

CIAA is the Confederation of the Food and Drink Industry of the EU. With a turnover of € 815 billion, 4 million employees and exports of products worth € 45 billion, it is a leading manufacturing sector in the EU. CIAA is the voice of the sector and has as role and mission to represent interests of the food and drink industries, at the level of both European and international institutions. CIAA membership is made up of: 25 national federations, including 3 observers, 32 EU sectoral associations and 22 major food and drink companies.

Innovation, Research & Development

Investment in research and development (R&D) should result in more efficient production, improved food quality, compliance with standards and regulations, development of new markets, reduction of production costs and higher profitability. Increased innovation within the European food and drink sector is essential to maintaining a competitive market advantage and to expanding the European share in value added products on global food markets. Investment in innovation is a key element to meet the Lisbon agenda.

The Issue

Investment in R&D reaches only 0.32% of EU food and drink industry output and is constantly below the R&D spending of the food and drink industry in other developed countries. Even large EU-based companies spend per employee only 45% of that which large non-EU food and drink companies invest in R&D. Most innovation indicators of the food and drink sector are below the industry average for manufacturing.

R&D expenditure for advanced technology in the food and drink sector, as in other sectors, requires investment that many individual companies have difficulties financing on their own. The large number of Small and Medium-sized Enterprises (SMEs) in the food and drink industry makes this objective a serious challenge. Of food and drink companies, 99.1% - 279,000 companies – are SMEs, employing 61.3% of food and drink workers and generating 48.5% of the sector's turnover.

Our Position & Recommendations

Research networks and pan-European initiatives are important tools to help meet the challenge of under investment in R&D. Equally important is a broad dissemination of the results of initiatives to all segments and companies in the sector, regardless of their size. European Technology Platforms (ETP), such as the *ETP Food for Life*, have a pivotal role in determining orientations and providing the necessary framework for the establishment of public-private and private-private R&D partnerships. They need public recognition and appropriate support. Industrial policy should play a role in improving access to EU R&D funds. In particular, administrative burdens have to be reduced and adjusted to the needs and capacities of partners involved. Public-private partnership models for the food innovation chain should be promoted. EU R&D funds must be oriented towards priority initiatives in food and health, food quality and manufacturing, food and consumer, food safety, sustainable food production and food chain management. These elements are to be supported by effective strategies for communication, training and effective technology transfer. Administrative procedures should be business-friendly: we call for the review of novel food approval procedures, which should be more transparent, less lengthy and offer a simplified fast track procedure for certain applications. Existing legislation, such as on additives, ought rapidly to be adapted to technological development.

Reducing Administrative Burden

Administrative burden is the "costs to enterprises for drawing up, storing or transferring information or data stemming from requirements in laws, government ordinances and public authority regulations or instructions contained in general advice" (Swedish Ministry for Industry, Employment and Communications). The cumulative effect can substantially affect competitiveness. As administrative costs are not generally differentiated according to firm size, they also disproportionately affect small companies.

The Issue

It is vital to identify and eliminate those sources of excessive compliance costs that are not linked to the attainment of policy objectives but occur due to “red tape” – that is regulations and procedures that are unnecessary, insufficiently clear, inconsistent or disproportionate. Better regulation is crucial to improving the competitiveness of the food and drink sector. The scope for improvement reaches from food regulatory issues, such as GMOs, hygiene and general food law, to environmental legislation and trade procedures. Primary sources of extra costs are: frequent changes in the regulatory environment and lack of clarity of provisions, concepts, and definitions at the EU level, which translate into inconsistent national transposition in Member States (e.g. EU waste legislation, EU Emissions Trading Scheme). The resulting legal uncertainties constitute an extra cost for companies. In addition, inconsistent national implementation triggers extra adjustment costs for companies operating across the internal market and distorts the “level” EU playing field. Another source of potential extra burden relates to the proportionality of legislation, for instance with respect to the compliance burden for small installations in the environmental field (e.g. monitoring and reporting under the EU ETS).

Our Position & Recommendations

There is an urgent need for clear provisions, concepts and definitions in EU legislation. Clarity on the EU level is indispensable for harmonised and consistent implementation of EU legislation in different Member States. The case of the definition of waste serves as an example that needs to be addressed rapidly. There is also an urgent need for simplification of EU legislation on food regulatory issues, trade procedures and environmental measures. Further, the burden on companies or installations should be proportionate to the risk or impact stemming from their operations.

International Trade: Reversing A Downward Trend

EU exports from our sector are not maintaining their market share, particularly in emerging markets. Although relatively stable or slightly increasing in developed countries such as the USA, Australia, Japan, the performance of EU products in quickly expanding markets such as China, India and Argentina, is showing a downward trend in the share of imports of EU food and drink products compared to imports of other origins.

The Issue

The share of EU food and drink products exports on world markets contracted to 18.5% in 2004 as compared to 24% in 1999. High value added food and drink products are not showing growth on exports that could be expected according to market expansion. Production costs, notably due to uncompetitive raw materials used in the EU, are factors that explain, in certain cases, the relatively weak export performance of high value added goods. Despite major EU agricultural reforms undertaken since 2003, through which agricultural raw materials have become or will be made more competitive, there are still concerns about industry access to competitive agricultural raw materials. Tariff and particularly non-tariff problems add serious constraints to the export business. The decreasing share of European imports in non-EU countries is further worsened by the relocation of European companies outside the EU, in particular to countries that have bilateral trade agreements with countries with which the EU does not have such agreements.

Our Position & Recommendations

A strategy for bilateral trade relations needs to be developed beyond the conclusions of the Doha Round that remains a priority despite the serious setback that we currently face. The agreement was expected to impose discipline on agricultural supports and improve trade opportunities for food and drink industry products. Bilateral processes need to be pursued in important regions such as Mercosur, the Mediterranean and Asia. Improved market access through reduced tariffs should satisfy particular EU export interests in countries where markets register strong growth and where trade agreements with other trade partners risk putting the EU at a disadvantage. Non-tariff barriers to trade (including veterinary and hygiene measures, food legislative provisions, insufficient or lack of protection of geographical indications and discriminatory taxes) have to be addressed in a more targeted way. The agricultural reform process must be completed with a view to making agricultural production more market-oriented and to increase competitiveness. A review may have to be considered in certain sectors where reforms have already been implemented. If agricultural reform processes do not provide access to competitive agricultural products, it will be essential to ensure that exporters make use of alternative instruments. Systems such as inward processing – allowing for the importation of raw materials at world market prices for processing and re-export after manufacturing – have to be operational and easy to use.