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### Green deal and Farm to Fork – a dairy trade perspective

Following the unveiling of the European Green Deal in December, its food policy component – the farm to fork strategy, is now being rolled out. Eucolait supports the shift towards increasingly sustainable food systems and is convinced that trade has a key role to play in this regard. While the connection between trade and prosperity is well-known and established, the link between trade and sustainability is less obvious. There is certainly a lot to be done when it comes to transport emissions, as already outlined in the Green Deal communication but the positive contributions of (dairy) trade should not be neglected. Trade is crucial for ensuring food security by reallocating products from surplus to deficit regions, since not all areas can enjoy 100% self-sufficiency. The importance of trade for food security will grow further as a result of the negative impacts of climate change which will not be evenly spread across the planet. It is not viable or efficient to produce all kinds of agricultural products in all parts of the world. From food security and environmental perspectives, it makes more sense to trade than trying to achieve self-sufficiency in milk everywhere.

The EU is world's largest exporter and importer of agri-food products and we believe it should remain that way. Europe has to be open for business with the rest of the world, especially in the current climate. Open and rule-based trade will be essential for achieving a sustainable food future. When working towards the established sustainability targets, incentives should be prioritised over regulation. The strategy should be as market driven as possible to encourage European businesses to invest in new technologies.

With the present paper, we wish to highlight the positive contribution of trade to and comment on some of the components of the farm to fork strategy which has the ambition to design a sustainable food system.

#### **Food security**

International trade in agricultural goods contributes to a better availability of food across the globe, which is essential for responding to the growing demand, driven by an increasing world population and a larger share of people joining the middle class. The nutritional quality of dairy products is top of class but they cannot be produced across the world in sufficient quantities. In many parts of the world, the per capita consumption of dairy products amounts to only a fraction of the European average. Milk powders, which have a long shelf life and do not require cold storage, are ideal sources of protein in densely populated regions with a climate not well suited for milk production. It is hard to see how 10 billion people could be fed in 2050 without further increases in productivity and in global trade of agricultural products.



### **Trade and environment**

Moving product from places with a comparative advantage in milk production (in terms of natural conditions and economies of scale) to other regions where milk production is less advantageous makes economic and environmental sense. Trade is therefore crucial for lowering the worldwide carbon footprint of a certain sector on a global scale. The GHG emissions of the EU dairy sector are very low in comparison to milk production in other regions due to its efficiency.

### **Sustainability requirements on imports**

With more being asked from European producers in terms of environmental sustainability, the desire to export our policies and requirements to third countries becomes tempting so as to avoid carbon leakage and to ensure a level playing field. Any measures targeting third country products, such as the carbon border adjustment tax, will however have to be designed with the utmost care and in compliance with international trade rules. We are particularly concerned by the following sentence in the Farm to Fork part of the Green Deal communication: “Imported food that does not comply with relevant EU environmental standards is not allowed on EU markets”. This approach does not seem WTO-proof at all and would certainly trigger a wave of retaliation from our trading partners who would likely view such policies as ecological protectionism. Any environmental demands will therefore have to be workable and proportionate. In recent years, we have seen a proliferation of trade wars and it seems urgent to reverse this trend, without abandoning EU values of course. As a general principle, we would favour incentives, such as sustainability labelling schemes, over import restrictions or taxes.

### **Food waste**

Food losses occur throughout the whole food chain and are not always under direct control of the actors involved. Food losses are often caused by inadequate technology, lack of knowledge and skills, bad logistics, inefficient markets or inadequate administrative procedures. Traders help addressing all these issues by making supply chains more efficient. In the dairy sector, they ensure that all dairy ingredients find a home by connecting supply to demand and by temporary storage of surplus production.

### **Supply chain relationships**

Trade has an important role in the supply chain by providing a variety of services to business partners such as market and technical expertise, risk management, tailor-made products as well as financial and logistical services. Trade limits market inefficiencies by connecting sellers and buyers.

The market orientation of the EU dairy supply chain and a functioning single market are key for allowing the dairy sector to flourish. We reiterate that the dairy supply chain is extremely complex due to the large number of products and outlets (retail, food service, food industry, export) which all influence the milk price. Further interference in the supply chain dynamics is likely to impose additional



burden on operators without bringing value added. Most unfair commercial practices have been addressed with the adoption of the UTP directive and there are numerous provisions concerning the relationship between producers and dairy processors in the common market organisation regulation. Eucolait is therefore not in favour of additional regulatory initiatives to manage the relations between the various links in the supply chain. The freedom of contract needs to prevail.

### **Market stability – balancing trade**

The smaller the market, the bigger the impact of external shocks. The EU single market is much more resistant to adverse supply or demand shocks, such as droughts, animal diseases or trade embargoes than an individual Member State would be. Trade takes care of temporary surpluses or shortages, thereby reducing vulnerability and contributing to a more stable and resistant market place. In the same manner, trade can contribute to more stable markets globally when barriers and trade distorting support are reduced.

### **Food information**

Another aspect highlighted in the Green Deal communication and the Farm to Fork roadmap is the empowerment of the consumer. We agree that the consumer as the last link in the food supply chain should indeed be provided with adequate information on the nutritional properties or environmental footprint of the product that they purchase.

We however reject the connection between sustainable food consumption and the proposal of extending mandatory country of origin labelling to milk and milk products. The attempt to give preference to products from one's own country has little to do with sustainability and it is obvious that tailored, voluntary solutions can more adequately respond to consumer demands than a one-size-fits-all mandatory origin labelling scheme. The proliferation of legislation on indicating the origin of milk in several Member States with the blessing of the Commission is regrettable and in violation of the food information regulation and the free movement of goods principle. Mandatory country of origin labelling is a hallmark of food nationalism and has no place in a European Union that wants to uphold the integrity of its single market. It is inherently anti-trade and certainly should not be presented as a means of achieving a higher good, i.e. empowering consumers to make sustainable food choices.

If origin information is nevertheless made compulsory, it should be done on an EU/non-EU basis to take into account of our common market, regulations and production standards.



### Marketing standards

Schemes which highlight the sustainability aspects of a product, such as the environmental footprint, animal welfare or the fairness of the milk price should not be mixed with the basic compositional requirements of a product, such as protein and fat content. The goal of marketing standards is primarily to ensure that all products fulfil certain minimum criteria, thereby guaranteeing a level playing field. The carbon footprint of skimmed milk powder can vary a lot but it should always be called skimmed milk powder. Other, supplementary information may clarify the performance of the product according to various sustainability criteria.

### Conclusion

Eucolait welcomes many of the initial ideas outline in the Green Deal communication and the Farm to Fork roadmap. At the same time, we stress the crucial role of trade in the strategy and warn against any measures based on protectionist premises. Europe should lead the way towards more sustainable food systems but this has to be combined with openness towards the rest of the world.