



Brussels, September 2011

PFP POSITION ON COMPETITIVENESS

For the High Level Group (HLG) on Competitiveness of the Food Chain.

Being competitive in Europe and in Global markets

For sectors like the Primary Food Processors (PFP), exposed to **international competition, a level-playing field with imported products that may be subject to a less stringent regulatory framework is very important.** The EU PFP industry fulfils the ambitious environmental and social standards set in the EU. It is in the interest of EU policy-makers to avoid that imported products with a less ambitious sustainability profile and less environmentally efficient, progressively replace EU-made products over which they can claim an undue competitive advantage. When taking a broader perspective, the competitive edge vanishes if 'hidden' costs (environmental and social) are also accounted for. In the absence of a level-playing field, the effect of some EU policies (environmental, social and others) risks being diluted by the simple replacement of EU products by imports responding to 'less virtuous' production criteria.

In line with the EC communication 'Towards a Single Market Act' and in particular its Proposal No. 23, PFP supports that the EU promotes **regulatory convergence with our trading partners.** That means to encourage those partners to apply equivalent standards and, until that convergence takes place, to **balance any unfair competitive advantage of imports that do not meet the EU environmental and sustainability criteria by protecting EU production** to the extent necessary.

It also requires to carefully consider the impact of new EU legislation on businesses with regard to the burden and costs supported by industries and their partners in the chain and with regard to trade and supply impediments. Science, risk-based assessment and proportionality must remain guiding criteria in EU legislation.

Increase sustainable agricultural production and productivity

Securing agricultural raw material supply will remain a critical issue for EU primary food processors in a context of growing demand for agricultural commodities for food and non-food uses. At the same time, more and more **stringent EU regulatory constraints** – mainly for safety and environmental reasons – are de facto reducing raw material supply capacities. This is directly harmful for the competitiveness of the European primary food industry and the rest of the food chain.

Therefore, we need commitments from the European legislator for **better coordination** between the different EU policies and Directorate-Generals, when decisions are taken that affect the supply of agricultural raw materials. We also need the European Commission to

strengthen agricultural research and innovation to improve agricultural production and productivity both in the short and long-term.

A proactive and coherent policy for a bio-based economy in Europe

Food production and agriculture are increasingly part of a comprehensive and ambitious objective called the bio-based economy. In our view, to consider those as separate chains rather than two complementary aspects of the same chain would be a critical error. Innovation and finding new outlets for existing processing chains is at the heart of the competitiveness boost that the bio-based Economy can bring to Europe's food chain.

Primary Food Processors are the largest users of domestic grains, starch potatoes, sugar beet and oilseeds in the EU. As they add value to bulk commodities, they have to deal with large volumes of agricultural raw materials sourced mainly from the EU with imports from third countries. They provide the link between agricultural production and final products (secondary processors in the food and non-food sectors). Besides food and feed several PFP members increasingly produce bio-based products and ingredients for pharmaceuticals, detergents, plastics, lubricants, fuels, paintings, cosmetics, textile and other industrial products. This is the reason why they feel their contribution to achieve the goals of the bio-based economy is of major importance.

Supportive policies are required:

- PFP calls on the Commission for a **concrete implementation of the recommendations contained in the Lead Market Initiative report on bio-based products¹**, taking a holistic and co-ordinated approach at EU, Member States and regional levels.
- PFP emphasizes this need to establish a concrete regulatory, institutional and societal environment that **supports the development of a knowledge-based bio-economy** and also demonstrates the benefits to the European consumer of innovative technologies, including plant breeding, and the potential of life sciences and biotechnology. PFP members are keen to apply new know-how and innovation to their processes to provide new, safe and eco-efficient products.
- EU policy makers should develop a regulatory framework which encourages **innovation in the first-processing industry**. Mechanisms for **technology transfer**, particularly for SMEs are indispensable.
- **A supportive and coherent policy framework** is necessary, covering policy areas such as industry competitiveness, environment and climate change, energy, agriculture, food and feed, trade, research and innovation while enabling the EU first processing-industry to serve various markets.

¹ "TAKING BIO-BASED FROM PROMISE TO MARKET – Measures to promote the market introduction of innovative bio-based products" - European Commission - DG Enterprise and Industry, http://ec.europa.eu/enterprise/sectors/biotechnology/files/docs/bio_based_from_promise_to_market_en.pdf



As already highlighted further above, one of the Primary Food Processor's key challenges will be to secure the availability of sustainable agricultural raw materials in the context of a sharp increase in global demand. Production on limited arable land and facing the impact of climate change will have to respond even more to sustainability requirements. This requires **a strategic vision on the long-term evolution and viability of the European agricultural sector striving for the EU bio-economy.**

The Communication on "An integrated industrial policy for the globalisation era" adopted by the European Commission on 28 October 2010, sets as one of its key actions for European industrial competitiveness *'a new strategy on raw materials to create the right framework conditions for sustainable supply and management of domestic primary raw materials'*. In our view, the recent episodes of extreme volatility in EU and global agricultural commodity markets have shown that appropriate supply management systems are needed **to guarantee a sufficient level of self-supply of EU markets** and promote **a sustainable and competitive agricultural sector in Europe.**

The CAP towards 2020 will therefore be pivotal in securing constant and regular access to quality and safe agricultural raw materials (mainly maize, wheat, soybeans, sugar beet, starch potatoes, rapeseed, sunflower seed...) in sufficient quantities. A bio-based economy will create an extra outlet for agriculture and in that sense will add to the development opportunities of that sector within the EU and abroad. CAP and related policies need to take up the challenge and set the basis for the long-term sustainability of an innovative and competitive European agriculture.

The Primary Food Processors of the EU (PFP) is composed by:

European Starch Industry Association (AAF)
European Committee of sugar manufacturers (CEFS)
European Flour milling association (The European flour millers)
European Vegetable Protein Federation (EUVEPRO)
European Oil and Proteinmeal Industry (FEDIOL)

PFP members process approximately 220 Mio tons of raw materials (cereals, sugar beet, rapeseed, soybeans, sunflower seeds, crude vegetable oil, starch potatoes...) employing over 120 000 people in the European Union.