

EuroCommerce's Feedback to the Commission's Roadmap on a Contingency plan ensuring food supply and food security

Throughout the ongoing COVID-19 crisis retailers and wholesalers have played an essential role in ensuring continued provision of an essential service to citizens and support society through the pandemic¹. The food supply chain was under significant strain during the first wave in spring 2020 as citizens horded to the shops to stock up on foods, while at the same time, member states started to impose restrictions to the free movement of goods and people in the internal market, leading to significant disruptions in the supply chains. Through intense cooperation in the chain and with the support of the Commission's Green Lanes initiative it was possible for retailers and wholesalers to keep their shelves stocked and continue to serve citizens. We very much agree with the Commission that there are lessons to be learned from these experiences, and EuroCommerce welcomes the opportunity to provide feedback to the Commission's roadmap on a contingency plan for food supply and security.

Lessons learned through COVID-19 – Best practices

Green Lanes initiative

The importance of the **Commission's Green Lanes initiative** cannot be underestimated in this context. The EU's single market for food is very integrated and any disruption in one member state/at one border has knock-on effects throughout the whole chain. Keeping the borders open for goods and essential workers is therefore vital at any point in time, and especially in the time of crisis. This initiative should be highlighted and kept in minds as a best practice which can serve as inspiration for the contingency plan going forward.

Flexibility

We also highly value the **flexibility** given throughout the crisis on for instance frequency of (physical) food safety controls and the increased **digitalisation** of several administrative processes including food safety audits and controls. While we continue to support effective control systems to maintain the necessary standards and keeping consumers safe, it is our opinion that this flexibility has worked well, primarily because of the continued risk-based control of food businesses. As such it should be an aim to keep the administrative burdens at as low a level as possible also after the crisis.

Despite the measures taken, considerable pressures remained on the EU food industry. This has impacted the sourcing of raw materials or ingredients for the production of certain foods. In addition, the supply of packaging material has also experienced delays. This has affected the ability of the EU food industry to efficiently comply with all EU food labelling provisions (e.g. language, QUID, list of ingredients, origin).

On this basis and with a view to secure adequate food supply for the EU market, temporary flexibility regarding application of EU food labelling legislation, with the exception of food safety-related issues, such as allergen information has been agreed by some members states. This approach was very helpful and should be considered during future crisis if similar sourcing challenges occur.

Several **competition authorities also issued statements** allowing actors in the food supply chain, both horizontally and vertically, to work closer together and share more information than in normal times. The certainty and in some cases increased flexibility these announcements gave to the operators was extremely helpful and made it possible to swiftly adapt supply chains to the dramatically changing needs. We do however wish to underline, that **these exemptions to competition rules should**

¹ Our [COVID-19 webpage](#) features best practices and initiatives taken by our members during the crisis.

continue to be strictly limited to the necessary, both in time and in scope. Broader long-term exemption to different aspects of competition law for the agri-food chain is not in the long-term interest of either the farmers, the business communities, nor the consumers.

Lessons learned through COVID-19 - Areas for improvement

Patchwork of requirements

Despite the good efforts by the European Commission to ensure coordination, in many places, member states have imposed **widely differing requirements on retail and wholesale operators** throughout the crisis. This patchwork of requirements has made it extremely difficult and resource consuming for our members to keep their stores open in a compliant manner. One example illustrating this well is the different requirements retailers and wholesalers are facing with regard to the number of customers they can have in a store per square meter. This varies from 1 customer per 4 square meter in Denmark, to 1 customer per 20 square meter in Portugal.

We do understand that a certain degree of flexibility is needed to cater for different epidemiological situations and infection rates. However, retailers and wholesalers in certain member states have been facing constantly changing and sometimes disproportionate measures. We would strongly recommend the Commission to foresee further coordination and communication between member states regarding the practical imposition of (health/safety) requirements on businesses in any future crisis. Such measures should be as much as possible based on scientific evaluation. Where needed, the Commission could ask the European Center for Disease Prevention and Control (ECDC) for such advice. Especially it would be very helpful if member states would have a forum to agree on which steps to take when certain thresholds are reached. This would give businesses as well as citizens clarity on what to expect and prepare for as the crisis develops. Some member states have indeed developed such **“step” approaches** within their territories, which have been helpful for their business communities.

Local sourcing requirements/demands for self-sufficiency

During the spring, some member states imposed **local sourcing requirements** on retailers or in other ways strongly encouraged local sourcing. Retailers are already sourcing many products locally to cater for customer demand for these products and to support the local farmers and communities. The retail sector did a big effort to take on the volumes of local supply usually going to local street markets or to the HORECA sector. However, local sourcing at scale may go against single market rules and principles and is simply not possible to meet demand in some product categories. Furthermore, we welcome the current consultation on origin labelling rules under the revision of the Food Information Regulation. We stress the importance of a more consistent approach to origin labelling within the EU, so as to maintain the integrity of the Single Market, and to allow for further flexibility at times of crisis when normal supply is jeopardised, as experienced at the beginning of the Covid-19 pandemic.

The developments of prices during the spring and summer 2020 in the member states that imposed or encouraged local sourcing also shows the inflationary effect such requirements can have on consumer prices². **We welcome the Commission’s strong approach towards the member states who imposed disproportionate minimum local sourcing requirements and infringed EU Single Market rules.** We encourage the Commission to continue this approach and ensure that guarding the single market becomes an integral part of the contingency plan.

The crisis has also led to calls for **self-sufficiency and reshoring of the food supply chain**. While we recognise the importance of safeguarding security of supply and resilience of the food supply chain, we wish to underline that the EU is a net exporter of agri-food products and that the crisis measures did not result in major disruption in the chain. Furthermore, the most important aspect in achieving this goal is to ensure sources of supply are sufficiently diverse. **Free trade agreements and open global markets for agri-foods is essential** in this regard and imports from third countries as well as trade within the internal market should and will continue to be an important part of the food ecosystem in the EU. Only by relying on different sources of supply can our food system be resilient to shocks and new crisis. We recommend that this perspective is well reflected in the contingency plan. We would also recommend that any trade restrictive measures are announced in a way that reflects the need for certainty and predictability for both importers and exporters who risk ending up with stock that

² For example, French strawberries were several times more expensive than Spanish strawberries, however French consumers were only able to access the French ones.

has been ordered and cannot be placed on the market. In case restrictions are announced on a short notice, compensation schemes should be considered and available to operators both directly and indirectly affected by restrictive measures.

Access to support for indirectly impacted companies

We would like to use this opportunity to applaud the Commission for the swift adoption of the new Temporary Framework for state aid and the quick handling of requests from the member states to support the companies impacted by the restrictions imposed to control the spread of the virus. The fast response and the flexibility shown has been essential to keep the economy afloat during the first wave. Nevertheless, it has come to our attention that particularly during the second wave many of our members were struggling to access badly needed support measures following a narrow interpretation of **article 107.2b TFEU**, which has the effect that only companies closed by government order can access funding granted under this article and limited thresholds for government support in the context of the temporary framework.

This is highly problematic particularly for food wholesalers and other suppliers and service providers to the HORECA sector. These companies are not closed by government order, but their most important customers are closed, meaning that they have lost a significant part of their turnover. These actors can only access support measures granted under the temporary framework and hence treaty article 107.3b, which is limited to €800.000 or in some circumstances €3 million in fixed costs per company. These amounts are by no means near compensating for the losses faced by large companies supplying the HORECA sector. We encourage the Commission to reflect on how this situation can be improved immediately, but also in the long-run and in the context of the contingency plan.

Set-up of contingency plan and mechanism

We support the idea of setting up a permanent forum for exchange and coordination between Member States.

We support the suggestion to include, in this forum, relevant European stakeholder associations representing sectors / operators that have played a key role during the Covid 19 crisis, including retail and wholesale. Involving stakeholders would ensure that the forum has access to updated data, experiences and best practices fast throughout the crisis. It would also facilitate the sharing of information and decisions taken by the forum as the stakeholder associations can play a disseminating role.

Through the deliberations we would ask the Commission to consider how this new forum can work together with and draw on the experiences from the existing fora, such as for example the market observatories, and to ensure that all relevant Commission Directorate Generals are involved, e.g. also DG GROW and DG COMP.

The role of the forum should be limited to a response mechanism focused on coordination of measures in case a major crisis arises. It should seek to achieve a harmonised approach as much as possible to keep the single market open during any new crisis. It is also important to ensure that any future mechanism should build on risk management structures within businesses; these are already in place and efficient. It should not seek to establish entirely new structures.