GLAMUR
Global and local food assessment:
a MUltidimensional performance-based approach

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GLAMUR is a EU FP7 project that aims at integrating advancement in scientific knowledge about the impact of food chains to practice, to increase food chains sustainability through public policies and private strategies. This general objective will be pursued through the following specific objectives:

☐ To develop and validate a performance criteria matrix for assessment and comparison of food chains operating at a range of geographical scales through analysis of how food chain impacts are communicated in different spheres of society.

☐ To build a database of quantifiable indicators of impact and a set of 20 case studies aimed at understanding how impacts are generated within specific food chains.

☐ To advance knowledge on methodological problems and trade-offs arising when measuring and comparing the impact of food chains within and between sectors.

☐ To assess how performance is perceived by stakeholders in different national contexts through participatory assessment and multi-criteria analysis of the different typologies of food chains.

☐ To assess the actual and potential role of public and private policies addressing food chains and to turn assessment into policy recommendations.

☐ To build a network that turns the advancement of scientific knowledge into decision making tools for domestic and public consumers, producers, citizens, scientists, policy makers, civil society organizations.

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Key policy and governance drivers of local and global food chains and their multi-dimensional impacts

(Deliverable 6.1)

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Forward

This report is a deliverable from the GLAMUR project and provides: "*An analysis of how international, EU and national policies and public-private governance interactions shape the existence and performance of local and global food chains, around the economic, social, health, environmental, and ethical dimensions*". The report places a particular emphasis upon the policy and governance activities of the European Union (EU) and its member states; that is, how EU policies impact upon food chains (both global and local). The European Commission points out that: "The food chain is distinct from other European policy areas. Firstly, European legislation is very important for the actual food sector, which is one of the most comprehensively regulated sectors, with almost 98% of all laws harmonised at EU level"[1]. In addition, the impact of European polices and governance of food upon developing countries and their food chains is also focused upon. The interconnectedness between European policy and governance activity and developing world countries is explored and the impacts identified. The purpose of the report is to provide the background and context, to identify the ways is which polices and governance impact upon food chains. Based on the findings of this report the next phase of the policy work package in this project will incorporate the findings from the project's associated work packages on the performance of case studies of global and local food chains. The outcome will be a set of recommendations for policy steps and actions (a policy road map) to improve the performance of food chains across the five identified dimensions of sustainability (economic, social, health, environmental and ethical).

November 2014 (revised)

[1] http://ec.europa.eu/food/food/foodlaw/docs/st-17996_en.pdf accessed 18 June 2014

Executive Summary

1. European Union (EU) policies and private-public governance interactions shape and **impact upon the existence of and performance of local and global food chains**. The **scope of EU public policies** are based upon the **Treaty** competencies and their reach is extended **through softer governance forms of public- private sector interaction**. There is no single food policy, rather different policy layers have been added over time that lack full policy integration. The **policy layers co-exist,** designed to meet different needs but share **the common aim** of enabling a successful internal economic market. The EU's current **2020 flagship policy strategy** is based upon an overriding policy goal of **economic growth** based upon the international market competiveness of its industries. Policies impacting upon food chains operate within a context of **multilevel governance** as the EU and its members are also signatories to multilateral international agreements which in turn shape European focused policies.

2. The core policy layers for food are the agricultural and rural development policies, and the establishment of market harmonisation standards for food products in Europe. The ways that **agricultural and rural development** polices (RDP) explicitly **address food chains** are presented. Recent Common Agricultural Policy reforms (CAP) have emphasised the importance of marketing supports for producers' organisations across an increasing range of food commodities and of supports, not least through contracts with buyers in the food chain such as corporate retailers. **Local food chains** are **promoted** with financial supports by the current **RDP** policy programmes, where **short food supply chains** and local food systems are identified as important drivers for rural economic, social and cultural development within Europe's regions. The RDP aims to increase the capacity of SMEs to compete both as importers and exporters and also supports the (re)-integration of local into global by weaving their growth potential into global food value chains in order to increase competitive advantage. Geographical Indications (**GIs**) are an **important policy instrument for local food promotion** and come under the legal rules of the international treaty on Trade Related Intellectual Property Rights (TRIPs). The recently rewritten **EU Public Procurement** rules offer a further policy instrument for the promotion of short food supply chains food chains.

3. In the past fifteen to twenty years there has been a lot of further policy activity impacting upon food chains, some international in origin, and these have added further policy layers impacting upon food chains. Details are provided covering the economic, health, ethical (animal welfare), environmental (including sustainable development policy) and social (labour and working conditions) dimensions.

4. The **economic** dimension of food chains have come under the work of the Commission's *High level Forum for a Better Functioning Food Supply Chain in Europe* which has focused work on business to business relationships along food chains (around the terms and conditions of contracts) and monitoring food prices, as well as sustainable food consumption and production. In this latter area **cross departmental food chain governance platforms** have been set up by the different Directorate Generals across the European Commission to co-ordinate aspects of food chain policy and performance covering food waste, sustainable food consumption and production, retailers environmental role, and a social forum for food employment conditions. These are all examples of the public-private governance interface led by the European Commission seeking to extend the reach of the EU.

5. The **health** dimension of EU policy in relation to food chains has focused upon **food safety** reform primarily, through both the reform of EU food law and institutional reform, adding another substantial policy layer. However, under the aegis of the **EFSA and DG Sanco**, the EU has extended its policy reach on **food and public health**, primarily a national policy competency, by utilising its existing market management roles around information, labelling and information coordination and exchange between member states. This has include **nutrition policy** where the **public-private governance interface** its illustrated through the actions of the Commission coordinated established the *EU Platform on Diet, Physical Activity and Health (EUPDPAH)*. This work is supported by the subsequent *The High Level Group on Nutrition and Physical Activity* (HLGNPA) composed of European government representatives, led by the Commission, to ensure liaison between member state governments and the Platform.

6. The EU has a current **strategy for Animal Welfare** that addresses a key **ethical** dimension of food production and food chain management. The strategy recognizes that although it is important to respect the diversity of different Member States, common solutions are required in order ensure rules balance both protecting the welfare of animals, and supporting the

competitiveness of the EU farming and agricultural industry. Equally, it recognizes that animal welfare is an important issue for European consumers and that it is important to **provide good information about animal welfare practices.**

7. EU regulation is the main form of **environmental law** impacting upon member states' food chains. The direction of EU policy across this dimension is outlined under its Environmental Action Programme, and its **Sustainable Development Strategy**, which is now subsumed under the **Europe 2020 flagship policies for economic growth**. International treaty commitments have led to a focus on Sustainable Consumption and Production **(SCP) policy initiatives**, including areas that impact on food chains. The European Food Sustainable Consumption Production Roundtable is a public-private platform set up to improve the measurement of food and drink products and their communication to consumers. The Commission has led on the development of an environmental footprint Protocol that it is trialling on food and drink **Product Environmental Footprints (PEFS)** and Organisational Environmental Footprints (OEFs). The policy development of SCP has turned towards **Resource Efficiency**, another of the EU's Flagship policy initiatives, with an emphasis upon **Green Growth** and the **Circular Economy** concept, particularly in relation to both the reduction and the valorisation of Food Waste.

8. The **social dimension** of food chains performance is focused upon policy and governance of **labour and working conditions**. Also, the Commission has looked at how **corporate social responsibility** (CSR) can aid the performance of supply chains in terms of economic competitiveness and sustainability performance. A more recent policy focus for the Commission on labour is on the undeclared work and the **informal economy**, rife within the food sector, interacting with private sector initiatives and International Labour Organisation codes. While the CSR focus is on multinational firms in the global food chains, the emphasis is increasingly upon the conditions for workers in **SMEs** in food value chains and the impacts of **corporate led standards on inter firm relations** and working conditions.

9. International agreements over trade shape the nature of food chains, paramount examples being the **World Trade Organisation rules on agriculture** and **food safety** standards. However, there are conflicts over interpretation of these rules, which are created through diplomatic negotiation, leading to subsequent **trade disputes**, for example over the **regulation**

of technology applications to **feed and food products** which can be interpreted as a **non-tariff trade barrier**. **Bilateral trade agreements** are very important, also. A current example, under negotiation between the US and the EU is the Transatlantic Trade and Investment Partnership (TTIP) that seeks **greater regulatory convergence** that may impact on the current application of some EU regulations upon food products. The **ACP agreements** between the EU and developing countries have an important impact upon both imports to the EU and the position of food producers in these developing world economies. Recent **revisions** to these agreements have eroded preferential access to EU markets for some countries and their produce and may have more **impact** than CAP reforms on **trading relations between developing countries and the EU**, which in turn will affect agricultural producers and food consumers in these countries.

10. **Private Governance** in the food sector can occur when private and societal interests seek to exert forms of control within the market economy, although public policy often provides some enabling or operating context for this governance such as through public-private governance initiatives. Examples include: **standards setting** and grading of produce, process- and product-based food assurance schemes, **contractual specifications** from food manufacturers and retailers to growers, or from retailers to manufacturers through own-brand labelled foods. Private governance forms throw up new **power relationships along supply chains**, particularly through the extraction of economic value. The major food manufacturers and retailers have a **global reach** through Foreign Direct Investment **(FDI)** in a large number of countries. New and alternative modes of ordering **may emerge from civil society as 'alternative food networks' arise** to challenge the dominant supply chains, setting new criteria, as in the case of fair trade foods. The European Commission has recognised the **dynamic element** of these private food and drink sustainability schemes and decided not to intervene with market regulation, but that guidance should be provided under the EU's public procurement rules for the purchase of such sustainable goods under public contracts.

11. The **consequences for developing countries** of the European regulatory and private governance determinants fall into two distinct categories, with one of much greater significance than the other. The first scenario, of European regulatory and private governance promotion of **local food chains**, has only minor impact on the performance of developing countries' food chains, including access to markets in Europe or elsewhere. This may change with the growing

importance of business to business sustainability standards, and emerging public policy support for environmental footprinting of products to drive improved resource efficiency in the European food chain. The second scenario, of European promotion of **global food chains** - especially driven by private sector strategy - has potentially a much greater effect on the performance of developing country food chains.

12. Those **impacts of European** promotion of global food chains need to be taken into consideration as context when looking at impacts of promotion of local chains, and in seeking policy coherence in Europe across regional development, agriculture, trade and investment, and aid. The **'global' is turning up in the 'local' as agrifood imports and FDI** in production, processing and retailing. **Consumption impacts on developing countries** can be just as important as production impacts, and can drive a disconnect from domestic production, and put a brake on the emergence of commercial domestic production and processing sectors.

13. The **elaboration of national strategies for protecting local markets** by managing of imports in sensitive sectors, in the light of national aspirations for local sector development, has become a **priority across a number of sub-Saharan African** countries. For **regulation of FDI in agricultural production** in the interest of equitable and sustainable development, **countries can put policies in place to ensure local control** over land and resources, land access conditions, regulation of investment, and oversight of contract farming and supply chain relations

14. The **policy challenge** remains in both **Europe** and in **developing countries** as how to **support small producers and processing** companies to survive in the contemporary food economy, and how to guarantee **fair working conditions and wages** for employees. These social and economic imperatives, alongside the environmental and health impacts, remain a major public policy challenge in the transition to more sustainable food chains.

1. Introduction

The report presents the findings from an analysis of how international, EU and national policies and public-private governance interactions shape the existence and performance of local and global food chains, around the economic, social, health, environmental, and ethical dimensions. The role of EU polices provide the centrepiece to this analysis as they impact upon the national level policies across all member states. International policies are mediated through the EU within the processes of multi level governance. The main international trade agreements, multilateral and bilateral that the EU and its member states are signed up to, that impact upon food chains are included in this analysis. The role of the private governance of food chains is also explained and put into the context of public-private governance of policy. In the final section 5, the impact of European public and private governance upon developing countries and their ability to engage in global supply chains and the fostering of their on local food chains is examined.

2. Analysis of European Union policies and governance (agricultural and non agricultural) in relation to food chains: global and local

The aim of this section is to assess how European Union (EU) policies and private-public governance interactions shape and impact upon the existence of and performance of local and global food chains. The nature of EU policy making and how it is applied to food chains is the focus of this section. Firstly, the scope of EU public policies, based upon the Treaty competencies and the extension of the policy reach of these competencies through softer governance forms of public- private sector interaction are explained. Secondly, there is no single food policy, rather different policy layers have been added over time that lack full policy integration. The policy layers co-exist designed to meet different needs but share the common aim of enabling a successful internal economic market. EU regulations and policies impact upon the policy activity of its member states, as well as associated economic states, but the EU and its members are also signatories to multilateral international agreements which in turn shape

European focused policies. Examples include trade and environmental agreements that are legally binding on the signatory states, from the WTO agreements to the Kyoto Protocol under the framework Convention on Climate Change. Hence, policies impacting upon food chains operate within a context of multilevel governance. The core policy layers for food are the agricultural and rural development policies, and the establishment of market harmonisation standards for food products in Europe. The focus of this analysis of agricultural and rural development polices is the ways that they more explicitly address food chains. In the past fifteen to twenty years there has been a lot of further policy activity impacting upon food chains, some international in origin, and these have added further policy layers impacting upon food chains. The different dimensions of economic, health, ethical (animal welfare), environmental (including sustainable development policy) and social are covered in the subsequent subsections below. In addition, particular attention is given to firstly, the promotion of local food chains by the European Union (section 2.4). Secondly, there is a focus upon the cross food chain governance platforms set up by the different Directorate Generals across the European Commission to co-ordinates aspects of food chain policy and performance (section 2.5).

2.1. Key themes for interpreting European Union policy and governance in relation to food chains

2.1.1 European Union Treaty competencies: policy scope and governance activity

The EU's treaties, the most recent iteration of which are in the Treaty of Lisbon (2009) delineate its policy making competencies and processes. The Treaties lay out the constitutional basis of the policy making role of the EU's institutions; primarily the European Council and Council of Ministers, the European Commission, and the European Parliament, although other representative bodies play an advisory role in policy formulation, such as the Committee of the Regions and the Economic and Social Committee.

The European Commission has the formal role of safeguarding and carrying out the Treaties, and so is the main institution responsible for formal policy initiation and formulation at the EU level, although the national incumbent of the rotating EU Presidency can prioritise the policy agenda during their term of office. The scope of the policy making authority of the Commission, and its differing Directorate Generals (DGs), provide structural boundaries within which EU

policy makers operate. Hence, the treaty and international agreements define the areas within which the Commission can develop policies; although, there is scope for policy entrepreneurship by the Commission in its creative interpretation of these responsibilities through its policy initiatives. The Commission, under the President of the European Commission and through the collective College of Commissioners, provides leadership and co-ordination of the activities of the Commission's DGs. The current five year term of the President of the European Commission under Manuel Barroso, ends 31 October 2014, after the elections of the European Parliament, effectively signalling the end of a policy making cycle for the EU.

The Commission's task in enabling the treaties, and the centrality within this of ensuring the efficient working of the internal market, has served to shape the nature of the recent policies regarding food chains. A key element of this political and policy direction is informed by the dominant view of the Commission that the economic growth promoted by the internal European market is dependent upon the economic competitiveness of the European market actors within the globalised economy (Treaty on EU: Article 17, 3 (2)). As a result, the Commission sees both the corporate sector and food industry trade associations as key players in the policy response. The two most recent iterations of this ideational macro policy approach from the Commission were the *Lisbon Strategy for growth and jobs* (2000) and the subsequent *Europe 2020: A strategy for smart, sustainable and inclusive growth* (2010). *Europe 2020* was the lead programme under Barroso's Commission of a set of flagship polices for economic growth in the EU that cover Smart Growth, Sustainable Growth and Inclusive Growth. Of particular interest to this analysis are the Sustainable Growth policies in Table 1.

Table 1: Europe 2020: priorities & initiatives
(source: based on COM (2010) 2020 Final).

Priority	Associated Flagship Initiatives	Aims
Sustainable growth	Resource Efficient Europe	To support shift to resource-efficient, low-carbon economy, decoupling growth from resource and energy use, thereby reducing GHG emissions and enhancing competitiveness and energy security
	An industrial Policy for the Globalisation Era	To help industries adapt to challenges of globalisation and low-carbon and exploit opportunities of green economy

The EU's regulation of food has been driven to varying degrees by the need to integrate the European market, from agricultural production subsidy and production management controls,

to the harmonization of national food standards around the principle of mutual recognition from the 1960s onwards, and more recently, to food safety and hygiene standards. The signing of the Treaty of Rome (1958) led to the drive to a Common Market that sought the market harmonisation of national standards in the areas of treaty competence. This included introducing a wide range of regulatory standards for specific food commodities. This process received further impetus with the 1979 European Court of Justice decision in the *Cassis de Dijon* case that had overturned German regulations regarding alcohol-content standards prohibiting the sale of cassis from France. The decision led to the development of the principle of *mutual recognition* of national regulations and standards, that is: member states would recognise and accept each other's standards, as long as those standards satisfied certain health and safety concerns. Attempts to simplify commodity standards nonetheless led to national conflict in some areas. A notable example was the cocoa and chocolate directive revision over conflicting national standards over the cocoa content and use of cocoa butter equivalents in chocolate which ran from the early 1970's, and the accession of the UK, Denmark and Ireland, until agreement was reached the early 2000s. Closely related to this is the declaration of information on food labelling which is another area where the EU has sought market harmonisation most recently with the *Food Information to Consumers Regulation* (1169/2011), which is explained in more detail below.

During its political drive towards an internal market the European Commission developed an inclusive approach to policy formulation, inviting key stakeholders to round table discussions on policy formulation, particularly those who could speak for member organizations across the EU, the so-called European peak associations. On the one hand, this is characterised as a technocratic approach to policy making, seeking to defuse potential or existing political disagreements at an early stage (Radaelli, 1999). On the other hand, it is a deliberative approach, involving stakeholders at the early stages of the formulation of new regulations (Laffan et al., 2000). This governance style has evolved as a preferred operating mode for EU policy making, steered by the Commission. At an intergovernmental level, this approach is reinforced by the EU's comitology, in particular the regulatory management committees, chaired by the Commission, where national competent authorities meet to exercise regulatory authority and decision making. An example is the approval of the commercial release of GM crops and novel foods onto the EU market, where the European Food Safety Agency provides a risk assessment and the regulatory committee of member states' authorities vote for final

approval on Qualified Majority Voting. This process has led to a failure to obtain sufficient votes for approval of some GM crop varieties, leading to industry concerns that their products are being denied access to the market, although the Commission can subsequently grant approval in the event of a voting stale-mate, provided the risk assessment has been given approval. For non-EU companies, these concerns were taken up by their Governments (such as the USA and Canada) in the form of disputes under the World Trade Organisation's (WTO) Sanitary and Phytosanitary (SPS) rules. This process is examined further below.

Overall, the European Commission's preferred operating mode results in a relatively elite stakeholder form of participation, essentially technocratic and functional, somewhat removed from the public gaze and lacking in wider public participation (Héritier, 1997). The essence of these forms of governance, or modes of operation, were reinforced in the EU's *White Paper on European Governance* (CEC, 2001), with some greater emphasis on making such processes more transparent. In that White Paper, governance was defined as: "rules, processes and behaviour that affect the way in which powers are exercised at European level, particularly as regards openness, participation, accountability, effectiveness and coherence" (CEC, 2001:8n), such as to offer to the Union "a less top-down approach and complement its policy tools more effectively with non-legislative instruments" (CEC, 2001:4).

The development of these non-legislative policy instruments, are part of the conscious increase in the use of soft law; as opposed to hard law in the form of legally binding legislative regulations, directives and opinions from the EU institutions. The soft law approach also allows the Commission to seek to have policy influence beyond the direct scope of is competencies. It embraces modes of governance such as voluntary agreements with key stakeholders and pilot programmes designed to influence stakeholders in a policy area to change their activities as a result of shared learning based upon the dissemination of evidence and "good practice" generated. A good example of this governance activity, within the health performance dimension of food chains, was the activity of the High Level Forum on the public health dimension of food chains, and the work undertaken from the *EU Platform on Diet, Physical Activity and Health*. This is described in more detail in *sub-section 3.6* below.

This extension of these softer governance modes as part of the *modus operandi* of EU policy making and delivery is depicted by the Commission extending participation in the EU policy

making processes, that is making it more inclusive to a wider range of societal interests, in turn strengthening the democratic legitimacy of the EU; essentially, an aspiration to a more publically engaged "input" legitimacy (Morth, 2009). However, the reality can be that increased collaboration between public and private interests promotes a different form of legitimacy, one of "output" legitimacy designed to make the market work more efficiently (Morth, 2009)*.).* This remains, therefore, a rather controlled decision-making environment, relatively detached from public view and consciousness. Wider public consultation becomes a symbolic process that does not intrude overly upon the preferred operating procedures for policy decision-making.

2.1.2 European Union food policy: policy change, policy layering and the policy integration challenges

There are a number of established models of public policy making that have been developed in the academic literature on public policy. In particular, these models have looked at how and why public policy changes and the nature of such change: what it means, its significance in comparison to what already is in place and to what has gone before, and to explain what causes policy change. Prominent examples include: policy incrementalism often occurring within established or evolving policy networks; punctuated equilibrium models and policy advocacy coalition theory; and policy paradigm change (Lang et al., 2009). These models all include an interaction to differing degrees of ideas, values, actors' agency, evidence based advocacy, and institutional processing. Within these models both the public and policy spheres interact. The other distinguishing feature is a temporal dimension - that is policy change takes place over a period of time that often may need to be twenty years or more, in order to evaluate such change and to identify the causal factors. Models of policy change share this temporal dimension with the body of work developing on socio-technical transition, where a period of at least two decades is seen as necessary for gauging the extent of change. According to the transition theory literature, niche transitions, such as those in food supply chain practice, may take time to work their way through to more major systemic changes in the food supply chain and its governance (Smith et al., 2005).

The academic literature on the making of public policy has emphasised the importance of institutional structures as an important determining factor in understanding how policy develops along particular pathways. Within this literature, more recent attention has focused on

how institutions seek to encompass new policy directions while continuing with existing policy trajectories. An influential work referenced in this line of academic investigation was Schickler's (2001:3) explanation of institutional change that employed an historical sequencing approach:

> "*conflicts among competing interests generate institutions that are rarely optimally tailored to meet any specific goal. As they adopt changes based on untidy compromises among multiple interests, members build institutions that are full of contradictions and tensions.*"

That is, there is an historical process or sequence of layering-on of fresh policy priorities serving attendant coalitions of interests. This finds realisation in new committees or processes within the political institution. Thelen (2002) extended this historical institutionalist approach to understanding processes of policy change by pointing out that policy layering occurs when an established institution is made to serve new purposes; thus, providing some form of institutional innovation and increasing returns (Weir 2006). Reformers must work around existing structures yet can bolt on new elements and influence the trajectories of policy. Feindt and Flynn (2009), in a study of the development of national food policy, point to the way the '*multiple orders*' created by institutional layering can lead to friction between the actors involved, thus providing an endogenous '*ideational tension*' explanation of why policy change occurs. These tensions within and across institutions can be linked to the concept of '*Institutional Dissonance*', which has also been employed in attempting to explain change in stable policy paths, highlighting how "at any given time, institutions, both individual and collectively, juxtapose different logics of political order, each with their own temporal underpinnings" (Orren & Skowronek, 1994: 320-321). The picture is of a disorderly politics with institutions, or departments within institutions (such as the European Commission) scraping against each other create space for agents to promote change.

Policy layering offers a way of identifying how institutional adaptation can both reflect and promote new policy activity. At the same time, it is acknowledged that institutional dissonance may be promoted by historical sequencing and that while adding on policy layers, such layering may lead to reversibility of policy. This is not uncommon in political systems under political party government. Hence, layering may encompass policy retrenchment or reversal as much as increasing policy returns (Howlett, 2009). Finally, layering offers a way of understanding what seems to be an incremental process of policy change may indeed end up incorporating a quite significant ideational change (Howlett & Rayner, 2006). The expansion under the treaties of the

European Commission's policy scope provides examples of such policy layering being developed. There are a range of food policy responsibilities that fall on to the Commission and a range of areas where the Commission, acting as a policy entrepreneur, has sought to expand its activity into. These different policy areas in relation to food, that in turn impact upon food chains, are split across different DGs, who already have their own institutional norms, ideational values, and attendant particularistic and client interests (groups) that are shaping the way they make policies with regard to their responsibilities on food and agriculture. This is not to underplay the ideational role of the President of the Commission and that the more macro economic policy strategies play in providing a more dominant frame for policy activity by the DGs, but it acknowledges the factors that come with policy layering as laid out in the academic literature above.

The role of the Commission's flagship initiatives are laid out in the section and provide a high level framework for subsequent polices on food chains and their sustainability which are explained further in sub-section 2.9. Sub-section 2.5 presents the Commission's integrating panels across some key dimensions of food chain activity and performance. The ways that integration across these food policy layers is structured, and the goals of such integration, help to illustrate some of the main themes in contemporary EU food policy.

2.1.3 Multilevel governance

The concept of multi-level governance was first developed within the context of the EU, its Member States and sub-national governments to explain how in policy making National State members of the EU were operating at multi-levels of decision-making. That is, at national and regional government levels (notably in Federal States like Germany and Spain), at local government levels, as well as at European levels of policy making (Marks et al., 1996). In addition, from an inter-governmental perspective, the determination of some key decisions by the EU and its Member States has been explained within a framework of multi-level governance, in the form of two-level or multi-level strategic bargaining and decision-making (Scharpf, 1997). Domestic considerations impact on international decisions, but international decisions prompt domestic considerations. There may be a range of decisions taking place simultaneously according to different institutional rules and in slightly different domestic policy contexts, which are influencing upon each other.

The EU, as an economic and trading market, sits within the wider international, or global trading environment. To this extent EU law is subject to international agreements made by the European Union and its Member States that cover international trade, notably the multilateral agreements under the WTO covering agriculture and food. Also, other international agreements where the European Commission represents the EU as a member of multi-lateral environmental regimes such as the Biodiversity Convention (1992) and its legally binding protocols, the Framework Convention on Climate Change (1992) and the binding Kyoto Protocol (1997). In other words, the EU's policies in performance areas such as the environment are shaped by these diplomatically and politically arrived at treaty obligations, in turn impacting upon the regulatory environments within which food chains operate.

Some academic work on food governance has extended the concept for the agri-food sector to include international-global level agreements and rules (Lang et al., 2001). Notably, these include the impacts upon national and local levels of decision making of: the WTO's Agreement on Agriculture, the Sanitary and Phytosanitary (SPS) Agreement, the Technical Barriers to Trade (TBT) Agreement and the Trade Related Intellectual Property Rights Agreement (TRIPS). In agriculture, the negotiation of the General Agreement on Tariffs and Trade (GATT) Uruguay Round agreements and the so-called McSharry reforms of the CAP (achieved in 1992) took place simultaneously. The negotiations involved: international, EU and national-level bargaining games (including the U.S., countries in the Cairns group of commodity exporting countries, developing countries, and so on) (Moyer & Josling, 2002). The post McSharry reforms of the CAP from 2000 onwards were shaped, at least in part, by the terms of the trade rules laid out in the Agreement on Agriculture. The Agreement allowed for government supports for agriculture that have "no, or at most minimal, trade distorting effects or effects on production" nor have "the effect of providing price support to producers". Such supports were depicted as truly de-coupled from production and were put into the so-called "Green Box". The Green Box payments are therefore permitted under the trade rules, and formed the basis of CAP supports in the 2000s and the associated rounds of reform (Swinbank & Daugbjerg, 2006). The WTO Green Box remained in place for the 2013 CAP reforms.

2.2 EU Agricultural Policy and Food Chains

The CAP was born from the experiences of the immediate post-Second World War years of food shortage and insecurity, and remains the largest element of EU expenditure at around 40% of its budget. There has been an incremental trajectory of policy reform since the McSharry reforms in 1992 which has seen support being decoupled from price supports and subsidies and a re-directed to agriculture for providing public goods. The last implemented phase in this reform process, the 2003 Fischler reforms made the core (Pillar 1) payment supports for farmers dependent upon cross compliance to a range of existing regulatory requirements around environmental and land management, animal and plant health, animal welfare and food safety, and the maintenance of agricultural land, including permanent pasture, in "good agricultural and environmental condition" (including measures to address soil erosion, soil organic matter, soil structure and a minimum level of maintenance to preserve habitats).[2] In short, the cross compliance requirements have meant that payments to farmers depend upon a range of activities to meet environmental performance measures (habitat, and soil management and water standards and chemical use), health measures (food safety including chemical use) and ethical measures (animal welfare).

The first agri-environmental schemes came under the CAP's Rural Development Policy (see below), or Pillar 2 payments. Under the latest 2013 reform the greening requirements for farmers will be incorporated into the main Pillar 1 payments. As mentioned previously, the public goods approach of the CAP, including the more recent greening payments, has developed within the context of the EU's interpretation of the WTO agreements over Green Box compliance measures as "non or minimally trade distorting". The large place of the CAP in the EU's budget meant that the 2013 reform was needed to meet the next cycle in the EU's budget (from 2014 onwards).

The intricacies of these policy developments under the CAP, and their centrality for the EU's budget and prominence at intergovernmental level, have meant that agriculture, and its environmental elements, are a key policy dimension with important time horizons on the EU's political agenda. There remains a degree of separation between this policy layer and other food

[2] https://www.gov.uk/statutory-management-requirements accessed 1 May 2014

policy layers. Nonetheless, there is also some linking, as exemplified by cross compliance. The food chain dimension is not a particularly evident perspective in CAP supports historically, although the early era of producer subsidies also extended to processors, so sugar processing companies and manufacturers were beneficiaries of CAP support payments.

The 2013 reforms have also offered some potential food chain elements in regard to Producers' Organisations (POs). The mid 2000s reforms of the CAP had also begun the dismantling of the Common Market Organisation (CMOs) supports for a range of products where, historically, the EU imposed market production quotas for member state producers, with a view to supporting prices for producers, including the so-called Mediterranean products (olive oil, tomatoes, apples etc.) and their replacement with marketing supports for the POs that are more commonplace in these regions of the EU. One aspect of this marketing support was the creation of new markets, as with the match funding by the European Commission to member state funds of the School Fruit Scheme (which includes vegetables) where the produce supply was administered through POs.

The School Fruit Scheme allows for an increase in support between agricultural policy and health policy (healthy eating aimed at younger school children). Another example is the School Milk Scheme. The 2013 CAP reform, Common Market Organisation Regulation (EU) (1308/2013), further increases the match funding for the School Fruit (and Vegetable) Scheme[3]. A further related development under the 2013 CAP reform offers support for POs' supply chain marketing activities across a wider range of food products[4]. One aim of this reform is to offer the POs more potential strength to market their produce in relation to food retailers through terms of contracts. In March 2014, Alan Matthews highlighted that under this reform:

> "*Member states are authorised to introduce the compulsory use of written contracts with a number of standard clauses in their legal systems. These rules apply to all sectors except for milk and sugar where specific sectoral rules apply. The rules on contractual negotiations (collective bargaining) first suggested for the milk sector as part of the 'Milk Package' were extended to the beef, olive oil and table olives sectors as well as cereals and some other arable crops.*"[5]

[3] http://old.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0671:0671:EN:PDF accessed 16 June 2014.
[4] ibid.
[5] http://capreform.eu/competition-issues-in-the--cmo-regulation/ accessed 16 June 2014.

2.3 Rural development and the territorial dimension of food

Rural Development Policy

More than 91% of the EU is classified as rural and 56% of the population of its Member States live in rural areas[6]. Rural Development Policy (RDP) is led by DG Agriculture and Rural Development and although considerable control remains in the hands of individual Member States and regions, it adds additional financial support and also addresses rural development policy issues that do not divide up 'neatly' at national or regional boundaries but affect people further afield (for example, environmental sustainability). RDP policy 2007-2013 placed greater emphasis on coherent strategy for rural development across the EU as a whole and required Member States to spend some of their funding on the 'Leader approach' to rural development. This involved individual projects designed and executed by local partnerships to address specific local problems.

New legislative proposals for rural development policy post 2013 acknowledge the importance of economic, social and territorial cohesion and are closely bound up with CAP reform and the development of the *Europe 2020* strategy. Implementation of the new policy (2014-2020) is regulated by a number of legislative acts that include the framework provided by the common strategic approach for the European Structural and Investment Funds (ESIF) as well as that of the reformed CAP. In addition, the agricultural European Innovation Partnership (EIP-AGRI) has been established and aims to foster competitive and sustainable farming and forestry that 'achieves more and better from less'.

More detailed aspects of the evolving policy, and its particular significance for local food systems are discussed below under sub-section 2.4, but in common with other areas of EU policy making, multiple layers of legislation impact on rural development policy and, more specifically, on the definition and implementation of future RDPs. However, as in the past, the policy will be implemented through national and/or regional rural development programmes (RDPs) that run for seven years (2014-2020). Funding is drawn partly from the European Agricultural Fund for Rural Development (EAFRD) and partly from national/ regional and

[6] http://ec.europa.eu/agriculture/rurdev/index_en.htm accessed 18 May 2014

private sources. Under the new strategic objectives, Member States have to build their RDPs based upon at least four of the six common EU priorities for RDPs (Box 4.3.1).

Box 1: Six common EU priorities for RDPs

(Source: adapted from *A short guide to the European Commission's proposals for EU rural development after 2013* (EU 2011)[7]

Knowledge transfer: fostering knowledge transfer and innovation in agriculture, forestry and rural areas;

Competitiveness: enhancing the viability / competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;

Food chain: promoting food chain organisation, animal welfare and risk management in agriculture;

Ecosystems: restoring, preserving and enhancing ecosystems related to agriculture and forestry;

Resource efficiency: promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;

Social inclusion: promoting social inclusion, poverty reduction and economic development in rural areas.

In turn, each RDP priority identifies specific areas for intervention (focus areas) and RDP priorities and focus areas provide the basis for programming and for rolling out the European Agricultural Fund for Rural Development (EAFRD) support to EU rural areas. To illustrate this, priorities 3 and 6 are summarized below (Box 2).

Box 2: Examples of RDP priorities and interventions 2014-20

(source: adapted from *A short guide to the European Commission's proposals for EU rural development after 2013* (EU 2011)

RDP priority: Promoting food chain organisation and risk management in agriculture.
Areas of Intervention:

- Better integrating primary producers into the food chain through quality schemes, promotion in local markets and short-supply chains, producer groups and 'inter-branch' organisations;
- Supporting risk management on farms.

Why? Farmers' position in the food supply chain can be relatively weak and they can benefit from organising themselves better to improve revenue opportunities. One route to doing so lies in local markets and short-supply chains. Risk management tools are needed to help farmers cope better with the uncertainty created by problems of weather, animal disease and market volatility.

[7] http://www.environ.ie/en/Publications/Community/RuralDevelopment/FileDownLoad,35200,en.pdf accessed 23May 2014

RDP priority: Promoting social inclusion, poverty reduction and economic development in rural areas.
Areas of Intervention:
- Facilitating diversification, creation of new small enterprises and job creation.
- Promoting local development in rural areas.
- Enhancing accessibility to, and use and quality of infor (ICT) in rural areas.

Why? Some 14 % of the population in the EU's predominantly rural regions suffers from employment rates of less than half the EU average, and there are areas of low per-capita GDP. Much can be done to help create a wider variety of better quality jobs and an improved level of overall local development, including through ICT.

Regional policy is also seen as key to unlocking growth potential by promoting innovation. Within this, the strategic importance of supporting local food systems and short food supply chains has slowly been recognized and is now an area being promoted as a 'special case' for which Member States may choose to develop sub-programmes and offer higher aid intensities to encourage and support local food and its supply chain development. The difficulty of defining such chains is also acknowledged, and is reflected in policy language that states that these concepts should be interpreted flexibly according to the territory and context in which they are applied. The language of the new RDP emphasises market rewards, and highlights the economic benefits of businesses working horizontally and vertically along the supply chain. However, the remit to stimulate social and territorial cohesion and provide strong incentives for regional and social innovation as targets for *Europe 2020* is also apparent. This includes recognition of the benefits of local food systems that stretch across health, environment, education, agriculture, and other economic activities (for example, tourism) and their potential to help combat regional inequalities.

Geographical Indications

Geographical Indications (GIs) are used as distinctive signs to identify a product as originating in the territory of a particular country, region or locality where its quality, reputation or other characteristic is linked to its geographical origin. Many valuable GIs relate to agricultural products that are of European origin (for example, champagne, sherry and Parma ham). Protecting GIs has become important for supporting rural development and local traditions and, within Europe, products are protected by two main quality schemes: protected designation of origin (PDO) and protected geographical indication (PGI). A harmonised regulatory system in the EU was created in 1992 to register names of agricultural products and foodstuffs; this was repealed and updated in 2006 by Regulation (EC) No 510/2006. GIs are also becoming a useful

intellectual property right for developing countries because they have potential to add value and promote rural socio-economic development (for example, Basmati rice).

Although most countries have a legal framework for the protection of GIs, the legal instruments and the level of protection vary considerably between countries and the commercial value of GIs has resulted in the growth of fraud and misuse. For example, in 2007, the 820 PDO and PGI agricultural products listed in the European Register for agricultural products and foodstuffs (excluding wines and spirits but including beer) had an estimated wholesale value of €14.2 billion and there was a rise in PDO and PGI exports between 2005 and 2007, both in volume (+ 9%) and value (+ 17%)[8].

The EU is involved in multilateral and bilateral negotiations to further protect EU GIs. At the multilateral level, a specific section of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (that creates minimum standards of intellectual protection that all WTO Members must recognize) is dedicated to GIs (Article 22 of the TRIPS Agreement 1994). However, as the EU states on its website, "GIs remain one of the most contentious intellectual property rights issues in the WTO and Members have not made substantive progress"[9]. The TRIPS provisions on GIs have been subject to a number of trade disputes; notably the challenge brought by the USA in June 1999. This contended that the EU did not accord as much protection to US GIs or similar trademarks as it did to EU producers. In April 2003, the EU revised its legislation (Regulation 2081/92) but this heightened rather than lowered concerns and in August 2003, the US was joined by Australia in the complaint. The panel ruled in April 2005 that the EU had failed to give trademark holders from the US adequate protection, as required. This decision led to the EU rewriting its regulations to take this into account (Regulation 510/2006).

GI protection is related to authenticity and the importance of local culture and tradition. Central to the GI concept is the idea that particular regions bestow unique qualities on foods and wines and a GI product is not simply *from* a place but it is said to have unique qualities that can *only be provided* by that place. GI protection means that producers outside a designated region cannot

[8] DG AGRI working document on international protection of EU Geographical Indications: objectives, outcome and challenges. ADVISORY GROUP INTERNATIONAL ASPECT OF AGRICULTURE Meeting of 25 June 2012

[9] http://ec.europa.eu/trade/policy/accessing-markets/intellectual-property/geographical-indications/ accessed 15 May 2014

use recognized GIs. For example, *méthode champenoise* – which denotes a product or process method, rather than any regional quality *per se* – has been held to be improper for German producers of sparkling wine to employ on their labels (Raustiala & Munzer, 2007). This introduces the idea of how GIs are being used to protect 'traditional knowledge' and a further geographical indication used within the EU - Traditional Speciality Guaranteed (TSG) – has been introduced to highlight traditional character, either in the composition or means of production. The GI debate is thus also linked to larger, politically sensitive debates about the level of protection for farmers and rural communities and claims about authenticity, heritage, locality and the role of place.

2.4 The promotion of local food and short food supply chains

The strategy framework for *Europe 2020* aims to promote more integration of EU policies in rural areas and new agreements to coordinate rural development policy alongside other EU funding instruments. This is another example of efforts to achieve efficiencies and synergies across the EU policy framework and is also important for the promotion of local food systems and short food supply chains (SFSCs). Rural development is one of the four basic EU regulations of the new CAP, Regulation 1305/2013, where SFSCs are defined as 'a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers and consumers' (article 2). As detailed under the RDP section above (*sub-section 2.3*), DG Agriculture and Rural Development has developed new proposals for the operation of rural development policy from 2014-20 and priority three of the new proposals has a specific focus on the food chain and in particular on: *better integration of primary producers into the food chain through quality schemes, promotion in local markets and short-supply chains, producer groups and 'inter-branch' organisations*. In December 2013, as part of these proposals, the Commission published a report (COM (2013) 866 final [10]) for the European Parliament and Council on the development of SFSCs.[11] This acknowledges the social, economic and environmental benefits of SFSCs, including their ability

[10] http://ec.europa.eu/agriculture/quality/local-farming-direct-sales/pdf/com-report-12-2013_en.pdf accessed 23 May 2014

[11] This is in line with Article 55 of Regulation (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs that entered into force on 3 January 2013.

to reduce carbon emissions and waste, and recognises the challenges that farmers and producers face in adding value to their products; it also includes a useful set of concise definitions, set out below:

- *local farming*: the production of agricultural products and foodstuffs with the aim of selling them in an area reasonably close to the farm of production;
- *direct sales*: sales by a farmer directly to a consumer, without intermediaries on the selling side;
- *short food supply chains*: sales from a farmer to a consumer with a reduced number of intermediaries;
- *local food systems*: production, processing, trading and consumption of food occur in a relatively small geographical area (generally defined as 20-100kms from the point of production).

The report goes on to suggest that there is a need to reflect on the suitability of existing policy tools and measures that were principally devised as a framework to regulate the industrial food sector. This includes whether EU rules, such as those on hygiene[12] and public procurement, provide adequate flexibility for the development of this type of farming and sales. It also explores the case for a local farming and direct sales voluntary labelling scheme to assist producers in marketing their produce locally. Taking into account the differences between SFSCs across Member States, it argues that such a scheme could be an additional tool for protecting locally produced food from imitations, and for informing consumers about them (see Kneafsey et al. (2013) for a detailed study of short food supply chains across the EU, and Committee of the Regions 2011/C 104/01 for an 'Opinion on Local Food Systems' that has served as an effective advocacy point for new policy developments since 2011)[13].

The European Agricultural Fund for Rural Development (EAFRD) co-finances the rural development programmes of Member States and was amended at the end of 2011 (Regulation (EU) No 1312/2011). Under this, Member States and regions have the opportunity to offer special support to certain groups, areas or objectives in addition to standard programme-based structures; this includes young farmers, small farms, mountain areas, and short food supply

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12 http://www.foodlinkscommunity.net/fileadmin/documents_organicresearch/foodlinks/CoPs/evidence-document-sfsc-cop.pdf accessed 18 May 2014. FOODLINKS evidence document on 'SFSCs as drivers of sustainable development' provides a useful summary of how implementation of current hygiene regulations impact on SFSCs (p.25-26) http://www.foodlinkscommunity.net/fileadmin/documents_organicresearch/foodlinks/CoPs/evidence-document-sfsc-cop.pdf accessed 18 May 2014

13 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:104:0001:0006:EN:PDF accessed10 June 2014

chains. Initiatives and actions that have resulted from this include the Youth and Young Farmers' Thematic Initiative set up in 2012 to consider how best to improve the ways in which rural youth and young farmers (defined as those under aged 40 years) can benefit from EAFRD support. In addition, the new CAP Regulation on support for rural development sets out detailed rules to ensure a consistent approach regarding the implementation of measures supported by the EAFRD across all Member States.

Partnerships established under the LEADER local development approach to strengthen local food markets and build effective rural development and rural economic growth remain a mandatory part of the new RDP 2014-20. However, the funding structure will change under the new Cohesion Policy[14] 2014-2020 framework, led by DG INFOREGIO. In the new programming period, the scheme will be referred to as Community-Led Local Development (CLLD). It is proposed that the new CLLD approach allows LEADER-type support to be better coordinated with local development support from other EU funds and will reinforce links between rural, urban and fisheries areas. Also of relevance for the promotion of local food programmes is the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI).[15] This aims to foster competitive and sustainable farming and forestry including innovation, to interlink existing policies and to foster co-operation among partners, including farmers, researchers, advisors, businesses and NGOs in the agri-food sector.

Urban-rural linkages remain an important part of regional policy-making, and insights generated by RURBAN[16] - the partnership for sustainable urban-rural development - have been used to inform the new programming period for the European Regional Development Fund (ERDF) and the EAFRD. The EU has also been more proactive at the local level with attempts to engage local authorities (LRAs) in promoting and developing local food systems through their legislative, policy and institutional frameworks. This may be through rural development planning and implementation, innovative approaches to infrastructure and services, including consumer education about their value, or through direct interventions that help facilitate or directly implement certification or logo schemes and the processes of brand development, including marketing initiatives. This is witnessed, for example by: new initiatives on food -

[14] http://ec.europa.eu/regional_policy/what/future/index_en.cfm accessed 25 May 2014
[15] http://ec.europa.eu/agriculture/eip/index_en.htm accessed 25 May 2014
[16] http://ec.europa.eu/regional_policy/what/cohesion/urban_rural/index_en.cfm accessed 25 May 2014

including urban food strategies (see for e.g. Morgan, 2014); emerging sustainable city-regions (see for e.g. http://www.sustainable-everyday-project.net/urbact-sustainable-food/); and in revaluing the public procurement of food with sustainable food sourcing in public institutions such as schools and hospitals (see for example, Galli et al., 2014).

Thus, the strategic importance of supporting local food systems and SFSCs is increasingly recognized within the EU, and with over 97 percent of European farms operating as family farms (including large and small, full-time and part-time farms), it is apt that the FAO has designated 2014 as the year of the Family Farm. As summed up in the conclusions from the recent Global Forum and Expo on Family Farming (Budapest, March 2014) there is a common understanding that family farms occupy a key position in sustainable agriculture. It is also important to note that land markets are a critical component within this policy debate because they directly impact on the long-term viability of family farms as well as on the efficiency of policy setting.

Despite (or maybe because of) evidence that the number of family farms are in decline has made them a special focus for policy-making. New provisions within the CAP (under Pillars I and II) will help strengthen the position of small farms in SFSCs and local food systems, and offer a targeted support framework for the different needs of diverse family farms across the EU. Measures include simplifying access to the CAP through the Small Farmers Scheme – expected to benefit in particular new Member States (although the definition of a small farm and the minimum eligibility criteria are likely to prove contentious) - and by strengthening the position of small farms through increased funding for innovation and farm advisory schemes and more start-up aid for young farmers.

In December 2013, building on the promotional programmes of the previous RDP (2007-13) that supported European producers by explaining the unique quality and diversity of EU farm products to consumers, the Commission, led by DG Agriculture and Rural Development, adopted a legislative proposal for new regulation, COM/2013/0812 final[17]. This aims to reform promotional policy for agricultural products, in line with CAP reform, but also, importantly,

[17] http://ec.europa.eu/agriculture/promotion/policy/legislative-proposal/pdf/text_en.pdf accessed 25 March 2014

impacts on local food systems with its focus on labelling, producer organisations and quality products. More specifically, the policy widens the scope of measures and:

- allows labelling to specify the origin of products and their brands, within certain limits;
- extends eligible beneficiaries to include producer organisations; and
- extends the range of products eligible for inclusion under European quality systems, particularly to processed agrifood products, such as, pasta.

Tentative agreement was reached in April 2014 and there is now a stated aim to formally adopt the policy in early summer 2014. When adopted, the policy aims to develop and open up new markets for European agricultural products both on the internal market and in third countries. As EU Agriculture Commissioner Dacian Cioloş stated, "for me, one of the key changes is the new emphasis that we will give to promoting products outside the EU in order to help establish new markets and to more multi-country programmes in order to establish better cooperation and therefore a more genuine European added value."[18] Policy change includes a significant increase in aid that should rise progressively from EUR 61 million (2013) to EUR 200 million in 2020.

In parallel with these developments, the EU organic market has quadrupled over the last 10 years and is a vital part of small-scale local farming systems. In March 2014, as an additional new financial support measure under the CAP, the EC, led by DG Agriculture and Rural Development, published proposals for a new regulation, COM(2014) 180, on organic production and the labelling of organic products that will affect small-scale farmers. These include:

- harmonised production rules;
- the requirement for agricultural ingredients in organic processed products to be exclusively organic;
- a requirement for organic operators other than farmers to develop a system to improve their environmental performance;
- a legislative text detailing the control system;
- a group certification system for small-scale farmers in the EU;
- specific provisions for enhanced traceability and fraud prevention.

The Commission has also adopted an Action Plan,[19] COM(2014) 179, on the future of Organic Production in Europe (see also www.organic-farming.eu). The Action Plan aims to inform organic farmers, producers and retailers about rural development and farm policy initiatives that support the sector, strengthen links between EU research and innovation projects and

[18] http://europa.eu/rapid/press-release_STATEMENT-14-96_en.htm accessed 28 May 2014
[19] http://ec.europa.eu/agriculture/organic/documents/eu-policy/european-action-plan/act_en.pdf accessed 25 May 2014

organic production, and encourage the use of organic food, for example in schools. The EU organic label (the 'Euro leaf' logo) was also updated in 2010 and, in July 2012, became obligatory on all pre-packaged organic food products produced in EU Member States that meet the necessary standards.

As previously stated, 99 percent of companies operating in the European food and drink industry are SMEs (see Box 6.1 for definition) and although they remain a priority for regional development under the new Cohesion Policy 2014-20 and are a key focus of proposals for the new RDP, there is another raft of policy change that targets SMEs, led by DG Enterprise and Industry, within the strategic framework for *Europe 2020*.

Box 3: What is an SME?

(source: adapted from *Thinking Big for Small Businesses: What the EU does for SMEs* (EU 2011))

Small and medium-sized enterprises (SMEs) are defined as companies with fewer than 250 employees and which are independent from larger companies. In addition, they have an annual turnover up to €50 million or an annual balance sheet up to €43 million.

There are three types of SME:

- Micro-enterprises have fewer than 10 employees
- Small enterprises have between 10 and 49 employees
- Medium-sized enterprises have between 50 and 249 employees

SMEs and micro-enterprises are vital to local food systems and they also frequently form part of highly fragmented and complex global food chains. Encouraging farmers to use a mix of SFSCs, or to combine them with longer chains, in order to build resilient routes to market and reduce risks from market volatility is a key part of strategic objectives for policies around the Market. This policy thrust aims to increase the capacity of SMEs to compete both as importers and exporters and also supports the (re)-integration of local **into** global by weaving their growth potential into global value chains (GVCs) in order to increase competitive advantage. For example, the trade strategy[20] for *Europe 2020* aims to 'internationalise' SMEs and move them up 'the value added ladder'.

[20] http://cor.europa.eu/en/documentation/studies/Documents/trade-strategy-for-europe-2020.pdf accessed 26 March 2014

This trend is more apparent within Member States with high levels of retailer concentration and where standardized processes are used to maintain efficiencies. Increasingly, smaller food producers and operators across the supply chain are integrating horizontally within these global logistics as they try to appropriate a larger share of the profits or 'added value'. However, at another level, as the European Network for Rural Development (ENRD) notes in its Rural Review (ENRD 2012), although buying alliances and groups of independent SME retailers already operate, working collaboratively is not the norm for many food producers and requires new forms of governance and support networks to enable them to develop trust in other businesses that may previously have been perceived as competitors, as well as developing relationships with the public sector and community organisations. There is also evidence that further integration of 'long' and 'short' chains in order to improve competitive advantage is being challenged by other counter pressures - for example, consumers buying local as a means of maintaining jobs in times of economic austerity.

Another key area of more market-driven policy change that has potential to support SMEs and SFSCs concerns the reform of public procurement. As part of the ongoing review process of the Market Act II[21], new directives for the reform of public procurement were adopted by the Council in February 2014[22] and Member States have until April 2016 to transpose the new rules into their national law (except with regard to e-procurement, where the deadline is September 2018).[23] At a more general level, the new rules aim to ensure greater inclusion of common societal goals in the procurement process, referred to as 'greening public procurement', including environmental protection, social responsibility and public health. There is a body of evidence that illustrates how urban governments are already devising innovative approaches to public sector food procurement in Europe in order to implement more sustainable food purchasing practices - see for example, '*Revaluing public sector food procurement: an action plan for sustainability*.'[24] Of particular relevance for local food systems, are concrete measures that

[21] http://ec.europa.eu/internal_market/smact/index_en.htm accessed 1 April 2014
[22] Directive 2014/24/EU replacing directive 2004/18/EC; Directive 2014/25/EU replacing directive 2004/17/EC and new Directive 2014/23/EU
[23] http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/140975.pdf accessed 1 April 2014
[24] http://www.foodlinkscommunity.net/fileadmin/documents_organicresearch/foodlinks/publications/Foodlinks_report_low.pdf accessed 10 June 2014 - an outcome of the Foodlinks project that includes

remove barriers to market access for SMEs. This includes simplification of documentation obligations in procurement procedures, the creation of a standardised document for selection purposes, an incitation for contracting authorities to consider the division of contracts into smaller lots that are more accessible for SMEs, and a reduction on requirements for participation.

The above analysis demonstrates how CAP reform and the EU's evolving policy framework 2014-20 is attempting to combine competitive, market-driven policy making, illustrated by its focus on SMEs as an important way of bolstering market competitiveness in the food sector, with new policy directions that acknowledge the value of local food systems and SFSCs for rural and regional development. There is evidence that EU policy is beginning to support the notion of the 'plural model' for agriculture where, if diversity is to be regarded as a major asset, 'the links between farming and consumers' expectations must be strengthened, as must the links between farm production and local, regional and international markets' (Committee of the Regions 2011/C 104/01, para 6[25]). This supports Marsden's (2012) argument that we "can no longer divorce agriculture from the wider social and ecological spaces in which it is created, or the complex interdependencies it helps to sustain [and there is a] need to recalibrate and reframe more integrated and embedded notions of agrifood into regional and local systems". However, there are different perceptions and attitudes about what new policy directions means for individual Member States (Kirwan et al., 2014), For example, 'new' member states (Latvia and Serbia) raise issues about how local food chain inefficiencies and lack of standards can impede their access to EU markets. Whereas other countries in the study (France, Italy, and the EU partner state Switzerland) highlight territoriality (the capability of a supply chain to represent and promote product and place links) as the dominant performance frame for their food systems and, in this instance, Member States have developed legal frameworks and incentives to support such types of food chains at the national level - with GIs being incorporated into EU level legislation and policy.

European case studies and an Action Plan that addresses a set of environmental, social/health and economic indicators.

[25] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52010AR0341&from=EN accessed 1 April 2014

As the EU grapples with developing and implementing new policy to help support local food systems and SFSCs, one also has to ask how well these policy prescriptions are designed to travel across the various Directorate Generals with their differing agendas, and at national, regional and local levels within the 28 Member States. It is also important to acknowledge that what might be applicable and beneficial within Europe, could be detrimental for countries outside Europe and in particular, for developing countries. As McCann (2011) puts it, this is the difficulty of how to 'walk the line' between local specificity and global interconnection.

2.5 The European Commission and Food Chain competitiveness: the economic dimension

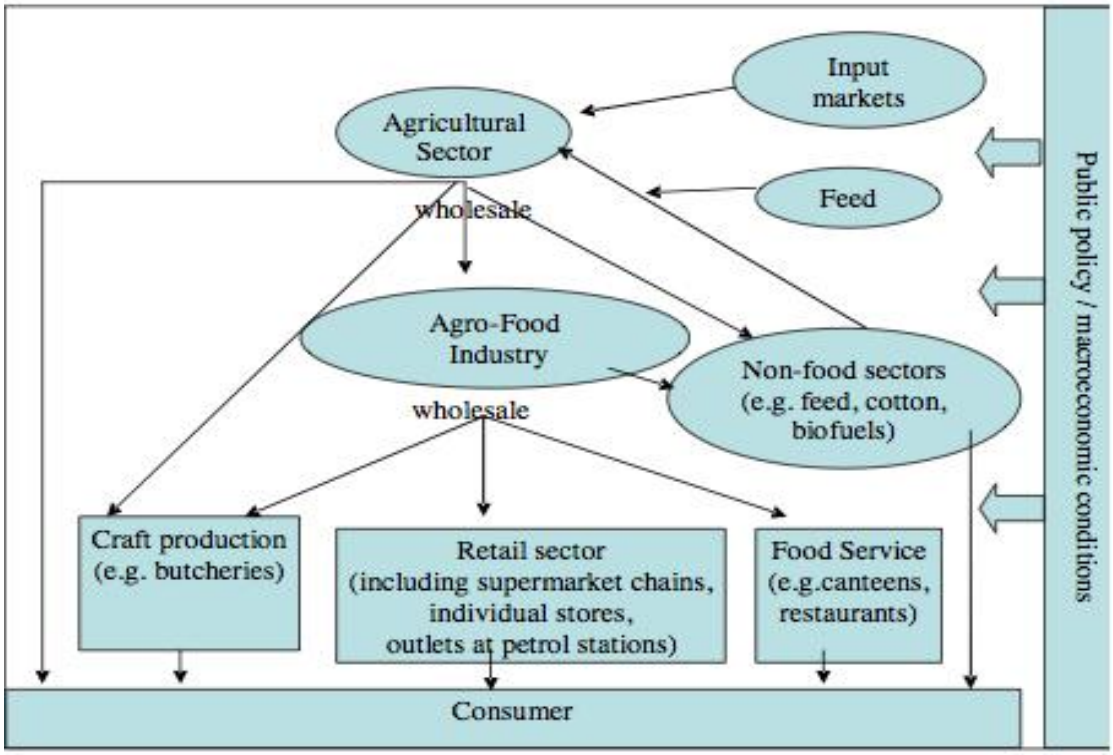
Under the EU's *Lisbon Strategy* for enhancing industrial competitiveness the Commission had set up a review of the working of the Single Market in 2007. Under this the functioning of food chains and the competitiveness of the agriculture, the food processing and distribution sectors (including retail) were identified as areas of concern. DG Enterprise's Food Industry Unit set up a cross *Commission High Level Group on the Competitiveness of the Agro-Food Industry 2008-9*. This laid out a road map of policy initiatives; one of the key concerns being how to support and promote the SMEs who make up 99.1% of the EU's 287,000 food and drink companies. The management of food chains was an area that the recommendations focused upon for further action by the commission.

The conceptualisation of the food chain in the *High Level Group on the Competitiveness of the Agro-Food Industry's* Report is laid out in Figure 1. The main stream or more global food chains can be found in the main central part of the diagrammatic food chain flow, whereas the more local dimensions are found flowing through the left hand side flows; either direct from the agricultural sector to consumers, or via craft processors (butcheries, cheese makers, millers, etc).

One key element that emerged from the Group's deliberations was the role that food retailers had come to play in the distribution of profits along the supply chain, adversely affecting both manufacturers and primary producers, reflecting a key trend in the private governance of food. At the same time, the global commodity prices hikes of 2007-8, and their subsequent decline

followed by ongoing volatility, had led the Commission to investigate how changing commodity price fluctuations fed into the setting of food prices across the EU market to monitor for anti-competitive behaviour. The new agri-food sector and food chain policy priorities for the Commission followed this up with a communication on *A better functioning supply chain in Europe* [26] which led, in turn to, *High level Forum for a Better Functioning Food Supply Chain in Europe*, to coordinate the implementation of the roadmap of initiatives to improve the competitiveness of the agro-food industry in cooperation with the stakeholders.

Figure 1: Diagrammatic Conceptualisation of the main food chain flows in EU Agro-Food Industry
(source: *High Level Group on the Competitiveness of the Agro-Food Industry's* Report: 34[27])



26 http://ec.europa.eu/enterprise/sectors/food/files/high_level_group_2008/documents_hlg/final_report_hlg_17_03_09_en.pdf accessed 19 June 2014

27 http://ec.europa.eu/enterprise/sectors/food/files/high_level_group_2008/documents_hlg/final_report_hlg_17_03_09_en.pdf accessed 19 June 2014

The Forum is interdepartmental, led by the DG Enterprise Commissioner, together with the Commissioners of DGs Internal Market, SANCO, and Agriculture. Three key areas identified for further work were: business to business trading relationships along supply chains, and the monitoring of food prices across the EU market and its member states (including the use of financial mechanisms in commodity trading), as well as improving competitiveness in the agri-food industry.

The working group on B2B relationships put forward a set of good practice principles on vertical relationships in the food supply chains in 2011. This was an attempt to address the rise of retailer buyer power in the food supply chain and the pressures being put upon farm level producers, in particular, by unfair trading practices[28]. However, only 8 out of 11 members of the working group signed up for the voluntary enforcement code based on these principles[29]. Consequently, at the beginning of 2013 the Commission produced a Green Paper on unfair trading practices in the business-to-business food and non-food supply chain which established a monitoring brief of EU wide and national member state practices in terms of voluntary and compulsory enforcement activity, with a view to further possible policy action[30]. These tensions in supply chain relationships remain an unresolved tension and illustrate the difficulties that can emerge in such voluntary and best practice type governance approaches, as opposed to more direct policy intervention from public authorities.

The food prices monitoring tool mechanism was set up to refine a methodology for overseeing price distributions for food commodities and products along the supply chain. The agri-food competitiveness initiatives have clearly linked to the SCP policy, which has been led by DG Enterprise, but has also involved cross departmental policy formulation, with DG Environment taking on the development of some key initiatives. Within these sustainable food policies initiatives, the whole food chain dimension is also emerging in different ways. However, the resultant main actions from the *High Level Group on the Competiveness of the Agro-food Industry's* original key recommendations that were specific to agriculture have all been reported

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[28] http://ec.europa.eu/enterprise/sectors/food/files/competitiveness/good_practices_en.pdf accessed 18 June 2014.
[29] http://agritrade.cta.int/en/layout/set/print/Agriculture/Topics/CAP-reform/EC-policy-developments-on-addressing-unfair-trading-practices accessed 18 June 2014.
[30] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0037:FIN:EN:PDF accessed 18 June 2014.

as being delivered under the CAP reform negotiations - a reflection of the degree of separation and distinctiveness of this policy layer from the others[31].

There have emerged cross-departmental and private-public platforms involving the Commission that together provide a rather ad hoc set or portfolio of related policy fora (see table 2). As part of the reforms over food safety, in 2004 DG SANCO's created the *Food Chain, Animal and Plant Health Advisory Group*. The advisory group was designed to rationalize the existing advisory groups under SANCO's remit and to create a stakeholder forum that encompassed the whole food chain. This provided another example of a deliberative forum for aiding policy review and formulation, but in this case one that has sought a food chain length perspective. SANCO's Food Chain Advisory Group, subsequently, has set up another cross-departmental *Working Group on Food Waste* (again with prompting from the European Parliament) with added membership from DGs Environment and Agriculture[32].

A second policy forum, under DG Environment, is the *European Food Sustainable Consumption Production Roundtable*, as explained above. While the Food and Drink manufacturing industries were prime movers in the SCP Food Roundtable, which has a wide stakeholder membership from Euro associations along the food chain, DG Environment also set up the *Retail Forum for Sustainability*, in 2009, as a voluntary platform enabling retailers to contribute proactively to the Commission's SCP Action Plan. It has had its mandate extended until 2016. Within the Retail Forum, the *Retailers' Environmental Action Programme* facilitates dialogue between: the European Commission, European retailers and other relevant stakeholders. In addition, the Forum has overseen the development of a matrix of environmental action points that documents specific commitments individual companies have made to improve sustainability. In 2012, it adopted of a voluntary agreement on waste reduction.

The *High Level Forum for a Better Functioning Food Supply Chain in Europe*'s work stream on agri-food sector competitiveness, in its mid term report, emphasised the achievements of the Food SCP Roundtable and the creation of a Social Forum to provide a structured social dialogue

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31 http://ec.europa.eu/enterprise/sectors/food/files/competitiveness/midterm_report_competitiveness_en.pdf accessed 18 June 2014.

32 http://ec.europa.eu/dgs/health_consumer/dgs_consultations/docs/ag/summary_ahac_05102012_en.pdf

in the EU food and drink industry. FoodDrinkEurope and the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) jointly applied to have a *Social Dialogue Committee* set up under the aegis of the Commission. The Committee was formally launched on 23 January 2012 to look at sustainable employment, including an in-depth study on the demographics of the workforce in the EU food and drink industry. Hence, the social dimension of the sustainability food agenda, around employment and working conditions, is located in the DG Enterprise, under a neo-corporatist social partnership. The dangers of economic self interest arising from such a partnership were illustrated when the two partners immediately opposed the Health Commissioner's advocacy of health taxes as a method of improving food consumers' eating patterns (EU Food Law 2013).

FoodDrinkEurope have effectively occupied the policy ground by also seeking to follow the Commission's differing policy initiatives with their own blueprints for action by their members, launched with a succession of policy documents throughout 2012. Firstly, they produced a Green Vision for the food industry to follow with a 2030 horizon, launched in May. Secondly, their manifesto detailed the industry's contribution to economic growth, *Feeding the Recovery,* in October. Finally, a EU Industrial policy for the food industry, to promote market opportunities in both the European market and for export, was produced and further updated in 2014. Also, a *Feeding the Debate* report was reissued and updated in 2014 as a promotion to the newly elected European Parliament in preparation for the next cycle of EU policy making under the new Commission and Parliament [33]. This policy promotion has echoes of the activities of the Senior Advisory Group on Biotechnology (SAGB), composed of the main life sciences companies, to create a policy domain to promote the Biotechnology industries, and in turn GM food, in the early 1990s within the Commission. The SAGB position papers fed into the policy formulation of DG Industry and into the content of the Delors Commission's 1993 *White Paper on Growth, Competitiveness and Employment* (Barling, 2000). A similar and somewhat symbiotic process appears to be evolving in the development of policies on sustainability of the European food industry.

[33] http://www.fooddrinkeurope.eu/publications/category/reports accessed 16 June 2014.

Table 2: European Commission: Food Chain related platforms

(source: Barling and Parsons, 2013)

Policy forum	Directorate General(s)
High level Forum for a Better Functioning Food Supply Chain in Europe *Work groups*: *1. B2B relationships* *2. Food Prices Monitoring* *3. Agri-food sector competiveness = linked to SCP work*	Lead: DG Enterprise Plus: DG Internal market DG Consumers and Health DG Agriculture
European Food Sustainable Consumption Production (SCP) Roundtable	DG Environment = Lead Plus DG SANCO EEA UN organisations Peak Euro associations related to food and agriculture
Food Chain, Animal and Plant Health Advisory Group *Food Waste working group*	DG SANCO DG SANCO = lead DG Environment DG Agriculture
Retail Forum *Retailers Environment Forum*	DG Environment = lead Private-public forum: main European food and grocery retailers DGs retailers, other stakeholders
Social Forum/Dialogue Committee	DG Enterprise = lead Social Partners: FoodDrinkEurope & EFFAT

2.6 Food safety and public health: the health dimension

A significant layering of institutional reform and new policy responsibilities occurred with the food safety reforms instituted in the late 1990s in the wake of the BSE crisis. The European Parliament found the Commission guilty of serious maladministration and threatened to censure (remove from office) the appointed leaders of the Commission should it fail to act. The

European Commissioner Jacques Santer acknowledged shortcomings in the protection of consumer health and promised radical reform of the Commission's machinery, "nothing short of a revolution in our way of looking at food and agriculture" (Santer, 1997). The rise of public concerns over food safety resulted in a period of 'contested governance', signalling "a pervasive sense of distrust that challenges the legitimacy of existing institutional arrangements" (Ansell & Vogel, 2006:10). This distrust, then, went beyond policy disagreement to embrace deeper concerns about the ability of the prevailing institutions and processes to manage risk in food supply chains.

This contested governance over food safety coincided with a more general review by the EU of its governance arrangements, as explained above, and the reform efforts around food safety became tied up in the EU's political efforts to renew its legitimacy in the eyes of the European publics. In short, the reforms for food safety were part of a wider political management effort to rebuild both consumer and citizen trust in the European institutions and processes for the longer term. As the European Commissioners Fischler (Agriculture) and Byrne (Health and Consumer Protection) stressed in a joint statement following the reforms: 'The real issue here is one of consumer confidence in the ability of the whole food chain, including public regulators, to satisfy public demand for safe quality food' (European Commission, 2002).

The main reforms in this "revolution" involved a recasting of EU food law (OJL, 2002) and institutional change, transference and relocation of policy responsibilities and the creation of new policy layers. Firstly, food safety was removed from DG Agriculture, and food law from DG Industry. Previously, both of these DGs had acted as both sponsor and regulator of their respective food chain industry partners of farming and food industries, respectively. These policy responsibilities were removed to DG SANCO that expanded its consumer responsibilities to public health. Secondly, there was the creation of the European Food Safety Agency (EFSA) as a risk assessment body, under SANCO's management, incorporating the Commission's scientific committees. This was a significant series of reforms and relocation of policy responsibilities within the Commission. However, successful policy initiation and formulation was dependent upon the ability of the food chain to implement reforms successfully. While the consumer focused public health aspects of food safety, and of animal and plant health, and the attendant consumer group interests, were now layered on to the existing food and agriculture policy domains under the Commission's remit, the food industry stakeholders remained important for

policy implementation. From food hygiene standards to food traceability, the implementation of new regulatory standards relies upon the cooperation of the food chain stakeholders.

DG SANCO, subsequently extended its policy reach within its treaty competencies to the growing public health concerns about diet related ill health and obesity. While public health is primarily a national policy competency, the Commission's policy making role does embrace three areas: firstly, support for effective public health strategies (which are national in origin); secondly, providing EU wide data and analysis; and, lastly, food labelling as a policy instrument (Byrne 2004). Under food labelling, the Regulation on nutrition and health claims made on foods (1924/2006) allowed EFSA to rule on the scientific legitimacy of such claims and its first set of rulings caused widespread dismay amongst the food supplement industry when it rejected a first tranche of 500 product claims in 2009. The revision of food labelling, under the Food Information to Consumers Regulation (1169/2011), reflected a widespread input from consumer and social interests at the formulation stage, although these aspects were weakened by successful industry lobbying in the legislative passage through the European Parliament and the Council (Kurzer & Cooper, 2013).

In the formulation of policy action on diet related health, the approach was towards co-operative processes "framing voluntary responsible behaviour" (European Commission Health & Consumer Protection Directorate-General 2004). To this end DG SANCO established the *EU Platform on Diet, Physical Activity and Health (EUPDPAH)* in March 2005 encouraging industry and NGO stakeholders to report voluntary private and private -public initiatives designed to reduce obesity across the five identified areas of: consumer education, including labelling; education; physical activity promotion; marketing and advertising; and, composition of foods, availability of healthy foods, and portion sizes. DG SANCO then oversaw the monitoring and review of the actors' performance "so that over time better evidence is assembled of what works, and Best Practice more clearly defined" (Griffiths et al., 2012). The platform members were umbrella Euro-level organizations, in the prescribed fashion, such as: BEUC; FoodDrinkEurope; Confederation of the Food and Drink Industries; European Association of Fresh Fruit Producers; European Food Information Council; European Vending Association; International Association for the Study of Obesity. Also established, subsequently, was *The High Level Group on Nutrition and Physical Activity* (HLGNPA) composed of European government

representatives, led by the Commission, to ensure liaison between member state governments and the Platform.

2.7 Animal welfare: an ethical dimension

One more explicitly ethical dimension of policy development that impacts upon food chains has been around animal welfare. Recognition of the uneven application of animal welfare legislation in Member States, and of the diversity of climatic, terrain and farming systems in which it must be applied, has resulted in a new strategy for Animal Welfare for the period 2012-15.[34] The new strategy, led by DG SANCO, builds from the premise that animals are 'sentient beings' and takes a multi-layered approach that includes:

- dealing with Europe-wide problems with a set of general principles that will simplify rules and improve enforcement;
- improving the training of animal keepers and veterinarians who inspect farms;
- supporting EU countries in their compliance with EU rules;
- building international cooperation toward improving animal welfare;
- improving consumer information and their empowerment.

There are two key aspects to the new strategy. The first recognizes that although it is important to respect the diversity of different Member States, common solutions are required in order ensure rules balance both protecting the welfare of animals, and supporting the competitiveness of the EU farming and agricultural industry. The second recognizes that animal welfare is an important issue for European consumers and that it is important to provide good information about animal welfare practices. The proposed legislative framework aims to simplify rules, reduce administrative tasks, and promote the EU's animal welfare standards in the marketplace by integrating 25 existing regulations and directives into one regulation. The proposed legislation is currently under consideration by the European Parliament and its authorization is still being debated, including additional proposals for livestock welfare laws or guidelines.[35]

[34] http://ec.europa.eu/food/animal/welfare/docs/brochure_aw_strategy.pdf accessed 10 June 2014
[35] http://www.globalmeatnews.com/Industry-Markets/EC-to-consider-additional-laws-on-animal-welfare accessed 11 June 2014

The Commission has also been conducting research on how to ensure consumers are better informed when they make purchasing decisions based on animal welfare factors. A recent study on consumers' attitudes and perceptions about farm animal welfare in Europe, conducted as part of the European Animal Welfare Platform,[36] revealed how consumers considered product labels and brands useful sources of information for assessing the animal welfare friendliness of products. This indicates the concurrence of both ethical and economic factors. The ethical factor concerns the wellbeing of the animal and the economic factor concerns the price premium that some consumers are prepared to pay for 'quality' products with enhanced animal welfare standards. Organic was unanimously perceived as the most animal welfare friendly system of production, as well as small-scale farming. In order to use the EU organic logo, farmers, processors and traders have to comply with animal welfare requirements. Organic farming, led by DG Agriculture and Rural Development, is the only farming system in the EU defined by Regulation (834/2007). This lays down minimum rules for organic animal production, 'where animals must have access to the outdoors and the number of animals per unit area is limited. Drug and feed supplements are restricted and much of the food that the animals eat must be produced on their home farm, or by organic farms in the region'[37].

However, the study also found that the importance attached to labels and brands varied across countries. They were considered most important in the UK, Sweden and the Netherlands, and least important in Norway and Hungary. Whereas in Italy and France brands were considered important for assessing welfare friendliness, even though most brands made little or no explicit reference to animal welfare. The final conclusions are perhaps the most revealing because while consistently positive answers lend support to the view that a norm has developed in Europe about consumer responsibility for animal welfare, 'consumer action (i.e. what people actually do in order to enact this norm) is strongly dependent on trust in experts, food suppliers and regulatory institutions'.

[36] http://www.animalwelfareplatform.eu/documents/ProjOutput-consumerconcerns.pdf accessed 10 April 2014. 'Report concerning consumer perceptions and attitudes towards farm animal welfare' European Animal Welfare Platform Report for EAWP Platform.

[37] from Soil Association website: http://www.soilassociation.org/Animalwelfare accessed 11 June 2014

Animal welfare remains a major focus of concern both within Europe and with regard to countries from outside supplying European markets. For example, AWIN – the animal welfare indicators project[38], funded under FP7, aims to develop standardized welfare assessment protocols across five species, with an emphasis on pain assessment and pain recognition.

2.8 Environmental action programmes and sustainable development strategies and foods chains: the environmental dimension.

According to the Netherlands Government, some 80% of its environmental legislation emanates for EU legislation, and this has the status of a notional figure widely quoted in policy circles to illustrate the key role that EU regulation plays in national environmental policies of its member states. [39] A carefully researched estimate of German environmental legislation put this figure at 81.3 % to 67% in different years during the early to mid 2000s (Miller 2010). There are numerous examples of specific regulations and directives that impact upon at least one or more stage of the food chain, from the EU Framework Water Directive (2000/60/EC) to the Packaging and Packaging Waste Regulation (94/62/EC amended by 2004/12/EC). The Framework Water Directive, for example, encompasses the Nitrates Directive that covers agricultural pollution into ground water, notably from Dairy and Beef production and from the application of fertilisers to crops and grassland[40]. The Packaging and Packaging Waste Directive has recently sought to include legislation to reduce plastic bag consumption, particularly prevalent in grocery retail[41].

One strategic area where agriculture, and more recently food, has been included is under a succession of Environmental Action Programmes. The EU's first Environmental Action Programme (EAP) was put in place in 1973. The 7th EAP (current) version was launched in 2013, setting policy until 2020[42]. The current Programme is entitled *Living well, within the limits of our*

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[38] http://www.sruc.ac.uk/info/120243/animal_behaviour_and_welfare/605/awin_at_sruc accessed 11 June 2014
[39] http://www.government.nl/issues/environment/roles-and-responsibilities-of-central-government/eu-legislation accessed 30 April 2014
[40] http://ec.europa.eu/environment/water/water-framework/index_en.html accessed 16 June 2014
[41] http://ec.europa.eu/environment/waste/packaging/legis.htm accessed 16 June 2014
[42] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013D1386&from=EN accessed 10 June 2014

planet, and it presents a holistic vision of a 'green economy' where health, equity, wellbeing and livelihoods are nurtured, and 'natural capital' is valued for its intrinsic worth as well as for its economic usefulness. The 7th EAP enshrines the need to integrate environmental concerns into all policy, and advocates an improved knowledge base to support this aim. Table 4.7.1 sets out the three objectives and four 'enabling conditions'.

Table 3: Policy objectives, 7th EAP 2013

(source: http://ec.europa.eu/environment/newprg, accessed 30 April 2014)

Key objectives:	1. Protect, conserve and enhance the EU's natural capital 2. Turn the EU into a resource-efficient, green and competitive, low carbon economy 3. Safeguard the EU's citizens from environment-related risks to health and well-being
Enablers:	Better implementation of legislation Improved knowledge base Wiser investment for environment and climate policy Full integration of environmental requirements into other policies

The EAP notes that targets for overall lifecycle impacts of consumption should be set, in particular for the food sector[43].

Sustainable Development (SD) entered EU policy via the Treaty of Amsterdam in 1997. Article 1 of the Treaty stated that economic and social progress must 'take into account the principle of sustainable development'. Article 2 stated that the EU's task should be to promote:

> "*a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States*"[44]

[43] ibid: 193, par 77.
[44] http://www.eurotreaties.com/amsterdamtreaty.pdf accessed 14 April 2014

The Amsterdam Treaty stressed the need for 'environmental integration', defined as 'making sure that environmental concerns are fully considered in the decisions and activities of other sectors'[45].

In 2001, the Commission presented what is often referred to as the EU's first SD strategy, *A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development*[46]. The SDS was seen to complement, rather than subsume, the EAP and the Lisbon Strategy; and it was part of the preparation of the EU's position for the UN Johannesburg summit on SD, by which time the EU added a 'global' dimension to its SDS recognising that sustainability issues transcend European borders and require collaborative global action[47].

The EU were signatories to the *World Summit on Sustainable Development's* Johannesburg Plan of Action (2002), and the subsequent United Nations' led Ten Year Framework of Programmes on sustainable consumption and production, called the *Marrakech Process*. The EU's *Sustainable Development Strategy 2006*, which was revised in tandem with the mid term review of the *Lisbon Strategy*, highlighted the challenge to "gradually change our current unsustainable consumption and production patterns and the non-integrated approach to policy-making" (Council of the European Union 2006: 2). Seven priority areas for policy were identified (Table 4.7.2).

Table 4: Seven priority policy areas for SDS, 2006

(source: CEC 10117/06)

1. Climate change and clean energy
2. Sustainable transport
3. Sustainable consumption and production
4. Conservation and management of natural resources
5. Public health
6. Social exclusion, demography and migration
7. Global poverty and development challenges

[45] http://ec.europa.eu/environment/integration/integration.htm, accessed 14 April 2014
[46] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52001DC0264:EN:NOT, COM 2001 0264 Final
[47] http://ec.europa.eu/invest-in-research/pdf/download_en/barcelona_european_council.pd

Within the Commission, the drive towards sustainable consumption and production derived from the EU's commitments made at the Johannesburg Summit was led, initially, by DG Enterprise who produced the *Sustainable Consumption Production (SCP) and Sustainable Industrial Policy Action Plan* (2008) that addressed action areas for environmental policies and industry as a whole (Commission of the European Communities 2008). The Action Plan included some key areas linked to sustainable food:

- greening public procurement,
- improving supply chains' environmental efficiencies,
- raising consumer awareness and
- extending the use of the EU's Eco label.

This has led to a range of policy initiatives that address the sustainability impacts of food products within this SCP framework (see Table 4.7.3). In the case of the Ecolabel, it was decided that the methodologies for application of the label to food products are not considered to be robust enough at present for this to proceed any further (Sengstschmid et al., 2011). A more explicit extension to food came with the setting up of the *European Food Sustainable Consumption Production Roundtable* at the instigation of FoodDrinkEurope (formerly CIAA), the European Food and Drink Manufacturers trade association, supported by other major European trade associations around the food supply chain. The trade associations collectively co-chair the SCP Food Roundtable in partnership with DG Environment from the Commission. The Roundtable's declared objectives were:

> *"to facilitate agreement on uniform and scientifically reliable environmental assessment methodologies for food products....put an end to consumers seeing inconsistent environmental information on products...(and) identify suitable means of voluntary communication to consumers"* (CIAA 2009).

In addition, DG Environment, through the European Commission's Joint Research Centre's (JRC) Institute for Environment and Sustainability (IES), developed the Communication *Building the Market for Green Products* (COM (2013) 0196) [48], and the Commission's *Recommendation on the use of common methods to measure and communicate the life cycle environmental performance of*

[48] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013DC0196 accessed 16 June 2014

products and organizations [49]. At the heart of this work is the application of environmental life cycle assessment (LCA) methodology to categories of products, including food. The framework methodologies for Product Environmental Footprints (PEFs) and Organisational Environmental Footprints (OEFs) have been established. PEF pilot projects began in 2013 with a call going out to begin pilot projects on food products in 2014[50]. The application of LCA depends upon data access along the food supply chain, much of which needs to be collected from, or is already being gathered by, the private sector. Here, there is convergence in the application of the European Commission's PEF's and private schemes which were drawn upon in its formulation, such as the Walmart funded Sustainability Consortium. The Commission is seeking to maintain this international compliment between its own PEF with other private and national and international initiatives[51].

In 2010, European Commissioner Barroso launched the Commission's broader *Europe 2020* strategy for smart, sustainable and inclusive growth that included the goal of moving to a more resource efficient Europe. The follow up document detailing the *Roadmap to a Resource Efficient Europe* included a series of key milestones to be achieved by 2020. The milestones included a commitment that "healthier and more sustainable food production and consumption will be widespread and will have driven a 20% reduction in the food chain's resource inputs"[52]. A step towards this goal was to "develop a methodology for sustainability criteria for food commodities", as detailed above and an anticipated Communication on Sustainable Food. This process signalled a more significant role for DG Environment, following the initial framing from DG Enterprise, in elaborating what the key criteria for assessing sustainable food should be.

[49] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013H0179&from=EN accessed 16 June 2014.
[50] http://ec.europa.eu/environment/eussd/smgp/product_footprint.htm accessed 16 June 2014.
[51] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013DC0196 accessed 16 June 2014. See also http://www.pef-world-forum.org
[52] http://ec.europa.eu/environment/resource_efficiency/pdf/com2011_571.pdf accessed 16 June 2014.

Table 5: Policy developments around sustainable food in the European Commission 2008-14
(source: adapted and updated from Barling, 2011)

Policy initiative	Details
Sustainable Consumption-Production & Sustainable Industrial Policy Action Plan (2008)	Voluntary initiatives on environmental policy and industry: key areas for food: improving supply chains' environmental efficiencies, raising consumer awareness and extending the use of the EU's Eco label; greening public procurement
Suitability of the potential extension of the *Ecolabel to food* products	Background report recommended against this on the basis of lack of clear and agreed methodologies etc. making extension unlikely
European Food Sustainable Consumption Production (SCP) Roundtable (2009-) co-chairs DG Environment & European Food & Feed Trade Associations. Based in FoodDrinkEurope) & supported by JRC.	Facilitate agreement on environmental assessment methodologies for food products & environmental information on products via agreed voluntary communication to consumers.
DG Environment & JRC (2011 -2012): *Harmonised framework methodology for the calculation of the environmental footprint of products (PEFs).*	Framework methodology for most main industrial sectors including agriculture and food and principles for effective communication: • *Building the Market for Green Products* COM (2013) 0196. • Commission's *Recommendation on the use of common methods to measure and communicate the life cycle environmental performance of products and organizations* • Pilot PEF projects for food products 2014-7.
Roadmap to a Resource Efficient Europe (2011) part of the actions from *Europe 2020: A strategy for smart, sustainable and inclusive growth* (2010)	Long-term policy goals with milestones: e.g. • 20% reduction in the food chain's resource inputs (2020). • Develop a methodology for sustainability criteria for food commodities by 2014 (see above) • Sustainable Food Communication due mid 2014 but not approved under Barroso Commission.

The Communication on Building a more Sustainable Food System was heralded as providing a vision for what a sustainable food system could look like by 2050, and the priorities for action by society and industry and the scope of the Commission's responsibilities and role. The term

resource efficiency has moved into the policy sub-headings and to the fore in the EU and internationally (UNEP 2012). The development of the Sustainable Food Communication came from the Food Waste Working Group with DG Environment's Unit on Eco-Innovation and Circular Economy who also led the wider public consultation that fed into its drafting. The Sustainable Food Communication failed to be completed and released under the Barroso Commission as the food waste goals took priority. The Communication was heralded as part of a wider policy package within DG Environment's Circular Economy initiative, under its Resource Efficiency flagship, with its emphasis on recycling and renewal of material resources once products, buildings or infrastructure reach the end of their original use. A key proxy measurement to benchmark advance to a circular economy is set as Raw Material Consumption related to GDP (although the Commission does not include embedded imported resources in this calculation). In the words of the Environment Commissioner, speaking in early June 2014:

> *"…it is through circular economy models that we have the greatest opportunity to revolutionize Europe's resource efficiency and make Europe competitive for the future….*
>
> *…the package that the Commission will adopt in a few weeks will have at its core a push for higher recycling rates, and a push for the elimination of landfill in waste legislation….*
>
> *So the circular economy package will situate waste legislation as one tool among the many needed to create a virtuous circle, in which secondary resources are sucked back into the productive economy by demand, in which one companies waste is another's resource, in which we buy performance, not stuff.*
>
> *The package will set out how we should innovate for a circular economy based on life-cycle approaches. It will set out the instruments needed to induce changes in design, in investments, in business models, and in markets.*
>
> *It will devote special attention to sustainable buildings and sustainable food; two areas that we identified from the outset as having the highest effects in terms of impacts of resource use. In both cases it will directly tackle the waste phase, but in both cases we will treat that phase as part of the whole life cycle*[53]*.'*

[53] http://ec.europa.eu/environment/greenweek/index.htm accessed 12 June 2014

Integration of sustainable food chain activity from the Commission and its wider stakeholder groups is mainly situated upon the *High Level Forum for a Better Functioning Food Supply Chain in Europe* (see sub-section 2.5 above).

2.9 Corporate Social Responsibility, labour rights and working conditions in the food chains: the social dimension

An important aspect of governance in the food supply chain relates to corporate social responsibility (CSR). In 2011, the EC published a new Communication on CSR 2011-14, COM(2011) 681,[54] led by DG Enterprise and Industry. The Commission details the following key actions for its CSR agenda**:**

1. Enhancing the visibility of CSR and disseminating good practices
2. Improving and tracking levels of trust in business
3. Improving self- and co-regulation processes
4. Enhancing market reward for CSR
5. Improving company disclosure of social and environmental information
6. Further integrating CSR into education, training and research
7. Emphasising the importance of national and sub-national CSR policies
8. Better aligning European and global approaches to CSR

Although societal factors, including working conditions, are acknowledged as important, the approach has a focus on businesses using CSR as a strategic tool 'to increase their competitiveness in a sustainable and responsible way,' reflecting the objectives of *Europe 2020,* and there is an underlying message, as is witnessed in the Expert Platform's report from the High Level Forum for a Better Functioning Food Supply Chain, that policies should be leveraged in order to 'strengthen market incentives for CSR' (EP2.008final.)[55]

Thus questions have arisen about how 'market incentives' for CSR will actually deliver better governance within the chain and tackle societal issues. Questions also arise about the 'do it

[54] http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF accessed 25 March 2014
[55] http://ec.europa.eu/enterprise/sectors/food/files/competitiveness/societal_issues_report_en.pdf accessed 25 March 2014

yourself' or 'join forces' approach to supply chain governance. As policy works in partnership with major food retailers to 'adjust' their value chain strategies, it remains open to question whether this 'new' market-based approach to CSR is likely to create shared value along the chain without the 'local' voices of those involved as suppliers in the chain being heard (Vermeulen, 2013).

Within the EC, labour law is led by DG Employment, Social Affairs and Inclusion and EU policies have sought to achieve high employment and social protection and to protect social cohesion. This policy framework supports and complements the activities of Member States, in line with the provisions of the EC Treaty on European Union and the Treaty on the Functioning of the European Union (2012/C 326/01 and in particular, Articles 136-139). Legislation has been adopted that defines minimum requirements at EU level in the fields of working and employment conditions, including working hours, part-time and fixed-term work etc., and the information and consultation of workers about collective redundancies, transfers of companies, etc. Member States then transpose and implement the Community law into their national law in order to guarantee a similar level, or increased level, of protection of rights and obligations. For example, there is a particular directive to protect workers' health and safety in the workplace (89/391/EEC),[56] and this framework directive, and it's amending acts, are supplemented by sectoral directives, including fisheries and agriculture. A second example is the European Working Time Directive (2003/88/EC)[57]. This entitles workers to 20 days annual paid leave but countries have opted for a more generous right for their workers.

In April 2014, a proposal for a new European Platform to improve EU co-operation on undeclared work was adopted, acknowledging this as an issue that has serious implications for working conditions and fair competition in Europe. A recent ILO report (ILO 2013: v), partly funded by the European Union Programme for Employment and Social Solidarity, illustrates how the EUs strategy goals for *Europe 2020*, with their strong market-led approach, are blended with the ILOs critical concern with achieving decent work in the informal/shadow economy (where many food and agriculture workers are open to exploitation)*:*

> *"The European Commission has highlighted that undeclared work, if not properly confronted, threatens to undermine the EU's ability to meet its employment targets for more and better jobs and*

[56] http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:31989L0391 - accessed 11 June 2014
[57] http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32003L0088 accessed 11 June 2014

> *stronger growth. Undeclared work is a form of social dumping that introduces unfair competition between firms on the basis of low wages and the non-payment of social security benefits. Above all, it leads to working situations that violate the rights and dignity of workers. In this regard, the ILO, like the EC, emphasizes the need to encourage transitions from informal to formal work as a prerequisite for achieving decent work."*

This new initiative is in parallel to more established ones aimed at upgrading and 'decent' working conditions at a global scale, backed by public interventions at the national level and a range of private initiatives developed at the global level by global buyers. Private initiatives include codes of labour practices that aim to ensure decent working conditions and respect for labour rights in suppliers' factories, usually enforced through social auditing. In addition, multi-stakeholder initiatives, aimed at bringing together all actors involved in a certain types of global value chains (GVCs), have been developed as public-private interventions, often initiated by civil society organisations and enforced through advocacy campaigns and/or certifications. Finally, there are multi-stakeholder initiatives, aimed at bringing together all actors involved in a certain type of GVC, and international interventions linked to trade agreements or normative, -standing initiatives such as the ILO conventions or the OECD Guidelines for Multinational Enterprises.

Within this legislative framework, CSR initiatives within companies have been the 'preferred' route to improve working conditions along the supply chain, but evidence suggests that improvements have been limited (Barrientos et al., 2008). As the more 'market-driven' role for CSR within the EU indicates, and as Nadvi (2008) suggests, there is a need to explore the relationship between standards and intra-firm governance. One particular aspect relates to how this affects local agri-food SMEs and their workers as they struggle on the one hand, with regulatory burdens imposed by EU legislation, and on the other hand, with pressure to fulfil contracts within value chains where global standards are imposed from the outside. The ILO now considers productivity and working conditions within SMEs an 'area of critical importance' (AIC) and commissioned an international literature review of working conditions in this area (Croucher et al., 2013). This identified a paucity of research on small and micro-enterprises, (there was more on medium-sized enterprises), gender specific aspects were neglected, and the review had difficulty in drawing clear conclusions for future action. As figures suggest that SMEs are responsible for over 50 per cent of new jobs created globally and, in most developing and

emerging countries, they are the principal employers, this is likely to become an even more important focus for EU and global policy making over the coming years which will have clear impacts on the growth of local food systems.

2.10 EU policies and food chains: conclusions

The five performance dimensions for food chains are all subject to EU legislation and policy. This report has identified the nature of policy making and governance within the EU policy processes and illustrated how EU policies impact upon the five different performance dimensions of food chains and food products: economic, health, environmental, health, ethical and social and ethical. While these aspects are separate policy responsibilities under the direction of different DGs in the Commission, there is a degree of overlap and some integration across these policy sectors. In particular, the priorities for maintaining the Internal Market provide a key rationale and ideational driver for policy development. This reaches down to polices addressing the functioning and performance of food chains.

The economic wellbeing of rural areas appears as a key driver for the promotion of local food supply chains by the EU, as these are seen as rooted in local food systems with their attendant local social and economic interests and interdependencies and so potential economic gains. The cultural dimension of local territoriality is also a feature of local food system promotion and is part of these interdependencies. That is, it is hard to separate the cultural dimension of territoriality from economic value added, with its economic and social dividends.

The degree of policy integration that does exist, then, comes primarily from the central direction of the Commission in the shape of its flagship policies at this time in mid-2014. The success of the internal European market is interpreted as deriving from economic growth, a pre-requisite for which is seen to be industrial competitiveness of European industry in the global market. Polices to **achieve sustainability of food chains** and the food sector are informed by this sequence of:

> **Industrial competiveness + innovation in resource efficiency → economic growth → prosperity and stability of the Internal Market = legitimacy of the European Integration Project**

This gives direction to the layers of food policy that have developed over time under the direction of the Commission. However, this form of integration remains far from complete for EU food policy.

3. International Food Trade Agreements

3.1 Multilateral Trade Agreements

The EU is signatory to both multilateral and bilateral trade agreements, under which rules and specifications food chains must operate. At the multilateral level the key trade agreements (identified above) are the WTO's Agreement on Agriculture (AoA), the Sanitary and Phytosanitary (SPS) Agreement (based in part on Codex standards), the Technical Barriers to Trade (TBT) Agreement and the Trade Related Intellectual Property Rights Agreement (TRIPS).

With the ending of the GATT Uruguay Round, there were several ambiguities in the wording of the AoA, reflecting the difficult and drawn out diplomatic negotiations and compromises that produced it, and a review was built in from 2000 originally due to be completed in 2003. The Agriculture review was subsumed, subsequently, within the Doha Development Round of negotiations over revision of the WTO agreements agreed in 2002. This was termed the "Development" Round as it was agreed that the negotiations should seek outcomes designed to benefit the development of the agricultural producers of less developed countries under the trade rules. In part, the completion of the Agriculture review was seen as being contingent upon the outcomes of the mid-term review of the Agenda 2000 reform of the Common Agricultural Policy (CAP) subsidies. This EU level reform of CAP was completed in 2003 with the agreement for a payment scheme of de-coupled payments. The European policy makers saw this reform as being in compliance with the existing rules of the AoA. Nonetheless, the CAP reform along with the US desire to maintain its farm supports for food and feed commodity producers, were seen as insufficient by many developing nations negotiating over agricultural reform under the Doha round and by the Cairns group of agricultural commodity exporting countries. As a result, the completion of this whole round of trade liberalisation negotiations ground to a halt in July 2006 at the Ministerial level, while discussions continued within the WTO's permanent committee

rooms in Geneva. A Ministerial Agreement on trade facilitation package under the Doha Round was reached in Bali at the end of 2013.[58] The main food element in the Bali Agreement allowed for negotiations on changes to the AoA rules on national subsidies for stock piling of food reserves for national food security purposes with details to be worked out subsequently. However, in July 2014 the trade facilitation package was blocked by India, and other developing nations, due to a failure to reach agreement on such rule changes. Once again, the revision of the rules of the AoA proved an obstacle to further international trade liberalisation (Donnen and Kazmin, 2014; Miles, 2014).

Under the terms of the AoA tariffs can be imposed on imported food goods. The bias of the AoA reflects the power of the main nations and trade blocs in the original negotiations under the Uruguay Round, which had been to the benefit of the US and the EU, in particular. For example, higher tariffs are set on processed foods than the raw ingredients of the original commodity from which they are derived, such as cocoa to chocolate, coffee beans to ground coffee, and also, vegetable oils so protecting the food processors' and manufacturers' added value in the more affluent consumption markets.

The process of mutually contingent regime reviews is illustrative of the context within which multi-level governance leads to strategic policy choices, and multi-level bargaining and game playing, by states and other participants such as international organisations. Strategic decision-making is just that. It is highly contingent upon rational calculations of policy at other levels playing out in certain directions. Exactly what type of supports are indeed *Green Box* compliant is still open to interpretation, and has been challenged by members of the Cairns Group and by developing countries in WTO negotiations. At the same time, then, multi-level governance may not only lead to a process of gradual harmonisation through compromise, but also witness political contest, conflict and stalemate.

National disputes over market access under the WTO trade rules are handled by the Disputes Settlement Panel, made up of trade lawyers. Notable disputes have arisen over the EU's banning from the market of beef hormone treated beef, and the use of recombinant Bst for European milk production. Also, the Disputes Panel was asked to rule on the inability of some

[58] http://www.ictsd.org/bridges-news/bridges/news/farm-trade-wto-members-spar-over-doha-direction

GM crops, which have passed the EFSA risk assessment, to get subsequent approval for market release through the EU regulatory committee of the member states' competent authorities. In the 2006 Dispute Panel's ruling over GM crop approvals in the EU, the complaint was against both a contravention of the SPS rules and the internal approval procedures of the EU policy process itself (see sub-section 2.1 above). In June 2014, the European Council approved a draft Directive from the Commission to modify this approval process and to allow for individual member states to maintain a ban on cultivation of EFSA approved GM varieties and so not block market approval for the rest of the European market. According to a non-exhaustive list in the proposal, the grounds for such national bans can include: 'environmental reasons, socioeconomic reasons, land use and town planning, agricultural policy objectives and public policy issues'[59].

3.2 Bilateral trade agreements and impacts on food chains: the proposal for *The Transatlantic Trade and Investment Partnership*

Under bilateral trade agreements, one particular current series of negotiations has implications for the impact of EU regulations upon more global food chains and their products. *The Transatlantic Trade and Investment Partnership* (TTIP)[60] is a free trade agreement currently being negotiated between the EU and the US. A summary published by the EU in May 2014 explains the three main elements of the agreement:

- *Market access:* removing customs duties on goods and restrictions on services, gaining better access to public markets, and making it easier to invest;
- *Improved regulatory coherence and cooperation* by dismantling unnecessary regulatory barriers such as bureaucratic duplication of effort;
- *Improved co-operation* when it comes to setting international standards.

Negotiations began in June 2013, and although their precise wording remains secret, the EU mandate has been agreed unanimously by all the Member States with DG Trade taking the lead in the negotiations, while working closely with other Commission departments; the US is

[59] http://www.farmersguardian.com/home/latest-news/eu-could-allow-member-states-to-rule-over-gm/65217.article accessed 16 June 2014
[60] http://ec.europa.eu/trade/policy/in-focus/ttip/resources/#documents accessed 14 May 2014

represented by the United States Trade Representative (USTR). The fifth round of negotiations took place from May 19-23, 2014.

A number of concerns have been raised about how the proposed agreement could impact on the development of food chains in the EU and in the U.S. In a combined factsheet[61] Friends of the Earth Europe (FOEE) and the US Institute for Agriculture and Trade Policy (IATP) say that the drive for 'regulatory coherence' risks pushing food and farming standards down in both the US and the EU. They argue that this favours large food and biotechnology corporations who are 'pushing to eliminate EU restrictions on genetically modified (GM) foods and food additives, challenges food labelling laws which they think are barriers to trade, and undermines the EU's use of the 'precautionary principle' in setting food safety standards'. In an attempt to address concerns, the EC summary[62] paper states:

> *"The EU is only discussing standards and regulations with the US on one strict condition: that we neither give up nor dilute the levels of protection we have in Europe. That goes for health and the environment as well as for consumer protection."*

Growing opposition to the agreement in both the EU and US from trade unions, environmental groups and a range of NGOs and campaigning organisations has also raised issues related to the concept of subsidiarity and proposals for 'localization barriers' that could limit future legislation at the national, state or local level to rebuild food and farming systems. These include proposals that could target the growth of local food initiatives in emerging countries, or threaten local food schemes in the USA and EU through counter-impacts on procurement policies where current bidding contract preferences seek to prioritize characteristics that might support local foods.

The Commission is seeking to counteract concerns. This includes dialogue with representatives from civil society at the end of each round of negotiations, a new Advisory Group (set up in February 2014) and assurances that the final text negotiated by the Commission has to be approved by the EU's Member States in the Council and ratified by the European Parliament. Depending on the policy areas covered in the final agreement, all

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[61] http://www.foeeurope.org/sites/default/files/foee_iatp_factsheet_ttip_food_oct13.pdf accessed 15 May 2014

[62] http://trade.ec.europa.eu/doclib/docs/2014/may/tradoc_152462.pdf accessed 15 May 2014

national parliaments of the EU's Member States might also have to approve the deal. Equally, US domestic farming lobbies are applying political pressure. The producers who are exporting commodities are opposed to EU regulations, such as in relation to hormone treated beef that restrict the market access to Europe. These farming lobbies and their constituents are pressurizing their representatives in the US Senate to oppose the TTIP on these grounds[63]. It remains to be seen how pressure for more public scrutiny of the trade deal plays out.

3.3 International food trade agreements: the EU and Developing countries

The African, Caribbean and Pacific Group of States (ACP) were created in 1975 by the Georgetown Agreement and have 79 members: 48 countries from Sub-Saharan Africa, 16 from the Caribbean and 15 from the Pacific. Although the Generalized System of Preferences (GSP) was established in 1971 under the GATT Enabling Clause as a way of supporting the ability of developing countries to export their produce to the EU through unilateral and non-reciprocal tariff preferences, the ACP countries have always received greater trade preferences than GSP beneficiaries from the EU under the Cotonu Agreement.

However, trade preferences for particular groups of countries run counter to one of the central pillars of the GATT (Article I) on most-favoured nation (MFN) and are thus incompatible with WTO rules. As a result of this, there has been an intention to establish Economic Partnership Agreements (EPAs) with all ACP countries (except those that are least-developed countries (LDCs)) in order to replace the GSP. The Cotonu Agreement (Benin, 2000) was intended as a forum for concluding EPAs. EPA negotiations started in 2002 and were supposed to conclude on 1 January 2008, set as the deadline for bringing the EC-ACP trade regime into conformity with WTO rules. However, progress for the establishment of EPAs has been slow, and the EU had to extend the deadline to 1 January 2014 for their ratification and implementation under a temporary Market Access Regulation (MAR).

63 http://www.ft.com/cms/s/0/d647cd82-9d78-11e3-a599-00144feab7de.html#axzz34VVYrHnU accessed 16 June 2014.

The EU has also set up the ACP-MTS, a programme to help ACP countries navigate mechanisms and procedures at the WTO, and has funded other programmes that target capacity building. These include the PIP programme (Pesticides Initiative) to help ACP companies comply with pesticides requirements and those concerning product traceability, and EDES, a programme funded by the 9th European Development Fund that has a particular focus on improving and reinforcing the food safety of ACP foodstuffs exported to Europe. Such goods must comply with regulation 882/2004, which means bringing all these food products into line with European regulatory systems.

The effect of trade policy on relations between the EU and APC countries is illustrated well by two major trading commodities: sugar and bananas. In the case of sugar – more strictly regulated in the Common Market Organisation (CMO) – these policy changes are having a particular impact. After a WTO dispute in 2005, which found the EU sugar regime in breach of its WTO obligations, EU sugar policy was reformed. Currently, ACP countries share 75% of the EU market for sugar and the Sugar Protocol, under the Cotonou Agreement, has guaranteed EU support price for a limited quantity of sugar imports. However, ACP countries will no longer be eligible for trade preferences under the new GSP, although free access for ACP sugar under Economic Partnership Agreements (EPAs) is subject to an automatic safeguard mechanism to be applied to non-LDC ACPs only. In September 2015, the EU sugar policy of production quota, for which a price guarantee applies, is scheduled to expire, and any surplus sugar that is produced above the production quota will be sold at world market prices, suggesting free access to EU markets thereafter. These reforms will benefit competitive sugar exporters currently excluded from the EU market, but will adversely affect ACP countries unless they are signatories to the CARIFORUM EPA signed with the EU (see Meijerink & Achterbosch, 2013 for more details).

Countries that belong to the ACP have also enjoyed preferential access to the EU market for banana exports, with duty-free and quota-free access. However, in December 2009, after several WTO disputes and subsequent reforms of its banana trade regime, the EU implemented a schedule for the reduction of its tariffs on bananas. On November 8th 2012, the EU and 11 Latin American countries signed an agreement that ended the 20 year-old dispute between the EU and the Latin American countries about restrictions on banana imports from outside ACP countries to EU markets. The changing tariff arrangements meant that erosion of

the preferential margin for ACP banana-exporting countries moved faster than initially anticipated. As a result of this, Banana Accompanying Measures (BAM) was introduced by the EU to help ACP countries adjust to the new banana tariffs for the period 2010-2013. From 2014, the ACP countries affected by this policy change lose preferential access to the EU under the new GSP.

Developing countries with continued preferential access to the EU market (LDC and ACP countries) thus face increasing erosion of their trade preferences. Recent research (see for e.g. Meijerink & Achterbosch, 2013) suggests that these changes in EU trade policy may have more impact than CAP reforms on trading relations between developing countries and the EU, which in turn will affect agricultural producers and food consumers in these countries. One outcome is that the ACP group is placing more emphasis on fostering greater South-South cooperation and developing triangular cooperation as an engine of growth; for example, there is a new memorandum of understanding on South-South cooperation between the ACP group and Brazil.

The new EU trade policy framework is also reinforced by regional and national components and supplemented by financial cooperation In the case of ACP countries this is mostly from the European Development Fund (EDF). For the period 2007-2013, EU Development policy focussed on food security. In November 2012, the Commission launched procedures for programming the 11th EDF and for the Development Cooperation Instrument (DCI) for 2014-2020. As part of the *Agenda for Change* (COM (2011) 637), adopted by the EU in May 2012, this redefines and reduces EU development aid policy which will now focus on the 48 least developed countries (LDCs), almost all of which are found in sub-Saharan Africa. Aid provided in the form of grants will no longer form part of cooperation with the most advanced developing countries using the principle of 'differentiation'. DG Development and Cooperation also plays a key role in support for developing countries through EuropeAid.[64] On the 3 October 2012, the European Commission adopted a new Communication (policy paper) on helping vulnerable communities in crisis prone areas across the world build resilience to future shocks. The Communication draws lessons from the extensive experience of responding

[64] http://ec.europa.eu/europeaid/index_en.htm accessed 23 May 2014

to recent food crises across the globe and outlines the concrete measures that the EU is taking to help vulnerable populations reduce the impact of future crises and disasters.

In parallel, a second EU Communication (COM (2014) 263) setting out the role of the private sector in international development was adopted in May 2014 by the EC. This argues that the expansion of the private sector is a powerful engine for economic growth and the main source of job creation in many developing countries. The Communication proposes 12 concrete actions to help improve regulatory business environments in partner countries, support business development and increase access to finance with a focus on micro, small and medium-sized businesses in the formal and informal sector, which play a particularly vital role in job creation. It also identifies actions in other areas such as sustainable energy, sustainable agriculture, infrastructure and the green sectors where, it suggests, private sector engagement can complement and add value to EU development assistance, including through the use of blending (combining grants and loans) [65]. However, some campaigning groups (see for e.g. EuroDad) have criticized this approach, arguing that the EU is trying to incentivize private investment using aid money through 'blending'.

4. Private governance of food chains

Governance in the food sector can occur in the absence of direct state involvement when private and societal interests seek to exert forms of control within the market economy. However, public policy often casts its reach over these arrangements and usually provides some enabling or operating context for this governance. Examples include: standards setting and grading of produce, process- and product-based food assurance schemes, contractual specifications from food manufacturers and retailers to growers, or from retailers to manufacturers through own-brand labelled foods. Private governance forms throw up new power relationships along supply chains, particularly through the extraction of economic value. Academic concepts such as global commodity chain analysis and global value chains (GVCs) have focused on the governance strategies and forms that are deployed by lead firms upon other participants and firms along

[65] http://europa.eu/rapid/press-release_IP-14-551_en.htm accessed 23 May 2014

global food supply chains (Gerreffi et al., 2005). Corporate retailers are at the forefront of what are characterised as buyer-driven food supply chains as opposed to producer-driven. The positions of control gained by supermarkets, as the buyers with a dominant market position and acting as gatekeepers to the consumer, have altered relationships and changed who adds value and appropriates profits along the supply chain. Although contract specifications are voluntary, in effect producers are compelled to conform to the buyers' demands in order to gain access to the consumers (Fulponi, 2006). Product and process specifications are set out by individual retailers or consortia of different retailers and are well established in Europe (and beyond), and in the EU retail concentration has been increasing, notably in the accession states (Barling et al., 2009) In short, the setting of standards entails forms of private sector governance of supply chains. This governance can impact upon both the social and environmental standards of contracted suppliers and their livelihoods, as well of the labour force along these chains. These food chain relationships and their impacts upon companies, especially small and medium-sized enterprises (SMEs), have come under scrutiny from the European Commission and are explained in more detail earlier in this report.

Furthermore, food and drink corporations are, often, global in their reach (Clapp & Fuchs, 2009). Major food manufacturers have Foreign Direct Investment (FDI) in a large number of countries, where they source ingredients from national suppliers as well as from elsewhere. For example, in the mid 2000s, three of the big four food manufacturers: Kraft, Nestle and Unilever had a presence in 140 different countries[66]. FDI is a way of gauging the global spread of corporate presence. UNCTAD figures show the spread of FDI across a wide range of countries beyond the OECD countries. From 1998-2008 FDI inflows to developed countries doubled, while those for developing world countries tripled (UNCTAD 2009: 14).

New and alternative modes of ordering may emerge from civil society as 'alternative food networks' (AFNs) arise to challenge the dominant supply chains, setting new criteria, as in the case of fair trade foods. The growth of the fair trade movement provides a good example of how the governance of agri-food standards can originate from civil society organisations, as has been the case with animal welfare standards, such as the Freedom Foods classification developed by an animal welfare NGO in the UK. NGOs and corporations can combine to produce their own

[66] http://webarchives.cdlib.org/sw15d8pg7m/http:/ers.usda.gov/publications/aib794/aib794.pdf accessed 9 June 2014.

criteria, traceability and labelling systems for food produce, as with the example of the Marine Stewardship Council set up as a result of collaboration instigated by Unilever with the WWF in 1997 to certify produce from sustainable fisheries.

Both private and civil society actors have collaborated in large stakeholder groups that have convened around a particular commodity group to promote sustainability benchmarks or standards for lower environmental impact. These public-private initiatives, where public also means civil society organizations, are established for a varying number of reasons - scarcity of supply, consumer concern, decreasing yields and deforestation among others. The commodities such as palm oil and soy (oil and flour) are widely found ingredients in manufactured food products. Corporations such as Unilever working with the NGO WWF have played a key role in convening the global supply chain oriented initiatives the Roundtable for Sustainable Palm Oil[67] and the Round Table on Responsible Soy[68].

The development of such alternative governance forms may attract EU attention and regulatory intervention. For example, organic food and farming standards started in civil society as privately set organisational standards, but were followed by national state regulation and, in turn, EU regulations for the internal market. The European Commission monitored Fair Trade standards and other non-governmental trade-related sustainability schemes to see if some regulatory intervention was necessary for the European market and to inform consumers (COM (2009) 215 final). The conclusion was that: "Regulating criteria and standards could limit the dynamic element of private initiatives in this field…"[69] and that guidance should be provided under the EU's public procurement rules for the purchase of such sustainable goods under public contracts.

The realities of private governance forms in contemporary food chains and the key role of large corporate players in the supply to EU consumers, reinforces the evolution of governance or soft law strategies and actions from the European Commission.

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[67] http://www.rspo.org/ accessed 23 June 2014
[68] http://www.responsiblesoy.org/ accessed 23 June 2014
[69] http://trade.ec.europa.eu/doclib/docs/2009/may/tradoc_143089.pdf accessed 13 June 2014.

5. Developing countries' perspectives on regulatory and private governance determinants of local (and global) food chains.

The justification and promotion of local food chains through regulatory and private governance instruments has implications beyond the borders of EU and member states, including impacts on developing countries.

This section identifies and assesses those impacts in terms of the multiple dimensions of food chain performance that is being used within the GLAMUR project. Particular attention is drawn to market access for producers, but the analysis also encompasses impacts on food security, consumer behaviour, and wider national development.

The regulatory and private governance determinants for **local** food chains are situated within a broader policy context in which Europe is a global agro-industrial power: agri-food importer, exporter and investor. Therefore the analysis is considered alongside the regulatory and private governance determinants of **global** food chains, from which we can understand the complementarities, contradictions, and trade-offs between the two from a developing country perspective.

5.1 Analytical framework

The justification and promotion of local food chains in Europe – in public policy or private sector strategy – affects the capacity of food chain stakeholders and traders in developing countries in two distinct ways:

(1) Their capacity to **develop and promote their local markets**; and
(2) Their capacity to **access global markets**.

Both scenarios have implications for the multiple dimensions of food chain performance, including food security and nutrition and achievement of resilient, equitable development of rural and urban areas. Therefore the analysis is paired with an understanding of: (1) how **promotion of local food chains in Europe** affects developing countries' capacity to (a) develop and promote their local markets, and (b) to access global markets; and (2) How **promotion of global food chains in Europe** affects developing countries' capacity to (a) develop and promote their local markets, and (b) access global markets.

This can be presented as a matrix, with four types of potential impact:

		Impact on the capacity of developing countries to..	
		Promote local food chains	**Access global markets**
European (public and private) promotion of..	**1. Local food chains**		
	2. Global food chains		

The matrix can be populated with the main points of potential positive and negative impact, as follows:

		Impact: Capacity of developing countries to promote local food chains	**Impact: Capacity of developing countries to access global markets**
Policy driver: European (public and private) promotion of..	**1.Local food chains**	Positive reinforcement, solidarity	Use and misuse of labels (eg airfreight) Growth of niche marketing and geographical indications support the de-commodification and differentiation of quality tropical products, eg coffee
	2. Global food chains	Destabilisation and undermining of local markets by European produce in developing country markets Positive spill-overs of food safety and sustainability standards into local markets	Depression of global prices in commodity markets and unfair competition in third markets where EU is also a big exporter.

With this framework in mind, the impacts of EU policy (agricultural and non-agricultural, including some policies of member states), international trade (multilateral and bilateral) and private governance on developing countries are now analysed, in terms of policy justifications and instruments, and food chain performance. The intention is to demonstrate the range of drivers and impacts, rather than present a comprehensive list of policy instruments.

This section is based on existing literature, supported by interviews with food chain stakeholders in Peru and Senegal between September 2013 and January 2014. Both Peru and Senegal export high value horticulture products to the EU (notably asparagus and green beans respectively). Both sectors involve large numbers of smallholders. Peru is a major agro-

industrial player. Senegal is a Least Developed Country where most of the poor are located in rural areas, agriculture generates 30% to 40% of GDP and employs between 60% and 70% of the working population, and is along with much of West Africa a major importer of European grain, dairy, poultry and processed foods.

5.2 EU policy (agricultural and non-agricultural)

5.2.1 Policy support for local food chains

Public procurement

Public procurement offers a clear legislative route for policy support for local food chains. Legislation to explicitly prefer local suppliers and services in public procurement is restricted under EU regulations, to avoid "behind the border" barriers to the free movement of goods in the internal market (Rikard & Kono, 2013). [70] There are however less direct routes for national and local governments to support local food procurement: buyers may legitimately specify requirements for "freshness, delivery frequencies, specific varieties and production standards, such as organic, those covered by the EU Protected Food Names and other quality standards," and preference for SMEs is also allowed. And there are a number of instruments that are supported with the EU that promote local and locality food production. The revised **Rural Development Regulation** for 2014-2020 explicitly mentions that Pillar 2 funding can support the development of short supply chains and local food systems (see sub section 2.4)

Geographical Indications

The EU protects Geographical Indications (GIs) under Denomination of Origin (PDO) and Protected Geographical Indication (PGI) status, and also protects particular production methods under Traditional Specialities Guaranteed TSG) (see sub-section 2.3).

Ecolabelling

There is an on-going consultation around expanding the scope of the **EU Ecolabel** to introduce criteria for food and feed. A feasibility study published in 2011 (Sengstschmid et al., 2011) draws particular attention to the transportation elements:

[70] The EU also expects the same from its trading partners. Indeed the EU has actively lobbied against the use of "Buy Local" procurement policies in the US, where 25 of 52 states have legally enshrined local purchasing preferences, under the TAFTA negotiations

> *"In the context of an EU Ecolabel for food, feed and drink products, the main issues are expected to be the criteria covering transport and the use of output-based criteria: While the environmental impacts of transport may be significant for a number of products and modes of transport, criteria prohibiting imports of food altogether ('Local Food') or limiting the maximum amount of travel distance directly (e.g. the 'Food Miles' concept) are in danger of being interpreted as non-tariff trade barriers and might be contested in a WTO dispute."*

As noted in sub-section 2.8, the feasibility study concluded that methodologies for application of the label to food products were not considered to be robust enough to proceed any further.

France has been conducting a national trial on consumer product environmental information including greenhouse gas emissions since July 2011, with the participation of 160 companies, including some from outside France (Ministère de l'Écologie, du Développement durable et de l'Énergie, 2013). The French label prototypes are 'omni-labels' that attempt to capture multiple impacts in one visualisation. The scheme is being backed by government action, and therefore has major implications for trade within the EU and for exporters to Europe, who would have to adhere to the French rules. Inevitably this has led to calls for a European standard for carbon labelling. Work commissioned by the UK Department of Environment DEFRA concluded that there is not enough robust science to support the development of an omni-label to accurately inform consumers of the environmental impact of their food choices (Tzilivakis et al., 2012).

Impact on developing countries

The **impact on developing countries** of European policy instruments that support local food chains are not strongly felt in their **domestic** markets. Even the support for the development and protection of origin-linked products and Geographical Indications (eg van de Kop et al., 2006; Boto et al., 2013; Bramley et al., 2013) is mainly to support developing and emerging economies position in global trade rather than local markets.

But **GI** regulations have obvious **trade** implications, and in 2005 the WTO ruled that European GI regulations should be brought into conformity with multilateral trade rules. The EU system is now open to non-EU countries. While regulation of GIs within the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) remains a contested area of trade policy (sub-section 2.4), the EU is not alone in pushing for stronger protection of GIs.

Bilateral agreements between the EU and developing countries take GIs into account, for example within the Economic Partnership Agreement (EPA) with the Southern African Development Community (SADC) there is protection for the names Rooibos, Honeybush, and Karoo. EU support for developing countries' development through use and defence of GIs has important potential benefits for the de-commodification and differentiation of tropical products. GIs add considerable value to a number of developing country products in global trade (Box 4). Differentiated products mean a much higher degree of value added and retained in the producer country; Teuber (2007) reports that single-origin coffees sells for at least three times the average US retail price for roasted coffee.

Box 4: How much are Geographical Indications worth to Developing Countries?
Source: Boto et al., 2013.

The EC published a report in March 2013 stating that the EU's GIs are worth EUR 54.3 billion worldwide, and represent 15 % of EU total food and drink exports. Economic data on developing countries is harder to obtain, but some estimates do exist. For example, Basmati rice exports in 2007 were about US$ 1.5 billion from India alone and Pakistani exports in 2001 were US$ 250 million. Tequila's export sales were estimated at US$ 725 million in 2007 and Blue Mountain green coffee earned US$ 24 million for Jamaican exporters in 2008. A number of coffee and tea origins using GIs add several billion dollars to the trade figures.

Ecolabelling schemes are a particularly sensitive area for international trade, as they can present technical barriers to trade, especially when they include transportation elements that penalise 'food miles'. The WTO has reached agreement on technical barriers to trade (TBTs) and environmental labelling, with special attention given to developing countries in avoiding unnecessary obstacles to international trade.

5.2.2 European promotion of global food chains

The policy instruments and private governance initiatives that promote European agri-food chains in **global** markets are now described, in order to put the instruments that support local food chains in context. Impacts on developing countries - both positive and negative - are felt within their own markets or as competition in export markets.

The primary public policy instruments that support the position of European producers and agro-industries in global markets are subsidies to producers and exporters, opening of borders under trade agreements and structural adjustment, and government backed FDI in agriculture, agri-processing and retail.

Producer Support measures

For the 2014-2020 period, the EU has allocated about EUR 363 billion in producer support measures, representing about 40% of total EU budgetary expenditure (Cantore et al., 2011). This amount comprises almost EUR 278 billion for direct payments to farmers and market-related expenditure under Pillar I and about EUR 85 billion for rural development under Pillar II. The Producer Subsidy Equivalent (PSE) in the EU dropped from an average of 35% in 1990-2000 to 19% in 2012, which is average for the OECD, and prices paid to farmers are now much closer to world market prices. Payments have been decoupled from production since CAP reform in 2003. Decoupled payments do however still influence competitiveness and maintain a low-price tendency in world markets by covering farmers' core capital costs and lowering risk aversion, so that reduction in prices has less effect on the overall level of production (Wiggerthale, 2007).

Export subsidies

Export refunds have been used by the EU to maintain market prices in the domestic market, especially for sugar and dairy products, but also poultry. These subsidies have been declining sharply over past decade (from €3.8 billion in 2003 to zero in 2013) due to reforms of the sugar, fruits and vegetable, wine and dairy regimes and to the rise in world prices (OECD, 2012).

Government backed FDI in agriculture and agri-processing

Government backed FDI in agriculture takes many forms, from direct investment in land by countries which is relatively rare, to investments by Sovereign Wealth Funds (public investment funds) and state owned enterprises (Cotula et al., 2009). An increasing proportion of **aid** expenditure is targeted at the private sector as an engine of agricultural development.[71] Donor funding from European governments is increasingly targeted at their domestic companies and transnational corporations (TNCs) with a base in the donor country, which indicates something of a return to the days of tied aid. The main policy instrument is **public-private partnerships**,

[71] 'Aid to Africa: private sector investment becomes new priority', *The Guardian* 18 February 2013.

via 'challenge' funds to de-risk and thereby stimulate private investment, such as the Africa Enterprise Challenge Fund, large projects to draw public and private investments to specific regions such as the Beira and SAGCOT 'agricultural growth corridors' launched at Davos in 2010 and 2011, or global partnerships such as the New Alliance for Food Security and Nutrition[72] launched at the G8 summit in 2012 and Grow Africa partnership convened by the African Union Commission, the New Partnership for Africa's Development (NEPAD) and the World Economic Forum.

5.3 International Trade (multilateral and bilateral)

5.3.1 Impacts on local food chains in developing countries

Effects of international trade are felt in **local** food chains in developing countries in various ways. First are the effects on domestic producers and consumers, both of agri-food imports and of FDI in modern food retail. Second is competition for export markets. Third is the impact of FDI on agricultural production, and consequences for producers' access to productive resources – especially food and water - and impacts on rural employment, which is dealt with in sub-section 5.4.

Opening of borders under liberalisation and trade agreements

Countries of sub-Saharan Africa have a growing dependence on imports to meet demand. Chauvin et al. (2012) report an average annual growth rate in food imports of 5 per cent compared to annual growth in food production and food exports of 2 and 1 per cent, respectively.

The focus of impact analysis of trade policy on developing countries, and the capacity of those countries to pursue national goals for agricultural production, rural development and food security, has largely focused on trade liberalisation accompanying structural adjustment and multilateral agreements, especially WTO. Farmers – many of them small-scale and poorly capitalised -- are more directly exposed to global competition through the reduction of tariff barriers, the tariffication of non-tariff barriers and the withdrawal of the state from managing commodity markets. A recent meta-analysis of impacts of trade liberalisation on food security

[72] "A joint initiative between African leaders, the private sector and development partners to accelerate responsible investment in African agriculture and lift 50 million people out of poverty by 2022"

presented a mixed picture, in which determinants are country specific, and in which impacts need to be disaggregated between net sellers and buyers of food (McCorriston et al., 2013).

Of particular interest to this paper is the shift over the past two decades from multilateral (WTO) to plurilateral trade arrangements between the EU and its trading partners. Under the Cotonou accords non-reciprocal preferential access to the 79 African, Caribbean and Pacific (ACP) countries have to be replaced by reciprocal WTO-compatible **Economic Partnership Agreements (EPAs)**. EPA negotiations between the EU and regional trading blocs such as the East African Community (EAC), the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS) have been difficult and protracted partly due fears that, by giving preferential access to EU products under a reciprocal arrangement, developing country producers and processors would be outcompeted by surges of EU products. There is however scope for **protecting agricultural products** within EPA 'exclusion lists'. For example, in the final ECOWAS agreement just over half of agricultural tariff lines in the Common External Tariff are placed in the 20 or 35% tariff band, the two highest bands, and none are placed in the 0% band (ECDPM, 2014).

The competitiveness of imports and 'import surges' (Rakotoarisoa et al., 2011) from Europe in developing countries can no longer be attributed largely to the dumping of products below the cost of production by heavily subsidised US or EU farmers with the aid of export subsidies, though imports continue to be represented as such, including in the African press. Supply-side constraints especially in infrastructure and economies of scale tip the balance in favour of imports. Local commercial producers often face much higher production costs (including costs of finance), fewer economies of scale and lack of an integrated industrial sector; Ghana is not competitive in commercial poultry despite imposing a 20-40% levy on chicken imports in an effort to boost national production (Box 5). Another important factor is private sector strategy, for example to market cuts of meat that are less preferred in their premium markets, with poultry as the classic case. Because these cuts are effectively by-products from commercial production, and no longer supported by export subsidies, it is difficult to define as dumping in the strictest sense[73]; it is a combined result of comparative advantage in terms of production

[73] Selling in an importing country at prices below the normal selling prices in the exporting country, or, if normal selling prices cannot be determined, the selling price in the importing country is below the

efficiency and market segmentation by agribusiness. That doesn't make it any less damaging to developing country producers.

Box 5: Impacts of poultry imports on domestic sector in West Africa

Imports of frozen chicken to sub-Saharan Africa rose from 6,000 tonnes in 1981 to just over a million tonnes in 2011 (The Poultry Site, 2013).[74] Apart from South Africa, the leading importers in 2011 were Angola, Ghana, and Benin (much of the latter is smuggled to Nigeria). The African poultry sector consists of two primary models of production: traditional or familial production, and commercial production. Imports of frozen chicken are not so much competing with local traditional breeders but with industrial or semi-industrial breeders. In some countries competition from imports has led to the hollowing out of that domestic commercial production (Fritz, 2011). Self-sufficiency in Ghana is reported to have dropped from 85% in 1997 to 5% in 2006 (Wiggerthale, 2007).

Ghana is contemplating a ban on imports of poultry meat and rice, on which it spends between US$500 million and US$600 million annually, to spur Ghanaians "to rise to the challenge of economic transformation, because we have the capacity to produce rice and develop our poultry industry as a value chain".[75]

Policy makers and civil society have used terms 'near sell by', 'European leftovers' and 'unwholesome' in describing the imported product. Even more disparaging is a campaign run by civil society organisation ACDIC (Civil Association for the Defence of Collective Interests) in Cameroon called "Chicken of Death" because of alleged breaks in the cold chain after importation (EED et al., 2007).

Surveys in Haiti and Cameroon by Laroche Dupraz and Ropars Collet (2009) show how households have substituted imports for local chicken and have increased net consumption of chicken. However, the authors found that imported chicken constitutes a second best commodity compared to domestic one, especially in Yaoundé Cameroon, in preparing food for festivals. There are echoes from research in Ghana, which found that consumers prefer imported chicken on the basis of convenience, and domestic chicken on the basis of taste and origin (Woolverton and Frimpong 2013).

production costs in the exporting country plus a reasonable amount for administration, marketing and overhead costs as well as profits (Germanwatch, 2004)

[74] Global Poultry Trends 2013: Chicken Imports Rise to Africa, Stable in Oceania. The Poultry Site 13 November 2013. http://www.thepoultrysite.com/

[75] Government of Ghana to review poultry and rice sector trade policies. CTA AgriTrade 17 May 2014 http://agritrade.cta.int/en/Agriculture/Commodities/Poultry/Government-of-Ghana-to-review-poultry-and-rice-sector-trade-policies

Another well-documented product where low cost imports can drive fundamental restructuring of domestic markets is dairy. The EU supplies around 70 per cent of sub-Saharan Africa's dairy imports. From Bangladesh (Curtis, 2011), to Mauritania (IRIN Africa, 2012)[76], to Jamaica (Griffith, 2002), to Cameroon (Brot für die Welt, 2010), imports of milk powder have been seen as responsible for the failure to establish dairy processing industries to provide the national market with dairy products (and farmers with remunerative markets). Processors turn to reconstituting imported powdered milk rather than establish a cool chain from the rural hinterlands. An overview by the FAO (Manitra et al., 2011) gave a cautionary note, in that disruptions to domestic markets (which are often dominated by informal trade) can be overstated. And as with poultry, competitiveness is less a factor of dumping of subsidised product and more to do with differences of scale, technology and consumer trust in product integrity. A Wageningen University study of prices shows that the EU price for skim milk powder is not much lower than prices of other major suppliers such as New Zealand where there is little producer support (Meijerink & Achterbosch, 2013).

The 'global' arriving in the markets of developing countries is not just from Europe and other heavily subsidised agricultural sectors. One of the biggest food trades into Africa is rice, shipped from Thailand and Vietnam. The International Centre for Trade and Sustainable Development notes that the EU is not the major supplier of ACP agrifood imports, and:

> *"accounts for just one-quarter of the total in 2006-07, down from 32 per cent in 1996- 97. Only in West Africa is the share still near to 50 per cent, but in a number of other ACP regions it is below 20 per cent. Nor are all these imports basic foodstuffs, as drink imports figure prominently in total value in a number of ACP regions. The low importance of EU imports in the total means that the significance for food security of trade policy liberalisation relative to the EU alone will be correspondingly diminished" (ICTSD, 2010).*

There are important welfare benefits of cheap imports for developing country **consumers,** considering rapid urbanization and the fact that many rural poor are also net food buyers. Preference for imports may not just be motivated by price, but convenience and food safety (Box 6).

[76] Mauritania: Foreign subsidies sour domestic milk industry. IRIN humanitarian news and analysis, 1 October 2012.

Box 6: Consumer preference for the 'global' in Dakar Senegal
Source: Interviews; Ba and Moustier (2010)

Despite many efforts to persuade the citizens of Senegal of the benefits of local produce, consumers in Dakar prefer imported rice, onions and powdered milk. Product availability in the market place throughout the year, quality and also consumers' taste and preferences are all influential; there is a common understanding that consumers' habits are rapidly changing due to growing urbanisation. Decades of food imports have shaped consumers taste and preferences.

One important trend is the consumption of processed food; people and women in particular cannot afford to spend the 4-5 hours that preparing a meal can take in the countryside. The fact that most women are working out of home is also rapidly increasing consumption of processed food. Ease of preparation becomes important. Another important trend observed in cities is eating outside home, in the restaurants, street stalls and food vendors who are proliferating. Very poor and low income consumers in general do not possess a refrigerator or good storage facilities at home, and Senegal is a hot and humid country. Longer storage, as with powdered milk versus fresh milk, is certainly a point to consider when trying to understand consumer preferences regarding local or global chains. This situation explains the importance of the thousands of corner shops and street vendors who, using both local and imported products, make food available and affordable for the poorest all year round. They provide a quality service to their costumers being in the right places, opening until late and even facilitating credit; they are the end distribution channels for local and global chains.

Urban consumer concerns about quality, safety and freshness are increasing but remain limited by the low purchasing power. Although poverty is a determinant, consumers' willingness to pay depends also on taste and other preferences. Local fruits and vegetables are highly appreciated for their quality, freshness and affordability along the cities that border the Niayes horticultural region. Imported rice is preferred for its taste and also because it cooks faster thus reducing the cost in fuel and time. Imported onions are preferred because they can be stored for longer and as local onions are said to contain too much water and their quantity reduces during cooking.

By displacing local production and shifting dietary preferences, imports can drive a disconnect between urban consumption and production from the hinterland. There is increasing divergence between urban and rural economic growth dynamics and in some countries a sharp decline in the role of the rural hinterland as provider of food to urban populations which in some contexts increasingly rely on imported foodstuffs. This can mean that urbanization and

economic growth do not provide the expected boost to the rural economy (Djurfeldt et al., 2010).

From a simple standpoint of economic efficiency, a shift to reliance on imports for products where a country does not have a comparative advantage allows productive capacity to be directed to agricultural export commodities which do have an advantage, thus enhancing the efficiency of economy-wide resource allocation (Dewbre & de Battisti, 2010). Food security is however not only about overall supplies but also nutrition (McCorriston et al., 2013). There may be public health issues from exporting healthy indigenous foods (Box 7) and a shift to imports of a 'global diet' high in meat (or animal feed), fats, sugars, processed foods.

Box 7: Dietary health and exports of healthy foods: the case of quinoa in Peru
Sources: interviews; Guardian (2013); Laqui (2013)

In Peru there is growing concern on their negative impact of exports on domestic nutrition and food security. Between 2012 and 2013 exports of quinoa from Peru jumped by 132 per cent. From a traditional and cheap grain it has become a gourmet product. Small-scale farmers of the poorest regions where this nutritious Andean grain grows prefer to sell it rather than eat it. In 2008 producers consumed between 2.5 and 5 kg per capita, in 2013 this had dropped to between 0 and 3 kilos. Quinoa has become scarce in the domestic market and prices are unaffordable for the majority. Over the last five years the quinoa price in Puno, the main production region, has increased by 70 per cent. According to industrial processors, only massive production and industrialisation can lower prices to reach domestic consumers, and this is what ALICORP is trying to do in Peru, engaging in quinoa production and processing.

There is a polarised debate on the relevance of agriculture (and smallholder agriculture in particular) for food security, growth and development, and whether food security can be just as easily assured through imports as through heavy investments in domestic production (Chauvin et al., 2009). This in turn influences policy discussions on rural development, with contrasting views that on the one hand privilege support to smallholder producers through better inclusion in formal markets and, on the other hand, propose large-scale movement of smallholders out of agriculture and into industry and services to give room to more efficient large-scale mechanised farming. Neither view, however, accounts for the complexity of the dynamic and diverse processes of transformation taking place at global and regional scales, especially in urban consumption; and on the informal and precarious nature of much non-agricultural employment.

5.3.2 Impact on the capacity of developing countries to access global markets

Overproduction in Europe and consequent price depression in global commodity markets has had important consequences for poverty and poor labour conditions of smallholder producers and plantation workers. Sugar has been a perennial *bête noir* of unfair competition in global markets, with European beet sugar competing with cane sugar, though reforms of the EU Sugar Regime in 2006-7, in response to a WTO ruling that it was dumping subsidised sugar on world markets, mean that the EU now has a less distortionary impact on world markets. Intervention prices and production quotas were reduced, and the EU shifted from a net exporter to net importer of sugar (Meijerink & Achterbosch, 2013).

5.4 Private governance initiatives

5.4.1 Private governance initiatives that support localisation of food chains

Private actors have greater scope to promote local food chains through their governance initiatives. In mainstream food processing and retail (food service and supermarkets) this has mainly been implemented through promoting consumer choice (consumer information via labelling on product and point of sale) rather than through choice editing where the company shifts the field of choice.

Promotion of local food falls into three general categories: promotion of regional or national product in season; transportation labels and climate labels; and promotion of regional or national product in season.

In response to increased consumer demand or as part of a differentiation strategy, supermarkets and food service outlets may promote locally and nationally produced food in season, especially fresh produce. This is sometimes supported by a relaxation in the company's quality specifications to allow local products a place on the supermarket shelves. Some regional retailers such as Booths in the UK[77] and Feneberg in Germany[78] differentiate themselves based on 'food with provenance' from the region. But overall it has proved difficult for large supermarket chains to take a definition of 'local' any further than Carrefour's framing as

[77] http://www.booths.co.uk
[78] Feneberg's 'VonHier' food must be produced within a radius of 100 km from their headquarters in Kempten, Bavaria. http://www.feneberg.de

"products from the country in which they are sold"[79]. For local food, shoppers are more likely to put their trust in farm shops and farmers markets than in national and big-box retailers.

Transportation labels and climate labels

'Food Miles' and were part of prominent campaigns in the late 00s, reflecting increased consumer concerns around long distance transportation and greenhouse gas emissions. In response, airfreight labelling was introduced by the UK's biggest supermarket company Tesco and also by Marks & Spencer in 2007 (Figure 2). Tesco quickly dropped the labelling scheme (Garside et al., 2007). There are still labelling initiatives such as the "Feed your family from fifty miles" project to label and promote locally grown food in the region of Dunbar, Scotland.[80]

Figure 2: Airfreight labelling by Marks & Spencer and Tesco, UK, 2007

Photos: Planet Retail; Geoff Pugh

Other indicators - such as the **carbon footprint** associated the food system including transportation – have been adopted more widely. One approach currently found among existing labels is the criteria document for transport used by the Swedish climate change label Klimatmärkning (Box 8). To comply with this label a product must fall below a limit value for the maximum carbon footprint related to transport during this stage of the lifecycle. To ensure market access for products from the global South, this limit value is raised for countries with a low Human Development Index (HDI) and the criterion abolished altogether for countries with very low HDI. The standard for transportation in effect excludes air-freight, which in the case of beans from Kenya or asparagus from Peru to the UK both add around 8kg CO2e per kg. But the

[79] 2013 Overview http://www.carrefour.com/sites/default/files/OVERVIEWEN2013_0.pdf
[80] http://fiftymiles.org.uk

exemption for countries with low (<0.7) HDI encompasses all of sub-Saharan Africa, though not Peru.

Box 8: Transportation within the Klimatmärkning label in Sweden

Klimatmärkning is a climate label for food developed by two certification bodies, KRAV and Swedish Seal, and officially launched in June 2010. It is managed by these two organisations in cooperation with several major Swedish food companies: Milko, Lantmännen, the Federation of Swedish Farmers, Scan and Skånemejerier. The label covers the food chain from farming to the sale of the produce. KRAV integrates the criteria into existing criteria for organic production and does not identify the products as specifically climate certified. Few products certified as of most recent status report in 2012. There has been an attempt to recognise equivalent certification systems.

Transportation criteria in the standard are as follows:
- Carbon emissions from the transportation of climate certified products must not exceed 0.25 kg CO2e/kg goods
- Carbon emissions from transportation of fresh vegetables that can be produced on a regional scale shall not exceed 0.10 kg CO2e/kg goods.

A concession has also been made for products from countries with low Human Development Index (HDI): limit value for the maximum carbon footprint related to transport is abolished for countries with very low HDI (<0.7).

Source: http://www.klimatmarkningen.se/

In January 2007, Tesco announced "a revolution in green consumption" and pledged to put carbon footprint labels on all 70,000 of the company's products, working with the Carbon Trust. But by January 2012, when only around 500 products were labelled with carbon footprint information, the company announced that it was abandoning the scheme and would phase out products already containing the information, blaming the amount of work involved and other supermarkets for failing to follow its lead.

Private governance initiatives in Europe in support of local food are highly relevant to developing countries in terms of **access to export markets**. Exporters have been wary of 'food miles' debates and 'buy local' campaigns, even though local and global production can be mutually reinforcing (Box 9).

Box 9: 'Global' and 'local' can be mutually reinforcing in the market: the case of asparagus

Asparagus is emblematic both as 'global' and a 'local' product. In the UK the 'global' product is mainly imported from Peru. Production in Peru generates high revenues and employment - 10,000 jobs alone for the largest grower/exporter. The crop generates controversy around sustainability issues, especially labour, embedded water and air-freight. Peru's production is approximately counter-seasonal to the Northern hemisphere: asparagus production increases from August/September until February/March, when production starts to diminish because of lower temperatures. But it does compete with the Northern season. The Peruvians are reported to be "keeping their eyes on the US 'buy local' movement, which could pose a serious threat to their sales in that market"[81] . And in the UK there has been criticism of supermarkets for selling Peruvian product in the season when local product available, even in heartland of asparagus production.[82] But in the UK the global product appears to be supporting growth of the whole sector, including the local; the market for the UK product has also boomed both in volume and proportion of population who consume it. The local product is promoted heavily in season. Some companies operate on both sides of the market; Barfoots started as a UK grower and is now a grower in Peru and Senegal and has grown to be the UK's leading importer and category manager. The UK product is harvested mainly by migrant labour, raising interesting questions about the comparative economic performance of local vs global.

Impacts of **climate and transportation labels** have been negligible even for developing countries dependent on air freight for high value exports, such as Kenya and Peru. Companies have appreciated that transportation is (a) largely a poor proxy for climate impact; the removal of transportation (food miles to zero) would yield GHG savings from overall food system impact by only about 5 per cent; (b) that blacklisting air-freighted produce from poor countries with very low emissions[83] raises serious questions of equity (Garside et al., 2007); (c) that 'local' food may have higher environmental impact (grown under glass, higher nutrient applications etc.); (d) that 'local' food may be grown with non-local inputs (fertilizer, seed and labour) (Plassmann & Edwards-Jones, 2009); and (e) that "grams of CO2 per serving" does not mean much to customers and does not help consumer choice. Personal communications from retailers reported that 'by air' 'or flown' labels may even have increased purchases, with the label being

[81] http://vegetablegrowersnews.com/index.php/magazine/article/Has-Peruvian-Asparagus-Peaked

[82] "Tesco under fire for selling asparagus from Peru... in town famous for producing the vegetable" http://www.dailymail.co.uk/news/article-1277180/Tesco-selling-asparagus-Peru--town-famous-producing-vegetable.html

[83] Per capital emissions in Kenya are calculated as 0.3 tonne CO2e, compared to 10. for the UK and 0.62 – 2.2 for stable CO2, falling to 0.32 by 2030 (Garside et al., 2007; Chi et al., 2009).

seen by consumers as a sign of freshness. The Tesco decision is also recognition both of the high cost of establishing carbon footprint. Overall we can observe that labels associated with transportation and associated GHG emissions have been a weak driver of consumer choice within mainstream food system and are a declining force in Europe.

5.4.2 Private governance initiatives that support the globalisation of food chains

Business to business (B2B) sustainability standards

There is a transition underway in mainstream food business, from ecolabels that guide consumer choice to B2B standards aimed at brand protection, by ensuring that supplies reach a threshold of performance across multiple criteria of sustainability, such as Walmart's Sustainability Index and Unilever's Sustainable Living Plan. B2B standards and SCP instruments (see sub-section 2.8) are converging towards an integrated set of metrics for sustainability in mainstream food trade, in which transportation externalities will be subsumed.

Developing countries as export markets for agrifood production

Developing countries are important commercial markets for some European agri-food production, especially in poultry, beverages, dairy and cereals. Commercial strategy can result in products being exported to developing at very low prices.[84] A well-documented example is poultry, with frozen chicken wings, necks, carcass, and rumps being exported from the EU (as well as Brazil and Thailand) to West Africa. Those cuts are less preferred by European consumers and become by-products of processing for chicken breast and to a lesser extent legs.

Foreign direct investment in production, processing and retail

For European agri-food companies – including producers, manufacturers and retailers – the strategic importance of developing countries has increased as sites of production, sales and investment.

Concerns for competition for supplies from emerging economies, plus climate change, have rung alarm bells in food manufacturers about the risk of relying on free trade to secure **supply**. The strategic value of farmland in developing countries has increased. Corporate acquisitions of farmland ('land grabs') have received much attention. The figures for recent corporate

[84] In the case of Senegal, imported chicken in ca. 2003 (though the exact year of data collection is unclear) was reported as landing at 250 FCFA/kg (0,38 €). After taxes and import margins, it was being sold for less than 1000 FCFA/kg (1,50 €/kg) on the market (Dorémus-Mege et al., 2004)

investments in land however do not present evidence of large shift into land acquisition for food production. Most of the confirmed land deals for agriculture are for production of biofuels (around 75%) (van Vlerken et al., 2011) underpinned by European renewables policy.

Investment in farmland for biofuel production can have major impacts on food security especially in net food importing countries (Oxfam, 2012).[85] The policy coherence report produced for the EC concluded that in the overall trend of large-scale land acquisition,

> *"a clear link can be established between the EU bioenergy policy and the strong interest of European companies to acquire agricultural land in developing countries, especially in Africa. This also entails that the development of conventional biofuel production has an impact on access to natural resources, such as land and water and often leads to an increase in land concentration to the detriment of smallholder farming practices" (European Commission, 2013).*

Rather than ownership of land assets, European companies have also invested in securing production through **non-equity ties** like contract farming and production standards (Hebebrand, 2011). Such FDI in production without owning land assets is of much greater importance than outright ownership of farmland, and often focused on cash and export crops rather than staples, including in food-insecure countries (Heumesser & Schmid, 2012). There are large potential benefits in accessing technology, technical support and higher value markets via 'inclusive business' approaches, though policy plays a critical but understated role in tipping investments in support of or against small-scale producers and women (Vorley & Cotula, 2012).

Markets at the 'base of the pyramid' (BoP) have been attracting multinational companies such as Unilever, especially in food products - a market calculated to be worth nearly US$3trillion (Hammond at al., 2007) – and companies are adapting marketing and sales approaches to reach the BoP.

FDI in food manufacturing and retail in developing countries has received widespread attention from the development community, because of its opportunities (for employment, economic development, formalisation and upgrading), but also for loss of employment in small-scale processing and petty retail, and consequences for agriculture as suppliers. The extent of

[85] In October 2012, the European Commission published a proposal to limit the use of food-based biofuels and to include ILUC emissions when assessing the greenhouse gas effect of biofuels. The use of food-based biofuels to meet the 10% renewable energy target of the RED would be limited to 5%. The measure was not passed into legislation.

European retail FDI in LDCs, and therefore its influence on producers and consumers, can be overstated; investment is attracted to countries with sufficient purchasing power as well as the transportation and IT infrastructure that underpins modern integrated supply chains (Tanner, 2004). In poorer countries global retailers like Carrefour, Ahold, Tesco and even WalMart have struggled to compete against more agile local competitors.

FDI and direct investment in modern food retail play a role in shifting consumer behaviour and 'regoverning' parts of agricultural production (Box 10), which can - at least temporarily - drive the same wedge between consumption and domestic production drive as imports. For example in Indonesia, Natawidjaja et al. (2007) observed a wide gap between supermarkets' needs and what the local supply base was able to supply, especially for fresh produce. The retailers cited problems of availability, quality, consistency of local supply, postharvest handling. Imports from China and Thailand have been filling that gap.

Box 10: The significance of supermarket FDI in countries with large populations in agriculture and informal retail

Source: Vorley, 2008

There are genuine potential benefits from retail FDI. These include the upgrading of supplier competencies (also towards export competencies), and spillover into traditional markets, in terms of quality, food safety, and closer links between producers and consumers. When modern retail moves into countries with high proportions of the population engaged in agriculture, and also large informal trading and retail sectors, the numbers of potentially affected people are enormous. In India, where fierce debate still surrounds the liberalisation of retail FDI, there is a total agricultural labour force of over 300 million. And the Indian retail sector, dominated by very small independent 'kirana' stores, is the second biggest employer after agriculture, with around 42 million jobs that account for 14 per cent of GDP. The traditional retail and informal trade sector are the first to feel the effect of "supermarketisation". So any policy changes that affect the structure of grocery retail in India are inextricably linked to development and poverty reduction.

5.5 Summary – impact on developing countries

Developing countries are particularly sensitive to regulatory and private governance initiatives in industrialised countries that suggest local preference. But how much are the policy instruments and private sector strategies in support of local food in Europe actually constraining trade and influencing the performance of agrifood chains in developing countries?

The consequences for developing countries of the European regulatory and private governance determinants set out in Sections 2-4 fall into two distinct categories, with one of much greater significance than the other.

Scenario 1, of European regulatory and private governance promotion of **local food chains**, has only minor impact on the performance of developing countries' food chains, including access to markets in Europe or elsewhere. EU trade regulations forbid explicit local preference rules in public procurement, and expansion of the scope of the EU Ecolabel to incorporate food – including transportation elements – is stalled by a dearth of robust science. Attempts by mainstream food businesses to support consumer choice around reduced transportation externalities (including airfreight) and/or greenhouse gas emissions have not resonated well in the market. Fears in developing countries that 'food miles' and related carbon labelling would become another non-tariff barrier (eg. Muuru, 2010; Macgregor, 2010) have not materialised.

This may change with the growing importance of business to business sustainability standards such as Walmart's Sustainability Index and Unilever's Sustainable Living Plan, and emerging public policy support for environmental footprinting of products to drive improved resource efficiency in the European food chain (sub-section 2.8).

Scenario 2, of European promotion of **global food chains** - especially driven by private sector strategy - has potentially a much greater effect on the performance of developing country food chains. Those impacts must be taken into consideration as context when looking at impacts of promotion of local chains, and in seeking policy coherence in Europe across regional development, agriculture, trade and investment, and aid. The 'global' is turning up in the 'local' as agrifood imports and FDI in production, processing and retailing.

Large amounts of private investment in developing country agriculture and agri-food sector is required over the coming years to meet food demands in terms of quantity, quality and shifting patterns of consumption. Developing economies now account for more than half of global FDI, around 12 per cent of it going to Africa. So while CAP measures may be "continually evaluated

for their policy impact"[86] and while civil society attention is focused on trade policy and dumping, these private actions - widely supported by development aid - are part of a historic restructuring of food systems in developing countries with little in the way of analysis or transparency. That restructuring extends into the markets of the poor, where Dutch onions and North Sea fish find their way into the informal markets of Dakar and Lagos. The question is whether agri-food FDI supports the performance of local food systems in the direction of food security, resilience, poverty reduction, nutrition, and accessibility or drives exclusionary food systems.

Consumption impacts on developing countries can be just as important as production impacts. European and global agri-food companies are bringing cheap and competitive products - food and feed - into local markets, though not 'dumped' in the classic sense. With rapid urbanisation and with many rural smallholder households in a position of net food buyers, strategies that improve availability, affordability, convenience and assurance, can have a widely positive impact on household food security.[87] They can also have profound impacts on diet that are difficult to reverse. Alarmed by the rise in obesity and malconsumption in Peru, the promotion of the 'Andean Diet' by the government and some NGOs has to compete against a preference for *comida chatarra*: industrial processed food containing large amounts of fats, sugar and salt. Peru is host to both a booming local gastronomy and gastro-tourism movements, and an ascendant 'global diet' of processed industrialised food.

This transformation in consumption can drive a disconnect from domestic production, and put a brake on the emergence of commercial domestic production and processing sectors. Growth and urbanisation may then fail to drive the expected dividend in rural spaces, leading to deepening inequalities between urban and rural. This is a critical but under-researched area of development and food policy.

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[86] The instruments of the Common Agricultural Policy, while aimed at developing the EU farm sector, are also "designed to minimise the impact on markets and producers in non-EU countries." CAP measures, including the post-2013 reform proposals, are "continually evaluated for their policy impact. Every two years the EU produces a report on progress vis-à-vis its commitment towards Policy Coherence for Development (PCD), a requirement enshrined under the Lisbon treaty.

[87] In Guatemala, according to a study of volatility in food prices, rising prices, especially of food, drive rural migration to urban areas in search of employment (Hossain and Green, 2011).

The elaboration of national strategies for protecting local markets by managing imports in sensitive sectors, in the light of national aspirations for local sector development, has become a priority across a number of sub-Saharan African countries. There are balances to strike between interests of poor urban consumers and rural producers, and between protecting a sector via trade measures or investing to improve its competitiveness. Senegal's Agency for Market Regulation is a case in point (Box 11); with onions the government uses seasonal import restrictions when local production is available plus a range of measures to improve the competitiveness of the sector including investment in storage infrastructure.

Box 11. Protecting local production from the global: Senegal's Agency for Market Regulation
Source: Interviews; AgriTrade CTA

Senegal still imports 60% of its basic food products, with rice, onions and poultry, powdered milk and tomato paste high on the list. World price shocks can then be felt directly in local markets, as was the case with rice in price crises of 2008. But some significant progress has been made in selective use of trade policy measures to support the domestic sector, particularly due to the creation of the Agency for Market Regulation (*Agence de Régulation des Marchés* ARM) in 2002. Seasonal import restrictions have created commercial space for investment in development of the sector, did not permanently inhibit trade (AgriTrade). The ARM has the power to impose temporary import bans to support national production and regulate prices. Those controls have increased production of onions, tomatoes, and milk while a ban on poultry imports since the avian flu has contributed to the sector's development. However problems with importers and retailers still persist and prices often increase because of speculation on availability of this product. Dialogue and consensus seeking bodies like the 'inter-professions' have been set up for the main commodities, but trying to harmonise interests of all actors in the chain from national producers, to importers, food processors and retailers has not been easy.

For regulation of FDI in agricultural production in the interest of equitable and sustainable development, countries can put policies in place to ensure local control over land and resources, land access conditions, regulation of investment, and oversight of contract farming and supply chain relations (Vorley & Cotula, 2012).

Beyond the two scenarios, there remains the question of how open European markets are to **import from developing countries**. A big shift in the debate about market access over the past decade has been from concerns over tariffs and tariff escalation - whereby tariff rates increase with the degree of processing - to concern over **non-tariff measures** (NTMs), put in place to

assure imported products comply with the same standards and regulations as domestic products. NTMs are acknowledged to be more important than prevailing tariff rates in obstructing trade (OECD, 2013), and more serious impediments to developing countries' diversifying into exports, especially of processed foods (Mohan et al., 2012). The combination of these NTM rules with trade agreements becomes more onerous as the degree of processing increases.

Especially significant NTMs for developing countries are as follows:

- **EU rules of origin rules**. Those relating to traceability that determine whether a product can be deemed to come from a particular country for trade purpose under the European Union Generalized System of Preferences (GSP).
- **Country-of-origin labelling**. Under EU legislation country of origin information is mandatory for beef, veal, fish and shellfish, wine, most fresh fruit and vegetables, honey, olive oil, and poultry meat imported from outside the European Community
- **Food safety standards** (**6.1.1**, *Section 5*).
- Public Policies in support of **sustainable production and consumption** (SCP) (**6.1.1**, *Section 5*)
- **Private 'sustainability' standards**

It is clear that EU implementation arrangements and standards - both public and private - continue to be an ongoing challenge for developing country exporters. Many have nevertheless successfully entered the demanding European seafood and fresh fruit and vegetable markets. In principle, private standards can benefit exporting countries, offering policy makers an opportunity to use the power of the market to support national policies to improve the safety and sustainability of agricultural production. And there have been serious efforts to make private standards and certification for safety, 'sustainability' and traceability work better for developing countries. But they can still be particularly problematic for smallholders because the implementation of standards and certification is far from scale-neutral.

In the big picture, the relative importance of Europe as an export destination for developing countries is declining. Exporters are looking to emerging economies of BRICS, Gulf States and others, as well as local and regional markets, as alternative markets which are profitable but are less demanding in terms of NTMs.

6. Final conclusions and reflections

The analysis of international and EU public policies, public-private and private governance, and their implications for food chains and food chain performance are presented this report. The final section examines the broader implications and impacts of international and EU food related policies and the actions of international and European corporations in entering overseas markets, as both buyers and as sellers, upon developing countries' producers and consumers and their food chain participation, both local and global. From these foregoing analyses we can draw some concluding observations and reflections about contemporary developments in the governance of food chains and the links to public policy activity, and how these developments relate to the performance dimensions.

The global dynamics of food trade means that the recent concern over subsidy supported dumping of European food onto developing country markets is now being replaced by growing awareness of the market penetration and pre-eminence of the corporate led integrated food chains (from Europe but also beyond). This is efficiency characterised as chain length integrated logistics with high level specifications and standards attuned to specific market needs and expectations and supported by targeted marketing and advertising. The concept of the value chain both within firms and along supply chains has sought to incorporate and promote these integrated approaches to more efficient production and management. Economies of scale allow for market penetration at the bottom of the pyramid in developing countries, from the eastern parts of Europe through to sub-Saharan Africa, through lower cost and guarantee of supply. These characteristics collectively explain the market presence of imported fresh produce or frozen meat cuts alike across both developed and developing countries.

The characteristics of food chains are being refined along sustainability dimensions, as well. Both public policies and private governance standards are defining these. Food safety and public health regulation was a focus of EU food policy activity and food law revision in the 2000s. The European Commission has sought to extend the reach of its treaty based policy competencies to encompass nutrient composition and diet through the encouragement of

voluntary measures as well as regulation. The environmental footprint of food products is being measured with European Commission intervention establishing guidelines for a common methodological approach based on life cycle assessment for both processes and products in collaboration with other private and international standard setters. The promotion of the circular economy concept by DG Environment is focusing upon sustainable food systems as one of its priority areas for making resource efficiency gains, notably on food waste. Ethical dimensions such as a strategy for improving animal welfare are part of the EU's food policy and governance agenda. At the same time, the Commission maintains a watching brief on private sustainability labels and standards in the European market place. Corporate social responsibility is also under the watch of the Commission officials. Labour standards and working conditions along all supply chains, global and local, are seeing increased regulatory and public scrutiny. In complex food supply chains this is but the beginning of a more demanding process of transparency and accountability for industry. Yet such advances and transitions towards a more sustainable food supply can throw up further inequalities between those who are integrated into the corporate buyer led supply chains and those who are not, and for those developing countries who see such standards as non-tariff barriers to market entry. However, the increasing attention being paid by both food manufacturing and food retailing corporations to such standards through their own supply chains suggests that they will be an entry condition of global supply chains, and not just to the European market.

At the European Union level the key driver for this policy and governance activity is the development and stability for the European market and the belief that this is dependent on economic growth and upon the international competiveness of European industry and producers in the global market place. Within the European food and agriculture industry sit a vast number of SMEs and small agricultural producers and their position and survival within the contemporary food economy is a particular concern for EU policy makers. The promotion of local food chains is a focus of EU Rural Development Policies. This promotion involves the development of markets for local food, both via public procurement (in a disguised fashion) and through the promotion of locality food, with geographical specificity and other local attributes in quality terms, and relying upon labelling and other marketing instruments to add value. Both GIs and rural development identify local and short food chains as an important economic and social output with value to the locality from which they are based or originate. The value chain

concept is applied to developing country origin labels promoting locality foods rather than just local foods.

The moves to improve the competitiveness of the EU food industry have led to policy attention on supply chain relationships and the distribution of value and of fair trading practices between buyers and suppliers in food chains. Again policy actions have been voluntary, to date. The role of corporate led power by buyers in their relationships with suppliers, particularly food producers, is a recurring area of concern for producers and policy makers alike. Yet, the same corporations are able to get their interests represented and addressed individually or through trade association participation in the policy making processes, notably through the public - private governance platforms, reinforcing the influence that their structural economic position and exercise of private governance along supply chains already afford. The policy challenge remains, in both Europe and in developing countries, as to how to support small producers and processing companies to survive in the contemporary food economy, and how to guarantee fair working conditions and wages for employees. These social and economic imperatives alongside the environmental and health impacts remain a major public policy challenge in the transition to more sustainable food chains.

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