁵. This involves paying particular attention to rules of origin and the elimination of technical barriers to trade.

On 6 August 2014, in connection with recent developments in Ukraine, Russia decided to ban imports of certain agricultural and food products from the EU, Norway, the United States, Canada and Australia. The ban covers almost all meat products, milk and dairy products, fruit, vegetables, fish, crustaceans and some PAPs. Russia is the second most important destination for EU agri-food exports (after the USA), accounting for a total export value of about € 11.8 billion in 2013. EU exports to Russia of the products covered by the ban were worth € 5.1 billion in 2013. The ban affects 4.2% of EU agri-food exports worldwide, but for certain sectors the impact is much greater: up to 33% for cheese and 29% for fruit and vegetables.

To mitigate the effects of the ban, the EU introduced measures such as market withdrawals for fruit and vegetables, support for private storage and longer buying-in periods for intervention in the dairy sector. The Commission is monitoring all affected markets and stands ready to trigger safety-net measures. These market measures are complemented by other action such as market promotion and efforts to remove barriers to trade in key export markets.

Several Forum members have called on the Commission to avoid policy measures that would increase food discards. Others highlighted the need to ensure a level playing-field for the millions of farmers and workers outside the EU who are working to bring food to the European market.

⁶³ http://ec.europa.eu/agriculture/trade-analysis/map/2014-1_en.pdf.

⁶⁴ Products not listed in Annex I to the Treaty on the functioning of the European Union (i.e. not covered by the CAP) but obtained from the processing of Annex I products.

⁶⁵ For detailed information on import conditions in non-EU countries, see <http://madb.europa.eu/>.

7.2 Internationalisation tools available to food supply chain operators

The EU creates internationalisation opportunities for EU companies through trade negotiations and dialogues with partner countries and by enforcing existing trade agreements, but more support is needed. Member States, business associations and the Commission all have roles to play in this area to increase the proportion of internationally active SMEs (currently estimated at 13%). Commission-led 'missions for growth' in non-EU countries with representatives of EU industry and SMEs can help by providing a common framework for industrial and SME policy cooperation and fostering business relations. Since 2011, such missions have taken place in 18 countries, notably in Asia, Latin America and North Africa, with the active participation of the food industry. Implementation measures are already taking shape, including the appointment of SME envoys to many South American countries. Many companies have reported that the missions have generated new business.

EU agri-food products are unique in their quality and diversity, but in an open global market merely producing excellent food and drink is not enough. By explaining to consumers the standards and the quality of what EU agriculture puts on the table, EU promotional programmes can help European producers in an increasingly competitive world. The new Parliament and Council Regulation on information provision and promotion measures for agricultural products on the Internal Market and in third countries⁶⁶ will further improve matters in this area. The final text contains interesting new provisions that also benefit the food industry: most PAPs have been included in the list of eligible products (if accompanied by certificates of quality). Businesses — especially SMEs — will be able to receive financing and technical support for information campaigns (including on counterfeiting) and promotion. The new Regulation provides, *inter alia*, for €60 million more spending between 2014 and 2020. Management procedures will be simplified.

For years, the Enterprise Europe Network (EEN) has helped small businesses find the right partners to go international. Among other activities, it manages one of the world's largest business cooperation databases and organises matchmaking events, e.g. in the context of missions for growth or business fairs. It also provides free practical advice on EU legislation, financial instruments and programmes. Its services are available through correspondence centres in over 50 countries in Europe and beyond⁶⁷. It has an agri-food sector group⁶⁸ which connects around 60 correspondence centres in 20 EU countries and four other countries.

Intellectual property is an important asset for any company. This is particularly true in the food and drink sector, where brands and geographical indications, for instance, play a crucial role. Intellectual property rights are complex, however, and small companies often lack the resources to protect them. Complexity increases when companies want to go international or protect themselves from non-EU competitors. In recent years, the Commission has set up helpdesks to help European SMEs assert their intellectual property rights both within and beyond the Union. The helpdesks now cover several important trade partner countries in Asia and South America⁶⁹.

⁶⁶ The Parliament and Council have reached provisional agreement on the Regulation and it is expected to be adopted and published in the near future:
<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2014-0362>.

⁶⁷ Details of contact points are available at: <http://een.ec.europa.eu/>.

⁶⁸ <http://een.ec.europa.eu/about/sector-groups/agrofood>.

⁶⁹ A list of European SME helpdesks for intellectual property rights is available at:
http://ec.europa.eu/enterprise/initiatives/ipr/helpdesks/index_en.htm.

7.3 Forum's conclusions and recommendations

- The Forum supports the Commission's efforts to improve market access for European food in non-EU countries, particularly where there are significant market opportunities. Trade deals should be ambitious and balanced. Consistency should be ensured with the Europe 2020 employment, industrial and development policy objectives. Trade negotiations should not weaken the EU's demanding production standards, which are essential not only to protect European consumers but also to support the positive image of European foods abroad. Also, the EU should promote uptake of its production and social standards wherever relevant and possible, to put European producers on an equal footing with their foreign competitors.
- The Forum also encourages the Commission to continue developing tools that are accessible to European food companies, notably SMEs, seeking to go international. Extending the country coverage of the Enterprise Europe Network's agri-food sector group could be highly beneficial to SMEs in the sector. The Forum therefore encourages applications from network partners in other countries.
- The Forum also encourages the EEN agri-food sector group to seek targeted collaboration with other stakeholders from the sector at national and European level to provide SMEs with the most comprehensive services possible.

8 FOOD PRICE MONITORING

8.1 Main developments

The price monitoring document accompanying this report⁷⁰ analyses recent price developments in Europe and suggests how market transparency in the sector could be further improved through the European food price monitoring tool and national price observatories.

In Europe over the past decade, food prices have risen more than overall inflation, in particular since the economic crisis⁷¹. Agricultural prices are relatively volatile, but that volatility decreases along the food supply chain, as raw materials account for progressively smaller components of total cost. A comparison of prices across the supply chain often illustrates the 'rockets and feathers' pattern whereby input price rises are passed on to output prices more visibly than price drops. That said, price developments vary considerably by product category and by Member State.

The FPMT is being improved, in terms of content and dissemination, but it still suffers from data gaps. Given the diversity of European food markets, national price observatories encompassing the whole food supply chain are relevant to carry out more detailed analysis. Several Member States have recently decided or endeavoured to set up such observatories, in line with previous Forum advice.

Eurostat twice published a call for proposals to improve data collection for the FPMT at national level, in response to which 10 Member States⁷² applied for a grant. Eight Member States⁷³ will establish and improve detailed domestic producer price indices for manufacture of food products and beverages. This includes price indices for new supply chains as well. Five⁷⁴ will establish import price indices for existing and new supply chains.

In April 2014, the Commission launched the Milk Market Observatory to improve price monitoring and transparency. This uses a single web interface to provide information on past and present trends in EU and world dairy markets, production, the balance between supply and demand, production costs, market perspectives, etc. Forum members have been informed of this development through the Food Prices Monitoring Platform.

8.2 Conclusions and recommendations

Despite some persisting limitations, the FPMT has proven helpful for comparing price developments across European food supply chains.

- The FPMT should be further developed to make it more user-friendly and more useful. There should be a particular emphasis on data collection, in order to fill current gaps.

⁷⁰ The state of food prices and food price monitoring in Europe (document accompanying the Forum's 2014 Report).

⁷¹ Inflation from August 2004 to August 2014 was 26.7% for food, as compared with 23.3% overall. The gap developed between mid-2007 and mid-2008 and between late 2012 and early 2013.

⁷² Bulgaria, Denmark, Spain, France, the Netherlands, Poland, Portugal, Romania, Slovenia and Slovakia.

⁷³ Bulgaria, Denmark, the Netherlands, Poland, Portugal, Romania, Slovenia and Slovakia.

⁷⁴ Denmark, the Netherlands, Poland, Romania and Slovenia.

- Forum members stand ready to advise the Commission on the planned development of analytical indicators, which should be grounded in solid data and sound methodology. In particular, the analysis of the specific aspects of price transmission along the food supply chain should be further improved.
- The Forum notes that only a few Member States have established price observatories covering the whole food supply chain in the past two years. To help remedy this, the Commission should facilitate the exchange of good practice between experts from well-established national price observatories, national authorities with more limited experience in that area and private stakeholders. Such exchanges should also be aimed at explaining possible malfunctions in food supply chains at national level or divergent trends across countries, and exploring solutions where needed.
- Considering the complexity of the sector, however, Forum members stress that price transmission analysis must be part of broader multi-disciplinary analysis taking account of factors affecting cost or enhancing value (e.g. innovation) at any stage of the supply chain and aspects (e.g. contractual relationships) that are not necessarily reflected in prices but may affect the efficiency of the food supply chain.

9 OTHER KEY UPCOMING CHALLENGES

9.1 Research, innovation and new technologies for a modern food supply chain

9.1.1 *Horizon 2020: the EU framework for research and innovation*

Research and innovation are indispensable tools for fostering the competitiveness of the European food sector and helping it to face today's challenges. Food safety, food security, sustainability, energy efficiency, price volatility and demographic change are only some of a wide range of challenges the EU food supply chain is currently confronted with.

Horizon 2020 has been designed to trigger sustainable growth, create new jobs and address key societal challenges. It represents a break from the past, as it seamlessly covers all EU-level R&I funding, allowing support to be given to innovative projects from the laboratory to commercial exploitation, provided EU legislation allows it.

Action on 'food security, sustainable agriculture and forestry, marine, maritime and inland water research, and the bioeconomy' (Horizon 2020's Societal Challenge 2) aims to ensure the safe, healthy and affordable food supply that citizens (and the environment) require and to make food and feed processing, distribution and consumption more sustainable and the food sector as a whole more competitive. As an illustration, the 2014-15 work programme published in December 2013 includes a thematic area ('resource-efficient, eco-innovative food production and processing') specifically designed for SMEs.

Other work will focus on:

- healthy diets and safe food for all;
- informed consumer choices;
- dietary solutions and innovations for improved health; and
- competitive food processing methods that use fewer resources and produce fewer by-products, waste and greenhouse gases.

R&I is a key factor in sustainable economic growth and underpins evidence-based policy-making in the EU. Forum members were informed about the allocation of € 3.85 billion for Societal Challenge 2, which will help ensure a sustainable and competitive food chain delivering food security, safe food and resource efficiency.

9.1.2 *e-commerce*

According to a 2012 Eurobarometer survey among 10060 retailers (not only in the food sector), over half of them sell over the internet (51% or 10 percentage points more than in 2011). The larger the company, the more likely it is to be involved in distance selling, including via the internet, which is by far the most common form of distance selling. According to the survey, 45% of food retailers use e-commerce; the proportions for food retail specialists and non-specialists are about the same.

In 2013, major retail chains stated that offering e-commerce was important for their image but did not involve large volumes. According to Eurostat, one in 10 European con-

sumers bought food online in 2008⁷⁵. E-commerce is not so common but it is growing and it would be interesting to investigate whether it represents a promising trend for the food supply chain.

Promoting innovation in the retail sector is one of the objectives of the European Retail Action Plan adopted by the Commission in 2013. In its resolution on the Plan⁷⁶, the European Parliament also encouraged retailers to make the most of innovative technologies and to develop new business models for their online customers. It called on the Commission to propose a strategy to prevent traders adopting discriminatory policies in their e-commerce practices, thereby ensuring that all EU citizens have unfettered access to cross-border trade. Earlier this year, the Commission published *Buying services everywhere in the EU*⁷⁷ a guide informing and advising consumers about their rights.

9.1.3 eFoodChain

'Innovation requires better collaboration not only between the public and the private sector but also between different business sectors. In this respect an increased use of ICT and the emergence of innovative B2B services can help achieve this goal.'⁷⁸

The Commission-funded eFoodChain project was one measure taken to increase the efficiency of the agri-food supply chain and demonstrate the real benefits of information and communication technologies (ICT) and e-business solutions for companies, in particular SMEs. In the first two years of its existence, the Forum followed and contributed to the project's development.

The project showed how the transformative power of ICT can affect the competitiveness of the agri-food supply chain and lead to improved productivity, cost-effectiveness and use of time.

9.2 Expo 2015

One of the biggest challenges of modern society is to guarantee food security while safeguarding sustainability — this is why the theme chosen for Expo Milano 2015 is 'Feeding the Planet: Energy for Life'. The event is intended as a milestone in planetary debate on food and sustainability, and a platform for political discussion and policy initiatives on these issues.

The universal exposition, from 1 May to 31 October 2015, will host countries, international organisations, NGOs, corporations and other institutions, including the European Union, and an expected total of 20 million visitors. In parallel a 'cyber Expo' will target a billion internet users, further increasing the potential audience.

The Forum and particularly the Sherpa group meetings have been a key platform for organising the events to be hosted by the Commission in the *ad hoc* EU pavilion. These will focus on topics closely related to the theme of the Expo, such as sustainability, food-waste prevention, innovation and food safety. Some will address issues that relate specifically to the competitiveness of the EU agri-food sector, e.g. an *ad hoc* European Food and Drink Week and other events focusing on the specific needs of SMEs in the sec-

⁷⁵ Two in 10 in Portugal and the United Kingdom. The order of magnitude seems to be confirmed by a 2013 survey of online shoppers in Connemara (86 % of respondents said they never buy food over the internet).

⁷⁶ Resolution on the European Retail Action Plan 2013/2093 (INI).

⁷⁷ http://ec.europa.eu/internal_market/publications/docs/article20_en.pdf.

⁷⁸ <http://www.efoodchain.eu/>.

tor. Forum members have reacted positively to being kept updated and involved by the Commission in the various initiatives in the run-up to and during the Expo.

Expo Milano 2015 will be a unique opportunity to showcase the excellence of the players in the European food chain, but also to promote the EU's leading role in the fields of food and sustainability. Therefore, there should be proper follow-up to ensure continuity in EU policy-making in the field of food security and sustainability, and in nurturing dialogue and cooperation among public and private stakeholders in these areas.

9.3 Access to finance and the role played by COSME

Resources for key investments are required to face up to the current major global challenges. However, in a sector such as food, where the large majority of operators are SMEs⁷⁹, access to finance becomes a challenge in itself.

The January 2014 Communication on a *European Industrial Renaissance*⁸⁰ sees access to finance as a key pillar of solid industrial modernisation. New instruments are available to ease companies' access to information of direct interest and financing solutions. Acknowledging that SMEs are the driving force for job creation and growth in Europe, the 2014-20 COSME Programme dedicates 60% of its total €2.3 billion budget to financial instruments.

Presentations have been given to Forum members on the two financial instruments available from 2014 (the Loan Guarantee Facility and the Equity Facility for Growth) and how they work. Members showed great interest in the existing web-portal on access to finance⁸¹, which helps operators to locate banks or venture capital funds providing EU-supported finance.

9.4 Counterfeiting and food fraud

The range of challenges facing the food supply chain nowadays undoubtedly includes the phenomenon of counterfeiting and 'food fraud'⁸², when food is deliberately placed on the market for financial gain, with the intention of deceiving the consumer. The potential impact of food fraud on consumer confidence, food safety, the functioning of the food chain and the stability of agricultural prices, among other things, was emphasised by the European Parliament in a resolution adopted in January 2014⁸³. Counterfeit foods and fraudulent practices inflict economic harm on consumers, food supply chain operators and Member States, but can also pose a risk to public health when foods containing harmful substances are placed on the market.

The Commission has taken a number of initiatives in recent months on the basis of the five-point action plan issued in the aftermath of the horsemeat scandal in 2013⁸⁴. These are aimed primarily at strengthening Member States' capacity to coordinate their control and enforcement work along the food supply chain in cases of potential cross-border fraud. A network of Commission representatives and Member State food fraud corre-

⁷⁹ 99.1% of companies in the food processing sector are SMEs; *Data and Trends 2013-14*, FoodDrinkEurope, p. 7.

⁸⁰ COM(2014) 14/2.

⁸¹ <http://europa.eu/youreurope/business/funding-grants/access-to-finance/>.

⁸² EU law does not currently provide a definition of food fraud and Member States define it in different ways.

⁸³ European Parliament resolution of 14 January 2014 on the food crisis, fraud in the food chain and the control thereof (2013/2091(INI)).

⁸⁴ http://europa.eu/rapid/press-release_MEMO-14-113_en.htm.

spondents has been established, and work is ongoing to equip it with an IT tool that will enable its members to exchange information rapidly in cases of suspicion.

Research programmes and new technologies and detection methods also play an important role in the fight against food fraud. The EU-funded FP7 project FOODINTEGRITY⁸⁵ (2014-18) aims to counter the constant threat to the integrity of European food from fraudulently labelled imitations. Participants from industry, academia, research institutes and technology providers cooperate in the development of improved verification procedures for food control and industry stakeholders, using three key commodities as exemplars: olive oil, spirit drinks and seafood.

A conference on food fraud, to be jointly organised by the Commission and the Italian Presidency of the EU in October 2014, will allow the various actors involved in the enforcement of food chain law to exchange views on how best to pursue cooperation between enforcement authorities (food authorities, police, customs, prosecutors and judges) and across borders in the fight against food fraud.

9.5 Logistics in 2020: challenges and ways forward in 2030

Another major challenge affecting several supply chains is the efficiency of logistics management. This is especially the case for the food sector, due to issues linked to product perishability and the cold chain.

Following up on its past exploratory activities on agri-logistics and its suggestion that logistics be considered in a broader perspective⁸⁶, the Forum was updated on the Commission's latest activities in the field. The focus so far has been on the use of advanced information technologies to facilitate logistics management, intermodal transport solutions and linkages between logistics and other EU policies (e.g. in the area of customs and e-commerce). In November 2013, a conference on 'Challenges and the way forward for logistics in 2030'⁸⁷ provided an opportunity to gather the views of business operators.

Some members of the Forum stressed the importance of stronger links between logistics and the specific needs of a competitive agri-food sector. Others suggested looking not only at economic efficiency, but also at social and environmental aspects of sustainability. Finally, calls were made for further stakeholder involvement in the next policy-making steps in the field of logistics.

9.6 Forum's conclusions and recommendations

- The Forum acknowledges the contribution of Horizon2020 in shaping future research and innovation activities for the benefit of a more competitive food supply chain capable of addressing modern challenges. It calls for continuous efforts in raising awareness of research opportunities for food chain players, especially SMEs, and fostering their participation in EU-supported activities.
- The Forum calls for ongoing consultation of stakeholders on the main challenges affecting the food supply chain in order to gather input on the strategic research investment required to improve its competitiveness.

⁸⁵ See <http://www.foodintegrity.eu>.

⁸⁶ See the Forum's *2012 Report*, p. 20-21.

⁸⁷ http://ec.europa.eu/transport/media/events/2013-11-logistics-conference_en.htm.

- The Forum welcomes the choice of theme for Expo 2015 and the ongoing involvement of stakeholders in the organisation of events showcasing the European model in the agri-food sector.
- The Forum calls for continued dialogue and cooperation between private stakeholders and public institutions in the fields of food security and sustainability.
- The Forum acknowledges the rapid development of e-commerce and other technologies linked to the use of ICT tools, which might have interesting potential for the competitiveness of the food supply chain.
- The Forum condemns counterfeiting and other fraudulent practices that can affect the safety of food products. Increased awareness of the risks entailed and of the action already taken by the EU in the field could benefit EU consumers and food chain operators.
- The Forum calls on the Commission to reflect further on a uniform definition of food fraud.
- It also calls on the Commission to strengthen the linkage between logistics, other EU policies and the specific competitiveness needs of the agri-food sector.
- The Forum calls for continued multi-stakeholder dialogue involving private stakeholders, Member States and EU institutions in the above fields, but more generally on all the challenges and new priorities ahead which call for special attention with a view to safeguarding the competitiveness of the food supply chain.

10 CONCLUSION

10.1 Value added by the Forum

As successor of the High Level Group on the Competitiveness of the Agro-Food Industry, the Forum has been active since 2010 and has proven to be a unique, constructive and relevant structure for all operators representing the European food supply chain. It has served as an incubator for further policy initiatives and action. From the beginning of its mandate, it has benefited from the adoption of a holistic approach to food chain competitiveness. The complexity of the chain was acknowledged and treated from all different policies perspectives thanks to the use of a flexible approach.

The nature of the Forum's composition has emerged as one of the most important aspects of its added value: EU institutions, national authorities, companies, trade associations, trade unions and civil society organisations all gathered together around the same table. This has been conducive over the years to the building of trust and common understanding among parties who were not always sharing a common view (e.g. on B2B trading practices and sustainability, to cite just two examples). Diverging views were fed into the multi-stakeholder dialogue in a constructive, transparent and participatory manner.

The Forum was able immediately to assess new developments and initiatives, thanks also to the participation of all relevant Commission services on various occasions, to deal with topics such as national food taxes, sustainability and food wastage, EXPO2015, and R&I. Fruitful exchanges of information and opinions between private stakeholders and public authorities meant that the Forum was able, among other things, to:

- contribute to the establishment of fairer B2B trading relationships and serve as an incubator for the Supply Chain Initiative;
- steer the work of the Commission and its external consultant on a study assessing the impact on competitiveness of national taxes on food and drink products;
- host a dialogue on the sustainability of food systems, culminating in a declaration endorsed by some actors in the food chain;
- monitor developments of the fitness check on the food chain as well as of the General Food Law principles, in the framework of the REFIT process, thus contributing to the search for ways of reducing administrative burden in the sector;
- nurture dialogue among social partners (food industry and trade unions), favouring the establishing of structured social dialogue and the issuing of common pledges on social issues; and
- contribute to improving the FPMT and to the exchange of best practices among Member States and national observatories.

10.2 Proposals for continued multi-stakeholder dialogue

The Forum recommends that the Commission issue it with a new mandate for the coming five years (2015-19). The mandate should as far as possible avoid duplicating the work of other consultative groups and be results-oriented. It is also recommended that, in terms of working method and structure, the new Forum should continue in a flexible, light configuration, encompassing the whole European food supply chain.

A new Forum could serve as a platform for continued multi-stakeholder dialogue providing input to a roadmap for implementing the actions outlined in the Communication *For a European industrial renaissance*, as called for by the Heads of State and Government at the March 2014 summit.

The essential features of a solid industrial policy for the food sector would be developed in the new platform in agreement with all parties involved in the chain, in line with the objective of mainstreaming industrial policy in all EU policies⁸⁸.

With a view to formulating an industrial policy for a competitive and sustainable agri-food sector, the Forum highlights the need not only to continue work in areas where initiatives are currently ongoing, but also to identify new and future challenges – in particular around the following key policy issues:

- **Competitiveness and SMEs:** the Commission services intend to launch a study of progress on the competitive position of the food and drink industry since that carried out in 2007⁸⁹. To be published in 2015, this will take into account the recent economic crisis and EU policy and international developments since 2006. It will put forward possible future scenarios and possible follow-up action which a new Forum could develop accordingly. Considering the importance of SMEs in the agri-food sector, the new Forum should focus on addressing their competitiveness in a systematic way, in particular by developing tools and structures that meet their particular needs.
- **B2B trading practices:** work on the elimination of unfair practices in B2B relations should continue to be a priority. The Supply Chain Initiative set up to implement the principles of good practice will need to be steered and monitored, partly in view of the upcoming assessment to be presented to the co-legislators by the Commission.
- **Internal Market:** the Forum recommends following up on the mapping of potential barriers to the free movement of food and drink products in the EU. It will contribute to involving stakeholders in the search for solutions and facilitate discussions among key players on stepping up efforts to remove these barriers.
- **Market access:** the new Forum will recognise the importance of trade and market access to third countries and therefore is recommended to continue to follow closely the EU's trade agenda, not only in signing new FTAs (Free Trade Agreements), but also ensuring a swift and thorough implementation thereof.
- **Sustainability:** the Forum should follow up in this field by promoting a holistic approach to sustainability and therefore call on the signatories of the joint declaration to consider committing themselves to voluntary joint initiatives. The Forum could provide a dedicated platform for an exchange of views on best practices based on successful Member State experiences and initiatives. Additional advice could also be provided on long-term challenges to sustainability in the food sector.
- **Social dimension:** the new Forum should recognise the need for complementarity between an EU social dialogue and the competitiveness of the agri-food sector. It will thus continue to encourage the social partners to develop joint initia-

⁸⁸ European Council Conclusions, 21-22.3.2014:

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/141749.pdf.

⁸⁹ http://ec.europa.eu/enterprise/sectors/food/files/competitiveness/competitiveness_study_en.pdf

tives aimed at using all available instruments to promote employment in, and the attractiveness of, the sector.

- **Innovation:** the new Forum should encourage the Commission to promote a science-based approach to new technologies and to overcome bottlenecks in the process of bringing new products to the market. The Forum could follow up on the fitness check of the General Food Law and its outcome, given its high potential for ensuring greater coherence across the regulatory framework and thus stimulating innovation and competitiveness across the food supply chain.
- **Prices:** the new Forum should be able to make further progress on improving the FPMT and encourage Member States to establish their own price observatories.

In the context of other rapidly emerging economic and technological developments that are expected to influence the competitiveness of the food supply chain, the Forum could continue to represent a privileged platform for discussion and assessment of current and upcoming challenges.

Since its inception in 2010, the Forum has become the natural reference body for structured and constructive dialogue among private and public stakeholders by delivering specific output and seeking, where possible, to establish joint positions even on controversial issues.

Annex I

Composition of the High Level Forum for a Better Functioning Food Supply Chain

1. EUROPEAN COMMISSION (CHAIRING ORGANISATION)

- Ferdinando NELLI FEROCI, Commissioner, Industry and Entrepreneurship
- Michel BARNIER, Vice President, Internal Market and Services
- Tonio BORG, Health
- Dacian CIOLOŞ, Agriculture and Rural Development

2. MEMBERS

National authorities

- Austria – Federal Minister for Agriculture, Forestry, Environment and Water Management
- Belgium – Minister of Economy, Consumer Affairs and North Sea
- Bulgaria – Minister for Agriculture and Food
- Denmark – Minister for food, agriculture and fisheries
- Finland – Minister of Agriculture, Forestry and Food
- France – Minister for Agriculture
- Germany – Federal Minister of Food and Agriculture
- Hungary – Minister for Agriculture
- Ireland – Minister for Agriculture, Food and Marine
- Italy – Minister for Agricultural
- Latvia – Minister for Agriculture
- Lithuania – Minister for Agriculture
- Malta – Parliamentary Secretary for Health
- Netherlands – Minister for Agriculture
- Poland – Minister of Agriculture and Rural Development
- Portugal – Minister for Agriculture and Sea
- Slovakia – Minister for Agriculture and Rural Development
- Slovenia – Minister of Agriculture, Forestry and Food
- Spain – Minister for Agriculture, Food and Environment
- Sweden – State Secretary to the Minister for Rural Affairs
- United Kingdom – Parliamentary Under Secretary of State for Farming, Food and Marine Environment

Other organisations

- European Fish Processors Association, and European Federation of National Organisations of Importers and Exporters of Fish (AIPCE-CEP)
- The European Consumer Organisation (BEUC)
- Brazzale S.p.a.
- European Liaison Committee for Agricultural and Agri-Food Trade (CELCAA)

- Liaison Center for the Meat Processing Industry in the European Union (CLITRAVI)
- Committee of Professional Agricultural Organisations - General Confederation of Agricultural Cooperatives (COPA-COGECA)
- European Coordination Via Campesina (ECVC)
- European Federation of Food, Agriculture and Tourism (EFFAT)
- Federation of European Speciality Food Ingredients Industries (ELC)
- European Landowners' Organisation (ELO)
- European Public Health Alliance (EPHA)
- European Retail Round Table (ERRT)
- EuroCommerce
- European Community of Consumer Cooperatives (Euro Coop)
- Ferrero Group
- FoodDrinkEurope
- Fair Trade Advocacy Office (FTAO)
- Independent Retail Europe
- Nestlé
- Slow Food Internazionale
- Sonae
- SpiritsEUROPE
- Südzucker
- European Association of Craft, Small and Medium-sized Enterprises (UEAPME)
- Unilever

3. OBSERVER

- Mr Einar Steensnæs, Chairman of the Norwegian Inquiry commission on power relations in the food supply chain

HIGH LEVEL FORUM

for a Better Functioning Food Supply Chain

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