



EUCLUSTERS



TALKS ★



**EUROPEAN CLUSTER
COLLABORATION PLATFORM**

Responsible and sustainable agri-food supply chain solutions

Summary

27 April 2022



EU Clusters Talk “Responsible and sustainable agri-food supply chain solutions”

The European Cluster Collaboration Platform organised this meeting for the European industrial stakeholders to speak about the current situation and sustainability of the European agri-food ecosystem on 27 April 2022, 8:30 – 9:30 CEST. The aim of the Talk was to inform the cluster community about policies that address disruptions in supply chains, activities that aim at improving the sustainability of our food systems and learn from clusters about what is needed for the green transition.

Agenda of the meeting

Moderation: Živilė Kropaitė

1. News from the European Cluster Collaboration Platform
2. Current situation in the EU agri-food ecosystem
Maive Rute, Deputy Director General and head of the Task Force for Supply Chains at Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), European Commission
3. Challenges and solutions in the agri-food ecosystem and the EU Code of Conduct
Dirk Jacobs, Director General, FoodDrinkEurope
4. Panel debate: How can the agri-food ecosystem become more sustainable?
Armands Lejas-Krūmiņš, Project Manager, Latvian Federation of Food Companies
Eugénie Cornu, International Project Manager, Pôle de Compétitivité Vitagora
Kristina Šermukšnytė-Alešiūnienė, General Manager, AgriFood Lithuania DIH
5. Funding opportunities

1. News from the European Cluster Collaboration Platform

Živilė Kropaitė, presenter

After the introduction, Živilė Kropaitė presented the following news items:

1. Save the Date for the [European Cluster Conference](#). The Conference will take place on 26th and 27th September 2022 in Prague, Czech Republic.
2. [Survey on cluster managers skills](#) for Cluster Booster Academy. The European Cluster Collaboration Platform invites cluster managers to fill out the survey until 19th May. The results will have shape the academy.

2. Current situation in the EU agri-food ecosystem

Maive Rute, Deputy Director General and head of the Task Force for Supply Chains at Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), European Commission

Starting her keynote address, Maive Rute explained that Europe is currently dealing with several critical issues which are making the functioning of the businesses more difficult, which include the

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loss of input and the loss of export markets due the war against Ukraine, rising (energy) prices, and disruptions in supply chains. However, she made clear that they do not foresee any food security threats in the European Union.

She explained these critical issues that they are dealing with in the Task Force for Ukraine:

- **Wheat:** While Europe is largely self-sufficient in key agricultural products, Russia and Ukraine are key exports for the global wheat market. They supply 29% of global wheat exports, which is why international wheat prices are increasing.
- **Animal feed:** The European Union is reliant on imports from Ukraine. The European Commission is supporting to get Ukrainian exports going again. EU producers are looking for alternative supplies.
- **Fertilizers:** Russia and Belarus accounted for 30% of fertilizer inputs. Now, organic fertilizers are making a comeback and the industry is looking for new solutions. There is also a push for more innovative solutions to extract material from wastewater.
- **Sunflower oil:** This key ingredient for food processing will become scarcer during the next months, and prices are increasing. The industry is looking into replacements. The European Commission is also working on labelling.
- **Energy:** The high prices of energy and other raw materials such as wood have already a big impact on food production costs. We can see direct impacts, e.g. vegetables grown in heated greenhouses, and indirect impacts, e.g. in packaging because of the high prices of steel and wood.
- **Loss of EU export market:** Russia was the 6th destination of agri-food exports, both food and agricultural machinery.

The European Commission has been working to develop targeted actions to respond to these challenges. The Commission has supported Ukraine to implement short- and medium-term food security measures, helping Ukrainian farmers to work their fields. There will be market safety measures to support specific markets. Member States will also have the possibility to deviate from certain greening obligations this year so that more agricultural land could be used.

Maive Rute further explained that they have been working on a “European food security, crisis preparedness and response mechanism”, which brings together European and national administrations and private actors throughout the whole supply chains. Furthermore, the temporary framework for State Aid has been extended so that Member States can grant support to energy-intensive and food industries. She also said that the European Commission has allowed some flexibility in the enforcement of food labelling provisions, which is of interest for cases where ingredients need to be changed.

Regarding the Single Market, Maive Rute stressed that it is of utmost importance to keep the Single Market fluent. The Commission is working on the Single Market Emergency Instrument to strengthen coordination and preparedness. She invited the participants to respond to the public [call for evidence](#). They also work with Ukraine to accelerate their access to the Single Market.

Maive Rute explained that it is important to have a sustainable vision for our food systems, which is where the EU Code of Conduct for Responsible Food Business and Marketing Practices. The aim is to help the industry with the transition to more sustainable practices. Its key value is in its focus of collaboration. The Code will present future opportunities for partnerships and collaboration. In addition, DG GROW offers support mechanisms in form of the Enterprise Europe Network, the European Cluster Collaboration Platform, and the European Resource Efficiency Knowledge Centre. They are working on adding a database with best practices as a source of inspiration.

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3. Challenges and solutions in the agri-food ecosystem and the EU Code of Conduct

Dirk Jacobs, Director General, FoodDrinkEurope

Dirk Jacobs used the expression of “4C Crisis” to explain the current situation of the food industry, which are the aftermath of the covid pandemic, conflict of war, climate change, and costs. He highlighted that the industry has been suffering from price pressure since 2007/2008, which shows that different crises have already had an impact on food. This momentum in which we are now makes is difficult for businesses to operate. However, the four C’s show the importance of making our food systems more resilient. In the end, a resilient food system is also a sustainable one. Dirk Jacobs emphasised that now, even more than before, we should accelerate the actions for sustainability and stick to the objectives of the Farm To Fork Strategy, to which they are very committed. Even though there have been discussions in the past weeks whether the sustainability goals should be abandoned, he stressed that the green transition is an opportunity to tackle the crises and to rethink the ways in which we are producing food in new environments.

To not lose the competitiveness of our food industry, we need to act on the objectives laid out in the Farm To Fork Strategy and to work towards the aim to become the first climate-neutral continent by 2030. He said that this is easier said than done, especially since 99% of the companies in the sector are SMEs, and a vast majority are micro enterprises. They need support to deal with the increase in import costs and energy prices on the one hand and the investments for innovation on the other hand. Companies are currently searching for different export markets and different types of packaging.

In the immediate term, the companies will need liquidity support, e.g. in the form of loans, on which the European Commission has already worked. For the medium and long term, the objectives of the Farm To Fork Strategy and the Green Deal count, and the Code of Conduct can help to get there. Instead of regulation, this is a common document of different stakeholders about the future of the food system in Europe. He underlined this with numbers about the contractions of people in the world and in Europe suffering from hunger and the food waste at different stages in the supply chain. The approach taken by the Code of Conduct encompasses the different stakeholders. For example, the farmers need to be rewarded for sustainable solutions, and consumers nudged to choosing sustainable options. The food processing industry is working to promote regenerative farming.

Dirk Jacobs stressed the importance that companies and associations can put forward their commitment and that the business and policy agendas need to be in line. Investments need to be thought in the long term. Europe has achieved significant records in safety and quality of the food industry. The next step is to become the leader in showcasing the sustainability of our food systems. Cluster can help with the business case for sustainability. Furthermore, the food sector should be seen as a priority sector for the energy provision due to its importance for the human well-being.

4. Panel debate: How can the agri-food ecosystem become more sustainable?

Before the beginning of the discussion, the three panellists introduced themselves and their organisations:

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Armands Lejas-Krūmiņš, Project Manager, Latvian Federation of Food Companies

The Food Products Quality Cluster is a multisectoral cluster of the Latvian food processing industry which represents Latvian Food producers from all food subsectors. It was established in 2021 and has 165 members. Its main activities are related to export and internationalisation, since the Latvian agri-food sector relies on exports due to the country's size.

Eugénie Cornu, International Project Manager, Pôle de Compétitivité Vitagora

Vitagora is headquartered in Dijon and has offices in Paris, Japan, and Rwanda. The cluster gathers more than 600 members covering the whole agri-food value chain. They have 17 years of experience and support their members in the daily challenges, growth, innovation, and entrepreneurship.

Kristina Šermukšnytė-Alešiūnienė, General Manager, AgriFood Lithuania DIH

The cluster AgriFood Lithuania was established in 2011 and covers the stakeholders from the entire food value chain – from the farms to the consumers. The cluster is also a Digital Innovation Hub, which is why they work mainly to support the green and digital transition of their members and of the Lithuanian ecosystem.

Open Dialogue

Armands Lejas-Krūmiņš stressed that their work focusses on innovation, for example in circular economy, as innovation will help to find answers to the current challenges. They have regular meetings with their members to bridge the needs of the companies and the European policies. Their biggest problem at the moment is energy and oils, to which there is no quick solution. To solve this for the future, we should enter the discussion of accepting nuclear energy as renewable energy. The cost increase also relates to other solutions like organic fertilizers.

Kristina Šermukšnytė-Alešiūnienė highlighted the importance of the society to bring about change to the food system. She said that the biggest changes come through crises, and that the society is changing their point of view on what kind of food they want to eat. Furthermore, we must turn to the digitalisation of this mostly conservative and less digitalised sector, and work towards higher added value products. Current problems could be addressed with digital solutions, for examples using drones.

Eugénie Cornu agreed to take this situation as an opportunity to improve local production to create shorter supply chains. We should take into account the triangle of sustainability: environment, society, and economics. Economic aspects are important, and she remarked that they need the regional funding to invest in sustainable projects. Furthermore, they work in projects to help African businesses to export to Europe.

The panellists agree that innovations will be the key to the changes, and that the collaboration should not only be among the companies from the sector but should cross ecosystems.

Follow-up

Armands Lejas-Krūmiņš added in a follow-up to the Talk these additional bottlenecks:

- Lack of sunflower oil as an important part in food processing (main importer Ukraine). Other options: Palm oil is more expensive and there is not enough supply. Rapeseed oil is also not sufficiently available to replace sunflower oil because this oil must be a part in diesel fuel (4%). If we stop demand to add rapeseed oil in diesel fuel, it could serve as an alternative to sunflower oil. We could get more oil for food processing and decrease the price of diesel fuel.



- Lack of grain (main importers Ukraine, Russia). Grain is a significant part in many food sectors, especially bread, and it is a significant part of forage for livestock.
- Lack of fertilizer (main importer Ukraine, Russia, Belarus). At this moment, organic fertilizers are not an affordable option as they are more expensive.

Kristina Šermukšnytė-Alešiūnienė added in a follow-up to the Talk these additional bottlenecks, which apply to farmers and agribusiness in agriculture operations (mostly SMEs):

- Disruption in spring planting due to the lack of fertilisers and the rising prices for it. This means two outcomes: much higher production prices and lower harvest.
- Agricultural labour availability (example Lithuania). There are many Ukrainians employed in the agricultural sector (mainly primary production), who returned to fight in the war. This means a lack of personnel for this harvest season.
- Access to and availability of agricultural inputs: fertilisers, restrictions on pesticides, low availability in organic effective fertilisers or very high prices.
- Disruption of logistics and food supply chains
- Rising prices of agricultural land
- Agriculture machinery import restrictions, as still quite a lot of it was bought from Russian and Belarus
- Animal feed production rising prices, as Ukraine is the main exporter of corn in the world. There is a lack of cereals for feed production.
- Dependency on Russian energy is making an energy sector shift with uncertainty and rising prices for energy which directly effects the agri-food sector.

She suggested the following actions as the food system is being changed towards twin transition, but the new geopolitical situation and lessons learned from COVID have made new points. New approaches are needed to ensure food security and to keep food value chains resilient. She said that clusters can play a role in all of the following actions:

- Encouraging and building resilient innovative agri-food ecosystem
- Enable closer collaboration with governmental (regional, local), business, research and community organizations
- Implementing high technologies into the precision farming, livestock, food production, and HoReCa sectors (AI, Blockchain, Big Data, robotics, IoT)
- Opening the data to collaborating governmental organizations, business and research institutions (for example to open the protocols between the agricultural machinery in order to ensure not only the data collection, but also the interpretation between different machinery brands on the farm)
- The ban of the older generation Russian and Belarus agriculture machinery, which is not smart, creates the opportunity for the primary production to change it for new smart generation machinery which collects different data (but it is quite expensive, more could be done in order to help implement precision farming on bigger scale).
- Food production should implement smart production lines. Robotics and AI could be used to achieve higher efficiency (for example test beds could be established), but it requires a great deal of investments.
- Priority to work with value-added products in agri-food sector
- Support the innovations in crucial areas: alternative proteins, sustainable food value chain, food waste, food quality and traceability
- Accelerate innovation through agri-food start-ups ecosystem
- Provide the possibility to create infrastructure for innovations to happen in regions



- Reskilling, upskilling, and new skills to ensure the competences needed to work with new products and technologies
- Support the consultancy services for the agri-food stakeholders on the possibility to participate in clusters activities and join the ecosystem

5. Funding opportunities

Živilė Kropaitė, presenter

Closing the EU Clusters Talk, Živilė Kropaitė presented the following funding opportunities:

From the European Commission:

- [Testing and Experimentation Facility for Agri-Food](#); The selected project will develop reference testing and experimentation facilities with a focus on full integration, testing, validation, demonstration, and where appropriate certification, of advanced AI-based and AI-powered robotics technologies for the agri-food sector; Deadline: 17 May 2022
- [Alliances for Sectoral Cooperation on Skills](#); The Alliances shall implement a coherent and comprehensive set of sectoral or cross-sectoral activities, which should be adaptable to future knowledge developments across the EU; Deadline: 15 September 2022

From cluster partnership:

- [F2F Health Matters: Internationalisation support](#); SMEs can apply to benefit from three types of dedicated internationalisation support: commercial lead support, travel aid, and customised training programme; Deadline: 17 May 2022 for Canada call; 2nd call in autumn 2022; 3rd call in spring 2023