



25.05.2020

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 (F2F) strategy, has now been published after being delayed by covid-19. 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 disregarded. Trade is crucial for ensuring food security by redistributing 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 because 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 must 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.

The ongoing covid-19 pandemic has further emphasised the importance of a robust and resilient food system, as mentioned in the F2F communication. From our perspective, this means increasing diversity in supply sources and export markets. Measures giving preference to domestic products – as we have seen proliferating lately – or focusing solely on promoting short supply chains are not the answer.

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 make the EU food system a global standard for sustainability.

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 both productivity and 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 both economic and environmental sense. Trade is therefore crucial for lowering the worldwide carbon footprint of a certain sector on a global scale. Because of its efficiency, the GHG emissions of the EU dairy sector are extremely low in comparison to those resulting from milk production in most other regions.

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 to avoid carbon leakage and to ensure a level playing field. Any environmental demands targeting third country products will have to be workable, proportionate, designed with the utmost care and in compliance with international trade rules. Otherwise we might face a wave of retaliation from our trading partners who would likely view our policies as ecological protectionism. 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 resilient marketplace. 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 Farm to Fork communication 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 mandatory country of origin labelling. 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. In this sense, we welcome the softer language in the final version of the communication, which also stresses the need to safeguard the internal market. 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. These developments should be urgently reversed.



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 measurable 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 outlined in the Farm to Fork communication. At the same time, we stress the crucial role of trade in the strategy and warn against any measures based on protectionist premises. Increased resilience of the food system will not be achieved by a policy of self-sufficiency but by further diversifying supply chains. Europe should lead the way towards more sustainable food systems, but this goal can only be attained if combined with openness towards the rest of the world.